FLUSHING FINANCIAL CORP
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2018**

Commission file number **001-33013**

FLUSHING FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3209278

(I.R.S. Employer Identification No.)

220 RXR Plaza, Uniondale, New York 11556

(Address of principal executive offices)

(718) 961-5400

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer X

Accelerated filer __

Non-accelerated filer __

Smaller reporting company __

Emerging growth company __

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

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

The number of shares of the registrant's Common Stock outstanding as of October 31, 2018 was 28,001,422.

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(Unaudited)

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	September 30, 2018	December 31, 2017
	(Dollars in thousands, except per share data)	
Assets		
Cash and due from banks	$45,094	$51,546
Securities held-to-maturity:		
Mortgage-backed securities (including assets pledged of $4,701 at September 30, 2018 and none pledged at December 31, 2017; fair value of $7,221 and $7,810 at September 30, 2018 and December 31, 2017, respectively)	7,958	7,973
Other securities (none pledged; fair value of $20,996 and $21,889 at September 30, 2018 and December 31, 2017, respectively)	23,207	22,913
Securities available for sale, at fair value:		
Mortgage-backed securities (including assets pledged of $106,607 and $148,505 at September 30, 2018 and December 31, 2017, respectively; $1,330 and $1,590 at fair value pursuant to the fair value option at September 30, 2018 and December 31, 2017, respectively)	528,119	509,650
Other securities (including assets pledged of $24,575 and $44,052 at September 30, 2018 and December 31, 2017, respectively; $12,610 and $12,685 at fair value pursuant to the fair value option at September 30, 2018 and December 31, 2017, respectively)	232,913	228,704
Loans:		
Multi-family residential	2,235,370	2,273,595
Commercial real estate	1,460,555	1,368,112
One-to-four family mixed-use property	565,302	564,206
One-to-four family residential	188,975	180,663
Co-operative apartments	7,771	6,895
Construction	40,239	8,479
Small Business Administration	14,322	18,479
Taxi medallion	6,078	6,834
Commercial business and other	846,224	732,973
Net unamortized premiums and unearned loan fees	15,226	16,763
Allowance for loan losses	(20,309)	(20,351)
Net loans	5,359,753	5,156,648
Interest and dividends receivable	24,673	21,405

Bank premises and equipment, net	29,929	30,836
Federal Home Loan Bank of New York stock, at cost	54,942	60,089
Bank owned life insurance	131,009	131,856
Goodwill	16,127	16,127
Other assets	85,819	61,527
Total assets	$6,539,543	$6,299,274
Liabilities		
Due to depositors:		
Non-interest bearing	$398,606	$385,269
Interest-bearing	4,259,042	3,955,403
Mortgagors' escrow deposits	58,667	42,606
Borrowed funds:		
Federal Home Loan Bank advances	1,083,031	1,198,968
Subordinated debentures	73,919	73,699
Junior subordinated debentures, at fair value	40,151	36,986
Total borrowed funds	1,197,101	1,309,653
Other liabilities	84,371	73,735
Total liabilities	5,997,787	5,766,666
Stockholders' Equity		
Preferred stock ($0.01 par value; 5,000,000 shares authorized; none issued)	-	-
Common stock ($0.01 par value; 100,000,000 shares authorized; 31,530,595 shares issued at September 30, 2018 and December 31, 2017; 28,025,081 shares and 28,588,266 shares outstanding at September 30, 2018 and December 31, 2017, respectively)	315	315
Additional paid-in capital	221,622	217,906
Treasury stock, at average cost (3,505,514 shares and 2,942,329 shares at September 30, 2018 and December 31, 2017, respectively)	(74,222)	(57,675)
Retained earnings	407,590	381,048
Accumulated other comprehensive loss, net of taxes	(13,549)	(8,986)
Total stockholders' equity	541,756	532,608
Total liabilities and stockholders' equity	$6,539,543	$6,299,274

The accompanying notes are an integral part of these consolidated financial statements.

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PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

(Dollars in thousands, except per share data)	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Interest and dividend income				
Interest and fees on loans	$59,658	$53,318	$171,997	$155,834
Interest and dividends on securities:				
Interest	5,562	5,850	16,646	18,377
Dividends	18	30	49	274
Other interest income	248	121	873	403
Total interest and dividend income	65,486	59,319	189,565	174,888
Interest expense				
Deposits	17,425	10,655	44,323	29,145
Other interest expense	6,540	5,623	18,472	15,696
Total interest expense	23,965	16,278	62,795	44,841
Net interest income	41,521	43,041	126,770	130,047
Provision for loan losses	-	3,266	153	3,266
Net interest income after provision for loan losses	41,521	39,775	126,617	126,781
Non-interest income				
Banking services fee income	1,017	885	2,965	2,773
Net loss on sale of securities	-	(186)	-	(186)
Net gain on sale of loans	10	152	168	396
Net loss from fair value adjustments	(170)	(1,297)	(537)	(2,834)
Federal Home Loan Bank of New York stock dividends	873	740	2,630	2,206
Gain from life insurance proceeds	2,222	238	2,998	1,405
Bank owned life insurance	782	816	2,320	2,418
Other income	221	313	779	1,120
Total non-interest income	4,955	1,661	11,323	7,298
Non-interest expense				
Salaries and employee benefits	15,720	15,310	49,466	47,838
Occupancy and equipment	2,475	2,502	7,528	7,652

Professional services	1,915	1,763	6,539	5,678
FDIC deposit insurance	596	499	1,643	1,328
Data processing	1,427	1,349	4,254	3,873
Depreciation and amortization	1,484	1,173	4,328	3,493
Other real estate owned/foreclosure expense (income)	(102)	121	34	376
Net gain from sales of real estate owned	-	-	(27)	(50)
Other operating expenses	3,718	3,249	12,158	11,407
Total non-interest expense	27,233	25,966	85,923	81,595
Income before income taxes	19,243	15,470	52,017	52,484
Provision (benefit) for income taxes				
Federal	2,307	4,680	8,225	15,005
State and local	(397)	611	1,124	2,315
Total taxes	1,910	5,291	9,349	17,320
Net income	$17,333	$10,179	$42,668	$35,164
Basic earnings per common share	$0.61	$0.35	$1.48	$1.21
Diluted earnings per common share	$0.61	$0.35	$1.48	$1.21
Dividends per common share	$0.20	$0.18	$0.60	$0.54

