Section 1: 10-Q (KRNY-Q2-20181231)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2018

OR

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

For the transition period from ______ to ______

Commission File Number 001-37399

KEARNY FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Maryland	**30-0870244**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
120 Passaic Ave., Fairfield, New Jersey	**07004**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code
973-244-4500

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

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: February 4, 2019.

$0.01 par value common stock — 93,101,725 shares outstanding

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

INDEX

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In Thousands, Except Share and Per Share Data)

	December 31, 2018 (Unaudited)	June 30, 2018
Assets		
Cash and amounts due from depository institutions	$ 24,361	$ 26,199
Interest-bearing deposits in other banks	27,122	102,665
Cash and cash equivalents	51,483	128,864
Investment securities available for sale, at fair value	666,602	725,085
Investment securities held to maturity (fair value $592,151 and $579,499, respectively)	598,318	589,730
Loans held-for-sale	1,001	863
Loans receivable, including unaccreted yield adjustments of $(59,183) and $(66,567), respectively	4,753,392	4,501,348
Less: allowance for loan losses	(33,526)	(30,865)
Net loans receivable	4,719,866	4,470,483
Premises and equipment	58,414	56,240
Federal Home Loan Bank ("FHLB") of New York stock	64,514	59,004
Accrued interest receivable	19,435	18,510
Goodwill	210,895	210,895
Core deposit intangibles	5,743	6,295
Bank owned life insurance	253,009	249,816
Deferred income tax assets, net	24,692	23,754
Other real estate owned	508	725
Other assets	27,960	39,610
Total Assets	$ 6,702,440	$ 6,579,874
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest-bearing	$ 305,392	$ 311,938
Interest-bearing	3,868,042	3,761,666
Total deposits	4,173,434	4,073,604
Borrowings	1,310,547	1,198,646
Advance payments by borrowers for taxes	17,201	18,088
Other liabilities	17,997	20,788
Total Liabilities	5,519,179	5,311,126
Stockholders' Equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.01 par value; 800,000,000 shares authorized; 93,772,115 shares and 99,626,400 shares issued and outstanding, respectively	938	996
Paid-in capital	848,145	922,711
Retained earnings	356,993	359,096
Unearned employee stock ownership plan shares; 3,261,335 shares and 3,361,684 shares, respectively	(31,617)	(32,590)
Accumulated other comprehensive income	8,802	18,535
Total Stockholders' Equity	1,183,261	1,268,748
Total Liabilities and Stockholders' Equity	$ 6,702,440	$ 6,579,874

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Interest Income				
Loans	$ 49,015	$ 30,610	$ 96,452	$ 61,083
Taxable investment securities	9,051	6,077	17,930	11,933
Tax-exempt investment securities	713	641	1,429	1,262
Other interest-earning assets	1,243	704	2,417	1,346
Total Interest Income	60,022	38,032	118,228	75,624
Interest Expense				
Deposits	12,727	6,649	23,266	12,868
Borrowings	7,946	4,548	15,433	9,111
Total Interest Expense	20,673	11,197	38,699	21,979
Net Interest Income	39,349	26,835	79,529	53,645
Provision for Loan Losses	971	936	3,071	1,566
Net Interest Income after Provision for Loan Losses	38,378	25,899	76,458	52,079
Non-Interest Income				
Fees and service charges	1,258	1,409	2,431	2,670
Gain on sale of loans	101	200	233	531
Gain (loss) on sale and write down of other real estate owned	36	23	(14)	(86)
Income from bank owned life insurance	1,599	1,264	3,193	2,531
Electronic banking fees and charges	277	302	527	580
Miscellaneous	38	65	121	131
Total Non-Interest Income	3,309	3,263	6,491	6,357
Non-Interest Expense				
Salaries and employee benefits	15,699	12,852	31,341	25,645
Net occupancy expense of premises	2,761	2,122	5,497	4,103
Equipment and systems	3,377	2,193	6,303	4,383
Advertising and marketing	787	748	1,364	1,458
Federal deposit insurance premium	421	343	886	703
Directors' compensation	746	688	1,504	1,377
Merger-related expenses	-	1,193	-	1,193
Miscellaneous	3,479	2,625	6,832	5,188
Total Non-Interest Expense	27,270	22,764	53,727	44,050
Income before Income Taxes	14,417	6,398	29,222	14,386
Income tax expense	3,649	5,129	7,308	7,885
Net Income	$ 10,768	$ 1,269	$ 21,914	$ 6,501

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Continued)
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net Income per Common Share (EPS)				
Basic	$ 0.12	$ 0.02	$ 0.23	$ 0.08
Diluted	$ 0.12	$ 0.02	$ 0.23	$ 0.08
Weighted Average Number of Common Shares Outstanding				
Basic	92,434	77,174	93,780	78,411
Diluted	92,480	77,239	93,831	78,474
Dividends Declared Per Common Share	$ 0.05	$ 0.03	$ 0.25	$ 0.18

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net Income	$ 10,768	$ 1,269	$ 21,914	$ 6,501
Other Comprehensive (Loss) Income, net of tax:				
Net unrealized loss on securities available for sale	(1,863)	(1,208)	(2,517)	(60)
Amortization of net unrealized loss on securities available for sale transferred to held to maturity	28	44	130	61
Fair value adjustments on derivatives	(8,189)	4,429	(7,332)	5,403
Benefit plan adjustments	8	7	(14)	(36)
Total Other Comprehensive (Loss) Income	(10,016)	3,272	(9,733)	5,368
Total Comprehensive Income	$ 752	$ 4,541	$ 12,181	$ 11,869

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three and Six Months Ended December 31, 2017

(In Thousands, Unaudited)

