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 September 30, 2019
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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.01 per share	AMAL	Nasdaq Stock Market, LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 November 12, 2019, the Registrant had 31,515,096 shares of Class A common stock outstanding at $0.01 par value per share.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are not statements of historical fact and generally can be identified by the use of forward-looking terminology, such as "may," "will," "anticipate," "intend," "could," "should," "would," "believe," "project," "plan," "goal," "target," "potential," "pro-forma," "seek," "contemplate," "expect," "estimate," "continue," "anticipate" and "intend," or the negative thereof as well as other similar words and expressions of the future. These forward-looking statements include statements related to our plans, objectives, strategies, projected growth, anticipated future financial performance (including underlying assumptions), and management's long-term performance goals, as well as statements relating to the anticipated effects or consequences of various transactions or events on our results of operations and financial condition and statements about the future performance, operations, products and services of Amalgamated Bank ("Amalgamated").

Forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict as to timing, extent, likelihood and degree of occurrence, which could cause our actual results to differ materially from those anticipated in or by such statements. Potential risks and uncertainties include, but are not limited to, the following:

- our ability to maintain our 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;
- 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 investors, our allowance for loan and lease losses ("allowance") and our accounting policies with respect to any of these items;
- our policies with respect to asset quality and loan charge-offs, including future changes in the allowance for loan losses resulting from the anticipated adoption and implementation of the new Current Expected Credit Loss ("CECL") methodology;
- the composition of our loan portfolio and the potential deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses that exceed our current allowance for loan losses;
- the availability of and access to capital, and our ability to allocate 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 and thereafter to successfully integrate any acquisition or merger target;
- time and effort necessary to resolve nonperforming assets;
- fluctuations in the values of our assets and liabilities and off-balance sheet exposures;
- 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, including the effects of the enactment of or changes to rent-control and other similar regulations on multi-family housing;
- 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 tax issues, accounting standards and compliance requirements, whether of general applicability or specific to us and our subsidiaries;
- the costs, effects and outcomes of litigation, regulatory proceedings, examinations, investigations, or similar matters, or adverse facts and developments related thereto;
- risks associated with actual or potential litigation or investigations by customers, regulatory agencies or others;
- 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;
- 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;
- cybersecurity risks, and the vulnerability of Amalgamated's network and online banking portals, and the systems of parties with whom Amalgamated contracts, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect or disrupt our business and financial performance or reputation;
- 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 affect the projected population, residential and commercial growth in the markets in which we operate; and
- descriptions of assumptions underlying or relating to any of the foregoing.

Amalgamated cautions readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance and not to place undue reliance on forward-looking statements. 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. Additional factors that may cause actual results to differ materially from those contemplated by any forward-looking statements also may be found in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and current Reports on Form 8-K filed with the FDIC and available at the FDIC's website at https://efr.fdic.gov/fcxweb/efr/index.html. 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.

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

	September 30, 2019	December 31, 2018
Assets	**(Unaudited)**	
Cash and due from banks	$ 7,016	$ 10,510
Interest-bearing deposits in banks	64,223	70,335
Total cash and cash equivalents	71,239	80,845
Securities:		
Available for sale, at fair value (amortized cost of $1,212,456 and $1,188,710, respectively)	1,225,106	1,175,170
Held-to-maturity (fair value of $22,396 and $4,105, respectively)	21,259	4,081
Loans receivable, net of deferred loan origination costs (fees)	3,500,724	3,247,831
Allowance for loan losses	(33,697)	(37,195)
Loans receivable, net	3,467,027	3,210,636
Accrued interest and dividends receivable	15,932	14,387
Premises and equipment, net	18,912	21,654
Bank-owned life insurance	80,309	79,149
Right-of-use lease asset	49,848	—
Deferred tax asset	32,482	39,697
Goodwill and other intangible assets	20,008	21,039
Other assets	27,647	38,831
Total assets	$ 5,029,769	$ 4,685,489
Liabilities		
Deposits	$ 4,322,379	$ 4,105,306
Borrowed funds	127,775	92,875
Operating leases	64,512	—
Other liabilities	28,791	47,937
Total liabilities	4,543,457	4,246,118
Commitments and contingencies	—	—
Stockholders' equity		
Common stock, par value $.01 per share (70,000,000 shares authorized; 31,633,691 and 31,771,585 shares issued and outstanding, respectively)	315	318
Additional paid-in capital	307,157	308,678
Retained earnings	171,684	142,231
Accumulated other comprehensive income (loss), net of income taxes	7,022	(11,990)
Total Amalgamated Bank stockholders' equity	486,178	439,237
Noncontrolling interests	134	134
Total stockholders' equity	486,312	439,371
Total liabilities and stockholders' equity	$ 5,029,769	$ 4,685,489

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
INTEREST AND DIVIDEND INCOME				
Loans	$ 35,768	$ 33,788	$ 106,623	$ 95,284
Securities	10,542	8,707	30,941	22,325
Federal Home Loan Bank of New York stock	178	161	679	801
Interest-bearing deposits in banks	209	443	756	1,094
Total interest and dividend income	46,697	43,099	138,999	119,504
INTEREST EXPENSE				
Deposits	3,952	2,559	10,396	6,860
Borrowed funds	988	498	4,216	3,104
Total interest expense	4,940	3,057	14,612	9,964
NET INTEREST INCOME	41,757	40,042	124,387	109,540
Provision for (recovery of) loan losses	(558)	791	3,755	(1,124)
Net interest income after provision for loan losses	42,315	39,251	120,632	110,664
NON-INTEREST INCOME				
Trust Department fees	4,888	4,698	14,117	13,983
Service charges on deposit accounts	2,222	2,225	6,161	5,995
Bank-owned life insurance	415	434	1,243	1,237
Gain (loss) on sale of investment securities available for sale, net	(50)	—	(135)	(110)
Gain (loss) on other real estate owned, net	—	—	(564)	(494)
Other	184	190	603	153
Total non-interest income	7,659	7,547	21,425	20,764
NON-INTEREST EXPENSE				
Compensation and employee benefits, net	17,765	17,044	52,187	49,259
Occupancy and depreciation	4,298	4,172	12,714	12,234
Professional fees	3,120	5,243	8,686	10,863
Data processing	2,856	2,787	8,334	7,585
Office maintenance and depreciation	934	796	2,651	2,669
Amortization of intangible assets	344	406	1,031	580
Advertising and promotion	684	1,075	1,998	2,583
Other	1,885	2,530	6,735	7,206
Total non-interest expense	31,886	34,053	94,336	92,979
Income before income taxes	18,088	12,745	47,721	38,449
Income tax expense (benefit)	4,893	3,328	12,527	9,779
Net income	13,195	9,417	35,194	28,670
Net income attributable to noncontrolling interests	—	—	—	—
Net income attributable to Amalgamated Bank and subsidiaries	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Earnings per common share - basic (1)	$ 0.41	$ 0.30	$ 1.11	$ 0.96
Earnings per common share - diluted (1)	$ 0.41	$ 0.29	$ 1.09	$ 0.96

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

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Other comprehensive income, net of taxes:				
Net actuarial loss (gain) on pension plans and prior service credit	46	65	141	194
Net unrealized gains (losses) on securities available for sale	4,300	(2,729)	26,190	(13,190)
Other comprehensive income (loss), before tax	4,346	(2,664)	26,331	(12,996)
Income tax benefit (expense)	(1,218)	733	(7,319)	3,576
Total other comprehensive income (loss), net of taxes	3,128	(1,931)	19,012	(9,420)
Total comprehensive income, net of taxes	$ 16,323	$ 7,486	$ 54,206	$ 19,250

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30, 2019							
	Preferred Stock Class B	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at June 30, 2019	$ —	$ 318	$ 310,186	$ 160,412	$ 3,894	$ 474,810	$ 134	$ 474,944
Net income	—	—	—	13,195	—	13,195	—	13,195
Cash dividend, $0.06 per share	—	—	—	(1,923)	—	(1,923)	—	(1,923)
Repurchase of class A common stock	—	(3)	(3,760)	—	—	(3,763)	—	(3,763)
Exercise of stock options	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	731	—	—	731	—	731
Other comprehensive income, net of taxes	—	—	—	—	3,128	3,128	—	3,128
Balance at September 30, 2019	$ —	$ 315	$ 307,157	$ 171,684	$ 7,022	$ 486,178	$ 134	$ 486,312

	Nine Months Ended September 30, 2019							
	Preferred Stock Class B	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2018	$ —	$ 318	$ 308,678	$ 142,231	$ (11,990)	$ 439,237	$ 134	$ 439,371
Net income	—	—	—	35,194	—	35,194	—	35,194
Cash dividend, $0.18 per share	—	—	—	(5,741)	—	(5,741)	—	(5,741)
Repurchase of class A common stock		(3)	(3,760)	—	—	(3,763)	—	(3,763)
Exercise of stock options	—	—	527	—	—	527	—	527
Stock-based compensation expense	—	—	1,712	—	—	1,712	—	1,712
Other comprehensive income, net of taxes	—	—	—	—	19,012	19,012	—	19,012
Balance at September 30, 2019	$ —	$ 315	$ 307,157	$ 171,684	$ 7,022	$ 486,178	$ 134	$ 486,312

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30, 2018							
	Preferred Stock Class B	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at June 30, 2018	$ —	$ 318	$ 300,913	$ 118,759	$ (13,813)	$ 406,177	$ 134	$ 406,311
Net income	—	—	—	9,417	—	9,417	—	9,417
Acquisition of New Resource Bank	—	—	—	—	—	—	—	—
Retirement of class B preferred stock	—	—	—	—	—	—	—	—
SARs conversion to stock-based options	—	—	6,845	—	—	6,845	—	6,845
Stock-based compensation expense	—	—	386	—	—	386	—	386
Other comprehensive loss net of taxes	—	—	—	—	(1,931)	(1,931)	—	(1,931)
Balance at September 30, 2018	—	318	308,144	128,176	(15,744)	420,894	134	421,028

	Nine Months Ended September 30, 2018							
	Preferred Stock Class B	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2017 (1)	$ 6,700	$ 281	$ 243,771	$ 99,506	$ (6,324)	$ 343,934	$ 134	$ 344,068
Net income	—	—	—	28,670	—	28,670	—	28,670
Acquisition of New Resource Bank	—	37	57,410	—	—	57,447	—	57,447
Retirement of class B preferred stock	(6,700)	—	(268)	—	—	(6,968)	—	(6,968)
SARs conversion to stock-based options	—	—	6,845	—	—	6,845	—	6,845
Stock-based compensation expense	—	—	386	—	—	386	—	386
Other comprehensive loss net of taxes	—	—	—	—	(9,420)	(9,420)	—	(9,420)
Balance at September 30, 2018	$ —	$ 318	$ 308,144	$ 128,176	$ (15,744)	$ 420,894	$ 134	$ 421,028

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

See accompanying notes to consolidated financial statements (unaudited)

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to Amalgamated Bank	$ 35,194	$ 28,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,342	3,036
Amortization of intangible assets	1,031	580
Deferred income tax expense	3,820	9,359
Provision for (recovery of) loan losses	3,755	(1,124)
Stock-based compensation expense	1,712	386
Net amortization (accretion) on loan fees, costs, premiums, and discounts	734	(1,312)
Net amortization on securities	153	392
OTTI recognized in earnings	(1)	2
Net loss (gain) on sale of securities available for sale	135	110
Net loss (gain) on sale of loans	40	464
Net loss (gain) on sale of other real estate owned	564	513
Proceeds from sales of loans held for sale	16,929	2,924
Decrease (increase) in cash surrender value of bank-owned life insurance	(1,160)	(422)
Decrease (increase) in accrued interest and dividends receivable	(1,545)	(2,062)
Decrease (increase) in other assets (1)	2,180	(12,031)
Decrease in accrued interest payable	260	(409)
Increase (decrease) in other liabilities (2)	(14,340)	(3,372)
Net cash provided by operating activities	52,803	25,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations and purchases of loans, net of principal repayments	(377,421)	(48,063)
Proceeds from sales of loans	115,856	4,199
Purchase of securities available for sale	(402,707)	(458,647)
Purchase of securities held to maturity	(17,301)	(2,000)
Proceeds from sales of securities available for sale	221,150	78,786
Maturities, principal payments and redemptions of securities available for sale	157,524	180,970
Maturities, principal payments and redemptions of securities held to maturity	113	7,478
Net decrease (increase) of Federal Home Loan Bank of New York stock	(2,227)	13,824
Purchases of premises and equipment	(600)	(1,165)
Proceeds from sale of other real estate owned	208	1,152
Net cash acquired in business combination	—	31,744
Net cash used in investing activities	(305,405)	(191,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	217,073	437,786
Net increase (decrease) in FHLB advances	34,900	(280,925)
Net increase (decrease) in federal funds purchased	—	(5)
Retirement of class B preferred stock	—	(6,968)
Repurchase of class A common stock	(3,763)	—
Cash dividend paid	(5,741)	—
Exercise of stock options	527	—
Net cash provided by financing activities	242,996	149,888
Increase (decrease) in cash, cash equivalents, and restricted cash	(9,606)	(16,130)
Cash, cash equivalents, and restricted cash at beginning of year	80,845	116,459
Cash, cash equivalents, and restricted cash at end of year	$ 71,239	$ 100,329
Supplemental disclosures of cash flow information:		
Interest paid during the year	$ 14,352	$ 10,373
Income taxes paid during the year	4,382	3,387
Supplemental non-cash investing activities:		
Initial recognition of Right-of-use lease asset	$ 55,813	$ —
Initial recognition of Operating leases liability	71,122	—
Loans transferred to other real estate owned	455	602
Fair value of assets acquired	—	380,326
Fair value of liabilities assumed	—	366,218

(1) Includes $5.8 million of right of use asset amortization
(2) Includes $1.7 million accretion of operating lease liabilities

See accompanying notes to consolidated financial statements (unaudited)

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 and have been prepared in accordance with instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with GAAP. 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. A more detailed description of the Bank's accounting policies is included in its Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 10-K"). These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes appearing in the 2018 10-K.

