UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

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 001-38224

PDL Community Bancorp
(Exact name of Registrant as specified in its Charter)

Federal (State or other jurisdiction of incorporation or organization)	**82-2857928** (I.R.S. Employer Identification No.)
2244 Westchester Avenue **Bronx, NY** (Address of principal executive offices)	**10462** (Zip Code)

Registrant's telephone number, including area code: (718) 931-9000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	PDLB	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d)of the Act. YES ☐ NO ☒

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on March 16, 2020 was $67,950,046.

As of March 16, 2020, the registrant had 17,323,759 shares of common stock, $0.01par value per share, outstanding.

Documents Incorporated by Reference
Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders, schedule to be held on May 12, 2020.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “believe,” “contemplate,” “continue,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this annual report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, including as a result of Basel III;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;

- the inability of third party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we may own.

PART I

Item 1. Business

PDL Community Bancorp

PDL Community Bancorp (hereafter referred to as “we,” “our,” “us,” “PDL Community Bancorp,” or the “Company”), is the majority-owned subsidiary of Ponce Bank Mutual Holding Company. PDL Community Bancorp, as the holding company of Ponce Bank (“Ponce Bank” or the “Bank”), a federal stock savings association subsidiary of PDL Community Bancorp, is authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the acquisition of banking and financial services companies. On February 21, 2019, the Federal Reserve Board approved the Company as a Financial Holding Company to exercise such powers as are permitted by applicable laws and regulations. The Company is designated a Community Development Financial Institution.

The Company’s cash flow is dependent on earnings from investments and any dividends received from Ponce Bank. PDL Community Bancorp does not own nor lease any property, but instead uses the premises, equipment and furniture of Ponce Bank. At the present time, we employ only persons who are officers of Ponce Bank to serve as officers of PDL Community Bancorp. We use the support staff of Ponce Bank from time to time. These persons are not separately compensated by PDL Community Bancorp. PDL Community Bancorp may hire additional employees, as appropriate, to the extent it expands its business in the future.

The Company’s executive office is located at 2244 Westchester Avenue, Bronx, New York 10462, and the telephone number at that address is (718) 931-9000.

Available Information

Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), PDL Community Bancorp is required to file annual, quarterly, and current reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). The Company electronically files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports as required with the SEC. The SEC website, www.sec.gov, provides access to all Company filings which have been filed electronically. Additionally, the Company’s SEC filings and additional shareholders’ information are available free of charge on the Company’s website, www.poncebank.com (within the Investor Relations section). Information on our website is not and should not be considered part of this annual report.

The Company’s common stock is traded on the NASDAQ Global Market under the symbol “PDLB.”

Ponce Bank

Ponce Bank is a federally-chartered stock savings association headquartered in the Bronx, New York. Ponce Bank was originally chartered in 1960 as a federally-chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to “Ponce De Leon Federal Savings Bank.” In 1997, the Bank changed its name again to “Ponce De Leon Federal Bank.” In 2017, the Bank adopted its current name. The Bank is designated as a Minority Depository Institution and a Community Development Financial Institution under applicable regulations.

The Bank’s business is conducted through its administrative office and 13 branch banking offices. The banking offices are located in Bronx (4 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York, and Union City (1 branch), New Jersey.

The Bank’s business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties, construction and land, and, to a lesser extent, in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, as well as, mortgage-backed securities and Federal Home Loan Bank of New York (the “FHLBNY”) stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

Market Area

The Bank is headquartered in the Bronx, New York, with our primary market in the other boroughs of New York City (excluding Staten Island) and Hudson County, New Jersey. The size and complex nature of the geographic footprint makes for diverse demographics that continue to undergo significant changes, in terms of economic, racial, ethnic and age parameters, all with potentially substantial long-term institutional ramifications.

Our primary deposit base includes a large and stable base of locally employed blue-collar workers with low-to-medium income, middle-aged, and with limited investment funds. Within the base of locally employed blue-collar workers there is a significant, and growing, portion of recently immigrated, younger, lower-skilled laborers. The influx of immigrant lower-skilled workers, however, has been hampered by the increases in rental rates in the rental housing market within the New York City metropolitan area.

Another significant customer segment consists of middle aged and older white-collar, high-income individuals, many of whom are self-employed real estate investors and developers. They constitute a large percentage of the borrowing base of the Bank and, increasingly, are becoming the source of a significant percentage of commercial deposits.