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Net income	$17,333	$10,179	$42,668	$35,164
Other comprehensive income (loss), net of tax:				
Amortization of actuarial losses, net of taxes of $(41) and ($64) for the three months ended September 30, 2018 and 2017, respectively and of ($124) and ($192) for nine months ended September 30, 2018 and 2017, respectively.	91	88	272	262
Amortization of prior service credits, net of taxes of $3 and $5 for the three months ended September 30, 2018 and 2017, respectively and of $8 and $14 for nine months ended September 30, 2018 and 2017, respectively.	(7)	(7)	(20)	(20)
Reclassification adjustment for net gains included in income, net of taxes of ($78) for the three and nine months ended September 30, 2017.	-	108	-	108
Net unrealized (losses) gains on securities, net of taxes of $1,612and $241 for three months ended September 30, 2018 and 2017, respectively and of $6,055 and ($1,006) for nine months ended September 30, 2018 and 2017, respectively.	(3,505)	(333)	(13,159)	1,416
Net unrealized gains (losses) on cash flow hedges, net of taxes of ($860) and ($41) three months ended September 30, 2018 and 2017, respectively and of ($4,425) and $49 for nine months ended September 30, 2018 and 2017, respectively.	1,870	56	9,616	(68)
Change in fair value of liabilities related to instrument-specific credit risk, net of taxes of ($4) and ($10) for the three and nine months ended September 30, 2018, respectively.	9	-	22	-
Total other comprehensive income (loss), net of tax	(1,542)	(88)	(3,269)	1,698
Comprehensive income	$15,791	$10,091	$39,399	$36,862

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	For the nine months ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$42,668	$35,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	153	3,266
Depreciation and amortization of bank premises and equipment	4,328	3,493
Amortization of premium, net of accretion of discount	6,462	5,716
Net loss from fair value adjustments	537	2,834
Net gain from sale of loans	(168)	(396)
Net loss from sale of securities	-	186
Net gain from sale of OREO	(27)	(50)
Income from bank owned life insurance	(2,320)	(2,418)
Gain from life insurance proceeds	(2,998)	(1,405)
Stock-based compensation expense	5,973	5,092
Deferred compensation	(2,450)	(3,322)
Deferred income tax benefit	(1,437)	(1,806)
Increase in other liabilities	6,580	6,810
Decrease (increase) in other assets	2,103	(68)
Net cash provided by operating activities	59,404	53,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of bank premises and equipment	(3,421)	(5,321)
Net redemptions of Federal Home Loan Bank of New York shares	5,147	3,945
Purchases of securities held-to-maturity	(653)	(8,030)
Proceeds from maturities and prepayments of securities held-to-maturity	364	14,830
Purchases of securities available for sale	(102,756)	(152,121)
Proceeds from sales and calls of securities available for sale	10,000	155,999
Proceeds from maturities and prepayments of securities available for sale	57,839	60,573
Proceeds from bank owned life insurance	6,165	4,646
Net repayments (originations) of loans	3,605	(234,227)
Purchases of loans	(235,193)	(75,832)
Proceeds from sale of real estate owned	665	583
Proceeds from sale of loans	14,410	54,990
Net cash used in investing activities	(243,828)	(179,965)

CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in non-interest bearing deposits	13,337	29,346
Net increase in interest-bearing deposits	303,288	195,552
Net increase in mortgagors' escrow deposits	16,061	13,455
Net proceeds (repayments) from short-term borrowed funds	115,250	(43,500)
Proceeds from long-term borrowings	25,000	180,000
Repayment of long-term borrowings	(256,088)	(205,049)
Purchases of treasury stock	(21,638)	(2,902)
Proceeds from issuance of common stock upon exercise of stock options	6	-
Cash dividends paid	(17,244)	(15,729)
Net cash provided by financing activities	177,972	151,173
Net (decrease) increase in cash and cash equivalents	(6,452)	24,304
Cash and cash equivalents, beginning of period	51,546	35,857
Cash and cash equivalents, end of period	$45,094	$60,161
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$57,811	$42,543
Income taxes paid	5,116	16,906
Taxes paid if excess tax benefits were not tax deductible	5,753	16,906
Non-cash activities:		
Loans transferred to Other Real Estate Owned or Other Assets	673	-
Reclassification of the Income tax effects of Tax Cuts and Jobs Act from AOCI to Retained Earnings	2,073	-
Loans held for investment transferred to loans available for sale	-	30,565
Securities purchased not yet settled	10,000	-

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the nine months ended September 30, 2018 and 2017

(Unaudited)

(Dollars in thousands, except per share data)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	$532,608	$ 315	$217,906	$381,048	$(57,675)	$ (8,986)
Reclassification of the Income Tax Effects of the Tax Cuts and Jobs Act from Accumulated Other Comprehensive Income (Loss) to Retained Earnings	-	-	-	2,073	-	(2,073)
Impact of adoption of Accounting Standard Update 2016-01	-	-	-	(779)	-	779
Net income	42,668	-	-	42,668	-	-
Award of common shares released from Employee Benefit Trust (124,583 shares)	2,652	-	2,652	-	-	-
Vesting of restricted stock unit awards (257,597 shares)	-	-	(4,908)	(176)	5,084	-
Exercise of stock options (600 shares)	6	-	(1)	-	7	-
Stock-based compensation expense	5,973	-	5,973	-	-	-
Purchase of treasury shares (744,953 shares)	(19,500)	-	-	-	(19,500)	-
Repurchase of shares to satisfy tax obligation (76,212 shares)	(2,138)	-	-	-	(2,138)	-
Dividends on common stock ($0.60 per share)	(17,244)	-	-	(17,244)	-	-
Other comprehensive loss	(3,269)	-	-	-	-	(3,269)
Balance at September 30, 2018	$541,756	$ 315	$221,622	$407,590	$(74,222)	$ (13,549)
Balance at December 31, 2016	$513,853	$ 315	$214,462	$361,192	$(53,754)	$ (8,362)
Net income	35,164	-	-	35,164	-	-
Award of common shares released from Employee Benefit Trust (114,754 shares)	2,433	-	2,433	-	-	-
Vesting of restricted stock unit awards (284,595 shares)	-	-	(5,052)	(271)	5,323	-
Exercise of stock options (4,400 shares)	-	-	(6)	(40)	46	-
Stock-based compensation expense	5,092	-	5,092	-	-	-

Purchase of treasury shares (10,000 shares)	(278)	-	-	-	(278)	-
Repurchase of shares to satisfy tax obligation (90,779 shares)	(2,624)	-	-	-	(2,624)	-
Dividends on common stock ($0.54 per share)	(15,729)	-	-	(15,729)	-	-
Other comprehensive income	1,698	-	-	-	-	1,698
Balance at September 30, 2017	$539,609	$ 315	$216,929	$380,316	$(51,287)	$ (6,664)

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

The primary business of Flushing Financial Corporation (the "Holding Company"), a Delaware corporation, is the operation of its wholly owned subsidiary, Flushing Bank (the "Bank").