Subsequent Events

As part of our ongoing evaluation of our occupancy expense, on October 30, 2019, our Board of Directors approved the closure of two branches in New York, subject to no objections from the FDIC. Both branches are expected to cease operations in the first quarter of 2020. One branch has a right-of-use asset equal to $1.6 million which will be amortized over the remaining useful life which is expected to be approximately four months. The second branch is an owned property carried on the balance sheet for $0.2 million and will be moved to held for sale. We expect this property to be sold at or above its current carrying value. The approximately $156 million in combined deposits will redomiciled in other branches within the network or serviced through our online bank.

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 instrument interest income and other sources which are not within the scope of ASU 2014-09. The Bank's revenue streams that are determined within scope are recorded in "Trust Department fees" and "Service charges on deposit accounts" within non-interest income. The following table presents the Bank's non-interest income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Trust Department fees	$ 4,888	$ 4,698	$ 14,117	$ 13,983
Service charges on deposit accounts	2,222	2,225	6,161	$ 5,995
Bank-owned life insurance	415	434	1,243	$ 1,237
Gain (loss) on sale of investment securities available for sale, net	(50)	—	(135)	$ (110)
Gain (loss) on other real estate owned, net	—	—	(564)	$ (494)
Other income	184	190	603	153
Total non-interest income	$ 7,659	$ 7,547	$ 21,425	$ 20,764

For revenue streams within the scope of ASU 2014-09, the Bank recognizes revenue as obligations to customers are satisfied. 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 its recognition practices continue to be in compliance with the amended guidance through September 30, 2019. The Bank evaluated its significant customer contracts and determined its trust advisory fee service agreements and retail banking service charges on deposit accounts are in scope of the amended guidance. The Bank's trust advisory fee service arrangements are generally for union-affiliated health and pension welfare trusts where the Bank's fee structure as investment manager is either a flat fee or a percentage of the related market value. The fees are mainly paid either monthly or quarterly on an as-performed service basis. The Bank's retail banking service charge on deposit account arrangements for non-commercial clients are comprised of the accumulation of small, homogeneous standard arrangements of fee types such as service fees, ATM/Debit Fees, escrow fees, return item fees, minimum balance fees, gift card fees, safe deposit rental fees and prepaid card fees. Fee arrangements for commercial clients are comprised mainly of the accumulation of homogeneous standard arrangements for cash management services with fee types such as depository services, image cash letter, ACH, account reconciliation, positive pay, controlled disbursement, and treasury management.

Adoption of Accounting Standards 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 does 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 became 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 consolidated financial statements. Transition accounting for leases that expired before the earliest comparative period presented is not required. The Bank elected the effective date transition method of applying the new leases standard at the beginning of the period of adoption on January 1, 2019. The standard provides several optional practical expedients in transition. The Bank elected the "package of practical expedients", which permits the Bank not to reassess prior conclusions about lease identification, lease classification and initial direct costs and allows it to continue to account for leases that commenced prior to the adoption date as operating leases. The Bank analyzed all its significant leases to determine if a lease was in scope of the ASU and determined 15 facilities leases were in scope. Based on leases outstanding at December 31, 2018, the Bank recorded a $71.1 million Operating leases liability and a $55.8 million related Right-of-use asset upon commencement on January 1, 2019. The measurement of the Right-of-use asset included a $15.3 million reduction to account for accrued rent previously established under Topic 840. The Bank has presented its Right-of-use asset and related Operating leases liability on the Consolidated Statements of Financial Condition. The balances contained within reflect all related initial measurement and subsequent accounting through the third quarter of 2019. Refer to Note 12 - Leases for further details.

Accounting Standards Effective in 2020 onward

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”, which improves the effectiveness of fair value measurement disclosures. The amendments modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement as follows: removes disclosure requirements for the amount and reasons for transfer between Level 1 and Level 2 assets and liabilities in the fair value hierarchy; modifies disclosure requirements for transfers in to and out of Level 3 assets and liabilities in the fair value hierarchy; adds disclosure requirements for the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption, including adoption in an interim period, is permitted. Adoption of ASU 2018-13 is not expected to have a material effect on the Bank’s operating results or financial condition.

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 (“NRB”) in the latter half of the second quarter of 2018, the Bank elected June 30, 2019 as the beginning date for annual impairment testing. Adoption of ASU 2017-04 is not expected to have a material effect on the Bank’s operating results or financial condition.

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 provides for recording credit losses on available for sale debt securities through an allowance account. ASU 2016-13 also requires certain incremental disclosures. In October 2019, the FASB voted to extend the adoption date for entities eligible to be smaller reporting companies, public business entities (PBEs) that are not SEC filers, and entities that are not PBEs from January 1, 2020 to January 1, 2023. Based on the Bank's qualification as an emerging growth company under the Jumpstart Our Business Startups Act, the Bank had previously planned to adopt ASU 2016-13 in the first quarter of 2021 using the required modified retrospective method with a cumulative effect adjustment as of the beginning of the reporting period. In light of the extension afforded by the FASB’s recent decision, the Bank is currently evaluating the benefits of adopting at the later date, however the Bank has not altered its preparation plans for adoption. In preparation, the Bank has performed work in assessing and enhancing its technology environment and related data needs and availability. Additionally a Management Committee comprised of members from multiple departments has been established to monitor the Bank’s progress towards timely adoption. As adoption will require the implementation of significant changes to the existing credit loss estimation model and is dependent on the economic forecast, and our timing of adoption has not been decided, evaluating the overall impact of the ASU on the Bank’s Consolidated Financial Statements is not yet determinable.

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. Other-than-temporary impairment ("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 September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
(In thousands)				
Change in obligation for postretirement benefits and for prior service credit	$ 53	$ 58	$ 164	$ 173
Change in obligation for other benefits	(7)	7	(23)	21
Change in total obligation for postretirement benefits and for prior service credit and for other benefits	$ 46	$ 65	$ 141	$ 194
Income tax effect	(12)	(18)	(26)	(54)
Net change in total obligation for postretirement benefits and prior service credit and for other benefits	34	47	115	140
Unrealized holding gains (losses) on available for sale securities	$ 4,250	$ (2,729)	$ 26,056	$ (13,302)
Reclassification adjustment for losses (gains) realized in income	50	—	134	112
Change in unrealized gains (losses) on available for sale securities	4,300	(2,729)	26,190	(13,190)
Income tax effect	(1,206)	751	(7,293)	3,630
Net change in unrealized gains (losses) on available for sale securities	3,094	(1,978)	18,897	(9,560)
Total	$ 3,128	$ (1,931)	$ 19,012	$ (9,420)

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

	Balance as of January 1, 2019	Current Period Change	Income Tax Effect	Balance as of September 30, 2019
(In thousands)				
Unrealized losses on benefits plans	$ (2,193)	$ 141	$ (26)	$ (2,078)
Unrealized losses on available for sale securities	$ (9,797)	$ 26,190	$ (7,293)	$ 9,100
Total	$ (11,990)	$ 26,331	$ (7,319)	$ 7,022

The following represents the reclassifications out of accumulated other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Consolidated Statements of Income
	2019	2018	2019	2018	
(In thousands)					
Realized gains (losses) on sale of available for sale securities	$ (50)	$ —	$ (135)	$ (110)	Gain (loss) on sale of investment securities available for sale
Recognized gains (losses) on OTTI securities	—	—	1	(2)	Other - Non-Interest Income
Income tax expense (benefit)	(14)	—	(38)	(31)	Income tax expense (benefit)
Total reclassification, net of income tax	$ (36)	$ —	$ (96)	$ (81)	
Prior service credit on pension plans and other postretirement benefits	$ 7	$ 7	$ 21	$ 21	Compensation and employee benefits, net
Income tax expense (benefit)	(2)	(2)	(6)	(6)	Income tax expense (benefit)
Total reclassification, net of income tax	$ 5	$ 5	$ 15	$ 15	
Total reclassifications, net of income tax	$ (31)	$ 5	$ (81)	$ (66)	

4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held to maturity as of September 30, 2019 are as follows:

	September 30, 2019			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 38,574	$ 68	$ (346)	$ 38,296
GSE CMOs	278,429	6,801	(272)	284,958
GSE commercial certificates & CMO	223,620	6,190	(84)	229,726
Non-GSE residential certificates	68,640	717	(118)	69,239
Non-GSE commercial certificates	47,346	77	(12)	47,411
	656,609	13,853	(832)	669,630
Other debt:				
U.S. Treasury	200	—	—	200
ABS	528,734	2,232	(1,607)	529,359
Trust preferred	17,957	—	(1,372)	16,585
Corporate	7,956	386	—	8,342
Other	1,000	—	(10)	990
	555,847	2,618	(2,989)	555,476
Total available for sale	$ 1,212,456	$ 16,471	$ (3,821)	$ 1,225,106
Held to maturity:				
Mortgage-related:				
GSE residential certificates	$ 640	$ 19	$ —	$ 659
Non GSE commercial certificates	276	—	—	276
	916	19	—	935
Other debt:				
Municipal	15,243	1,124	—	16,367
Other	5,100	—	(6)	5,094
	20,343	1,124	(6)	21,461
Total held to maturity	$ 21,259	$ 1,143	$ (6)	$ 22,396

As of September 30, 2019, available for sale and held to maturity securities with a fair value of $731.8 million and $0.6 million, respectively, were pledged. The majority of the securities were pledged to the Federal Home Loan Bank of New York ("FHLB") 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.

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

	December 31, 2018			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 82,083	$ —	$ (2,312)	$ 79,771
GSE CMOs	273,364	1,776	(4,152)	270,988
GSE commercial certificates & CMO	235,805	538	(3,177)	233,166
Non-GSE residential certificates	102,446	120	(1,204)	101,362
Non-GSE commercial certificates	55,594	12	(546)	55,060
	749,292	2,446	(11,391)	740,347
Other debt:				
U.S. Treasury	200	—	(2)	198
ABS	406,813	423	(3,240)	403,996
Trust preferred	17,954	—	(1,964)	15,990
Corporate	13,451	249	(51)	13,649
Other	1,000	—	(10)	990
	439,418	672	(5,267)	434,823
Total available for sale	$ 1,188,710	$ 3,118	$ (16,658)	$ 1,175,170
Held to maturity:				
Mortgage-related:				
GSE residential certificates	$ 656	$ —	$ —	$ 656
Non GSE commercial certificates	325	12	(2)	335
	981	12	(2)	991
Other debt	3,100	14	—	3,114
Total held to maturity	$ 4,081	$ 26	$ (2)	$ 4,105

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 September 30, 2019. 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	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 1,200	$ 1,190	$ —	$ —
Due after one year through five years	22,354	22,543	5100	5094
Due after five years through ten years	134,482	133,388	—	—
Due after ten years	397,811	398,355	15,243	16,367
	$ 555,847	$ 555,476	$ 20,343	$ 21,461

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

	Three Months Ended,		Nine Months Ended,	
(In thousands)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Proceeds	$ 82,727	$ —	$ 221,150	$ 78,786
Realized gains	$ 638	$ —	$ 1,687	$ 161
Realized losses	(688)	—	(1,822)	(271)
Net realized gains (losses)	$ (50)	$ —	$ (135)	$ (110)

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").