	Common Stock						
	Shares	**Amount**	**Paid-In Capital**	**Retained Earnings**	**Unearned ESOP Shares**	**Accumulated Other Comprehensive Income**	**Total**
Balance - September 30, 2017	81,548	$ 815	$ 690,204	$ 354,123	$ (34,049)	$ 3,140	$ 1,014,233
Net income	-	-	-	1,269	-	-	1,269
Other comprehensive income, net of income tax expense	-	-	-	-	-	3,272	3,272
ESOP shares committed to be released (50 shares)	-	-	258	-	486	.	744
Stock option exercise	10	-	102	-	-	-	102
Stock option expense	-	-	523	-	-	-	523
Share repurchases	(1,944)	(19)	(28,813)	-	-	-	(28,832)
Restricted stock plan shares earned (73 shares)	-	-	1,096	-	-	-	1,096
Cancellation of shares issued for restricted stock awards	(87)	(1)	(1,277)	-	-	-	(1,278)
Cash dividends declared ($0.03 per common share)	-	-	-	(1,856)	-	-	(1,856)
Balance - December 31, 2017	79,527	$ 795	$ 662,093	$ 353,536	$ (33,563)	$ 6,412	$ 989,273

	Common Stock						
	Shares	**Amount**	**Paid-In Capital**	**Retained Earnings**	**Unearned ESOP Shares**	**Accumulated Other Comprehensive Income**	**Total**
Balance - June 30, 2017	84,351	$ 844	$ 728,790	$ 361,039	$ (34,536)	$ 1,044	$ 1,057,181
Net income	-	-	-	6,501	-	-	6,501
Other comprehensive income, net of income tax expense	-	-	-	-	-	5,368	5,368
ESOP shares committed to be released (100 shares)	-	-	503	-	973	-	1,476
Stock option exercise	10		102				102
Stock option expense	-	-	1,045	-	-	-	1,045
Share repurchases	(4,747)	(48)	(69,266)	-	-	-	(69,314)
Restricted stock plan shares earned (146 shares)	-	-	2,196	-	-	-	2,196
Cancellation of shares issued for restricted stock awards	(87)	(1)	(1,277)	-	-	-	(1,278)
Cash dividends declared ($0.18 per common share)	-	-	-	(14,004)	-	-	(14,004)
Balance - December 31, 2017	79,527	$ 795	$ 662,093	$ 353,536	$ (33,563)	$ 6,412	$ 989,273

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended December 31, 2018

(In Thousands, Unaudited)

	Common Stock		Paid-In	Retained	Unearned ESOP	Accumulated Other Comprehensive	
	Shares	**Amount**	**Capital**	**Earnings**	**Shares**	**Income**	**Total**
Balance - September 30, 2018	97,754	$ 978	$ 897,551	$ 350,838	$ (32,104)	$ 18,818	$ 1,236,081
Cumulative effect of change in accounting principle for the adoption of ASU 2017-08	-	-	-	(531)	-	-	(531)
Balance - October 1, 2018, as adjusted for change in accounting principle	97,754	978	897,551	350,307	(32,104)	18,818	1,235,550
Net income	-	-	-	10,768	-	-	10,768
Other comprehensive loss, net of income tax benefit	-	-	-	-	-	(10,016)	(10,016)
ESOP shares committed to be released (50 shares)	-	-	164	-	487	-	651
Stock option expense	-	-	495	-	-	-	495
Share repurchases	(3,828)	(38)	(50,155)	-	-	-	(50,193)
Restricted stock plan shares earned (72 shares)	-	-	1,032	-	-	-	1,032
Cancellation of shares issued for restricted stock awards	(154)	(2)	(942)	-	-	-	(944)
Cash dividends declared ($0.05 per common share)	-	-	-	(4,082)	-	-	(4,082)
Balance - December 31, 2018	93,772	$ 938	$ 848,145	$ 356,993	$ (31,617)	$ 8,802	$ 1,183,261

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months Ended December 31, 2018
(In Thousands, Unaudited)

	Common Stock		Paid-In	Retained	Unearned ESOP	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Income	Total
Balance - June 30, 2018	99,626	$ 996	$ 922,711	$ 359,096	$ (32,590)	$ 18,535	1,268,748
Cumulative effect of change in accounting principle for the adoption of ASU 2017-08	-	-	-	(531)	-	-	(531)
Balance - July 1, 2018, as adjusted for change in accounting principle	99,626	996	922,711	358,565	(32,590)	18,535	1,268,217
Net income	-	-	-	21,914	-	-	21,914
Other comprehensive loss, net of income tax benefit	-	-	-	-	-	(9,733)	(9,733)
ESOP shares committed to be released (100 shares)	-	-	366	-	973	-	1,339
Stock option expense	-	-	995	-	-	-	995
Share repurchases	(5,785)	(57)	(77,052)	-	-	-	(77,109)
Issuance of shares under stock benefit plans	85	1	(1)	-	-	-	-
Restricted stock plan shares earned (142 shares)	-	-	2,068	-	-	-	2,068
Cancellation of shares issued for restricted stock awards	(154)	(2)	(942)	-	-	-	(944)
Cash dividends declared ($0.25 per common share)	-	-	-	(23,486)	-	-	(23,486)
Balance - December 31, 2018	93,772	$ 938	$ 848,145	$ 356,993	$ (31,617)	$ 8,802	$ 1,183,261

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands, Unaudited)