The unaudited consolidated financial statements presented in this Quarterly Report on Form 10-Q ("Quarterly Report") include the collective results of the Holding Company and its direct and indirect wholly-owned subsidiaries, including the Bank, Flushing Preferred Funding Corporation, Flushing Service Corporation, and FSB Properties Inc., which are collectively herein referred to as "we," "us," "our" and the "Company."

The Holding Company also owns Flushing Financial Capital Trust II, Flushing Financial Capital Trust III, and Flushing Financial Capital Trust IV (the "Trusts"), which are special purpose business trusts. The Trusts are not included in the Company's consolidated financial statements, as the Company would not absorb the losses of the Trusts if any losses were to occur.

The accompanying unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and general practices within the banking industry. The information furnished in these interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for such presented periods of the Company. Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Quarterly Report. All inter-company balances and transactions have been eliminated in consolidation. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year.

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Quarterly Report on Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited consolidated interim financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

When necessary, certain reclassifications were made to prior-year amounts to conform to the current-year presentation.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowance for loan losses ("ALLL"), the evaluation of goodwill for impairment, the review of the need for a valuation allowance of the Company's deferred tax assets, the fair value of financial instruments and the evaluation of other-than-temporary impairment ("OTTI") on securities. Actual results could differ from these estimates.

3. Earnings Per Share

Earnings per common share have been computed based on the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except per share data)			
Net income, as reported	$17,333	$10,179	$42,668	$35,164
Divided by:				
Weighted average common shares outstanding	28,604	29,120	28,806	29,092
Weighted average common stock equivalents	-	1	1	2
Total weighted average common shares outstanding and common stock equivalents	28,604	29,121	28,807	29,094
Basic earnings per common share	$0.61	$0.35	$1.48	$1.21
Diluted earnings per common share (1)	$0.61	$0.35	$1.48	$1.21
Dividend payout ratio	32.8 %	51.4 %	40.5 %	44.6 %

(1) For the three and nine months ended September 30, 2018 and 2017, there were no common stock equivalents that were anti-dilutive.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

4. Securities

The Company did not hold any trading securities at September 30, 2018 and December 31, 2017. Securities available for sale are recorded at fair value. Securities held-to-maturity are recorded at amortized cost.

The following table summarizes the Company's portfolio of securities held-to-maturity at September 30, 2018:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Securities held-to-maturity:				
Municipals	$23,207	$20,996	$ -	$ 2,211
Total other securities	23,207	20,996	-	2,211
FNMA	7,958	7,221	-	737
Total mortgage-backed securities	7,958	7,221	-	737
Total	$31,165	$28,217	$ -	$ 2,948

The following table summarizes the Company's portfolio of securities held-to-maturity at December 31, 2017:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Securities held-to-maturity:				
Municipals	$22,913	$21,889	$ -	$ 1,024
Total other securities	22,913	21,889	-	1,024
FNMA	7,973	7,810	-	163
Total mortgage-backed securities	7,973	7,810	-	163

Total	$30,886	$29,699	$ -	$ 1,187

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PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following table summarizes the Company's portfolio of securities available for sale at September 30, 2018:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Corporate	$120,000	$109,757	$ -	$ 10,243
Municipals	100,018	100,546	589	61
Mutual funds	11,405	11,405	-	-
Collateralized loan obligations	10,000	10,000	-	-
Other	1,205	1,205	-	-
Total other securities	242,628	232,913	589	10,304
REMIC and CMO	372,472	360,119	17	12,370
GNMA	805	848	43	-
FNMA	130,397	125,168	47	5,276
FHLMC	43,939	41,984	9	1,964
Total mortgage-backed securities	547,613	528,119	116	19,610
Total securities available for sale	$790,241	$761,032	$ 705	$ 29,914

The following table summarizes the Company's portfolio of securities available for sale at December 31, 2017:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Corporate	$110,000	$102,767	$ -	$ 7,233
Municipals	101,680	103,199	1,519	-
Mutual funds	11,575	11,575	-	-
Collateralized loan obligations	10,000	10,053	53	-
Other	1,110	1,110	-	-
Total other securities	234,365	228,704	1,572	7,233
REMIC and CMO	328,668	325,302	595	3,961
GNMA	1,016	1,088	72	-
FNMA	136,198	135,474	330	1,054
FHLMC	48,103	47,786	18	335

Total mortgage-backed securities	513,985	509,650	1,015	5,350
Total securities available for sale	$748,350	$738,354	$ 2,587	$ 12,583

Mortgage-backed securities shown in the table above include one private issue collateralized mortgage obligation (“CMO”) that is collateralized by commercial real estate mortgages with an amortized cost and market value of $21,000 at December 31, 2017. We did not hold any private issue CMO’s that are collateralized by commercial real estate mortgages at September 30, 2018.