The following summarizes the fair value and unrealized losses for those available for sale securities as of September 30, 2019 and December 31, 2018, respectively, 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:

	September 30, 2019					
	Less Than Twelve Months		Twelve Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-related:						
GSE residential certificates	$ 5,216	$ (18)	$ 19,627	$ (328)	$ 24,843	$ (346)
GSE CMOs	—	—	24,961	(272)	24,961	(272)
GSE commercial certificates	33,496	(64)	12,872	(20)	46,368	(84)
Non-GSE residential certificates	4,289	(3)	15,682	(115)	19,971	(118)
Non-GSE commercial certificates	3,816	(4)	7,058	(8)	10,874	(12)
Other debt:						
ABS	67,747	(387)	162,481	(1,220)	230,228	(1,607)
Trust preferred	—	—	16,585	(1,372)	16,585	(1,372)
US Treasury	—	—	200	—	200	—
Other	—	—	990	(10)	990	(10)
	$ 114,564	$ (476)	$ 260,456	$ (3,345)	$ 375,020	$ (3,821)

	December 31, 2018					
	Less Than Twelve Months		Twelve Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-related:						
GSE residential certificates	$ —	$ —	$ 79,770	$ (2,312)	$ 79,770	$ (2,312)
GSE CMOs	15,003	(47)	94,436	(4,105)	109,439	(4,152)
GSE commercial certificates	14,438	(71)	183,119	(3,106)	197,557	(3,177)
Non-GSE residential certificates	12,862	(75)	68,064	(1,129)	80,926	(1,204)
Non-GSE commercial certificates	41,650	(546)	—	—	41,650	(546)
Other debt:						
ABS	294,703	(3,107)	15,688	(133)	310,391	(3,240)
Trust preferred	—	—	15,990	(1,964)	15,990	(1,964)
Corporate	4,900	(51)	—	—	4,900	(51)
US Treasury	—	—	198	(2)	198	(2)
Other	—	—	990	(10)	990	(10)
	$ 383,556	$ (3,897)	$ 458,255	$ (12,761)	$ 841,811	$ (16,658)

The temporary impairment of fixed income securities (mortgage-related securities, asset backed 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 September 30, 2019, excluding GSE and U.S. Treasury securities, temporarily impaired securities totaled $283.7 million with an unrealized loss of $3.1 million. With the exception of $6.8 million which were not rated, the remaining securities were rated investment grade by at least one nationally recognized statistical rating organization 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 September 30, 2019 is primarily due to an increase in market interest rates and spreads since the time these investments were acquired.

During the three months ended September 30, 2019, and September 30, 2018, the Bank recorded no OTTI loss. For the nine months ended September 30, 2019, the Bank recorded an OTTI recovery of $1,200, compared to an OTTI loss of $2,000 for the same period in 2018.

With respect to the Bank's security investments that are temporarily impaired as of September 30, 2019, management does not intend to sell these investments and does not believe it will be necessary to do so before anticipated recovery. The Bank expects to collect all amounts due according to the contractual terms of these investments. Therefore the Bank does not consider these securities to be other-than-temporarily impaired at September 30, 2019. 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 September 30, 2019; however, it is possible that the Bank may recognize OTTI in future periods.

5. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

(In thousands)	September 30, 2019	December 31, 2018
Commercial and industrial	$ 469,882	$ 556,537
Multifamily mortgages	982,667	916,337
Commercial real estate mortgages	441,612	440,704
Construction and land development mortgages	59,309	46,178
Total commercial portfolio	1,953,470	1,959,756
Residential 1-4 family 1st mortgages	1,344,757	1,083,204
Residential 1-4 family 2nd mortgages	24,859	27,206
Consumer and other	169,463	171,184
Total retail portfolio	1,539,079	1,281,594
	3,492,549	3,241,350
Net deferred loan origination costs (fees)	8,175	6,481
	3,500,724	3,247,831
Allowance for loan losses	(33,697)	(37,195)
	$ 3,467,027	$ 3,210,636

The following table presents information regarding the aging of the Bank's loans as of September 30, 2019:

(In thousands)	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
Commercial and industrial	$ 22	$ 876	$ 36	$ 934	$ 2,213	$ 466,735	$ 469,882
Multifamily mortgages	—	—	—	—	—	982,667	982,667
Commercial real estate mortgages	8,218	—	—	8,218	3,693	429,701	441,612
Construction and land development mortgages	6,030	3,702	—	9,732	—	49,577	59,309
Total commercial portfolio	14,270	4,578	36	18,884	5,906	1,928,680	1,953,470
Residential 1-4 family 1st mortgages	5,151	5,773	—	10,924	772	1,333,061	1,344,757
Residential 1-4 family 2nd mortgages	436	888	—	1,324	—	23,535	24,859
Consumer and other	584	452	—	1,036	—	168,427	169,463
Total retail portfolio	6,171	7,113	—	13,284	772	1,525,023	1,539,079
	$ 20,441	$ 11,691	$ 36	$ 32,168	$ 6,678	$ 3,453,703	$ 3,492,549

The following table presents information regarding the aging of the Bank's loans as of December 31, 2018:

(In thousands)	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
Commercial and industrial	$ 8,658	$ 9,512	$ —	$ 18,170	$ 2,641	$ 535,726	$ 556,537
Multifamily mortgages	4,930	—	—	4,930	—	911,407	916,337
Commercial real estate mortgages	2,085	—	—	2,085	4,112	434,507	440,704
Construction and land development mortgages	—	—	—	—	—	46,178	46,178
Total commercial portfolio	15,673	9,512	—	25,185	6,753	1,927,818	1,959,756
Residential 1-4 family 1st mortgages	6,141	5,846	—	11,987	441	1,070,776	1,083,204
Residential 1-4 family 2nd mortgages	1,099	1,299	—	2,398	—	24,808	27,206
Consumer and other	280	10	—	290	—	170,894	171,184
Total retail portfolio	7,520	7,155	—	14,675	441	1,266,478	1,281,594
	$ 23,193	$ 16,667	$ —	$ 39,860	$ 7,194	$ 3,194,296	$ 3,241,350

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 in TDRs are generally 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 September 30, 2019:

(In thousands)	Accruing	Non-Accrual	Total
Residential 1-4 family 1st mortgages	$ 18,927	$ 3,214	$ 22,141
Residential 1-4 family 2nd mortgages	1,887	366	2,253
Commercial real estate mortgages	10,804	—	10,804
Commercial and industrial	20,937	5,915	26,852
	$ 52,555	$ 9,495	$ 62,050

The following table presents information regarding the Bank's TDRs as of December 31, 2018:

(In thousands)	Accruing	Non-Accrual	Total
Residential 1-4 family 1st mortgages	$ 21,554	$ 3,009	$ 24,563
Residential 1-4 family 2nd mortgages	1,980	320	2,300
Commercial real estate mortgages	10,923	—	10,923
Commercial and industrial	—	12,153	12,153
	$ 34,457	$ 15,482	$ 49,939

The following tables summarize the Bank's loan portfolio by credit quality indicator as of September 30, 2019:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Credit Quality Indicator:					
Pass	$ 427,565	$ 982,667	$ 426,590	$ 52,208	$ 1,889,030
Special Mention	10,608	—	—	3,399	14,007
Substandard	31,242	—	15,022	3,702	49,966
Doubtful	467	—	—	—	467
	$ 469,882	$ 982,667	$ 441,612	$ 59,309	$ 1,953,470

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Credit Quality Indicator:				
Pass	$ 1,338,984	$ 23,971	$ 169,011	$ 1,531,966
Substandard	5,773	888	452	7,113
	$ 1,344,757	$ 24,859	$ 169,463	$ 1,539,079

The following tables summarize the Bank's loan portfolio by credit quality indicator as of December 31, 2018:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Credit Quality Indicator:					
Pass	$ 498,986	$ 916,337	$ 419,806	$ 41,408	$ 1,876,537
Special Mention	22,162	—	—	—	22,162
Substandard	25,877	—	20,898	4,770	51,545
Doubtful	9,512	—	—	—	9,512
	$ 556,537	$ 916,337	$ 440,704	$ 46,178	$ 1,959,756

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Credit Quality Indicator:				
Pass	$ 1,077,358	$ 25,907	$ 171,174	$ 1,274,439
Substandard	5,846	1,299	10	7,155
	$ 1,083,204	$ 27,206	$ 171,184	$ 1,281,594

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); and
- 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 September 30, 2019:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Loans receivable:					
Individually evaluated for impairment	$ 24,601	$ —	$ 14,498	$ 3,702	$ 42,801
Collectively evaluated for impairment	445,281	982,667	427,114	55,607	1,910,669
	$ 469,882	$ 982,667	$ 441,612	$ 59,309	$ 1,953,470

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Loans receivable:				
Individually evaluated for impairment	$ 25,473	$ 2,775	$ —	$ 28,248
Collectively evaluated for impairment	1,319,284	22,084	169,463	1,510,831
	$ 1,344,757	$ 24,859	$ 169,463	$ 1,539,079

The following table provides information regarding the Bank's allowance by portfolio based upon the method of evaluating loan impairment as of September 30, 2019:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Allowance for loan losses:					
Individually evaluated for impairment	$ 4,818	$ —	$ —	$ —	$ 4,818
Collectively evaluated for impairment	4,552	5,797	3,102	777	14,228
	$ 9,370	$ 5,797	$ 3,102	$ 777	$ 19,046

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Allowance for loan losses:				
Individually evaluated for impairment	$ 920	$ 470	$ —	$ 1,390
Collectively evaluated for impairment	11,498	1,497	266	13,261
	$ 12,418	$ 1,967	$ 266	$ 14,651

The following table provides information regarding the methods used to evaluate the Bank's loan portfolio for impairment by portfolio as of December 31, 2018:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Loans receivable:					
Individually evaluated for impairment	$ 12,153	$ —	$ 15,035	$ —	$ 27,188
Collectively evaluated for impairment	544,384	916,337	425,669	46,178	1,932,568
	$ 556,537	$ 916,337	$ 440,704	$ 46,178	$ 1,959,756

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Loans receivable:				
Individually evaluated for impairment	$ 27,734	$ 3,427	$ —	$ 31,161
Collectively evaluated for impairment	1,055,470	23,779	171,184	1,250,433
	$ 1,083,204	$ 27,206	$ 171,184	$ 1,281,594

The following table provides information regarding the Bank's allowance by portfolio based upon the method of evaluating loan impairment as of December 31, 2018:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Allowance for loan losses:					
Individually evaluated for impairment	$ 8,067	$ —	$ —	$ —	$ 8,067
Collectively evaluated for impairment	7,979	4,736	2,573	1,089	16,377
	$ 16,046	$ 4,736	$ 2,573	$ 1,089	$ 24,444

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Allowance for loan losses:				
Individually evaluated for impairment	$ 1,042	$ 445	$ —	$ 1,487
Collectively evaluated for impairment	9,093	1,407	764	11,264
	$ 10,135	$ 1,852	$ 764	$ 12,751

The activities in the allowance by portfolio for the three months ended September 30, 2019 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Balance at beginning	$ 10,238	$ 5,109	$ 2,942	$ 1,088	$ 19,377
Provision (release) for loan losses	(1,712)	688	160	(311)	(1,175)
Charge-offs	(844)	—	—	—	(844)
Recoveries	1,688	—	—	—	1,688
Ending Balance	$ 9,370	$ 5,797	$ 3,102	$ 777	$ 19,046

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Balance at beginning	$ 11,323	$ 2,068	$ 862	$ 14,253
Provision (release) for loan losses	1,062	(149)	(296)	617
Charge-offs	(141)	(284)	(329)	(754)
Recoveries	174	332	29	535
Ending Balance	$ 12,418	$ 1,967	$ 266	$ 14,651

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

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Balance at beginning	$ 14,555	$ 4,584	$ 2,914	$ 178	$ 22,231
Provision (release) for loan losses	142	575	(106)	101	712
Charge-offs	—	—	—	—	—
Recoveries	1	—	—	—	1
Ending Balance	$ 14,698	$ 5,159	$ 2,808	$ 279	$ 22,944

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Balance at beginning	$ 10,291	$ 2,201	$ 630	$ 13,122
Provision (release) for loan losses	188	(362)	253	79
Charge-offs	(75)	(2)	(120)	(197)
Recoveries	44	378	44	466
Ending Balance	$ 10,448	$ 2,215	$ 807	$ 13,470

The activities in the allowance by portfolio for the nine months ended September 30, 2019 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Balance at beginning	$ 16,046	$ 4,736	$ 2,573	$ 1,089	$ 24,444
Provision for (recovery of) loan losses	866	1,061	529	(312)	2,144
Charge-offs	(9,236)	—	—	—	(9,236)
Recoveries	1,694	—	—	—	1,694
Ending Balance	$ 9,370	$ 5,797	$ 3,102	$ 777	$ 19,046

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Balance at beginning	$ 10,135	$ 1,852	$ 764	$ 12,751
Provision for (recovery of) loan losses	1,998	(294)	(93)	1,611
Charge-offs	(220)	(344)	(514)	(1,078)
Recoveries	505	753	109	1,367
Ending Balance	$ 12,418	$ 1,967	$ 266	$ 14,651