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Cash Flows from Operating Activities:		
Net income	$ 21,914	$ 6,501
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	2,072	1,475
Net (accretion) amortization of premiums, discounts and loan fees and costs	(5,467)	2,250
Deferred income taxes and valuation allowance	2,641	4,783
Amortization of intangible assets	552	60
Accretion of benefit plans' unrecognized net gain	(36)	(61)
Provision for loan losses	3,071	1,566
Loss on write-down and sales of other real estate owned	14	86
Loans originated for sale	(22,327)	(41,833)
Proceeds from sale of mortgage loans held-for-sale	22,405	43,448
Gain on sale of mortgage loans held-for-sale, net	(215)	(413)
Proceeds from sale of SBA loans	215	1,264
Realized gain on sale of SBA loans	(18)	(118)
Realized loss on disposition of premises and equipment	24	7
Increase in cash surrender value of bank owned life insurance	(3,193)	(2,531)
ESOP, stock option plan and restricted stock plan expenses	4,402	4,717
Increase in interest receivable	(925)	(1,031)
Decrease (increase) in other assets	1,878	(1,672)
Increase in interest payable	2,210	292
Decrease in other liabilities	(4,557)	(2,555)
Net Cash Provided by Operating Activities	24,660	16,235
Cash Flows from Investing Activities:		
Purchases of:		
Investment securities available for sale	-	(76,074)
Investment securities held to maturity	(48,376)	(36,897)
Proceeds from:		
Repayments/calls/maturities of investment securities available for sale	53,882	51,920
Repayments/calls/maturities of investment securities held to maturity	39,409	57,971
Purchase of loans	(58,093)	(48,905)
Net increase in loans receivable	(188,084)	(1,322)
Proceeds from sale of real estate owned	203	1,290
Additions to premises and equipment	(4,378)	(3,726)
Proceeds from cash settlement of premises and equipment	108	-
Purchase of FHLB stock	(10,215)	(4,140)
Redemption of FHLB stock	4,705	4,985
Net Cash Used in Investing Activities	$ (210,839)	$ (54,898)

See notes to unaudited consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands, Unaudited)

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Cash Flows from Financing Activities:		
Net increase in deposits	101,020	103,485
Repayment of term FHLB advances	(1,479,556)	(1,250,054)
Proceeds from term FHLB advances	1,602,000	1,250,000
Net decrease in other short-term borrowings	(11,799)	(7,317)
Net decrease in advance payments by borrowers for taxes	(887)	(200)
Repurchase and cancellation of common stock of Kearny Financial Corp.	(77,109)	(69,314)
Cancellation of shares repurchased on vesting to pay taxes	(944)	(1,278)
Exercise of stock options	-	102
Dividends paid	(23,927)	(14,313)
Net Cash Provided by Financing Activities	108,798	11,111
Net Decrease in Cash and Cash Equivalents	(77,381)	(27,552)
Cash and Cash Equivalents - Beginning	128,864	78,237
Cash and Cash Equivalents - Ending	$ 51,483	$ 50,685
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the period for:		
Income taxes, net of refunds	$ 3,193	$ 5,688
Interest	$ 36,489	$ 21,687
Non-cash investing and financing activities:		
Acquisition of other real estate owned in settlement of loans	$ -	$ 1,437

See notes to unaudited consolidated financial statements.

1. PRINCIPLES OF CONSOLIDATION

The unaudited consolidated financial statements include the accounts of Kearny Financial Corp. (the “Company”), its wholly-owned subsidiary, Kearny Bank (the “Bank”) and the Bank’s wholly-owned subsidiaries, CJB Investment Corp. and KFS Financial Services, Inc. and its wholly-owned subsidiary, KFS Insurance Services, Inc. The Company conducts its business principally through the Bank. Management prepared the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”), including the elimination of all significant inter-company accounts and transactions during consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, income, comprehensive income, changes in stockholders’ equity and cash flows in conformity with GAAP. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited consolidated financial statements have been included. The results of operations for the three-month and six-month periods ended December 31, 2018 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other period.

The data in the consolidated statement of financial condition for June 30, 2018 was derived from the Company’s 2018 Annual Report on Form 10-K. That data, along with the interim unaudited financial information presented in the consolidated statements of financial condition, income, comprehensive income, changes in stockholders’ equity and cash flows should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company’s 2018 Annual Report on Form 10-K.

3. NET INCOME PER COMMON SHARE (“EPS”)

Basic EPS is based on the weighted average number of common shares actually outstanding including both vested and unvested restricted stock awards adjusted for Employee Stock Ownership Plan (“ESOP”) shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	Three Months Ended December 31, 2018			Six Months Ended December 31, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)			(In Thousands, Except Per Share Data)		
Net income	$ 10,768			$ 21,914		
Basic earnings per share, income available to common stockholders	$ 10,768	92,434	$ 0.12	$ 21,914	93,780	$ 0.23
Effect of dilutive securities:						
Stock options		46			51	
	$ 10,768	92,480	$ 0.12	$ 21,914	93,831	$ 0.23

	Three Months Ended December 31, 2017			Six Months Ended December 31, 2017		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)			(In Thousands, Except Per Share Data)		
Net income	$ 1,269			$ 6,501		
Basic earnings per share, income available to common stockholders	$ 1,269	77,174	$ 0.02	$ 6,501	78,411	$ 0.08
Effect of dilutive securities:						
Stock options		65			63	
	$ 1,269	77,239	$ 0.02	$ 6,501	78,474	$ 0.08

During the three and six months ended December 31, 2018, the average number of options which were considered anti-dilutive totaled approximately 3,270,000 and 3,099,000, respectively. During the three and six months ended December 31, 2017, the average number of options which were considered anti-dilutive totaled approximately 3,290,000 and 3,290,000, respectively.

4. SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of December 31, 2018, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date this document was filed.