The Bank has historically been funded through local community deposits. Today, the Bank continues to rely primarily on community deposits from its market areas to fund investments and loans. However, the mix of community deposits now includes consumer and commercial deposits with a strong reliance on time deposits.

Competition

The Bank faces significant competition within its market area both in originating loans and attracting deposits. There is a high concentration of financial institutions in the Bank's market area, including national, regional and other locally-operated commercial banks, savings banks, savings associations and credit unions. Several "mega" banks exist in the market, such as JPMorgan Chase, Citibank and Capital One, many of whom are continuing to push for retail deposits. A number of the Bank's competitors offer non-deposit products and services that the Bank does not currently offer, such as trust services, private banking, insurance services and asset management. Additionally, the Bank faces an increasing level of competition from non-core financial service providers that do not necessarily maintain a physical presence in the Bank's market area, such as Quicken Loans, Freedom Mortgage and many internet financial service providers. The amount of competition facing the Bank is extensive and can negatively impact the Bank's growth.

The market share of deposits in the New York area can be difficult to quantify, as some "mega" banks will include large scale deposits from around the world as held at headquarters. However, in Bronx County, New York, where the Bank maintains four branches, it holds 1.95% (June 30, 2019) of the market's deposits. This represents the Bank's largest market share in a county-level area. The Bank continues to work to improve its market position by expanding its brand within its current market area, and building its capacity to provide more products and services to its customers.

Lending Activities

General. The Bank's principal lending activity is originating one-to-four family real estate, including residential investor-owned and owner-occupied, multifamily residential, nonresidential property, construction and land, and, to a lesser extent, commercial and industrial ("C&I") business loans and consumer loans. It originates real estate and other loans through its loan officers, marketing efforts, customer base, walk-in customers and referrals from real estate brokers, builders and attorneys. Subject to market conditions and our asset-liability analysis, it seeks to increase its emphasis on multifamily residential and nonresidential property loans in an effort to grow the overall loan portfolio and increase the overall yield earned on loans.

Lending activities are conducted primarily by the Bank's salaried loan officers operating at its main and branch office locations. It also conducts lending activities through its subsidiary Ponce De Leon Mortgage Corporation. All loans originated by the Bank are underwritten pursuant to its policies and procedures. The Bank currently intends that substantially all of its mortgage loan originations will have adjustable interest rates. For our business loan originations, variable rate pricing is offered based on prime rate plus a margin.

Loan Portfolio Composition. The following table sets forth the composition of the Bank's loan portfolio by type of loan (excluding loans held-for-sale) at the dates indicated. Loans in process at December 31, 2019 and December 31, 2018 were $58.1 million and $46.5 million, respectively.

	At December 31,									
	2019		2018		2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Mortgage loans:										
1-4 family residential										
Investor-owned	$ 305,272	31.60%	$ 303,197	32.61%	$ 287,158	35.51%	$ 227,409	34.90%	$ 203,239	35.25%
Owner-occupied	91,943	9.52%	92,788	9.98%	100,854	12.47%	97,631	14.98%	106,053	18.39%
Multifamily residential	250,239	25.90%	232,509	25.01%	188,550	23.31%	158,200	24.28%	122,836	21.30%
Nonresidential properties	207,225	21.45%	196,917	21.18%	151,193	18.70%	121,500	18.64%	106,462	18.46%
Construction and land	99,309	10.28%	87,572	9.42%	67,240	8.31%	30,340	4.67%	22,883	3.97%
Total mortgage loans	953,988	98.75%	912,983	98.20%	794,995	98.30%	635,080	97.46%	561,473	97.37%
Nonmortgage loans:										
Business loans	10,877	1.13%	15,710	1.69%	12,873	1.59%	15,719	2.41%	14,350	2.49%
Consumer loans	1,231	0.13%	1,068	0.11%	886	0.11%	843	0.13%	788	0.14%
Total nonmortgage loans	12,108	1.25%	16,778	1.80%	13,759	1.70%	16,562	2.54%	15,138	2.63%
	966,096	100.00%	929,761	100.00%	808,754	100.00%	651,642	100.00%	576,611	100.00%
Net deferred loan origination costs	1,970		1,407		1,020		711		535	
Allowance for losses on loans	(12,329)		(12,659)		(11,071)		(10,205)		(9,484)	
Loans, net	$ 955,737		$ 918,509		$ 798,703		$ 642,148		$ 567,662	

The Bank had one loan held for sale in the amount of $1.0 million at December 31, 2019 and had no loans held for sale at December 31, 2018.