The corporate securities held by the Company at September 30, 2018 and December 31, 2017 are issued by U.S. banking institutions.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following tables detail the amortized cost and fair value of the Company's securities classified as held-to-maturity and available for sale at September 30, 2018, by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities held-to-maturity:	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$1,568	$1,568
Due after ten years	21,639	19,428
Total other securities	23,207	20,996
Mortgage-backed securities	7,958	7,221
Total	$31,165	$28,217

Securities available for sale:	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$-	$-
Due after one year through five years	4,219	4,215
Due after five years through ten years	135,466	125,245
Due after ten years	91,538	92,048
Total other securities	231,223	221,508
Mutual funds	11,405	11,405
Mortgage-backed securities	547,613	528,119
Total	$790,241	$761,032

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following tables show the Company's securities with gross unrealized losses and their fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at the dates indicated:

	At September 30, 2018						
		Total		Less than 12 months		12 months or more	
	Count	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(Dollars in thousands)					
Held-to-maturity securities							
Municipals	1	$19,427	$ 2,211	$-	$ -	$19,427	$ 2,211
Total other securities	1	19,427	2,211	-	-	19,427	2,211
FNMA	1	7,221	737	-	-	7,221	737
Total mortgage-backed securities	1	7,221	737	-	-	7,221	737
Total	2	$26,648	$ 2,948	$-	$ -	$26,648	$ 2,948
Available for sale securities							
Corporate	14	$99,756	$ 10,243	$-	$ -	$99,756	$ 10,243
Municipals	11	28,686	61	28,686	61	-	-
Total other securities	25	128,442	10,304	28,686	61	99,756	10,243
REMIC and CMO	56	337,184	12,370	189,028	4,658	148,156	7,712
FNMA	23	123,654	5,276	38,461	904	85,193	4,372
FHLMC	2	41,274	1,964	-	-	41,274	1,964
Total mortgage-backed securities	81	502,112	19,610	227,489	5,562	274,623	14,048
Total	106	$630,554	$ 29,914	$256,175	$ 5,623	$374,379	$ 24,291

	At December 31, 2017						
		Total		Less than 12 months		12 months or more	
	Coun	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)						
Held-to-maturity securities							
Municipals	1	$20,844	$ 1,024	$20,844	$ 1,024	$-	$ -

Total other securities	1	20,844	1,024	20,844	1,024	-	-
FNMA	1	7,810	163	7,810	163	-	-
Total mortgage-backed securities	1	7,810	163	7,810	163	-	-
Total securities held-to-maturity	2	$28,654	$ 1,187	$28,654	$ 1,187	$-	$ -
Available for sale securities							
Corporate	14	$102,767	$ 7,233	$9,723	$ 277	$93,044	$ 6,956
Total other securities	14	102,767	7,233	9,723	277	93,044	6,956
REMIC and CMO	36	249,596	3,961	162,781	1,406	86,815	2,555
FNMA	17	120,510	1,054	109,258	850	11,252	204
FHLMC	2	46,829	335	43,258	294	3,571	41
Total mortgage-backed securities	55	416,935	5,350	315,297	2,550	101,638	2,800
Total securities available for sale	69	$519,702	$ 12,583	$325,020	$ 2,827	$194,682	$ 9,756

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OTTI losses on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security in an unrealized loss position, the investor must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss has occurred, only the amount of impairment associated with the credit loss is recognized in earnings in the Consolidated Statements of Income. Amounts relating to factors other than credit losses are recorded in accumulated other comprehensive loss (“AOCL”) within Stockholders’ Equity. Unrealized losses on available for sale securities, that are deemed to be temporary, are recorded in AOCL, net of tax.

The Company reviewed each investment that had an unrealized loss at September 30, 2018 and December 31, 2017. The unrealized losses in held-to-maturity municipal securities at September 30, 2018 and December 31, 2017 were caused by illiquidity in the market and movements in interest rates. The unrealized losses in held-to-maturity FNMA securities at September 30, 2018 and December 31, 2017 were caused by movements in interest rates. The unrealized losses in securities available for sale at September 30, 2018 and December 31, 2017 were caused by movements in interest rates.

It is not anticipated that these securities would be settled at a price that is less than the amortized cost of the Company’s investment. Each of these securities is performing according to its terms and, in the opinion of management, will continue to perform according to its terms. The Company does not have the intent to sell these securities and it is more likely than not the Company will not be required to sell the securities before recovery of the securities’ amortized cost basis. This conclusion is based upon considering the Company’s cash and working capital requirements and contractual and regulatory obligations, none of which the Company believes would cause the sale of the securities. Therefore, the Company did not consider these investments to be other-than-temporarily impaired at September 30, 2018 and December 31, 2017.

Realized gains and losses on the sales of securities are determined using the specific identification method. The Company did not sell any securities during the three and nine months ended September 30, 2018. The Company sold available for sale securities totaling $112.4 million during the three and nine months ended September 30, 2017.

The following table represents the gross gains and gross losses realized from the sale of securities available for sale for the periods indicated:

	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
	(In thousands)			
Gross gains from the sale of securities	$-	$401	$-	$401
Gross losses from the sale of securities	-	(587)	-	(587)
Net losses from the sale of securities	$-	$(186)	$-	$(186)

5. Loans

Loans are reported at their outstanding principal balance net of any unearned income, charge-offs, deferred loan fees and costs on originated loans and unamortized premiums or discounts on purchased loans. Loan fees and certain loan origination costs are deferred. Net loan origination costs and premiums or discounts on loans purchased are amortized into interest income over the contractual life of the loans using the level-yield method. Prepayment penalties received on loans which pay in full prior to their scheduled maturity are included in interest income in the period they are collected.

Interest on loans is recognized on the accrual basis. The accrual of income on loans is generally discontinued when certain factors, such as contractual delinquency of 90 days or more, indicate reasonable doubt as to the timely collectability of such income. Uncollected interest previously recognized on non-accrual loans is reversed from interest income at the time the loan is placed on non-accrual status. A non-accrual loan can be returned to accrual status when contractual delinquency returns to less than 90 days delinquent. Payments received on non-accrual loans that do not bring the loan to less than 90 days delinquent are recorded on a cash basis. Payments can also be applied first as a reduction of principal until all principal is recovered and then subsequently to interest, if in management’s opinion, it is evident that recovery of all principal due is likely to occur.

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The Company recognizes a loan as non-performing when the borrower has demonstrated the inability to bring the loan current, or due to other circumstances which, in management's opinion, indicate the borrower will be unable to bring the loan current within a reasonable time. All loans classified as non-performing, which includes all loans past due 90 days or more, are classified as non-accrual unless there is, in our opinion, compelling evidence the borrower will bring the loan current in the immediate future. Prior to a loan becoming 90 days delinquent, an updated appraisal is ordered and/or an internal evaluation is prepared.

A loan is considered impaired when, based upon current information, the Company believes it is probable that it will be unable to collect all amounts due, both principal and interest, in accordance with the original terms of the loan. Impaired loans are measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or, as a practical expedient, the fair value of the collateral if the loan is collateral dependent. All non-accrual loans are considered impaired.