5. ACQUISITION OF CLIFTON BANCORP INC.

On April 2, 2018, the Company completed its acquisition of Clifton Bancorp Inc. (“Clifton”), the parent company of Clifton Savings Bank, a federally chartered stock savings bank. In conjunction with the acquisition, the Company acquired assets with aggregate fair values totaling $1.61 billion including loans and securities with fair values of $1.12 billion and $326.9 million, respectively. The Company assumed liabilities with aggregate fair values totaling $1.38 billion in conjunction with the Clifton acquisition including deposits and borrowings with fair values of $949.8 million and $414.1 million, respectively.

Merger consideration associated with the acquisition totaled $333.9 million and primarily comprised 25.4 million shares of the Company’s common stock valued at $330.7 million that were issued to Clifton stockholders to reflect an exchange of 1.191 of Company shares for each outstanding share of Clifton common stock at the time of closing. Merger consideration also included $3.2 million in cash distributed to eligible holders of outstanding options to purchase Clifton stock as well as cash distributed to Clifton stockholders for the settlement of fractional shares. The amount by which merger consideration exceeds the fair value of net assets acquired resulted in the Company’s recognition of $102.3 million in goodwill associated with the Clifton acquisition.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible were recorded at their fair values as of April 2, 2018 based on management’s best estimate using the information available as of the merger date. The application of the acquisition method of accounting resulted in the recognition of goodwill of $102.3 million and a core deposit intangible of $6.4 million. Accounting guidance provides that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period, which runs through April 2, 2019, in the measurement period in which the adjustment amounts are determined. The acquirer must record in the financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the changes to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Company is preparing tax returns related to the operation of the combined entities through June 30, 2018 and, due to state apportionment factors, believes certain adjustments to income tax balances and goodwill may result upon completion of these returns. No adjustments were made during the three and six months ended December 31, 2018.

The following table presents selected unaudited pro forma financial information reflecting the Clifton merger assuming it was completed as of July 1, 2017. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the financial results of the combined companies had the Clifton merger actually been completed at the beginning of the period presented, nor does it indicate future results for any other interim or full year period.

The unaudited supplemental pro forma information for the three and six months ended December 31, 2017 set forth below reflects adjustments related to (a) purchase accounting fair value adjustments; (b) amortization of core deposit and other intangibles; and (c) adjustments to interest income and expense due to amortization of premiums and accretion of discounts.

	Three Months Ended December 31, 2017	Six Months Ended December 31, 2017
	(In Thousands)	
Unaudited Supplemental Pro Forma Information:		
Net interest income	$ 38,769	$ 77,580
Non-interest income	3,687	7,892
Non-interest expense	26,949	53,909
Net income available to common stockholders	5,222	14,836

6. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (the "FASB") issued *ASU 2016-02, Leases (Topic 842),* which requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date for leases classified as operating leases as well as finance leases. The update also requires new quantitative disclosures related to leases in the Company's Consolidated Financial Statements. There are practical expedients in this update that relate to leases that commenced before the effective date, initial direct costs and the use of hindsight to extend or terminate a lease or purchase the leased asset. Lessor accounting remains largely unchanged under the new guidance. In January 2018, the FASB issued *ASU 2018-01, Leases (Topic 842) - Land Easement Practical Expedient for Transition to Topic 842,* which provides an optional practical expedient to not evaluate land easements which were existing or expired before the adoption of Topic 842 that were not accounted for as leases under Topic 840. In July 2018, the FASB issued *ASU 2018-10, Codification Improvements to Topic 842, Leases* and *ASU 2018-11, Leases (Topic 842) – Targeted Improvements,* which provides an optional transition method under which comparative periods presented in the financial statements will continue to be in accordance with current Topic 840, Leases, and a practical expedient to not separate non-lease components from the associated lease component. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. In the evaluation of this guidance, the Company has identified various contracts that are deemed to be in scope. The Company expects to record a right of use asset and lease liability as of July 1, 2019. The Company is in the process of selecting a software model to assist in the implementation of this ASU. No conclusions have yet been reached regarding the potential impact on adoption on the Company's Consolidated Financial Statements and regulatory capital and risk-weighted assets; however, the Company does not expect the amendment to have a material impact on its results of operations.

In June 2016, the FASB issued *ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss ("CECL") model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument (considering estimated prepayments, but not expected extensions or modifications unless reasonable expectation of a troubled debt restructuring exists) from the date of initial recognition of that instrument. An allowance will be established for loans that have been acquired in a business combination that currently do not have an allowance.

The ASU also replaces the current accounting model for purchased credit impaired loans and debt securities. The allowance for credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination ("PCD assets"), should be determined in a similar manner to other financial assets measured on an amortized cost basis. However, upon initial recognition, the allowance for credit losses is added to the purchase price ("gross up approach") to determine the initial amortized cost basis. The subsequent accounting for PCD financial assets is the same expected loss model described above.

Further, the ASU made certain targeted amendments to the existing impairment model for available-for-sale ("AFS") debt securities. For an AFS debt security for which there is neither the intent nor a more-likely-than-not requirement to sell, an entity will record credit losses as an allowance rather than a write-down of the amortized cost basis.

For public business entities that are SEC filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e. modified retrospective approach). The Company has selected a third party firm to assist in the development of a CECL program, and has selected a software model to assist in the calculation of the allowance for loan losses in preparation for the change to the expected loss model. The Company is continuing its evaluation of this ASU including the potential impact on its consolidated financial statements. The extent of change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. Upon adoption, any impact to the allowance for credit losses, currently allowance for loan and lease losses, will have an offsetting impact on retained earnings.