Loan Products Offered by the Bank. The following table provides a breakdown of the Bank's loan portfolio by product type and principal balance outstanding at December 31, 2019:

At December 31, 2019			
Loan Type	# of Loans	Principal Balance (In thousands)	% of Portfolio
Mortgage loans:			
1-4 Family residential			
Investor-owned	535	$ 305,272	31.60%
Owner-occupied	251	91,943	9.52%
Multifamily residential	273	250,239	25.90%
Nonresidential properties	204	207,225	21.45%
Construction and land			
Construction 1-4 Investor	1	522	0.05%
Construction Multifamily	23	91,814	9.51%
Construction Nonresidential	4	6,973	0.72%
Nonmortgage loans:			
Business loans			
C&I lines of credit	58	8,812	0.91%
C&I loans (term)	17	2,065	0.21%
Consumer loans			
Unsecured	41	475	0.05%
Passbook	126	756	0.08%
Grand Total	**1,533**	**$ 966,096**	**100.00%**

One-to-four Family Investor-Owned Loans. At December 31, 2019, one-to-four family investor-owned loans were $305.3 million, or 31.6% of the Bank's total loans. Investor-owned mortgage loans secured by non-owner-occupied one-to-four family residential property represent the Bank's largest lending category. The majority of the portfolio, $265.6 million, or 86.9%, are two-to-four family properties (442 accounts), while the remaining $40.0 million, or 13.1%, are primarily single family, non-owner-occupied investment properties (93 accounts). The three largest loans in this category are $4.7 million, $3.1 million and $3.0 million. In this category, loans totaling $120.7 million, or 39.5%, are secured by properties located in Queens County, $113.1 million, or 36.9%, in Kings County, $29.4 million, or 9.6%, in Bronx County, and $15.6 million, or 5.1%, in New York County. The rest of this category, less than 9.0%, is spread out in other counties and no other concentration exceeded $6.0 million, or 1.9%.

The Bank imposes strict underwriting guidelines in the origination of such loans, including lower maximum loan-to-value ratios of 70% on purchases and 65% on refinances, a required minimum debt service coverage ratio (net operating income divided by debt service requirement) of 1.20x that must be met by either the property on a standalone basis or by the inclusion of the owner(s) as co-borrower(s). In addition, all such loans currently require that the transaction exhibit a global debt service coverage ratio (net operating income divided by debt service requirement) of no less than 1.0x. This coverage ratio indicates that the owner has the capacity to support the loan along with all personal obligations. On occasion, the Bank has required that the borrower establish a cash reserve to be held at the Bank in order to provide additional security. The maximum term on such loans is 30 years, typically with five-year adjustable rates.

One-to-four family investor-owned real estate loans involve a greater degree of risk than one-to-four family owner-occupied real estate loans. Rather than depending on the borrower's repayment ability from employment or other income, the borrower's repayment ability is primarily dependent on ensuring that a tenant occupies the investor property and has the financial capacity to pay sufficient rent to cover the borrower's debt. In addition, if an investor borrower has several loans secured by properties in the same market, the loans have risks similar to a multifamily real estate loan and repayment of those loans is subject to adverse conditions in the rental market or the local economy.

One-to-four Family Owner-occupied Loans. One-to-four family owner-occupied loans totaled $91.9 million, or 9.5% of the Bank's total loan portfolio at December 31, 2019. The three largest loans outstanding in this category had outstanding balances of $2.2 million, $2.0 million and $1.7 million. There are only 18 loans with an outstanding balance in excess of $1.0 million, which in total account for less than 26.0% of this category. At December 31, 2019, approximately $34.7 million, or 37.7%, of this category was secured by properties located in Queens County, $10.0 million, or 10.9%, in Kings County, $8.8 million, or 9.6%, in Bronx County, and $8.8 million, or 9.6%, in New York County. None of the other geographical concentrations exceeded 8% of this category.

It is the Bank's policy to underwrite loans secured by one-to-four family owner-occupied residential real estate in a manner that ensures strict compliance with Dodd-Frank regulatory requirements. This includes underwriting only mortgages that have a debt-to-income ratio of 43% or less. That is the highest ratio a borrower can have and still receive a qualified mortgage. A qualified mortgage is presumed to meet the borrower's ability to repay the loan. As part of this effort, the Bank employs software that tests each loan for compliance.