The activities in the allowance by portfolio for the nine months ended September 30, 2018 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
Balance at beginning	$ 15,455	$ 5,280	$ 3,377	$ 188	$ 24,300
Provision (release) for loan losses	(775)	(121)	(569)	91	(1,374)
Charge-offs	(33)	—	—	—	(33)
Recoveries	51	—	—	—	51
Ending Balance	$ 14,698	$ 5,159	$ 2,808	$ 279	$ 22,944

(In thousands)	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
Balance at beginning	$ 8,582	$ 2,683	$ 400	$ 11,665
Provision (release) for loan losses	1,444	(1,768)	574	250
Charge-offs	(159)	(242)	(296)	(697)
Recoveries	581	1,542	129	2,252
Ending Balance	$ 10,448	$ 2,215	$ 807	$ 13,470

The following is additional information regarding the Bank's individually impaired loans and the allowance related to such loans as of September 30, 2019 and December 31, 2018:

	September 30, 2019			
(In thousands)	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a related allowance:				
Residential 1-4 family 1st mortgages	$ 3,332	$ 3,252	$ 3,782	$ —
Residential 1-4 family 2nd mortgages	57	592	57	—
Construction and land development	3,702	3,702	3,702	—
Commercial real estate mortgages	14,498	14,767	14,828	—
	21,589	22,313	22,369	—
Loans with a related allowance:				
Residential 1-4 family 1st mortgages	22,141	23,352	25,296	920
Residential 1-4 family 2nd mortgages	2,718	2,510	2,718	470
Commercial and industrial	24,601	18,377	29,195	4,818
	49,460	44,239	57,209	6,208
Total individually impaired loans:				
Residential 1-4 family 1st mortgages	25,473	26,604	29,078	920
Residential 1-4 family 2nd mortgages	2,775	3,102	2,775	470
Construction and land development	3,702	3,702	3,702	—
Commercial real estate mortgages	14,498	14,767	14,828	—
Commercial and industrial	24,601	18,377	29,195	4,818
	$ 71,049	$ 66,552	$ 79,578	$ 6,208

(In thousands)	December 31, 2018 Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a related allowance:				
Residential 1-4 family1st mortgages	$ 3,171	$ 3,640	$ 4,804	$ —
Residential 1-4 family 2nd mortgages	1,126	563	1,126	—
	4,297	4,203	5,930	—
Loans with a related allowance:				
Residential 1-4 family 1st mortgages	24,563	25,854	27,728	1,042
Residential 1-4 family 2nd mortgages	2,301	2,544	2,301	445
Commercial real estate mortgages	15,035	10,468	15,096	—
Commercial and industrial	12,153	12,361	16,041	8,067
	54,052	51,227	61,166	9,554
Total individually impaired loans:				
Residential 1-4 family 1st mortgages	27,734	29,494	32,532	1,042
Residential 1-4 family 2nd mortgages	3,427	3,107	3,427	445
Commercial real estate mortgages	15,035	10,468	15,096	—
Commercial and industrial	12,153	12,361	16,041	8,067
	$ 58,349	$ 55,430	$ 67,096	$ 9,554

As of September 30, 2019 and December 31, 2018, mortgage loans, net of hair-cuts, with an estimated value of $1.2 billion and $792.0 million, respectively, are pledged to the FHLB to secure outstanding advances, letters of credit and borrowing capacity.

There were two related party loans outstanding as of September 30, 2019 and three related party loans outstanding as of December 31, 2018 with total principal balances of $1.0 million for both periods. As of September 30, 2019, all related party loans were current.

6. DEPOSITS

Deposits are summarized as follows:

	September 30, 2019		December 31, 2018	
(In thousands)	Amount	Average Rate Paid	Amount	Average Rate Paid
Non-interest bearing demand deposit accounts	$ 1,963,232	0.00%	$ 1,565,503	0.00%
NOW accounts	235,933	0.42%	230,859	0.41%
Savings accounts	337,590	0.23%	335,254	0.21%
Money market deposit accounts	1,377,747	0.46%	1,548,699	0.30%
Time deposits	402,877	1.38%	424,991	1.00%
Brokered CD	5,000	2.45%	—	0.00%
	$ 4,322,379	0.33%	$ 4,105,306	0.26%

The scheduled maturities of time deposits, including brokered CDs are as follows:

(In thousands)	September 30, 2019
2019	$ 147,846
2020	232,827
2021	10,940
2022	10,481
2023	2,620
Thereafter	3,163
	$ 407,877

Time deposits of $250,000 or more aggregated to $67.8 million as of September 30, 2019 and $65.4 million as of December 31, 2018.

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 $188.5 million and $176.5 million as of September 30, 2019 and December 31, 2018, respectively. The average balance of such deposits was approximately $191.9 million as of the quarter ended September 30, 2019 and $133.3 million for the year ended December 31, 2018.

Our total deposits included deposits from Workers United and its related entities in the amounts of $92.7 million as of September 30, 2019 and $120.9 million as of December 31, 2018.

Included in total deposits are state and municipal deposits totaling $100.4 million and $100.5 million as of September 30, 2019 and December 31, 2018, respectively. Such deposits are secured by letters of credit issued by the FHLB or by securities pledged with the FHLB.

7. BORROWED FUNDS

Borrowed funds are summarized as follows:

	September 30, 2019		December 31, 2018	
(In thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
FHLB advances	$ 127,775	2.19%	$ 92,875	2.13%

FHLB advances are collateralized by the FHLB stock owned by the Bank plus a pledge of other eligible assets comprised of securities and mortgage loans. As of September 30, 2019, the value of the other eligible assets had an estimated market value net of haircut totaling $1.6 billion (comprised of securities of $405.1 million and mortgage loans of $1.2 billion). The pledged securities and mortgage loans have been delivered to the FHLB. The fair value of assets pledged to the FHLB 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 September 30, 2019 by contractual maturity:

(In thousands)	FHLB Advances
2019	$ 111,200
2020	16,575
	$ 127,775

8. EARNINGS PER SHARE

The Bank uses the two-class method in calculating 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 options and Restricted Stock Units ("RSUs") are not considered participating securities and the Bank has no other participating securities. The assumed conversion of our options and RSUs was dilutive for the quarter ended September 30, 2019 and therefore was included in the computation of diluted earnings per share. The factors used in the earnings per share computation follow:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(In thousands, except per share amounts)				
Net income attributable to Amalgamated Bank	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Dividends paid on preferred stock	—	—	—	—
Income attributable to common stock	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Weighted average common shares outstanding, basic	31,809	31,772	31,802	29,896
Basic earnings per common share	**$ 0.41**	**$ 0.30**	**$ 1.11**	**$ 0.96**
Income attributable to common stock	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Weighted average common shares outstanding, basic	31,809	31,772	31,802	29,896
Incremental shares from assumed conversion of options and RSUs	367	328	449	110
Weighted average common shares outstanding, diluted	32,176	32,100	32,251	30,006
Diluted earnings per common share	**$ 0.41**	**$ 0.29**	**$ 1.09**	**$ 0.96**

9. EMPLOYEE BENEFIT PLANS

Long Term Incentive Plans

Stock Options:

The Bank does not currently maintain an active stock option plan that is available for issuing new options.

A summary of the status of the Bank's options as of September 30, 2019 follows:

	Number of Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Life	Intrinsic Value
Outstanding, December 31, 2018	2,304,720	$ 12.85		
Granted	—	—		
Exercised	(191,800)	11.04		
Forfeited	—	—		
Expired	(9,900)	11.72		
Outstanding, September 30, 2019	2,103,020	13.02	6.9 years	$ 6,307.70
Vested and Exercisable, September 30, 2019	1,553,974	$ 12.56	6.5 years	$ 5,380.60

The range of exercise prices in the third quarter of 2019 was $11.00 to $14.65 per share.

Total option compensation costs were $0.4 million and $0.6 million for the three months ended September 30, 2019 and 2018, respectively. Total option compensation costs were $1.1 million and $1.6 million for the nine months ended September 30, 2019 and 2018, respectively. All amounts are recorded within the Consolidated Statements of Income. Of the unvested portion of the options, expense of $0.4 million and $0.7 million will be recognized in 2019 and 2020, respectively.

Restricted Stock Units:

The Amalgamated Bank 2019 Equity Incentive Plan (the "Equity Plan") provides for the grant of stock-based incentive awards to officers, employees and directors of the Bank. The number of shares of common stock of the Bank available for stock-based awards under the Equity Plan is 1,250,000, of which 1,002,845 were available for issuance as of September 30, 2019.

The Board of Directors determines awards under the Equity Plan. The Bank accounts for the Equity Plan under ASC No. 718.

RSUs represent an obligation to deliver shares to an employee or director at a future date if certain vesting conditions are met. RSUs are subject to a time-based vesting schedule, the satisfaction of performance conditions, or the satisfaction of market conditions, and are settled in shares of the Bank's common stock. RSUs do not provide dividend equivalent rights from the date of grant and do not provide voting rights. RSUs accrue dividends based on dividends paid on common shares, but those dividends are paid in cash upon satisfaction of the specified vesting requirements on the underlying RSU.

During the nine months ended September 30, 2019, in accordance with the Equity Plan for employees, the Bank granted 192,999 RSUs to employees and reserved 227,364 shares for issuance upon vesting based upon the possibility of the Bank's employees achieving the maximum share payout.

Of the 192,999 RSUs granted to employees, 124,269 RSUs time-vest ratably over three years and were granted at a fair value of $17.67. The Bank granted 35,142 performance-based RSUs at a fair value of $17.67 which vest subject to the achievement of the Bank's corporate goals for the three-year period from December 31, 2018 to December 31, 2021. The corporate goal is based on the Bank achieving a specified target increase in Adjusted Tangible Book Value. The minimum and maximum awards that are achievable are 0 and 52,713 shares, respectively.

The Bank granted 33,588 market-based RSUs at a fair value of $18.49 which vest subject to the Bank's performance on relative total shareholder return compared to a group of peer banks over a three-year period from May 17, 2019 to May 16, 2022. The minimum and maximum awards that are achievable are 0 and 50,382 shares, respectively.

Compensation expense attributable to the employee RSUs was $0.3 million and $0.5 million for the three months and nine months ended September 30, 2019, respectively. As of September 30, 2019 there was $2.9 million of total unrecognized compensation cost related to the non-vested RSUs granted to employees. This expense may increase or decrease depending on the expected number of performance-based shares to be issued. This expense is expected to be recognized ratably over 2.6 years.

During the three months and nine months ended September 30, 2019, in accordance with the Equity Plan for directors, the Bank granted 21,791 RSUs that vest after one year. The Bank recorded expense of $0.1 million for both the three months and nine months ended September 30, 2019. As of September 30, 2019 there was $0.2 million of total unrecognized cost related to the non-vested RSUs granted to directors.

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:

	September 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
(In thousands)				
Available for sale securities:				
Mortgage-related:				
GSE residential certificates	$ —	$ 38,296	$ —	$ 38,296
GSE CMOs	—	284,958	—	284,958
GSE commercial certificates	—	229,726	—	229,726
Non-GSE residential certificates	—	69,239	—	69,239
Non-GSE commercial certificates	—	47,411	—	47,411
Other debt:				
U.S. Treasury	200	—	—	200
ABS	—	529,359	—	529,359
Trust preferred	—	16,585	—	16,585
Corporate	—	8,342	—	8,342
Other	—	990	—	990
Total assets carried at fair value	$ 200	$ 1,224,906	$ —	$ 1,225,106

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
(In thousands)				
Available for sale securities:				
Mortgage-related:				
GSE residential certificates	$ —	$ 79,771	$ —	$ 79,771
GSE CMOs	—	270,988	—	270,988
Non-GSE residential certificates	—	101,362	—	101,362
GSE commercial certificates	—	233,166	—	233,166
Non-GSE commercial certificates	—	55,060	—	55,060
Other debt:				
U.S. Treasury	198	—	—	198
ABS	—	403,996		403,996
Trust preferred	—	15,990	—	15,990
Corporate	—	13,649	—	13,649
Other	—	990	—	990
Total assets carried at fair value	$ 198	$ 1,174,972	$ —	$ 1,175,170

During the periods ended September 30, 2019 and December 31, 2018, 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.

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

	September 30, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
(In thousands)					
Fair Value Measurements:					
Impaired loans	$ 64,841	$ —	$ —	$ 64,841	$ 64,841
Other real estate owned	526	—	—	697	697
	$ 65,367	$ —	$ —	$ 65,538	$ 65,538

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
(In thousands)					
Fair Value Measurements:					
Impaired loans	$ 48,795	$ —	$ —	$ 48,795	$ 48,795
Other real estate owned	844	—	—	977	977
	$ 49,639	$ —	$ —	$ 49,772	$ 49,772

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 by 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 daily, 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.