In January 2017, the FASB issued *ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU simplifies subsequent measurement of goodwill by eliminating Step 2 of the impairment test while retaining the option to perform the qualitative assessment for a reporting unit to determine whether the quantitative impairment test is necessary. The ASU also eliminates the requirements 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. Therefore, the same impairment assessment applies to all reporting units. For public entities, ASU 2017-04 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted for interim or annual goodwill impairment testing dates beginning after January 1, 2017. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In October 2018, the FASB issued *ASU 2018-16, Derivatives and Hedging (Topic 815), Inclusion of the Secured Overnight Financing Rate ("SOFR") Overnight Index Swap ("OIS") Rate as a Benchmark Interest Rate for Hedge Accounting Purposes.* This ASU permits the use of the OIS Rate based on SOFR as a benchmark interest rate for purposes of applying hedge accounting under Topic 815. This is the fifth U.S. benchmark interest rate eligible for use in hedge accounting in addition to interest rates on direct Treasury obligations of the U.S. Government, the London Interbank Offered Rate swap rate, and the OIS Rate based on the Fed Funds Effective Rate and the Securities Industry and Financial Markets Association Municipal Swap Rate. The amendments in this ASU are required to be adopted concurrently with the amendments in ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*, for entities that have not adopted that guidance. For public entities that have previously adopted ASU 2017-12, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period if an entity already has adopted ASU 2017-12. The Company early adopted ASU 2017-12 on July 1, 2017. The amendments in ASU 2018-16 should be applied on a prospective basis for qualifying new or re-designated hedging relationships entered into on or after the date of adoption. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

7. SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses and fair values of debt and mortgage-backed securities available for sale at December 31, 2018 and June 30, 2018 and stratification by contractual maturity of debt securities available for sale at December 31, 2018 are presented below:

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Investment securities available for sale:				
Debt securities:				
U.S. agency securities	$ 3,993	$ -	$ 51	$ 3,942
Obligations of state and political subdivisions	26,780	5	580	26,205
Asset-backed securities	179,310	1,716	198	180,828
Collateralized loan obligations	186,377	3	1,941	184,439
Corporate bonds	147,927	147	3,382	144,692
Trust preferred securities	3,967	-	241	3,726
Total debt securities	548,354	1,871	6,393	543,832
Mortgage-backed securities:				
Collateralized mortgage obligations	23,959	-	940	23,019
Residential pass-through securities	94,418	48	2,548	91,918
Commercial pass-through securities	7,863	-	30	7,833
Total mortgage-backed securities	126,240	48	3,518	122,770
Total securities available for sale	$ 674,594	$ 1,919	$ 9,911	$ 666,602

	December 31, 2018	
	Amortized Cost	Fair Value
	(In Thousands)	
Debt securities available for sale:		
Due in one year or less	$ -	$ -
Due after one year through five years	153,819	150,554
Due after five years through ten years	46,216	45,375
Due after ten years	348,319	347,903
Total	$ 548,354	$ 543,832

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities available for sale:				
Debt securities:				
U.S. agency securities	$ 4,474	$ -	$ 63	$ 4,411
Obligations of state and political subdivisions	26,793	4	709	26,088
Asset-backed securities	179,959	2,795	134	182,620
Collateralized loan obligations	226,881	99	914	226,066
Corporate bonds	147,925	463	794	147,594
Trust preferred securities	3,967	-	184	3,783
Total debt securities	589,999	3,361	2,798	590,562
Mortgage-backed securities:				
Collateralized mortgage obligations	25,651	-	1,359	24,292
Residential pass-through securities	105,810	43	3,494	102,359
Commercial pass-through securities	7,946	-	74	7,872
Total mortgage-backed securities	139,407	43	4,927	134,523
Total securities available for sale	$ 729,406	$ 3,404	$ 7,725	$ 725,085

There were no sales of securities available for sale during the three and six months ended December 31, 2018 and December 31, 2017.

Securities available for sale pledged for borrowings at the FHLB and other institutions, and securities pledged for public funds and other purposes, were as follows as of the dates presented below:

	December 31, 2018	June 30, 2018
	(In Thousands)	
Available for sale securities pledged:		
Pledged for borrowings at the FHLB of New York	$ 39,057	$ 42,591
Pledged to secure public funds on deposit	5,539	6,226
Pledged for potential borrowings at the Federal Reserve Bank of New York	43,080	43,049
Pledged for collateral for depositor sweep accounts	11,747	12,784
Total available for sale securities pledged	$ 99,423	$ 104,650

8. SECURITIES HELD TO MATURITY

The amortized cost, gross unrecognized gains and losses and fair values of debt and mortgage-backed securities held to maturity at December 31, 2018 and June 30, 2018 and stratification by contractual maturity of debt securities held to maturity at December 31, 2018 are presented below:

	December 31, 2018			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In Thousands)			
Investment securities held to maturity:				
Debt securities:				
Obligations of state and political subdivisions	$ 107,826	$ 172	$ 1,349	$ 106,649
Subordinated debt	56,255	25	611	55,669
Total debt securities	164,081	197	1,960	162,318
Mortgage-backed securities:				
Collateralized mortgage obligations	51,540	27	771	50,796
Residential pass-through securities	182,335	16	2,689	179,662
Commercial pass-through securities	200,362	151	1,138	199,375
Total mortgage-backed securities	434,237	194	4,598	429,833
Total securities held to maturity	$ 598,318	$ 391	$ 6,558	$ 592,151

	December 31, 2018	
	Amortized Cost	Fair Value
	(In Thousands)	
Debt securities held to maturity:		
Due in one year or less	$ 7,416	$ 7,395
Due after one year through five years	32,115	31,769
Due after five years through ten years	120,857	119,491
Due after ten years	3,693	3,663
Total	$ 164,081	$ 162,318

	June 30, 2018			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In Thousands)			
Securities held to maturity:				
Debt securities:				
Obligations of state and political subdivisions	$ 109,483	$ 79	$ 1,865	$ 107,697
Subordinated debt	46,294	37	284	46,047
Total debt securities	155,777	116	2,149	153,744
Mortgage-backed securities:				
Collateralized mortgage obligations:	56,886	6	1,348	55,544
Residential pass-through securities:	200,622	19	4,005	196,636
Commercial pass-through securities:	176,445	-	2,870	173,575
Total mortgage-backed securities	433,953	25	8,223	425,755
Total securities held to maturity	$ 589,730	$ 141	$ 10,372	$ 579,499

There were no sales of securities held to maturity during the three and six months ended December 31, 2018 and December 31, 2017.