The Bank generally limits loans in this category to a maximum loan-to-value ratio of 90% for a purchase and 80% for a refinance, based on the lower of the purchase price or appraised value. The maximum loan term is 30 years, self-amortizing. Being that the Bank is a portfolio lender, it presently does not offer a fixed-rate product. The Bank currently offers mostly 5/1 and 5/5 adjustable rate loans that adjust based on a spread ranging between 2.75% to 3.00% over the one or five-year FHLBNY rate. The maximum amount by which the interest rate may increase generally is limited to 2% for the first two adjustments and 5% for the life of the loan.

Multifamily and Nonresidential Loans. At $250.2 million, or 25.9% of the Bank's total loan portfolio at December 31, 2019, loans secured by multifamily properties represent the Bank's second largest lending concentration. The nonresidential portfolio accounts for $207.2 million, or 21.4% of the total loan portfolio, and represents the third largest concentration. Combined, the multifamily and nonresidential loan portfolios amount to $457.5 million, or 47.3% of the Bank's total loan portfolio at December 31, 2019. The three largest loans were $11.4 million, $9.8 million and $7.8 million, with the largest being a nonresidential building, and the other two being multifamily residential and nonresidential, respectively. Of the total of $457.5 million, 141 loans have balances in excess of $1.0 million and account for $304.3 million, or approximately 66.5%, of this lending concentration. In terms of geographical concentrations, $192.1 million, or 42.0%, are secured by properties located in Queens County, $101.8 million, or 22.3%, in Kings County, $66.1 million, or 14.4%, in Bronx County, $27.2 million, or 6.0%, in New York County and $20.7 million, or 4.5%, in Westchester County. All other concentrations by county, which account for less than 11.0% of this category, have balances of $14.0 million or less. In the nonresidential portfolio, the overall mix is diverse in terms of property types, with the largest concentration being retail and wholesale at $67.2 million, or 32.4% of the portfolio, industrial and warehouse at $42.0 million, or 20.3%, service, doctor, dentist, beauty, etc. at $26.9 million, or 13.0%, offices at $18.1 million, or 8.7%, hotels and motels at $15.7 million, or 7.6%, restaurants at $17.2 million, or 8.3%, and churches at $10.4 million, or 5.0%. The rest of the portfolio accounts for other property types, with none exceeding 4.0% as a portfolio concentration.

The Bank considers a number of factors when originating multifamily and nonresidential mortgages. Loans secured by multifamily and nonresidential real estate generally have larger balances and involve a greater degree of risk than one-to-four family residential real estate loans. The primary concern in this type of lending is the borrower's creditworthiness and the viability and cash flow potential of the property. Payments on loans secured by income-producing properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be more subject to adverse conditions in the real estate market or the economy as compared to residential real estate loans. To address the risks involved, the Bank evaluates the qualifications and financial resources of the underlying principal(s) of the borrower, including credit history, profitability and expertise, as well as the value of cash flows and condition of the property securing the loan. When evaluating the qualifications of the borrower, the Bank considers the financial resources of the borrower, the experience of the underlying principal(s) of the borrower in owning or managing similar properties and the borrower's payment history with the Bank and other financial institutions. In evaluating the property securing the loan, the factors considered include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value or purchase price of the mortgaged property (whichever is lower), and the debt service coverage ratio. All multifamily and nonresidential loans are supported by appraisals that conform to the Bank's appraisal policy. The Bank generally limits the maximum loan-to-value ratio on these loans to 75%, based on the lower of the purchase price or appraised value of the subject property (70% on the refinance of nonresidential properties such as retail spaces, office buildings, and warehouses). The maximum loan term ranges between 25 and 30 years. As is the Bank's general policy, the Bank offers only adjustable rates on its multifamily and nonresidential mortgages - with adjustments based on a spread currently ranging between 2.75% to 3.00% over the five-year FHLBNY rate.

Construction and Land Lending. Construction and land lending totaled $99.3 million, or 10.3%, of the Bank's total loan portfolio at December 31, 2019, (28 projects) with the majority consisting of multifamily residential projects (23 projects). Out of the $99.3 million, $91.8 million are multifamily, of which $49.7 million, or 54.1%, are secured by properties located in Queens County, $35.7 million, or 38.9%, in Kings County, $4.6 million, or 5.0%, in New York County and $1.9 million, or 2.0%, in Bronx County. At December 31, 2019, loans in process related to construction loans totaled $58.1 million.