- Loans receivable - Loans are valued using a present value technique that incorporates management's assumptions as to what a market participant would assume given the attributes of the loans. The observable U.S. Treasury yield curve is a significant input to the valuation. Assumptions, including prepayment speeds and credit spreads, are based on observable market data where possible or alternatively are based on terms currently offered on loans to borrowers of similar credit quality. Fair values for loans considered impaired are based on discounted cash flows using the loan's initial effective interest rate or the fair value of the underlying collateral in the case of collateral dependent loans. The methods used to estimate the fair value of loans are extremely sensitive to the assumptions and estimates used. While management has attempted to use assumptions and estimates that best reflect the Bank's loan portfolio and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Loans would generally be categorized as Level 3.

- 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 – FHLB advances and repurchase agreements are valued using a present value technique that incorporates current rates offered by the FHLB for advances of comparable remaining maturity. FHLB advances and repurchase agreements are categorized as Level 2.

- FHLB stock – FHLB 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, 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 recorded at fair value.

There are significant limitations in estimating the fair value of financial instruments for which there is no active market. Due to the degree of management judgment that is often required, these estimates tend to be subjective, sensitive to changes in assumptions and imprecise. These estimates are made as of a point in time and are affected by then-current observable market conditions; also, such estimates do not consider 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 materially from the value that would have been used had an active market for the investment existed. Lastly, consideration is not given to non-financial 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:

	September 30, 2019				
(In thousands)	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	$ 71,239	$ 71,239	$ —	$ —	$ 71,239
Available for sale securities	1,225,106	200	1,224,906	—	1,225,106
Held to maturity securities	21,259	—	22,396	—	22,396
Loans receivable, net	3,467,027	—	—	3,530,037	3,530,037
FHLBNY stock (1)	9,413	—	9,413		9,413
Accrued interest and dividends receivable	15,932	—	15,932	—	15,932
Other assets (2)	342	—	—	342	342
Financial liabilities:					
Deposits payable on demand	$ 3,914,502	$ —	$ 3,914,502	$ —	$ 3,914,502
Time deposits	407,877	—	409,047	—	409,047
Borrowed funds	127,775	—	127,775	—	127,775
Accrued interest payable	1,292	—	1,292	—	1,292

(1) Prices not quoted in active markets but redeemable at par
(2) Loans held for sale recorded in other assets.

	December 31, 2018				
(In thousands)	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	$ 80,845	$ 80,845	$ —	$ —	$ 80,845
Available for sale securities	1,175,170	198	1,174,972	—	1,175,170
Held to maturity securities	4,081	—	4,103	—	4,103
Loans receivable, net	3,210,636	—	—	3,143,214	3,143,214
FHLBNY stock (1)	7,186	—	7,186		7,186
Accrued interest and dividends receivable	14,387	—	14,387	—	14,387
Other assets (2)	587	—	—	587	587
Financial liabilities:					
Deposits payable on demand	3,680,314	—	3,680,314	—	3,680,314
Time deposits	424,991	—	424,937	—	424,937
Borrowed funds	92,875	—	92,505	—	92,505
Accrued interest payable	1,032	—	1,032	—	1,032

(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.

The following financial instruments were outstanding whose contract amounts represent credit risk as of the related periods:

	September 30, 2019	December 31, 2018
(In thousands)		
Commitments to extend credit	$ 366,912	$ 271,474
Standby letters of credit	12,696	14,024
Total	$ 379,608	$ 285,498

Commitments to extend credit are contracts 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 $1.4 million and $1.6 million as of September 30, 2019 and December 31, 2018, respectively.

12. LEASES

The Bank as a lessee has operating leases primarily consisting of real estate arrangements where the Bank operates its headquarters, branches and business production offices. All leases identified as in scope are accounted for as operating leases as of September 30, 2019. These leases are typically long-term leases and generally are not complicated arrangements or structures. Several of the leases contain renewal options at a rate comparable to the fair market value based on comparable analysis to similar properties in the Bank's geographies.

Real estate operating leases are presented as a Right-of-use ("ROU") asset and a related Operating lease liability on the Consolidated Statements of Financial Condition. The ROU asset represents the Bank's right to use the underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. The ROU asset and related lease liability were recognized at commencement on the adoption date of January 1, 2019 and are primarily based on the present value of lease payments over the lease term. The Bank applied its incremental borrowing rate ("IBR") as the discount rate to the remaining lease payments to derive a present value calculation for initial measurement of the lease liability. The IBR reflects the interest rate the Bank would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments. Lease expense is recognized on a straight-line basis over the lease term.

The following table summarizes our lease cost and other operating lease information:

(In thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 2,445	$ 7,484
Cash paid for amounts included in the measurement of Operating leases liability	$ 2,665	$ 8,129
Weighted average remaining lease term on operating leases (in years)	6.7	6.7
Weighted average discount rate used for operating leases liability	3.25%	3.25%

Note: Sublease income and variable income or expense considered immaterial

Cash paid for rent expense under Topic 840 for the three and nine months ended September 30, 2018 was $2.7 million and $8.0 million, respectively.

The following table presents the remaining commitments for operating lease payments for the next five years and thereafter, as well as a reconciliation to the discounted Operating leases liability recorded in the Consolidated Statements of Financial Condition:

(In thousands)	
2019 remaining	$ 2,648
2020	10,743
2021	10,583
2022	10,233
2023	9,725
Thereafter	28,395
Total undiscounted operating lease payments	72,327
Less: present value adjustment	7,815
Total Operating leases liability	$ 64,512

The following table presents the remaining commitments for operating lease payments for the next five years in accordance with previous lease accounting standards under Topic 840:

(In thousands)

Year Ending December 31,		
2019	$	10,776
2020		10,743
2021		10,583
2022		10,233
2023		9,725
Thereafter		28,395
	$	80,455

13. BUSINESS COMBINATIONS

On May 18, 2018, the Bank closed on its acquisition of NRB, which 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 $412.1 million, on a fair value basis, including $335.2 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 NRB for 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 that occurred on July 27, 2018) and $1.3 million in cash in exchange for all the issued and outstanding common stock of NRB. The Bank recorded goodwill of $12.9 million and a core deposit intangible of $9.1 million, neither of which is deductible for tax purposes.

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)		
2019 remaining	$	344
2020		1,370
2021		1,207
2022		1,047
2023		888
Thereafter		2,216
Total	$	7,072

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 and are depicted on the Consolidated Statement of Cash Flows.

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

The following is a discussion of our consolidated financial condition as of September 30, 2019, as compared to December 31, 2018, and our results of operations for the three and nine month periods ended September 30, 2019 and September 30, 2018. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from our consolidated financial statements and is intended to provide insight into our results of operations and financial condition. This discussion and analysis is best read in conjunction with our unaudited consolidated financial statements and related notes as well as the financial and statistical data appearing elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2018. 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 Note Regarding Forward-Looking Statements*" beginning on page ii 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.

Overview

Our business

Amalgamated Bank is a commercial bank and chartered trust company headquartered in New York, New York with approximately $5.0 billion in total assets, $3.5 billion in total loans and $4.3 billion in total deposits as of September 30, 2019.

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, the Amalgamated Clothing Workers of America's successor, Workers United, an affiliate of the Service Employees International Union that represents workers in the textile, distribution and food service industries, remains a significant stockholder, holding approximately 40% of our equity as of September 30, 2019.

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 11 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 California, one loan production office in 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 ("C&I") loans, commercial real estate ("CRE") 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 September 30, 2019, we oversaw $32.0 billion in assets under custody and managed $12.6 billion in investments.

Our products and services are tailored to our target customer base that prefers 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, 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 10 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.

Critical and Significant 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, and conform to general practices within the banking industry. Our critical and significant accounting policies are also more fully described in “Significant Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 10-K”). There have been no significant changes to our critical and significant accounting policies, or the estimates made pursuant to those policies as described in our 2018 10-K.

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*."

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Selected Operating Data:				
Interest income	$ 46,697	$ 43,099	$ 138,999	$ 119,504
Interest expense	4,940	3,057	14,612	9,964
Net interest income	41,757	40,042	124,387	109,540
Provision for (recovery of) loan losses	(558)	791	3,755	(1,124)
Net interest income after provision for loan losses	42,315	39,251	120,632	110,664
Non-interest income	7,659	7,547	21,425	20,764
Non-interest expense	31,886	34,053	94,336	92,979
Income before income taxes	18,088	12,745	47,721	38,449
Provision (benefit) for income taxes	4,893	3,328	12,527	9,779
Net income	$ 13,195	$ 9,417	$ 35,194	$ 28,670
Selected Financial Data:				
Total assets	$ 5,029,769	$ 4,630,376	$ 5,029,769	$ 4,630,376
Total cash and cash equivalents	71,239	100,329	71,239	100,329
Investment securities	1,246,365	1,154,047	1,246,365	1,154,047
Total net loans	3,467,027	3,164,451	3,467,027	3,164,451
Bank-owned life insurance	80,309	78,718	80,309	78,718
Total deposits	4,322,379	4,032,792	4,322,379	4,032,792
Borrowed funds	127,775	121,675	127,775	121,675
Total common stockholders' equity	486,178	420,894	486,178	420,894
Total stockholders' equity	486,312	421,028	486,312	421,028
Selected Financial Ratios and Other Data [(1)]:				
Earnings				
Basic	$ 0.41	$ 0.30	$ 1.11	$ 0.96
Diluted	0.41	0.29	1.09	0.96
Book value per common share (excluding minority interest)	15.37	13.25	15.37	13.25
Common shares outstanding	31,633,691	31,771,585	31,633,691	31,771,585
Weighted average common shares outstanding, basic	31,809,083	31,771,585	31,802,004	29,895,897
Weighted average common shares, outstanding diluted	32,176,439	32,099,668	32,251,333	30,006,460

(1) September 31, 2018 balances effected for stock split that occurred on July 27, 2018

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Selected Performance Metrics:				
Return on average assets	1.05 %	0.82 %	0.97%	0.89 %
Return on average equity	10.86 %	8.96 %	10.13%	10.07 %
Loan yield	4.22 %	4.33 %	4.36%	4.28 %
Securities yield	3.28 %	3.11 %	3.33%	2.97 %
Deposit cost	0.37 %	0.25 %	0.34%	0.25 %
Net interest margin	3.50 %	3.65 %	3.60%	3.55 %
Efficiency ratio	64.53 %	71.56 %	64.70%	71.36 %
Asset Quality Ratios:				
Nonaccrual loans to total loans	0.53 %	0.63 %	0.53%	0.63 %
Nonperforming assets to total assets	1.42 %	1.25 %	1.42%	1.25 %
Allowance for loan losses to nonaccrual loans	183 %	180 %	183%	180 %
Allowance for loan losses to total loans	0.96 %	1.14 %	0.96%	1.14 %
Annualized net charge-offs (recoveries) to average loans	(0.07)%	(0.03)%	0.29%	(0.07)%
Capital Ratios:				
Tier 1 leverage capital ratio	9.03 %	8.94 %	9.03%	8.94 %
Tier 1 risk-based capital ratio	13.49 %	12.95 %	13.49%	12.95 %
Total risk-based capital ratio	14.55 %	14.20 %	14.55%	14.20 %
Common equity tier 1 capital ratio	13.49 %	12.95 %	13.49%	12.95 %

Results of Operations

General

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of interest income on loans, investment securities and other short-term investments and interest expense on interest-bearing liabilities, consisting primarily of interest expense on deposits and borrowings. Our results of operations are also dependent on non-interest income, consisting primarily of income from Trust Department fees, service charges on deposit accounts, net gains on sales of investment securities and income from bank-owned life insurance ("BOLI"). Other factors contributing to our results of operations include our provisions for loan losses, income taxes, and non-interest expenses, such as salaries and employee benefits, occupancy and depreciation expenses, professional fees, data processing fees and other miscellaneous operating costs.

Net income for the third quarter of 2019 was $13.2 million, or $0.41 per diluted share, compared to $9.4 million, or $0.29 per diluted share, for the third quarter of 2018. The $3.8 million increase was primarily due to a $2.2 million decrease in non-interest expense due to expenses related to our initial public offering that closed in the third quarter of 2018, a $1.7 million increase in net interest income, and a $1.3 million decrease in provision expense due to a $1.7 million recovery in the quarter, partially offset by a $1.6 million increase in income tax expense.

Net income for the nine months ended September 30, 2019 was $35.2 million, or $1.09 per diluted share, compared to $28.7 million, or $0.96 per diluted share, for same period in 2018. The $6.5 million increase was primarily due to a $14.8 million increase in net interest income, partially offset by a $4.9 million increase in the provision for loan losses, a $2.7 million increase in income tax expense, and $1.4 million increase in non-interest expense.