Securities held to maturity pledged for borrowings at the FHLB and other institutions, and securities pledged for public funds and other purposes, were as follows as of the dates presented below:

	December 31, 2018	June 30, 2018
	(In Thousands)	
Held to maturity securities pledged:		
Pledged for borrowings at the FHLB of New York	$ 128,888	$ 142,646
Pledged to secure public funds on deposit	7,270	7,604
Pledged for potential borrowings at the Federal Reserve Bank of New York	105,194	107,520
Pledged for collateral for depositor sweep accounts	24,731	25,976
Total held to maturity securities pledged	$ 266,083	$ 283,746

9. IMPAIRMENT OF SECURITIES

The following two tables summarize the fair values and gross unrealized and unrecognized losses within the available for sale and held to maturity portfolios at December 31, 2018 and June 30, 2018. The gross unrealized and unrecognized losses, presented by security type, represent temporary impairments of value within each portfolio as of the dates presented. Temporary impairments within the available for sale portfolio have been recognized through other comprehensive income as reductions in stockholders' equity on a tax-effected basis.

The tables are followed by a discussion that summarizes the Company's rationale for recognizing impairments, where applicable, as "temporary" versus those identified as "other-than-temporary". Such rationale is presented by investment type and generally applies consistently to both the available for sale and held to maturity portfolios, except where specifically noted.

	December 31, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Securities Available for Sale:						
U.S. agency securities	$ 765	$ 3	$ 3,177	$ 48	$ 3,942	$ 51
Obligations of state and political subdivisions	3,145	14	21,744	566	24,889	580
Asset-backed securities	53,235	168	14,942	30	68,177	198
Collateralized loan obligations	162,821	1,773	14,862	168	177,683	1,941
Corporate bonds	70,236	2,788	44,383	594	114,619	3,382
Trust preferred securities	-	-	2,726	241	2,726	241
Collateralized mortgage obligations	-	-	23,019	940	23,019	940
Residential pass-through securities	14	-	80,727	2,548	80,741	2,548
Commercial pass-through securities	-	-	7,833	30	7,833	30
Total	$ 290,216	$ 4,746	$ 213,413	$ 5,165	$ 503,629	$ 9,911

	June 30, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Securities Available for Sale:						
U.S. agency securities	$ 2,579	$ 43	$ 1,832	$ 20	$ 4,411	$ 63
Obligations of state and political subdivisions	24,443	672	540	37	24,983	709
Asset-backed securities	-	-	24,728	134	24,728	134
Collateralized loan obligations	189,258	914	-	-	189,258	914
Corporate bonds	5,035	4	64,184	790	69,219	794
Trust preferred securities	-	-	2,783	184	2,783	184
Collateralized mortgage obligations	4,635	135	19,658	1,224	24,293	1,359
Residential pass-through securities	63,889	1,921	26,697	1,573	90,586	3,494
Commercial pass-through securities	3,890	66	3,982	8	7,872	74
Total	$ 293,729	$ 3,755	$ 144,404	$ 3,970	$ 438,133	$ 7,725

The number of available for sale securities with unrealized losses at December 31, 2018 totaled 137 and included eight U.S. agency securities, 64 municipal obligations, eight asset-backed securities, 17 collateralized loan obligations, 13 corporate obligations, two trust preferred securities, seven collateralized mortgage obligations, 16 residential pass-through securities and two commercial pass-through securities. The number of available for sale securities with unrealized losses at June 30, 2018 totaled 132 and included nine U.S. agency securities, 65 municipal obligations, three asset-backed securities, 19 collateralized loan obligations, six corporate obligations, two trust preferred securities, seven collateralized mortgage obligations, 19 residential pass-through securities and two commercial pass-through securities.

	December 31, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
	(In Thousands)					
Securities Held to Maturity:						
Obligations of state and political subdivisions	$ 8,438	$ 28	$ 74,429	$ 1,321	$ 82,867	$ 1,349
Subordinated debt	42,319	410	4,798	201	47,117	611
Collateralized mortgage obligations	-	-	28,532	771	28,532	771
Residential pass-through securities	48,722	193	125,969	2,496	174,691	2,689
Commercial pass-through securities	51,378	416	114,834	722	166,212	1,138
Total	$ 150,857	$ 1,047	$ 348,562	$ 5,511	$ 499,419	$ 6,558

	June 30, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
	(In Thousands)					
Securities Held to Maturity:						
Obligations of state and political subdivisions	$ 86,678	$ 1,662	$ 3,151	$ 203	$ 89,829	$ 1,865
Subordinated debt	41,010	284	-	-	41,010	284
Collateralized mortgage obligations	42,712	753	12,730	595	55,442	1,348
Residential pass-through securities	133,859	2,258	61,760	1,747	195,619	4,005
Commercial pass-through securities	172,382	2,867	1,191	3	173,573	2,870
Total	$ 476,641	$ 7,824	$ 78,832	$ 2,548	$ 555,473	$ 10,372

The number of held to maturity securities with unrecognized losses at December 31, 2018 totaled 348 and included 176 municipal obligations, eight subordinated debt securities, seven collateralized mortgage obligations, 127 residential pass-through securities and 30 commercial pass-through securities. The number of held to maturity securities with unrecognized losses at June 30, 2018 totaled 371 and included 190 municipal obligations, seven subordinated debt securities, eight collateralized mortgage obligations, 131 residential pass-through securities and 35 commercial pass-through securities.