The Company maintains an allowance for loan losses at an amount, which, in management's judgment, is adequate to absorb probable estimated losses inherent in the loan portfolio. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available. An unallocated component may at times be maintained to cover uncertainties that could affect management's estimate of probable losses. When necessary an unallocated component of the allowance will reflect the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. The allowance is established through charges to earnings in the form of a provision for loan losses based on management's evaluation of the risk inherent in the various components of the loan portfolio and other factors, including historical loan loss experience (which is updated quarterly), current economic conditions, delinquency and non-accrual trends, classified loan levels, risk in the portfolio and volumes and trends in loan types, recent trends in charge-offs, changes in underwriting standards, experience, ability and depth of the Company's lenders, collection policies and experience, internal loan review function and other external factors. Increases and decreases in the allowance other than charge-offs and recoveries are included in the provision for loan losses. When a loan or a portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance, and subsequent recoveries, if any, are credited to the allowance.

The determination of the amount of the allowance for loan losses includes estimates that are susceptible to significant changes due to changes in appraisal values of collateral, national and local economic conditions and other factors. We review our loan portfolio by separate categories with similar risk and collateral characteristics. Impaired loans are segregated and reviewed separately.

The Company reviews each impaired loan on an individual basis to determine if either a charge-off or a valuation allowance needs to be allocated to the loan. The Company does not charge-off or allocate a valuation allowance to loans for which management has concluded the current value of the underlying collateral will allow for recovery of the loan balance through the sale of the loan or by foreclosure and sale of the property.

The Company considers fair value of collateral dependent loans to be 85% of the appraised or internally estimated value of the property. The 85% is based on the actual net proceeds the Bank has received from the sale of other real estate owned ("OREO") as a percentage of OREO's appraised value. For collateral dependent taxi medallion loans, the Company considers fair value to be the value of the underlying medallion based upon the most recently reported arm's length sales transaction. When there is no recent sale activity, the fair value is calculated using capitalization rates. For both collateral dependent mortgage loans and taxi medallion loans, the amount by which the loan's book value exceeds fair value is charged-off.

Prior to the quarter ended September 30, 2018, we have segregated our loans into two portfolios based on year of origination. One portfolio was reviewed for loans originated after December 31, 2009 and a second portfolio for loans originated prior to January 1, 2010. Our decision to segregate the portfolio based upon origination dates was based on changes made in our underwriting standards during 2009. For the September 30, 2018 ALLL calculation, the decision was made to no longer segregate the loans by origination year and collapse the two portfolios. Management concluded this revision was appropriate due to the loan balance of loans originated before January 1, 2010 represents approximately 11% of the total loan portfolio and these loans are seasoned, therefore most losses in the pre January 1, 2010 originations have already been identified and incurred. Additionally, in connection with this change in methodology we also combined the economic factors used to calculate the qualitative component of the ALLL. The combined impact of these changes in methodology reduced the ALLL by approximately $0.2 million from what would have been recorded if we did not change our methodology. The Loss Emergence Period ("LEP") used was 1.33 years for the Residential portfolio and 1.58 years for the Commercial portfolio. The Company's Board of Directors reviews and approves management's evaluation of the adequacy of the allowance for loan losses on a quarterly basis.

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The Company evaluates the underlying collateral through a third party appraisal, or when a third party appraisal is not available, the Company will use an internal evaluation. The internal evaluations are prepared using an income approach or a sales approach. The income approach is used for income producing properties and uses current revenues less operating expenses to determine the net cash flow of the property. Once the net cash flow is determined, the value of the property is calculated using an appropriate capitalization rate for the property. The sales approach uses comparable sales prices in the market. When an internal evaluation is used, we place greater reliance on the income approach to value the collateral.

The Company may restructure a loan to enable a borrower experiencing financial difficulties to continue making payments when it is deemed to be in the Company's best long-term interest. This restructure may include reducing the interest rate or amount of the monthly payment for a specified period of time, after which the interest rate and repayment terms revert to the original terms of the loan. We classify these loans as Troubled Debt Restructured ("TDR").

These restructurings have not included a reduction of principal balance. The Company believes that restructuring these loans in this manner will allow certain borrowers to become and remain current on their loans. All loans classified as TDR are considered impaired, however TDR loans which have been current for six consecutive months at the time they are restructured as TDR remain on accrual status and are not included as part of non-performing loans. Loans which were delinquent at the time they are restructured as a TDR are placed on non-accrual status and reported as non-accrual performing TDR loans until they have made timely payments for six consecutive months.

The allocation of a portion of the allowance for loan losses for a performing TDR loan is based upon the present value of the future expected cash flows discounted at the loan's original effective rate, or for a non-performing TDR loan which is collateral dependent, the fair value of the collateral. At September 30, 2018, there were no commitments to lend additional funds to borrowers whose loans were modified to a TDR. The modification of loans to a TDR did not have a significant effect on our operating results, nor did it require a significant allocation of the allowance for loan losses.

The following tables shows loans modified and classified as TDR during the periods indicated:

	For the three months ended					
	September 30, 2018			September 30, 2017		
(Dollars in thousands)	Number	Balance	Modification description	Number	Balance	Modification description

Taxi medallion	-	$-		4	$1,306	Loan amortization extension
Commercial business and other	1	1,620	Loan amortization extension	-	-	
Total	1	$1,620		4	$1,306	

	For the nine months ended September 30, 2018			September 30, 2017		
(Dollars in thousands)	Number	Balance	Modification description	Number	Balance	Modification description
Taxi medallion	-	$-		9	$5,595	All Loan amortization extension, with three loans also receiving a below market rate
Commercial business and other	1	1,620	Loan amortization extension	-	-	
Total	1	$1,620		9	$5,595	

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The recorded investment of the loans modified and classified as TDR presented in the table above, were unchanged as there was no principal forgiven in this modification.

The following table shows our recorded investment for loans classified as TDR that are performing according to their restructured terms at the periods indicated:

	September 30, 2018		December 31, 2017	
(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Multi-family residential	7	$ 1,927	9	$ 2,518
Commercial real estate	-	-	2	1,986
One-to-four family - mixed-use property	5	1,713	5	1,753
One-to-four family - residential	3	557	3	572
Taxi medallion	19	5,366	20	5,916
Commercial business and other	3	1,885	2	462
Total performing troubled debt restructured	37	$ 11,448	41	$ 13,207

During the nine months ended September 30, 2018, we sold one commercial real estate TDR loan totaling $1.8 million, for a loss of $0.3 million and foreclosed on one taxi medallion TDR loan of $35,000, which is included in "Other Assets". There were no TDR loans that defaulted during the period, which were within 12 months of their modification date.