The Bank's typical construction loan has a term of up to 24 months and contains:

- a minimum of 5% contingency;
- a minimum of 5% retainage;
- a loan-to-cost ratio of 70% or less;
- an end loan loan-to-value ratio of 65% or less;
- an interest reserve;
- guarantees of all owners / partners / shareholders of a closely held organization owning 20% or more of company stock or entity ownership; and
- an option to convert to a permanent mortgage loan upon completion of the project.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. The Bank's approach to the underwriting of construction loans is driven by five factors: analysis of the developer; analysis of the contractor; analysis of the project; valuation of the project; and evaluation of the source of repayment.

The developer's character, capacity and capital are analyzed to determine that the individual or entity has the ability to first complete the project and then either sell it or carry permanent financing. The general contractor is analyzed for reputation, sufficient expertise and capacity to complete the project within the allotted time. The project is analyzed in order to ensure that the project will be completed within a reasonable period of time according to the plans and specifications, and can either be sold, rented or refinanced once completed. All construction loans are supported by appraisals which conform to the Bank's appraisal policy and affirm the value of the project both "As Is" and "As Completed." Lastly, the Bank reviews the developer's cash flow estimations for the project on an "As Completed" basis. These projections are compared to the appraiser's estimates. Debt service coverage using projected rental net income must be at least 1.2x the estimated debt service when operating at stabilized levels.

Upon closing of the construction loan, the Bank begins monitoring the project and funding requisitions for completed stages upon inspection and confirmation by third party firms, such as engineers, of the work performed and its value and quality. Conversion to permanent financing usually occurs upon a conversion underwriting and receipt of certificates of occupancy, as applicable.

C&I Loans and Lines of Credit. C&I loans and lines of credit represent less than 2.0% of the Bank's total loan portfolio at December 31, 2019. Unlike real estate loans, which are secured by real property, and whose collateral value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. The collateral, such as accounts receivable, securing these loans may fluctuate in value.

Although the Bank's loan policy allows for the extension of secured and unsecured financing, the Bank usually seeks to obtain collateral when in initial discussions with potential borrowers. Unsecured credit facilities are made only to strong borrowers that possess established track records with the Bank (or come highly recommended) and are supported by guarantors. Guarantees are required of any individual or entity owning or controlling 20% or more of the borrowing entity, with exceptions requiring approval from the Board of Directors. When credits are not secured by a specific lien on an asset, the Bank usually requires a general lien on all business assets as evidenced by a UCC filing. Pricing is typically based on the Wall Street Journal prime rate plus a spread driven by risk-rating variables.

Underwriters are required to identify at least two sources of repayment, usually recommend that loans contain covenants, such as minimum debt service coverage ratios, minimum global debt service coverage ratios, maximum leverage ratios, 30-day "cleanups" or "clean-downs," as applicable, and must require periodic financial reporting. In addition, every effort is made to set up borrowers with auto-debit for loan payments and strongly encourage them to maintain operating accounts at the Bank.

Lines of credit are typically short-term facilities (12 months) that are provided for occasional or seasonal needs. They are extended to only qualifying borrowers who have established cash flow from operations and a clean credit history. At a minimum, a bi-annual 30-day clean-up, or 75% bi-annual pay-down period is required, although annually is preferred. A clean-up period generally is not required on amortizing secured lines. Guarantors, which are usually required, must have clean credit histories and a substantial outside net worth. Most lines contain an option to convert to a term loan upon maturity.

Secured term loans are long-term facilities extended typically for the purpose of financing the purchase of a long term asset. At a minimum, they will be collateralized by the asset being purchased. They may also be secured by an existing long term business asset or outside collateral pledged by the guarantor or borrower. Unsecured term loans are usually extended only to well-known borrowers who have established strong cash flow from operations and a clean credit history. Although Bank policy allows term loans for up to ten years, the preference is to offer self-amortizing term loans based on a term of no more than five-to-seven years.

Loan Originations, Purchases and Sales. The following table sets forth the Bank's loan originations, sales, purchases and principal repayment activities during the periods indicated.