In general, if the fair value of a debt security is less than its amortized cost basis at the time of evaluation, the security is impaired and the impairment is to be evaluated to determine if it is other than temporary. The Company evaluates the impaired securities in its portfolio for possible other than temporary impairment ("OTTI") on at least a quarterly basis. The following represents the circumstances under which an impaired security is determined to be other-than-temporarily impaired: (i) when the Company intends to sell the impaired debt security; (ii) when the Company more likely than not will be required to sell the impaired debt security before recovery of its amortized cost; or (iii) when an impaired debt security does not meet either of the two conditions above, but the Company does not expect to recover the entire amortized cost of the security.

In the first two circumstances noted above, the amount of OTTI to be recognized in earnings is the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. In the third circumstance, however, the OTTI is to be separated into the amount representing the credit loss from the amount related to all other factors. The credit loss component is to be recognized in earnings while the non-credit loss component is to be recognized in other comprehensive income. In these cases, OTTI is generally predicated on an adverse change in cash flows versus those expected at the time of purchase. The absence of an adverse change in expected cash flows generally indicates that a security's impairment is related to other non-credit loss factors and is thereby generally not recognized as OTTI.

The Company considers a variety of factors when determining whether a credit loss exists for an impaired security including, but not limited to (i) the length of time and the extent to which the fair value has been less than the amortized cost basis; (ii) adverse conditions specifically related to the security, an industry, or a geographic area; (iii) the historical and implied volatility of the fair value of the security; (iv) the payment structure of the debt security; (v) actual or expected failure of the issuer of the security to make scheduled interest or principal payments; (vi) changes to the rating of the security by external rating agencies; and (vii) recoveries or additional declines in fair value subsequent to the balance sheet date. The Company regularly monitors the historical cash flows and financial strength of all issuers and/or guarantors to confirm that security impairment, where applicable, is not due to an actual or expected adverse change in security cash flows that would result in the recognition of credit-related OTTI.

The unrealized and unrecognized losses on the Company's securities are due to the combined effects of several market-related factors including, most notably, changes in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered non-credit related and temporary in nature.

The Company has the stated ability and intent to "hold until forecasted recovery" those securities so designated at December 31, 2018 and does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company's amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely. In light of the factors noted above, the Company does not consider its balance of securities with unrealized and unrecognized losses at December 31, 2018 and June 30, 2018, to be other-than-temporarily impaired as of those dates.

10. LOANS RECEIVABLE

The following table sets forth the composition of the Company's loan portfolio at December 31, 2018 and June 30, 2018:

	December 31, 2018	June 30, 2018
	(In Thousands)	
Real estate mortgage:		
One- to four-family residential	$ 1,334,284	$ 1,297,453
Commercial mortgage:		
Multi-family	1,974,409	1,758,584
Nonresidential	1,302,583	1,302,961
Total commercial mortgage	3,276,992	3,061,545
Total real estate mortgage	4,611,276	4,358,998
Construction	28,405	23,271
Commercial business	70,059	85,825
Consumer:		
Home equity loans and lines of credit	96,001	90,761
Passbook or certificate	3,310	3,283
Other	3,524	5,777
Total consumer	102,835	99,821
Total loans	4,812,575	4,567,915
Unamortized yield adjustments including net premiums and discounts on purchased and acquired loans and net deferred fees and costs on loans originated	(59,183)	(66,567)
Total loans receivable, net of yield adjustments	$ 4,753,392	$ 4,501,348

11. LOAN QUALITY AND ALLOWANCE FOR LOAN LOSSES

Residential Mortgage Loans in Foreclosure. We may obtain physical possession of one- to four-family real estate collateralizing a residential mortgage loan via foreclosure or through an in-substance repossession. As of December 31, 2018, we held two single-family properties in other real estate owned with an aggregate carrying value of $508,000 that were acquired through foreclosures on residential mortgage loans. As of that same date, we held 17 residential mortgage loans with aggregate carrying values totaling $3.2 million which were in the process of foreclosure. By comparison, as of June 30, 2018, we held four single-family properties in other real estate owned with an aggregate carrying value of $725,000 that were acquired through foreclosures on residential mortgage loans. As of that same date, we held 14 residential mortgage loans with aggregate carrying values totaling $2.3 million which were in the process of foreclosure.

Loan Quality. The following tables present the balance of the allowance for loan losses at December 31, 2018 and June 30, 2018 based upon the calculation methodology as described in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018. The tables identify the valuation allowances attributable to specifically identified impairments on individually evaluated loans, including those acquired with deteriorated credit quality, as well as valuation allowances for impairments on loans evaluated collectively. The tables include the underlying balance of loans receivable applicable to each category as of those dates as well as the activity in the allowance for loan losses for the three and six months ended December 31, 2018 and December 31, 2017. Unless otherwise noted, the balance of loans reported in the tables below excludes yield adjustments and the allowance for loan loss.