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 September 30, 2019 and 2018

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)	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Average Balance	**Income / Expense**	**Yield / Rate**	**Average Balance**	**Income / Expense**	**Yield / Rate**
Interest earning assets:						
Interest-bearing deposits in banks	$ 72,143	$ 209	1.15%	$ 114,464	$ 443	1.54%
Securities and FHLB stock	1,294,930	10,720	3.28%	1,130,719	8,867	3.11%
Loans held for sale	—	—	0.00%	11,445	—	0.00%
Total loans, net [1]	3,363,837	35,768	4.22%	3,097,318	33,789	4.33%
Total interest earning assets	4,730,910	46,697	3.92%	4,353,946	43,099	3.93%
Non-interest earning assets:						
Cash and due from banks	6,985			19,623		
Other assets	228,076			202,593		
Total assets	$ 4,965,971			$ 4,576,162		
Interest bearing liabilities:						
Savings, NOW and money market deposits	1,869,675	$ 2,478	0.53%	1,804,535	$ 1,416	0.31%
Time deposits	417,591	1,474	1.40%	434,352	1,143	1.04%
Total deposits	2,287,266	3,952	0.69%	2,238,887	2,559	0.45%
Federal Home Loan Bank advances	166,363	987	2.35%	106,131	498	1.86%
Other Borrowings	163	1	2.43%	—	—	0.00%
Total interest bearing liabilities	2,453,792	4,940	0.80%	2,345,018	3,057	0.52%
Non interest bearing liabilities:						
Demand and transaction deposits	1,936,915			1,771,774		
Other liabilities	93,056			42,563		
Total liabilities	4,483,763			4,159,355		
Stockholders' equity	482,208			416,807		
Total liabilities and stockholders' equity	$ 4,965,971			$ 4,576,162		
Net interest income / interest rate spread		$ 41,757	3.12%		$ 40,042	3.41%
Net interest earning assets / net interest margin	$ 2,277,118		3.50%	$ 2,008,928		3.65%

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

Our net interest income was $41.8 million for the third quarter of 2019, compared to $40.0 million for the third quarter of 2018. The year-over-year increase of $1.7 million, or 4.3%, was primarily attributable to an increase in average loans of $266.5 million, an increase in average securities of $164.2 million and an increase in the yield on average securities of 17 basis points. These increases were partially offset by an increase in average interest bearing deposits of $48.4 million, an increase in average FHLB borrowings of $60.2 million, an increase in the average rate paid on interest bearing deposits of 24 basis points, and an increase in the rate paid on FHLB borrowings of 49 basis points. We also recognized $0.8 million of accretion income on acquired loans, which added seven basis points to our net interest margin in the third quarter of 2019.

Our net interest spread was 3.12% for the three months ended September 30, 2019, compared to 3.41% for the same period in 2018, a decrease of 29 basis points. Our net interest margin was 3.50% for the third quarter of 2019, a decrease of 15 basis points from 3.65% in the third quarter of 2018.

The yield on average earning assets was 3.92% for the three months ended September 30, 2019, compared to 3.93% for the same period in 2018, a decrease of one basis point. This decrease was driven primarily by a decrease in yields on loans due to a reduction in higher-yielding indirect C&I loans and a decrease in the Federal Funds rate.

The average rate on interest-bearing liabilities was 0.80% for the three months ended September 30, 2019, an increase of 28 basis points from the same period in 2018, which was primarily due to higher rates on deposits and borrowings as a result of an increasing Federal Funds rate. The average rate paid on interest-bearing deposits was 0.69% for the three months ended September 30, 2019, an increase of 24 basis points from the same period in 2018, which was primarily due to an increase in the pricing on deposits to new and existing customers. Noninterest-bearing deposits represented 45.9% of average deposits for the three months ended September 30, 2019, contributing to a total cost of deposits of 37 basis points in the third quarter of 2019.

Nine Months Ended September 30, 2019 and 2018

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:

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
(In thousands)	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	$ 71,956	756	1.40%	$ 88,215	$ 1,095	1.66%
Securities and FHLB stock	1,269,637	31,620	3.33%	1,042,680	23,125	2.97%
Loans held for sale	—	—	0.00%	13,541	—	0.00%
Total loans, net [1]	3,271,700	106,623	4.36%	2,978,911	95,284	4.28%
Total interest earning assets	4,613,293	138,999	4.03%	4,123,347	119,504	3.87%
Non-interest earning assets:						
Cash and due from banks	7,926			13,498		
Other assets	248,707			186,518		
Total assets	$ 4,869,926			$ 4,323,363		
Interest bearing liabilities:						
Savings, NOW and money market deposits	1,868,218	$ 6,307	0.45%	1,628,503	$ 3,774	0.31%
Time deposits	448,140	4,089	1.22%	407,305	3,086	1.01%
Total deposits	2,316,358	10,396	0.60%	2,035,808	6,860	0.45%
Federal Home Loan Bank advances	227,853	4,199	2.46%	251,488	3,104	1.65%
Other Borrowings	861	17	2.64%	—	—	0.00%
Total interest bearing liabilities	2,545,072	14,612	0.77%	2,287,296	9,964	0.58%
Non interest bearing liabilities:						
Demand and transaction deposits	1,767,232			1,611,783		
Other liabilities	92,966			43,499		
Total liabilities	4,405,270			3,942,578		
Stockholders' equity	464,656			380,785		
Total liabilities and stockholders' equity	$ 4,869,926			$ 4,323,363		
Net interest income / interest rate spread		$ 124,387	3.26%		$ 109,540	3.29%
Net interest earning assets / net interest margin	$ 2,068,221		3.60%	$ 1,836,051		3.55%

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

Our net interest income was $124.4 million for the nine months ended September 30, 2019, an increase of $14.8 million, or 13.6%, from the same period in 2018. This increase was primarily attributable to an increase in average loans of $292.8 million, an increase in average securities of $227.0 million, and an increase in the yield on average securities and FHLB stock of 36 basis points. These increases were partially offset by an increase in average interest bearing deposits of $280.6 million, an increase in the rate paid on interest bearing deposits of 15 basis points, and an increase in the rate paid on FHLB borrowings of 81 basis points.

Our net interest spread was 3.26% for the nine months ended September 30, 2019, compared to 3.29% for the same period in 2018, a decrease of three basis points. Our net interest margin was 3.60% for the nine months ended September 30, 2019, an increase of five basis points from 3.55% in the same period in 2018.

The yield on average earning assets was 4.03% for the nine months ended September 30, 2019, compared to 3.87% for the same period in 2018, an increase of 15 basis points. This increase was driven primarily by an increase in yields on loans and securities due to an increasing Federal Funds rate.

The average rate on interest-bearing liabilities was 0.77% for the nine months ended September 30, 2019, an increase of 19 basis points from the same period in 2018. The average rate paid on interest-bearing deposits was 0.60% for the nine months ended September 30, 2019, an increase of 15 basis points from the same period in 2018, which was primarily due to an increasing Federal Funds rate. Noninterest-bearing deposits represented 43.3% of average deposits for the nine months ended September 30, 2019, contributing to a total cost of deposits of 34 basis points in the first nine months of 2019.

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 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 September 30, 2019 over September 30, 2018			Nine Months Ended September 30, 2019 over September 30, 2018		
(In thousands)	**Volume**	**Changes Due To Rate**	**Net Change**	**Volume**	**Changes Due To Rate**	**Net Change**
Interest earning assets:						
Interest-bearing deposits in banks	$ (139)	$ (95)	$ (234)	$ (185)	$ (154)	$ (339)
Securities and FHLB stock	1,346	507	1,853	5,429	3,066	8,495
Total loans, net	6,789	(4,810)	1,979	9,513	1,826	11,339
Total interest income	7,996	(4,398)	3,598	14,757	4,738	19,495
Interest bearing liabilities:						
Savings, NOW and money market deposits	51	1,011	1,062	617	1,916	2,533
Time deposits	(280)	611	331	331	672	1,003
Total deposits	(229)	1,622	1,393	948	2,588	3,536
Federal Home Loan Bank advances	334	155	489	(480)	1,575	1,095
Other Borrowings	1	—	1	17	—	17
Total borrowings	335	155	490	(463)	1,575	1,112
Total interest expense	106	1,777	1,883	485	4,163	4,648
Change in net interest income	$ 7,890	$ (6,175)	$ 1,715	$ 14,272	$ 575	$ 14,847

Provision for Loan Losses

Our allowance is adjusted periodically through a provision for loan losses that is 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 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 requisite amount of the allowance and the 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 provisions released from expense or by actual charge-offs, net of recoveries on prior loan charge-offs. In accordance with accounting guidance for business combinations, we recorded all loans acquired in the New Resource Bank ("NRB") acquisition at their estimated fair value at the date of acquisition with no carryover of the related allowance.

Three Months Ended September 30, 2019 and 2018

Our provisions for loan losses totaled a release of $0.6 million in the third quarter of 2019, compared to an expense of $0.8 million for the third quarter of 2018. The release for the third quarter of 2019 was primarily driven by the recovery of $1.7 million related to one indirect C&I loan that had previously been charged-off, partially offset by $0.8 million in net charge-offs in C&I and by other factors. The provision for the third quarter of 2018 was primarily due to an increase in loan balances, partially offset by a reduction in loss factors.

Nine Months Ended September 30, 2019 and 2018

Our provisions for loan losses totaled an expense of $3.8 million for the nine months ended September 30, 2019, compared to a release of $1.1 million for the nine months ended September 30, 2018. The provision for the first nine months of 2019 was primarily driven by additional allowance on criticized and classified loans in the indirect C&I portfolio. The provision release in the first nine months of 2018 was driven by recoveries in the legacy purchased Residential 1-4 family (1st and 2nd lien) portfolios.

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 and custodial management services of investment accounts, service fees charged on deposit accounts, income on bank-owned life insurance, or BOLI, gain or loss on other real estate owned, and gain or loss on the sale of investment securities available for sale.

Our investment management business earns fees from a real estate fund that will wind down over the next few years. This fund generated $2.5 million in fees, included within Trust Department fees, during the nine months ended September 30, 2019, and $3.1 million in fees during the same period in 2018. In the second quarter of 2019, we distributed $60 million in assets from this fund back to investors and expect our fees on this fund to decrease by approximately $150,000 per quarter, or $600,000 annually, as a result. We expect that management fees from this real estate fund will continue to decline as properties are liquidated.

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

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Trust Department fees	$ 4,888	$ 4,698	$ 14,117	$ 13,983
Service charges on deposit accounts	2,222	2,225	6,161	5,995
Bank-owned life insurance	415	434	1,243	1,237
Gain (loss) on sale of investment securities available for sale, net	(50)	—	(135)	(110)
Gain (loss) on other real estate owned, net	—	—	(564)	(494)
Other income	184	190	603	153
Total non-interest income	$ 7,659	$ 7,547	$ 21,425	$ 20,764

Three Months Ended September 30, 2019 and 2018

Our non-interest income was $7.7 million in the third quarter of 2019, compared to $7.5 million in the third quarter of 2018. The $0.1 million, or 1.5%, increase in the third quarter of 2019, compared to the same period in 2018, was primarily due to a $0.2 million increase in Trust Department fees, partially offset by other factors.

Nine Months Ended September 30, 2019 and 2018

Our non-interest income increased to $21.4 million for the nine months ended September 30, 2019, up $0.7 million, or 3.2%, from $20.8 million for the same period in 2018. The increase was primarily due to a $0.5 million increase in other income primarily as a result of the sale of one indirect C&I loan at a loss in the second quarter of 2018.

Non-Interest Expense

Non-interest expense includes compensation and employee benefits, occupancy and depreciation expense, professional fees (including legal, accounting and other professional services), data processing, office maintenance and depreciation, advertising and promotion, and other expenses. The following table presents non-interest expense for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Compensation and employee benefits, net	$ 17,765	$ 17,044	$ 52,187	$ 49,259
Occupancy and depreciation	4,298	4,172	12,714	12,234
Professional fees	3,120	5,243	8,686	10,863
Data processing	2,856	2,787	8,334	7,585
Office maintenance and depreciation	934	796	2,651	2,669
Amortization of intangible assets	344	406	1,031	580
Advertising and promotion	684	1,075	1,998	2,592
Other	1,885	2,530	6,735	7,197
Total non-interest expense	$ 31,886	$ 34,053	$ 94,336	$ 92,979

Three Months Ended September 30, 2019 and 2018

Our non-interest expense for the third quarter of 2019 was $31.9 million, a decrease of $2.2 million, or 6.4%, from $34.1 million in the third quarter of 2018. The decrease in the third quarter of 2019 when compared to the same period in 2018, was primarily due to $3.4 million in expenses in the third quarter of 2018 related to our initial public offering of our stock, partially offset by higher compensation and employee benefits expense and other factors.