The following table shows our recorded investment for loans classified as TDR that are not performing according to their restructured terms at the periods indicated:

	September 30, 2018	December 31, 2017

(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Multi-family residential	1	$ 383	1	$ 383
Total troubled debt restructurings that subsequently defaulted	1	$ 383	1	$ 383

There were no TDR loans transferred to non-performing status during the three and nine months ended September 30, 2018 and 2017.

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The following table shows our non-performing loans at the periods indicated:

(In thousands)	September 30, 2018	December 31, 2017
Loans ninety days or more past due and still accruing:		
Commercial real estate	$ 111	$ 2,424
Total	111	2,424
Non-accrual mortgage loans:		
Multi-family residential	862	3,598
Commercial real estate	1,398	1,473
One-to-four family - mixed-use property	795	1,867
One-to-four family - residential	6,610	7,808
Total	9,665	14,746
Non-accrual non-mortgage loans:		
Small Business Administration	1,395	46
Taxi medallion	712	918
Commercial business and other	761	-
Total	2,868	964
Total non-accrual loans	12,533	15,710
Total non-performing loans	$ 12,644	$ 18,134

The following is a summary of interest foregone on non-accrual loans and loans classified as TDR for the periods indicated:

	For the three months ended September 30,	For the nine months ended September 30,

	2018	2017	2018	2017
	(In thousands)			
Interest income that would have been recognized had the loans performed in accordance with their original terms	$398	$401	$1,194	$1,249
Less: Interest income included in the results of operations	173	166	487	434
Total foregone interest	$225	$235	$707	$815

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The following tables show an age analysis of our recorded investment in loans, including loans past maturity, at the periods indicated:

	September 30, 2018					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$3,233	$486	$863	$4,582	$2,230,788	$2,235,370
Commercial real estate	562	2,025	1,509	4,096	1,456,459	1,460,555
One-to-four family - mixed-use property	1,657	362	796	2,815	562,487	565,302
One-to-four family - residential	1,382	266	6,610	8,258	180,717	188,975
Co-operative apartments	-	-	-	-	7,771	7,771
Construction loans	-	-	-	-	40,239	40,239
Small Business Administration	145	-	1,395	1,540	12,782	14,322
Taxi medallion	-	-	-	-	6,078	6,078
Commercial business and other	5	-	760	765	845,459	846,224
Total	$6,984	$3,139	$11,933	$22,056	$5,342,780	$5,364,836

	December 31, 2017					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$2,533	$279	$3,598	$6,410	$2,267,185	$2,273,595
Commercial real estate	1,680	2,197	3,897	7,774	1,360,338	1,368,112
One-to-four family - mixed-use property	1,570	860	1,867	4,297	559,909	564,206
One-to-four family - residential	1,921	680	7,623	10,224	170,439	180,663
Co-operative apartments	-	-	-	-	6,895	6,895
Construction loans	-	-	-	-	8,479	8,479
Small Business Administration	-	-	-	-	18,479	18,479
Taxi medallion	-	108	-	108	6,726	6,834

Commercial business and other	2	-	-	2	732,971	732,973
Total	$7,706	$4,124	$16,985	$28,815	$5,131,421	$5,160,236

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The following tables show the activity in the allowance for loan losses for the three month periods indicated:

September 30, 2018

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 5,538	$ 4,726	$ 2,297	$ 1,003	$ 264	$ 549	$ -	$ 5,832	$ 11	$ 20,220
Charge-off's	(18)	-	(3)	-	-	(144)	(40)	(15)	-	(220)
Recoveries	-	-	39	258	-	10	-	2	-	309
Provision (Benefit)	37	(650)	(407)	(382)	(2)	138	40	1,186	40	-
Ending balance	$ 5,557	$ 4,076	$ 1,926	$ 879	$ 262	$ 553	$ -	$ 7,005	$ 51	$ 20,309

September 30, 2017

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 5,917	$ 4,688	$ 2,568	$ 990	$ 130	$ 306	$ 2,330	$ 4,668	$ 560	$ 22,157
Charge-off's	(290)	-	(1)	-	-	-	-	(33)	-	(324)
Recoveries	66	25	-	58	-	17	-	4	-	170
Provision (Benefit)	43	(86)	(49)	(90)	(13)	70	3,661	290	(560)	3,266
Ending balance	$ 5,736	$ 4,627	$ 2,518	$ 958	$ 117	$ 393	$ 5,991	$ 4,929	$ -	$ 25,269

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The following tables show the activity in the allowance for loan losses for the nine month periods indicated:

September 30, 2018

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 5,823	$ 4,643	$ 2,545	$ 1,082	$ 68	$ 669	$ -	$ 5,521	$ -	$ 20,351
Charge-off's	(99)	-	(3)	(1)	-	(196)	(393)	(29)	-	(721)
Recoveries	2	-	118	370	-	25	-	11	-	526
Provision (Benefit)	(169)	(567)	(734)	(572)	194	55	393	1,502	51	153
Ending balance	$ 5,557	$ 4,076	$ 1,926	$ 879	$ 262	$ 553	$ -	$ 7,005	$ 51	$ 20,309

September 30, 2017

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 5,923	$ 4,487	$ 2,903	$ 1,015	$ 92	$ 481	$ 2,243	$ 4,492	$ 593	$ 22,229
Charge-off's	(452)	(4)	(36)	(170)	-	(89)	(54)	(48)	-	(853)
Recoveries	297	93	68	58	-	66	-	45	-	627
Provision (Benefit)	(32)	51	(417)	55	25	(65)	3,802	440	(593)	3,266
Ending balance	$ 5,736	$ 4,627	$ 2,518	$ 958	$ 117	$ 393	$ 5,991	$ 4,929	$ -	$ 25,269

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The following tables show the manner in which loans were evaluated for impairment at the periods indicated:

September 30, 2018

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration
Financing Receivables:							
Ending Balance	$2,235,370	$1,460,555	$565,302	$188,975	$7,771	$40,239	$14,322
Ending balance: individually evaluated for impairment	$5,023	$4,206	$3,680	$7,561	$-	$-	$1,429
Ending balance: collectively evaluated for impairment	$2,230,347	$1,456,349	$561,622	$181,414	$7,771	$40,239	$12,893
Allowance for credit losses:							
Ending balance: individually evaluated for impairment	$102	$-	$151	$53	$-	$-	$-
Ending balance: collectively evaluated for impairment	$5,455	$4,076	$1,775	$826	$-	$262	$553

December 31, 2017

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration

			property				
Financing Receivables:							
Ending Balance	$2,273,595	$1,368,112	$564,206	$180,663	$6,895	$8,479	$18,479
Ending balance: individually evaluated for impairment	$7,311	$9,089	$5,445	$9,686	$-	$-	$137
Ending balance: collectively evaluated for impairment	$2,266,284	$1,359,023	$558,761	$170,977	$6,895	$8,479	$18,342
Allowance for credit losses:							
Ending balance: individually evaluated for impairment	$205	$177	$198	$56	$-	$-	$-
Ending balance: collectively evaluated for impairment	$5,618	$4,466	$2,347	$1,026	$-	$68	$669

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The following table shows our recorded investment, unpaid principal balance and allocated allowance for loan losses for impaired loans at the periods indicated:

	September 30, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)					
With no related allowance recorded:						
Mortgage loans:						
Multi-family residential	$3,741	$4,288	$ -	$5,091	$5,539	$ -
Commercial real estate	4,206	4,206	-	7,103	7,103	-
One-to-four family mixed-use property	2,484	2,703	-	4,218	4,556	-
One-to-four family residential	7,158	7,792	-	9,272	10,489	-
Non-mortgage loans:						
Small Business Administration	1,429	1,577	-	137	151	-
Taxi medallion	6,078	17,343	-	6,834	18,063	-
Commercial business and other	24,773	25,142	-	313	682	-
Total loans with no related allowance recorded	49,869	63,051	-	32,968	46,583	-
With an allowance recorded:						
Mortgage loans:						
Multi-family residential	1,282	1,282	102	2,220	2,220	205
Commercial real estate	-	-	-	1,986	1,986	177
One-to-four family mixed-use property	1,196	1,196	151	1,227	1,227	198
One-to-four family residential	403	403	53	414	414	56
Non-mortgage loans:						
Commercial business and other	286	286	2	348	348	6
Total loans with an allowance recorded	3,167	3,167	308	6,195	6,195	642
Total Impaired Loans:						
Total mortgage loans	$20,470	$21,870	$ 306	$31,531	$33,534	$ 636
Total non-mortgage loans	$32,566	$44,348	$ 2	$7,632	$19,244	$ 6

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The following table shows our average recorded investment and interest income recognized for impaired loans for the three months ended:

	September 30, 2018		September 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
With no related allowance recorded:				
Mortgage loans:				
Multi-family residential	$4,013	$ 31	$2,451	$ 12
Commercial real estate	4,587	50	5,142	60
One-to-four family mixed-use property	3,452	28	5,269	45
One-to-four family residential	7,742	7	10,023	29
Construction	365	-	890	15
Non-mortgage loans:				
Small Business Administration	739	31	260	5
Taxi medallion	6,152	84	3,177	19
Commercial business and other	20,301	482	1,254	6
Total loans with no related allowance recorded	47,351	713	28,466	191
With an allowance recorded:				
Mortgage loans:				
Multi-family residential	1,740	19	2,242	28
Commercial real estate	-	-	2,040	24
One-to-four family mixed-use property	1,201	15	1,445	16
One-to-four family residential	405	4	422	4
Non-mortgage loans:				
Taxi medallion	-	-	14,716	73
Commercial business and other	297	4	385	5
Total loans with an allowance recorded	3,643	42	21,250	150
Total Impaired Loans:				
Total mortgage loans	$23,505	$ 154	$29,924	$ 233
Total non-mortgage loans	$27,489	$ 601	$19,792	$ 108

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The following table shows our average recorded investment and interest income recognized for impaired loans for the nine months ended:

	September 30, 2018		September 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
With no related allowance recorded:				
Mortgage loans:				
Multi-family residential	$4,201	$ 67	$2,650	$ 57
Commercial real estate	5,300	176	5,881	214
One-to-four family mixed-use property	3,759	108	5,399	123
One-to-four family residential	7,974	32	10,062	85
Construction	243	10	794	22
Non-mortgage loans:				
Small Business Administration	526	33	230	9
Taxi medallion	6,307	252	3,771	74
Commercial business and other	13,560	792	1,584	93
Total loans with no related allowance recorded	41,870	1,470	30,371	677
With an allowance recorded:				
Mortgage loans:				
Multi-family residential	1,896	78	2,391	107
Commercial real estate	1,206	39	2,039	72
One-to-four family mixed-use property	407	12	1,379	50
One-to-four family residential	-	-	422	12
Non-mortgage loans:				
Taxi medallion	-	-	14,663	166
Commercial business and other	307	13	383	17
Total loans with an allowance recorded	3,816	142	21,277	424
Total Impaired Loans:				
Total mortgage loans	$24,986	$ 522	$31,017	$ 742
Total non-mortgage loans	$20,700	$ 1,090	$20,631	$ 359

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In accordance with our policy and the current regulatory guidelines, we designate loans as “Special Mention,” which are considered “Criticized Loans,” and “Substandard,” “Doubtful,” or “Loss,” which are considered “Classified Loans”. If a loan does not fall within one of the previous mentioned categories then the loan would be considered “Pass.” Loans that are non-accrual are designated as Substandard, Doubtful or Loss. These loan designations are updated quarterly. We designate a loan as Substandard when a well-defined weakness is identified that may jeopardize the orderly liquidation of the debt. We designate a loan Doubtful when it displays the inherent weakness of a Substandard loan with the added provision that collection of the debt in full, on the basis of existing facts, is highly improbable. We designate a loan as Loss if it is deemed the debtor is incapable of repayment. The Company does not hold any loans designated as Loss, as loans that are designated as Loss are charged to the Allowance for Loan Losses. We designate a loan as Special Mention if the asset does not warrant classification within one of the other classifications, but does contain a potential weakness that deserves closer attention.