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Total loans at beginning of year	$ 929,761	$ 808,754	$ 651,642	$ 576,611	$ 552,259
Loans originated:					
Mortgage loans:					
1-4 family residential					
Investor-owned	32,827	38,738	85,333	57,167	39,309
Owner-occupied	9,117	6,430	15,278	14,741	12,555
Multifamily residential	53,288	66,674	51,451	51,876	34,048
Nonresidential properties	37,975	72,926	56,327	31,408	18,365
Construction and land	69,240	55,295	69,011	5,693	3,497
Total mortgage loans	202,447	240,063	277,400	160,885	107,774
Nonmortgage loans:					
Business	1,175	5,101	17,873	1,222	7,451
Consumer	755	697	597	718	692
Total nonmortgage loans	1,930	5,798	18,470	1,940	8,143
Total loans originated	204,377	245,861	295,870	162,825	115,917
Loans purchased:					
Mortgage loans:					
1-4 family residential	—	—	—	—	—
Investor-owned	—	—	—	—	—
Owner-occupied	—	—	—	—	—
Multifamily residential	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	—
Total mortgage loans	—	—	—	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans purchased	—	—	—	—	—
Loans sold:					
Mortgage loans:					
1-4 family residential					
Investor-owned	(3,520)	(1,759)	(139)	—	—
Owner-occupied	—	(2,502)	(819)	—	—
Multifamily residential	—	(535)	—	—	—
Nonresidential properties	(196)	(2,045)	(2,010)	—	—
Construction and land	—	—	—	—	—
Total mortgage loans	(3,716)	(6,841)	(2,968)	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans sold	(3,716)	(6,841)	(2,968)	—	—
Principal repayments and other	(164,326)	(118,013)	(135,790)	(87,794)	(91,565)
Net loan activity	36,335	121,007	157,112	75,031	24,352
Total loans at end of year	$ 966,096	$ 929,761	$ 808,754	$ 651,642	$ 576,611

Contractual Maturities. The following table sets forth the contractual maturities of the total loan portfolio at December 31, 2019. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and does not reflect repricing or the effect of prepayments. Actual maturities may differ.

	December 31, 2019			
	One year or less	More than one year to five years	More than five years	Total
	(In thousands)			
Mortgage loans:				
1-4 family residential				
Investor-owned	$ 4,907	$ 12,971	$ 287,394	$ 305,272
Owner-occupied	322	2,127	89,494	91,943
Multifamily residential	32	6,083	244,124	250,239
Nonresidential properties	1,936	15,045	190,244	207,225
Construction and land	72,329	26,980	—	99,309
Total mortgage loans	79,526	63,206	811,256	953,988
Nonmortgage loans:				
Business loans	7,886	2,991	—	10,877
Consumer loans	115	1,116	—	1,231
Total nonmortgage loans	8,001	4,107	—	12,108
Total	$ 87,527	$ 67,313	$ 811,256	$ 966,096

The following table sets forth the Bank's fixed and adjustable-rate loans at December 31, 2019 that are contractually due after December 31, 2020.

	Due After December 31, 2020		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residential			
Investor-owned	$ 34,629	$ 265,736	$ 300,365
Owner-occupied	15,234	76,387	91,621
Multifamily residential	23,855	226,352	250,207
Nonresidential properties	22,978	182,311	205,289
Construction and land	—	26,980	26,980
Total mortgage loans	96,696	777,766	874,462
Nonmortgage loans:			
Business loans	—	2,991	2,991
Consumer loans	—	1,116	1,116
Total nonmortgage loans	—	4,107	4,107
Total	$ 96,696	$ 781,873	$ 878,569

Loan Approval Procedures and Authority. The Bank's total loans or extensions of credit to a single borrower or group of related borrowers cannot exceed, with specified exemptions, 15% of its total regulatory capital. The Bank's lending limit as of December 31, 2019 was $22.0 million, with the ability to lend additional amounts up to 10% if the loans or extensions of credit are fully secured by readily-marketable collateral. At December 31, 2019, the Bank complied with these loans-to-one borrower limitations. At December 31, 2019, the Bank's largest aggregate exposure to one borrower was $20.5 million with an outstanding balance of $8.4 million. The second and third largest exposures were $15.0 million and $14.5 million with outstanding balances of $5.1 million and $13.7 million, respectively. No other loan or loans-to-one borrower, individually or cumulatively, exceeded $14.0 million, or 63.6% of the lending limit.