Nine Months Ended September 30, 2019 and 2018

Our non-interest expense increased to $94.3 million for the nine months ended September 30, 2019, up $1.4 million, or 1.5%, from $93.0 million for the same period in 2018. The increase was primarily due to the impacts of the NRB acquisition including (i) a $2.9 million increase in compensation and employee benefits primarily due to the NRB acquisition, (ii) a $0.7 million increase in data processing expense due to increased customer activity, (iii) a $0.5 million increase in the amortization of the core deposit tangible from the NRB acquisition, and (iv) a $0.5 million increase in occupancy and depreciation expense from the NRB acquisition. These increases were offset by $3.4 million in expenses related to our initial public offering that closed in the third quarter of 2018, that were absent in 2019.

Income Taxes

Three Months Ended September 30, 2019 and 2018

We had income tax expense of $4.9 million for the third quarter of 2019, compared to $3.3 million for the third quarter of 2018. Our effective tax rate was 27.1% for the three months ended September 30, 2019, compared to 26.1% for the same period in 2018.

Nine Months Ended September 30, 2019 and 2018

We had income tax expense of $12.5 million for the nine months ended September 30, 2019, compared to $9.8 million for the same period in 2018. Our effective tax rate was 26.3% for the nine months ended September 30, 2019, compared to 25.4% for the same period in 2018.

Financial Condition

Balance Sheet

Total assets were $5.0 billion at September 30, 2019, compared to $4.7 billion at December 31, 2018. The increase of $344.3 million was driven primarily by a $256.4 million increase in loans, net, a $67.1 million increase in investment securities and the addition of a $53.3 million "Rights to use" asset as the result of adopting ASC 842 - leases in the first quarter of 2019.

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. Investments in our securities portfolio may change over time based on management's 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 September 30, 2019 or for the year ended December 31, 2018. 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 both September 30, 2019 and December 31, 2018, we had available for sale securities of $1.2 billion. Increases in CLOs and fixed rate ABS securities were off-set by modest declines in various other sectors.

At September 30, 2019, our held to maturity securities portfolio primarily consisted of tax-exempt Municipal securities, GSE residential certificates and other debt. We carry these securities at amortized cost. We had held to maturity securities of $21.2 million at September 30, 2019, and $4.1 million at December 31, 2018.

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At September 30, 2019, we evaluated those securities which had an unrealized loss for OTTI, and determined all of the decline in value to be temporary. There were $380.1 million of investment securities with unrealized losses at September 30, 2019 of which $16.6 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 we believe it is 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 is a summary of our investment portfolio, using market value for available for sale securities and amortized cost for held to maturity securities, as of the date indicated.

	September 30, 2019		December 31, 2018	
(In thousands)	Amount	% of Portfolio	Amount	% of Portfolio
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 38,296	3.1%	$ 79,771	6.8%
GSE CMOs	284,958	22.9%	270,988	23.0%
GSE commercial certificates & CMO	229,726	18.4%	233,166	19.8%
Non-GSE residential certificates	69,239	5.6%	101,362	8.6%
Non-GSE commercial certificates	47,411	3.8%	55,060	4.7%
Other debt:				
U.S. Treasury	200	0.0%	198	0.0%
ABS	529,359	42.4%	403,996	34.1%
Trust preferred	16,585	1.3%	15,990	1.4%
Corporate	8,342	0.7%	13,649	1.1%
Other	990	0.1%	990	0.1%
Total available for sale	1,225,106	98.3%	1,175,170	99.6%
Held to maturity:				
Mortgage-related:				
GSE residential certificates	640	0.1%	656	0.1%
Non GSE commercial certificates	276	0.0%	325	0.0%
Other debt:				
Municipal	15,243	1.2%	—	0.0%
Other	5,100	0.4%	3,100	0.3%
Total held to maturity	21,259	1.7%	4,081	0.4%
Total securities	$ 1,246,365	100.0%	$ 1,179,251	100.0%

The following table shows contractual maturities and yields for the securities available for sale portfolio:

	Contractual Maturity as of September 30, 2019							
	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%	$ —	1.9%	$ 38,574	2.0%
GSE residential CMOs	—	0.0%	—	0.0%	34,958	2.3%	243,471	3.1%
GSE commercial certificates & CMO	—	0.0%	25,527	2.3%	73,893	2.7%	124,200	2.7%
Non-GSE residential certificates	—	0.0%	—	0.0%	—	0.0%	68,640	3.3%
Non-GSE commercial certificates	—	0.0%	—	0.0%	—	0.0%	47,346	3.2%
Other debt:								
U.S. Treasury	200	1.5%	—	0.0%	—	0.0%	—	0.0%
GSE obligations								
ABS	—	0.0%	22,354	3.8%	108,569	3.4%	397,811	3.4%
Trust preferred	—	0.0%	—	0.0%	17,957	2.7%	—	0.0%
Corporate	—	0.0%	—	0.0%	7,956	6.3%	—	0.0%
Other	1,000	2.8%	—	0.0%	—	0.0%	—	0.0%
Held to maturity:								
Mortgage-related:								
GSE residential certificates	—	0.0%	—	0.0%	12	6.3%	628	3.6%
Non GSE commercial certificates	—	0.0%	—	0.0%	—	0.0%	276	5.6%
Other debt:								
Municipal	—	0.0%	—	0.0%	—	0.0%	15,243	3.2%
Other	—	0.0%	5,100	2.6%	—	0.0%	—	0.0%
Total securities	$ 1,200	2.5%	$ 52,981	3.0%	$ 243,345	3.0%	$ 936,189	3.2%

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

The following table shows a breakdown of our ABS securities by sector and ratings:

September 30, 2019
ABS Securities:

					Credit Ratings *Highest Rating if split rated*				
(In thousands)	Amount	%	Expected Avg. Life in Years	% Floating	% AAA	% AA	% A	%Not Rated	Total
CLO Commercial & Industrial	$ 294,618	55%	3.8	100%	100%	0%	0%	0%	100%
Consumer	91,129	17%	4.3	0%	22%	3%	71%	4%	100%
Mortgage	93,193	18%	2.2	100%	100%	0%	0%	0%	100%
Student	50,420	10%	5.2	97%	83%	17%	0%	0%	100%
Total Securities:	$ 529,360	100%	3.7	82%	85%	2%	12%	1%	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 $3.5 billion as of September 30, 2019 compared to $3.2 billion as of December 31, 2018. Within our commercial loan portfolio, our primary focus has been on C&I, multifamily and CRE lending. Within our retail loan portfolio, our primary focus has been on residential 1-4 family (1st lien) mortgages. We intend to focus any organic growth in our loan portfolio on these lending areas as part of our strategic plan.

In the third quarter of 2019, we purchased $16.0 million of Property Assessed Clean Energy ("PACE") loans made to help borrowers finance the installation of energy efficient improvements in residential properties, the repayment of which is paid as part of their tax assessment. These loans are reported as residential loans. Also in the third quarter of 2019, we purchased $50.5 million of primarily fixed rate commercial loans that are unconditionally guaranteed by the United States government and $12.2 million of consumer and commercial solar loans. We plan to selectively evaluate the purchase of additional loan pools that meet our underwriting criteria as part of our strategic plan.

The following table sets forth the composition of our loan portfolio, as of September 30, 2019 and December 31, 2018:

(In thousands)	**September 30, 2019**		**December 31, 2018**	
	Amount	**% of total loans**	**Amount**	**% of total loans**
Commercial portfolio:				
Commercial and industrial	$ 469,882	13.5%	556,537	17.2%
Multifamily mortgages	982,667	28.1%	916,337	28.3%
Commercial real estate mortgages	441,612	12.6%	440,704	13.6%
Construction and land development	59,309	1.7%	46,178	1.4%
Total commercial portfolio	1,953,470	55.9%	1,959,756	60.5%
Retail portfolio:				
Residential 1-4 family 1st mortgages	1,344,757	38.5%	1,083,204	33.4%
Residential 1-4 family 2nd mortgages	24,859	0.7%	27,206	0.8%
Consumer and other	169,463	4.9%	171,184	5.3%
Total retail portfolio	1,539,079	44.1%	1,281,594	39.5%
Total loans	3,492,549	100.0%	3,241,350	100.0%
Net deferred loan origination costs (fees)	8,175		6,481	
Allowance for loan losses	(33,697)		(37,195)	
Total loans, net	$ 3,467,027		$ 3,210,636	

Commercial loan portfolio

Our commercial loan portfolio comprised 55.9% of our total loan portfolio at September 30, 2019 and 60.5% of our total loan portfolio at December 31, 2018. The major categories of our commercial loan portfolio are discussed below:

C&I. Our 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). This portfolio also includes purchases of government guaranteed loans with a concentration in the solar sector. We have shifted our lending strategy to focus on developing multi-product customer relationships including deposits, cash management, and lending. The businesses that we focus on will generally be mission aligned with our core values including organic and natural products, sustainable companies, clean energy, nonprofits, and B Corporations™.

Our C&I loans totaled $469.9 million at September 30, 2019, which comprised 13.5% of our total loan portfolio. During the nine months ended September 30, 2019, the C&I loan portfolio decreased by 15.6% from $556.5 million at December 31, 2018 as a result of our decision to deemphasize certain parts of this portfolio. As of September 30, 2019, we have reduced our indirect C&I portfolio by approximately $175 million through pay-offs and sales since December 31, 2018.

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. Multifamily loans have 90% of their exposure 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.

CRE. Our CRE loans are used to purchase or refinance office buildings, retail centers, industrial facilities, medical facilities and mixed-used buildings. Included in this total are 35 borrowers financing owner-occupied buildings which account for an aggregate total of $57.7 million in loans as of September 30, 2019.

Retail loan portfolio

Our retail loan portfolio comprised 44.1% of our loan portfolio at September 30, 2019 and 39.5% of our loan portfolio at December 31, 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 September 30, 2019, 71.4% 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 NRB, 15.8% were purchased from two 3rd parties on or after July, 2014, 6.4% were purchased by us from other originators before 2010, and 6.4% were PACE loans purchased by us from a third party in the first nine months of 2019.

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 September 30, 2019, 56.0% of our residential 1-4 family second mortgage portfolio is from this 2008 purchase, while the remaining 44.0% of the portfolio has been either originated by us or acquired by us in our acquisition of NRB 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 2014 were 7.4% of ending balances. We began to actively manage the legacy purchased loans in this portfolio in 2014, and the net recovery rate from 2015 through 2018 averaged 1.3% of ending balances. In the first nine months of 2019, the portfolio saw a 2.9% net recovery against ending balances.

Consumer and other. Our consumer and other portfolio is comprised of purchased student loans, residential solar loans, unsecured consumer loans and overdraft lines. Our consumer and other loans totaled $169.5 million at September 30, 2019, which comprised 4.9% of our total loan portfolio, compared to $171.2 million, or 5.3% of our total loan portfolio, at December 31, 2018.

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 September 30, 2019 and December 31, 2018:

(In thousands)	**One year or less**	**After one but within five years**	**After 5 years**	**Total**
September 30, 2019:				
Commercial Portfolio:				
Commercial and industrial	$ 91,067	$ 165,401	$ 213,414	$ 469,882
Multifamily mortgages	96,146	614,619	271,902	982,667
Commercial real estate mortgages	49,849	265,395	126,368	441,612
Construction and land development mortgages	32,548	12,212	14,549	59,309
Retail Portfolio:				
Residential 1-4 family 1st mortgages	720	1,433	1,342,604	1,344,757
Residential 1-4 family 2nd mortgages	—	14	24,845	24,859
Consumer and other	729	4,535	164,199	169,463
Total Loans	$ 271,059	$ 1,063,609	$ 2,157,881	$ 3,492,549

(In thousands)	**After one but within five years**	**After 5 years**	**Total**
Gross loan maturing after one year with:			
Fixed interest rates	$ 917,405	$ 1,394,486	$ 2,311,891
Floating or adjustable interest rates	146,204	763,395	909,599
Total Loans	$ 1,063,609	$ 2,157,881	$ 3,221,490

(In thousands)	One year or less	After one but within five years	After 5 years	Total
December 31, 2018:				
Commercial Portfolio:				
Commercial and Industrial	$ 88,320	$ 302,905	$ 165,312	$ 556,537
Multifamily	54,038	615,296	247,003	916,337
Commercial Real Estate	48,581	265,494	126,629	440,704
Construction and land development	16,994	15,923	13,261	46,178
Retail Portfolio:				
Residential 1-4 family (1st Mortgage)	24	800	1,082,380	1,083,204
Residential 1-4 family (2nd Mortgage)	—	18	27,188	27,206
Consumer and Other	809	4,045	166,330	171,184
Total Loans	$ 208,766	$ 1,204,481	$ 1,828,103	$ 3,241,350

(In thousands)	After one but within five years	After 5 years	Total
Gross loan maturing after one year with:			
Fixed Interest Rates	$ 908,753	$ 1,135,775	$ 2,044,528
Floating or adjustable interest rates	295,728	692,328	988,056
Total Loans	$ 1,204,481	$ 1,828,103	$ 3,032,584