The following table sets forth the recorded investment in loans designated as Criticized or Classified at the periods indicated:

	September 30, 2018				
(In thousands)	Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$3,092	$ 3,095	$ -	$ -	$6,187
Commercial real estate	2,969	4,206	-	-	7,175
One-to-four family - mixed-use property	1,215	1,967	-	-	3,182
One-to-four family - residential	480	7,005	-	-	7,485
Small Business Administration	487	274	-	-	761
Taxi medallion	-	6,078	-	-	6,078
Commercial business and other	749	25,050	-	-	25,799
Total loans	$8,992	$ 47,675	$ -	$ -	$56,667

	December 31, 2017				
(In thousands)	Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$6,389	$ 4,793	$ -	$ -	$11,182
Commercial real estate	2,020	8,871	-	-	10,891
One-to-four family - mixed-use property	2,835	3,691	-	-	6,526
One-to-four family - residential	2,076	9,115	-	-	11,191
Small Business Administration	548	108	-	-	656

Taxi medallion	-	6,834	-	-	6,834
Commercial business and other	14,859	545	-	-	15,404
Total loans	$28,727	$ 33,957	$ -	$ -	$62,684

Commitments to extend credit (principally real estate mortgage loans) and lines of credit (principally home equity lines of credit and business lines of credit) amounted to $45.0 million and $304.1 million, respectively, at September 30, 2018.

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6. Loans held for sale

Loans held for sale are carried at the lower of cost or estimated fair value. At September 30, 2018 and December 31, 2017, the Bank did not have any loans held for sale.

The Company has implemented a strategy of selling certain delinquent and non-performing loans. Once the Company has decided to sell a loan, the sale usually closes in a short period of time, generally within the same quarter. Loans designated held for sale are reclassified from loans held for investment to loans held for sale. Terms of sale include cash due upon the closing of the sale, no contingencies or recourse to the Company and servicing is released to the buyer. Additionally, at times the Company may sell participating interests in performing loans.

The following tables show loans sold during the period indicated:

	For the three months ended September 30, 2018			
(Dollars in thousands)	Loans sold	Proceeds	Net Recoveries (Charge-offs)	Net gain
Delinquent and non-performing loans				
Multi-family residential	1	$ 595	$ -	$ -
Commercial real estate	1	2,500	-	-
One-to-four family - mixed-use property	2	725	(4)	-
One-to-four family - residential	2	390	72	10
Total	6	$ 4,210	$ 68	$ 10

For the three months ended September 30,

	2017		
(Dollars in thousands)	Loans sold	Proceeds	Net gain (loss)
Delinquent and non-performing loans			
Multi-family residential	2	$707	$30
Commercial real estate	3	1,118	34
One-to-four family - mixed-use property	3	913	115
Total	8	$2,738	$179
Performing loans			
Multi-family residential	10	$12,704	$(22)
Commercial real estate	2	17,832	(7)
Small Business Administration	1	142	2
Total	13	$30,678	$(27)

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	For the nine months ended September 30, 2018			
(Dollars in thousands)	Loans sold	Proceeds	Net Recoveries (Charge-offs)	Net gain (loss)
Delinquent and non-performing loans				
Multi-family residential	4	$ 1,559	$ -	$ -
Commercial real estate	4	6,065	-	(235)
One-to-four family - mixed-use property	2	725	(4)	-
One-to-four family - residential	2	390	72	10
Total	12	$ 8,739	$ 68	$ (225)
Performing loans				
Small Business Administration	9	$ 5,671	$ -	$ 393
Total	9	$ 5,671	$ -	$ 393

	For the nine months ended September 30, 2017			
(Dollars in thousands)	Loans sold	Proceeds	Net charge-offs	Net gain (loss)
Delinquent and non-performing loans				
Multi-family residential	2	$ 707	$ -	$ 30
Commercial real estate	4	1,453	(4)	35
One-to-four family - mixed-use property	8	2,703	(33)	143
Total	14	$ 4,863	$ (37)	$ 208
Performing loans				
Multi-family residential	12	$ 18,784	$ -	$ (36)
Commercial real estate	7	26,283	-	(28)
Small Business Administration	8	5,061	-	252
Total	27	$ 50,128	$ -	$ 188

7. Other Real Estate Owned

During the nine months ended September 30, 2018 we foreclosed on one residential real estate property for $0.6 million. During the three months ended September 30, 2018 and the three and nine months ended September 30, 2017, we did not foreclose on any consumer mortgages through in-substance repossession. We did not hold any foreclosed residential real estate properties at September 30, 2018 and December 31, 2017. Included within net loans as of September 30, 2018 and December 31, 2017 was a recorded investment of $8.1 million and $10.5 million, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction.

8. Stock-Based Compensation

For the three months ended September 30, 2018 and 2017, the Company's net income, as reported, includes $1.1 million and $1.1 million, respectively, of stock-based compensation costs and $0.2 million and $0.4 million of income tax benefits, respectively, related to the stock-based compensation plans in each of the periods. For the nine months ended September 30, 2018 and 2017, the Company's net income, as reported, includes $5.7 million and $5.2 million, respectively, of stock-based compensation costs and $1.2 million and $1.7 million of income tax benefits, respectively, related to the stock-based compensation plans in each of the periods. The Company did not grant any restricted stock units during the three months ended September 30, 2018 and 2017. During the nine months ended September 30, 2018 and 2017, the Company granted 280,590 and 276,900 restricted stock units, respectively. The Company has not granted stock options since 2009. At September 30, 2018, the Company had 600 stock options, all 100% vested, outstanding, at an average exercise price of $8.44 per share.

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The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards. Compensation cost is recognized over the vesting period of the award using the straight-line method.

The following table summarizes the Company's restricted stock unit ("RSU") awards at or for the nine months ended September 30, 2018:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2017	497,322	$ 22.46
Granted	280,590	28.19
Vested	(248,319)	23.68
Forfeited	(11,955)	25.31
Non-vested at September 30, 2018	517,638	$ 24.91
Vested but unissued at September 30, 2018	234,799	$ 25.14

As of September 30, 2018, there was $9.4 million of total unrecognized compensation cost related to RSU awards granted. That cost is expected to be recognized over a weighted-average period of 3.0 years. The total fair value of awards vested for the three months ended September 30, 2018 and 2017 was $0.2 million