Allowance for Loan Losses
At December 31, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Balance of allowance for loan losses:								
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans individually evaluated for impairment	41	-	-	-	311	-	-	352
Loans collectively evaluated for impairment	2,936	17,095	9,918	305	2,203	464	253	33,174
Total allowance for loan losses	$ 2,977	$ 17,095	$ 9,918	$ 305	$ 2,514	$ 464	$ 253	$ 33,526

Balance of Loans Receivable
At December 31, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Balance of loans receivable:								
Loans acquired with deteriorated credit quality	$ 90	$ -	$ -	$ -	$ 257	$ -	$ -	$ 347
Loans individually evaluated for impairment	13,856	89	7,993	-	2,067	1,558	-	25,563
Loans collectively evaluated for impairment	1,320,338	1,974,320	1,294,590	28,405	67,735	94,443	6,834	4,786,665
Total loans	$ 1,334,284	$1,974,409	$ 1,302,583	$ 28,405	$ 70,059	$ 96,001	$ 6,834	$4,812,575
Unaccreted yield adjustments								(59,183)
Loans receivable, net of yield adjustments								$4,753,392

Allowance for Loan Losses
Three Months Ended December 31, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the three months ended December 31, 2018:								
At September 30, 2018:	$ 2,594	$ 16,317	$ 9,945	$ 293	$ 2,803	$ 434	$ 345	$ 32,731
Total charge offs	(1)	-	-	-	(166)	-	(32)	(199)
Total recoveries	-	-	1	-	-	-	22	23
Total provisions	384	778	(28)	12	(123)	30	(82)	971
Total allowance for loan losses	$ 2,977	$ 17,095	$ 9,918	$ 305	$ 2,514	$ 464	$ 253	$ 33,526

Allowance for Loan Losses
Six Months Ended December 31, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the six months ended December 31, 2018:								
At June 30, 2018:	$ 2,479	$ 14,946	$ 9,787	$ 258	$ 2,552	$ 430	$ 413	$ 30,865
Total charge offs	(83)	-	(54)	-	(185)	-	(139)	(461)
Total recoveries	-	-	2	-	-	-	49	51
Total provisions	581	2,149	183	47	147	34	(70)	3,071
Total allowance for loan losses	$ 2,977	$ 17,095	$ 9,918	$ 305	$ 2,514	$ 464	$ 253	$ 33,526

Allowance for Loan Losses
Three Months Ended December 31, 2017

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the three months ended December 31, 2017:								
At September 30, 2017:	$ 2,501	$ 13,807	$ 9,893	$ 89	$ 1,948	$ 470	$ 737	$ 29,445
Total charge offs	(143)	-	-	-	-	-	(263)	(406)
Total recoveries	57	-	-	-	-	-	34	91
Total provisions	25	102	(228)	157	758	(13)	135	936
Total allowance for loan losses	$ 2,440	$ 13,909	$ 9,665	$ 246	$ 2,706	$ 457	$ 643	$ 30,066

Allowance for Loan Losses
Six Months Ended December 31, 2017

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the six months ended December 31, 2017:								
At June 30, 2017:	$ 2,384	$ 13,941	$ 9,939	$ 35	$ 1,709	$ 501	$ 777	$ 29,286
Total charge offs	(410)	-	(38)	-	(6)	-	(560)	(1,014)
Total recoveries	77	-	-	-	34	65	52	228
Total provisions	389	(32)	(236)	211	969	(109)	374	1,566
Total allowance for loan losses	$ 2,440	$ 13,909	$ 9,665	$ 246	$ 2,706	$ 457	$ 643	$ 30,066

Allowance for Loan Losses
At June 30, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Balance of allowance for loan losses:								
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans individually evaluated for impairment	79	-	-	-	227	-	-	306
Loans collectively evaluated for impairment	2,400	14,946	9,787	258	2,325	430	413	30,559
Total allowance for loan losses	$ 2,479	$ 14,946	$ 9,787	$ 258	$ 2,552	$ 430	$ 413	$ 30,865

Balance of Loans Receivable
At June 30, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Balance of loans receivable:								
Loans acquired with deteriorated credit quality	$ 99	$ -	$ -	$ -	$ 269	$ -	$ -	368
Loans individually evaluated for impairment	11,931	116	5,344	-	3,921	1,601	-	22,913
Loans collectively evaluated for impairment	1,285,423	1,758,468	1,297,617	23,271	81,635	89,160	9,060	4,544,634
Total loans	$ 1,297,453	$1,758,584	$ 1,302,961	$ 23,271	$ 85,825	$ 90,761	$ 9,060	$4,567,915
Unaccreted yield adjustments								(66,567)
Loans receivable, net of yield adjustments								$4,501,348

The following tables present key indicators of credit quality regarding the Company's loan portfolio based upon loan classification and contractual payment status at December 31, 2018 and June 30, 2018 based upon the methodology for identifying and reporting such loans as described in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

Credit-Rating Classification of Loans Receivable
At December 31, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Non-classified	$ 1,319,107	$1,973,190	$ 1,288,964	$ 28,405	$ 64,254	$ 94,151	$ 6,765	$4,774,836
Classified:								
Special Mention	486	1,130	1,130	-	2,818	29	34	5,627
Substandard	14,691	89	12,489	-	2,903	1,821	34	32,027
Doubtful	-	-	-	-	84	-	1	85
Loss	-	-	-	-	-	-	-	-
Total classified loans	15,177	1,219	13,619	-	5,805	1,850	69	37,739
Total loans	$ 1,334,284	$1,974,409	$ 1,302,583	$ 28,405	$ 70,059	$ 96,001	$ 6,834	$4,812,575

<td valign="bottom" BGCOLOR="#CFF0FC" style="padding-left:0pt;padding-Righ

Credit-Rating Classification of Loans Receivable
At June 30, 2018

	Residential Mortgage	Multi-Family Mortgage	Non-Residential Mortgage	Construction	Commercial Business	Home Equity Loans	Other Consumer	Total
				(In Thousands)				
Non-classified	$ 1,283,040	$1,758,468	$ 1,295,076					