Allowance for Loan Losses

We maintain the allowance 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 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 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 consists of specific allowances for loans that are individually classified as impaired and general components. Impaired loans include loans placed on nonaccrual status and TDRs. 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 NRB. 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Balance at beginning of period	$ 33,630	$ 35,353	$ 37,195	$ 35,965
Loan charge-offs:				
Commercial portfolio:				
Commercial and industrial	844	—	9,236	33
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Construction and land development	—	—	—	—
Retail portfolio:				
Residential 1-4 family (1st mortgage)	141	75	220	159
Residential 1-4 family (2nd mortgage)	284	2	344	242
Consumer and other	329	120	514	296
Total loan charge-offs	1,598	197	10,314	730
Recoveries of loans previously charged-off:				
Commercial portfolio:				
Commercial and industrial	1,688	1	1,694	51
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Construction and land development	—	—	—	—
Retail portfolio:				
Residential 1-4 family (1st mortgage)	174	44	505	581
Residential 1-4 family (2nd mortgage)	332	378	753	1,542
Consumer and other	29	44	109	129
Total loan recoveries	2,223	467	3,061	2,303
Net (recoveries) charge-offs	(625)	(270)	7,253	(1,573)
Provision for (recovery of) loan losses	(558)	791	3,755	(1,124)
Balance at end of period	$ 33,697	$ 36,414	$ 33,697	$ 36,414

The allowance decreased $3.5 million to $33.7 million at September 30, 2019 from $37.2 million at December 31, 2018, primarily due to a charge-off on an indirect C&I loan in the first quarter of 2019, partially offset by an increase in the allowance for four downgraded C&I loans and an increase in historical loss factors on leveraged loans. At September 30, 2019, we had $71.0 million of impaired loans for which a specific allowance of $6.2 million was made, compared to $58.3 million of impaired loans at December 31, 2018 for which a specific allowance of $9.6 million was made. The ratio of allowance to total loans was 0.96% for September 30, 2019 and 1.15% for December 31, 2018. The decrease is primarily attributable to the reduction in specific reserves on the C&I loan mentioned above.

Allocation of Allowance for Loan Losses

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

(In thousands)	At September 30, 2019		At December 31, 2018	
	Amount	% of total loans	Amount	% of total loans
Commercial Portfolio:				
Commercial and industrial	$ 9,370	13.5%	$ 16,046	17.2%
Multifamily	5,797	28.1%	4,736	28.3%
Commercial real estate	3,102	12.6%	2,573	13.6%
Construction and land development	777	1.7%	1,089	1.4%
Total commercial portfolio	19,046	55.9%	24,444	60.5%
Retail Portfolio:				
Residential 1-4 family (1st mortgage)	12,418	38.5%	10,135	33.4%
Residential 1-4 family (2nd mortgage)	1,967	0.7%	1,852	0.8%
Consumer and other	266	4.9%	764	5.3%
Total retail portfolio	14,651	44.1%	12,751	39.5%
Total allowance for loan losses	$ 33,697		$ 37,195	

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 determine, in our judgment 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 the loan's 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 loan's contractual terms before returning a loan to accrual status.

A loan is identified as a 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 as 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 September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Loans 90 days past due and accruing	$ 36	$ —
Nonaccrual loans excluding held for sale loans and restructured loans	8,874	8,379
Nonaccrual loans held for sale	—	—
Restructured loans - nonaccrual	9,495	15,482
Restructured loans - accruing	52,555	34,457
Other real estate owned	526	844
Impaired securities	67	93
Total nonperforming assets	$ 71,553	$ 59,255
Nonaccrual loans:		
Commercial and industrial	$ 3,089	$ 12,153
Multifamily	—	—
Commercial real estate	3,693	4,112
Construction and land development	3,702	—
Total commercial portfolio	10,484	16,265
Residential 1-4 family 1st mortgages	6,545	6,287
Residential 1-4 family 2nd mortgages	888	1,299
Consumer and other	452	10
Total retail portfolio	7,885	7,596
Total nonaccrual loans	$ 18,369	$ 23,861
Nonperforming assets to total assets	1.42%	1.27%
Nonaccrual assets to total assets	0.38%	0.53%
Nonaccrual loans to total loans	0.53%	0.74%
Allowance for loan losses to nonaccrual loans	183%	156%
Troubled debt restructurings:		
TDRs included in nonaccrual loans	$ 9,495	$ 15,482
TDRs in compliance with modified terms	$ 52,555	$ 34,457

Total nonperforming assets totaled $71.6 million at September 30, 2019 compared to $59.3 million at December 31, 2018. The $12.3 million increase was primarily driven by the restructure of $18.3 million in accruing C&I loans, partially offset by a decrease of $5.7 million in restructured nonaccrual loans due to a charge-off in the first quarter of 2019.

Potential problem loans are 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 $25.3 million, or 0.5% of total assets, at September 30, 2019. $20.3 million of these loans are commercial loans currently in workout, with the expectation that all will be rehabilitated. $4.1 million are residential 1-4 family loans, with $2.5 million at 30 days delinquent, and $1.6 million at 60 days delinquent.

Deferred Tax Asset

We had a deferred tax asset, net of deferred tax liabilities, of $28.1 million at September 30, 2019 and $39.3 million at December 31, 2018. A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized due to the inability to generate sufficient taxable income in the period and/or of the character necessary to utilize the benefit of the deferred tax asset. The more-likely-than-not criterion means the likelihood of realization is greater than 50%. When evaluating whether it is more likely than not that all or some portion of the deferred tax asset will not be realized, all available evidence, both positive and negative, that may affect the ability to realize deferred tax assets should be identified and considered in determining the appropriate amount of the valuation allowance. Management assesses all the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. As of September 30, 2019, 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 statements of income 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 $4.3 billion at September 30, 2019, compared to $4.1 billion at December 31, 2018. We believe that our strong deposit franchise is 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 11 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 NRB 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 politically active customers, such as campaigns, PACs, and state and national party committees, which we refer to as political deposits. These deposits exhibit seasonality based on election cycles. As of September 30, 2019 and December 31, 2018, we had approximately $510.9 million and $181.9 million, respectively, in political deposits which are primarily in demand deposits. We believe that decreases in our political deposits related to the last election cycle have stabilized and we expect these deposits to continue to increase as we head into the 2020 presidential election cycle.

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at September 30, 2019 are summarized as follows:

Maturities as of September 30, 2019	
(In thousands)	
Within three months	$ 109,774
After three but within six months	67,800
After six months but within twelve months	93,583
After twelve months	13,020
	$ 284,177

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 considering 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 September 30, 2019, our cash and equivalents, which consist of cash and amounts due from banks and interest-bearing deposits in other financial institutions, amounted to $71.2 million, or 1.4% of total assets, compared to $80.8 million, or 1.7% of total assets at December 31, 2018. Our available for sale securities at September 30, 2019 were $1.2 billion, or 24.4% of total assets, compared to $1.2 billion, or 25.1% of total assets at December 31, 2018. Investment securities with an aggregate fair value of $115.5 million at September 30, 2019 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 September 30, 2019, we had $127.8 million in advances from the FHLB and a remaining credit availability of $1.5 billion. In addition, we maintain borrowing capacity of approximately $137.3 million with the Federal Reserve's discount window that is secured by certain securities from our portfolio which are not pledged for other purposes.

Capital Resources

Total stockholders' equity at September 30, 2019 was $486.3 million, compared to $439.4 million at December 31, 2018, an increase of $46.9 million, or 10.7%. The increase was primarily driven by net income of $35.2 million for the nine months ended September 30, 2019, and a $19.0 million increase in Accumulated Other Comprehensive Income due to the decrease in long-term interest rates improving the value of our held-for-sale securities during the nine months ended September 30, 2019, partially offset by a $5.7 million decrease in retained earnings due to the payment of dividends and a $3.8 million decrease in additional paid in capital due to share buybacks.

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. 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" of 2.5% 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).

As of September 30, 2019, we were categorized as "well capitalized" under the prompt corrective action measures and met the now fully phased-in capital conservation buffer requirements. The following table shows the regulatory capital ratios for us at the dates indicated:

(In thousands)	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be Considered Well Capitalized Amount	To Be Considered Well Capitalized Ratio
September 30, 2019						
Total capital to risk weighted assets	$ 481,895	14.55%	$ 264,942	8.00%	$ 331,177	10.00%
Tier I capital to risk weighted assets	446,829	13.49%	198,706	6.00%	264,942	8.00%
Tier I capital to average assets	446,829	9.03%	197,985	4.00%	247,482	5.00%
Common equity tier 1 to risk weighted assets	446,829	13.49%	149,030	4.50%	215,265	6.50%
December 31, 2018						
Total capital to risk weighted assets	$ 454,078	14.46%	$ 251,287	8.00%	$ 314,109	10.00%
Tier I capital to risk weighted assets	415,267	13.22%	188,465	6.00%	251,287	8.00%
Tier I capital to average assets	415,267	8.88%	187,126	4.00%	233,908	5.00%
Common equity tier 1 to risk weighted assets	415,267	13.22%	141,349	4.50%	204,171	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 September 30, 2019 and December 31, 2018:

September 30, 2019

(In thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	$ 127,775	$ 127,775	$ —	$ —	$ —
Operating Leases	72,328	10,699	21,050	19,466	21,113
	$ 200,103	$ 138,474	$ 21,050	$ 19,466	$ 21,113

December 31, 2018

(In thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	$ 92,875	$ 76,300	$ 16,575	$ —	$ —
Operating Leases	80,455	10,776	21,326	19,958	28,395
	$ 173,330	$ 87,076	$ 37,901	$ 19,958	$ 28,395

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in the Bank's market risk as of September 30, 2019 from that presented in the 2018 10-K. The interest rate sensitivity position at September 30, 2019 is discussed below.

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 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 September 30, 2019 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 should not be relied on as indicative of expected operating results. 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 September 30, 2019	**Estimated Increase (Decrease) in:**			
Immediate Shift	Economic Value of Equity	Economic Value of Equity	Year 1 Net Interest Income	Year 1 Net Interest Income
+400 basis points	-18.2%	(156,623)	7.7%	12,895
+300 basis points	-11.6%	(100,048)	8.1%	13,724
+200 basis points	-5.1%	(43,491)	8.0%	13,441
+100 basis points	0.1%	495	6.2%	10,395
-100 basis points	-8.2%	(70,636)	-7.7%	(12,906)

Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including the participation of our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based upon the determination of the material weakness disclosed in our 2018 Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2019. The control deficiency is related to the completeness and accuracy of deferred income taxes.

Management, with oversight from our Audit Committee, has begun improving our review and documentation policies and procedures related to deferred incomes taxes. These improved controls and procedures will be tested as we apply our controls related to tax accounting during 2019. Our goal is to remediate this control deficiency during 2019, subject to there being sufficient opportunities to conclude, through testing, that the remediated controls are operating effectively.

Changes in Internal Controls

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2019 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. Additionally, we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk. Based upon management's current knowledge, following consultation with legal counsel, in the opinion of management, there is no pending or threatened legal matter that would result in a material adverse effect on our consolidated financial condition or results of operation.

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 Annual Report on Form 10-K filed with the FDIC on March 28, 2019.

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

The following schedule summarizes our total monthly share repurchase activity for the three months ended September 30, 2019:

	Issuer Purchases of Equity Securities			
Period (Settlement Date)	**Total number of shares purchased (1)**	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Approximate dollar value that may yet be purchased under plans or programs (2)**
July 1 through July 31, 2019	—	—	—	25,000,000
August 1 through August 31, 2019	82,140	$ 15.82	82,140	23,700,811
September 1 through September 30, 2019	155,295	$ 15.86	155,295	21,238,087
Total	**237,435**	**$ 15.84**	**237,435**	

(1) Includes shares withheld by the Bank to pay the taxes associated with the vesting of stock options. There were no shares withheld for taxes during the quarter

(2) On May 29, 2019, the Bank's Board of Directors authorized a share repurchase program authorizing the repurchase of up to $25 million of its outstanding common stock. No time limit was set for the completion of the share repurchase program. The authorization does not require the Bank to acquire any specified number of common shares and may be commenced, suspended or discontinued without prior notice. Under this authorization, $3,761,913 were purchased during the quarter.

Item 6. Exhibits.

Exhibit No.	Description of Exhibit
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

November 12, 2019	By:	/s/ Keith Mestrich
		Keith Mestrich
		President and Chief Executive Officer
		(*Principal Executive Officer*)
November 12, 2019	By:	/s/ Andrew Labenne
		Andrew Labenne
		Chief Financial Officer
		(*Principal Financial Officer*)
November 12, 2019	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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (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: November 12, 2019

/s/ Keith Mestrich

Keith Mestrich, President and Chief Executive Officer

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (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: November 12, 2019

/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 September 30, 2019 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
November 12, 2019

/s/ Andrew Labenne

Andrew Labenne
Chief Financial Officer
November 12, 2019