The Bank's lending is subject to written policies, underwriting standards and operating procedures. Decisions on loan requests are made on the basis of detailed applications submitted by the prospective borrower, credit histories that the Bank obtains and property valuations, consistent with the appraisal policy. The appraisals are prepared by outside independent licensed appraisers and reviewed by third parties, all approved by the Board of Directors. The Loan Committee usually reviews appraisals in considering a loan application. The performance of the appraisers is also subject to internal evaluations using scorecards and are assessed periodically. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and all information provided with the application and provided checklists as part of the application package are evaluated by the loan underwriting department.

The lending approval process starts with the processing of the application package, which is reviewed for completeness and then all necessary agency reports are ordered. Upon initial review and preparation of preliminary documents by the processors in the underwriting department, the file is assigned to an underwriter. The underwriters are responsible for presenting the loan request along with a recommendation, to the Loan Committee, and to the Board of Directors when the credit exposure is greater than the Loan Committee's authority or there are exceptions to the loan policy. If approved, closed and booked, the loan reviewers then undertake the responsibility of monitoring the credit file for the life of the loan by assessing the borrower's creditworthiness periodically, given certain criteria and following certain operating procedures. An independent third party also performs loan reviews following similar criteria and scope under the oversight of the Audit Committee of the Board of Directors.

At this time, the Bank does not originate loans with the intent of selling them into the secondary market.

Delinquencies and Non-Performing Assets

Delinquency Procedures. Collection efforts commence the day following the grace period, normally on the 17th of the month. Those loans that have experienced sporadic late payments over the previous 12 months are reviewed with a greater degree of diligence. Late notices are generated and distributed on the 17th and 30th day of the month. The Collection Department pursues collection efforts up until the 90th day past due. At that time, the Bank usually will initiate legal proceedings for collection or foreclosure unless it is in the best interest of the Bank to work further with the borrower to arrange a suitable workout plan.

Prior to acquiring property through foreclosure proceedings, the Bank will obtain an updated appraisal to determine the fair market value and proceed with net adjustments according to accounting principles. Board of Directors approval is required to pursue a foreclosure.

For the years ended December 31, 2019 and 2018, the Bank collected $162,000 and $207,000, respectively, of interest income on non-accruing troubled debt restructured loans, of which $24,000 and $135,000, respectively, was recognized into income. The remaining interest collected on non-accruing troubled debt restructured loans for these periods was applied as a principal reduction for the remaining life of the loan, or until the loan is deemed performing.

Delinquent Loans. The following table sets forth the Bank's loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At December 31,								
	2019			2018			2017		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)								
Mortgages:									
1-4 Family residential									
Investor-owned	$ 3,866	$ —	$ 1,082	$ 6,539	$ 470	$ —	$ 1,201	$ —	$ 472
Owner-occupied	3,405	—	1,295	1,609	574	995	585	—	3,391
Multifamily residential	3,921	—	—	995	—	—	46	—	—
Nonresidential properties	3	—	3,708	—	4	1,052	11	—	1,882
Construction and land	—	—	—	—	—	—	—	—	—
Nonmortgage Loans:									
Business	—	—	—	292	—	—	239	—	51
Consumer	—	—	—	—	—	—	—	—	—
Total	$ 11,195	$ —	$ 6,085	$ 9,435	$ 1,048	$ 2,047	$ 2,082	$ —	$ 5,796

	At December 31,					
	2016			2015		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)					
Mortgages:						
1-4 Family residential						
Investor-owned	$ 2,716	$ —	$ 325	$ 2,306	$ 659	$ 805
Owner-occupied	2,562	557	1,734	1,023	311	1,712
Multifamily residential	819	—	—	84	—	—
Nonresidential properties	41	—	1,994	680	55	859
Construction and land	—	—	—	—	—	—
Nonmortgage Loans:						
Business	25	—	22	—	—	—
Consumer	—	—	—	—	—	—
Total	$ 6,163	$ 557	$ 4,075	$ 4,093	$ 1,025	$ 3,376

Owner-occupied, one-to-four family residential loans 30-59 days past due increased $1.8 million, or 111.67%, to $3.4 million at December 31, 2019 compared to $1.6 million at December 31, 2018. The increase was mainly attributed to increases of five relationships consisting of five loans totaling $3.0 million offset by decreases of four relationships consisting of four loans totaling $1.2 million.

Multifamily residential loans 30-59 days past due increased $2.9 million, or 294.03%, to $3.9 million at December 31, 2019 compared to $1.0 million at December 31, 2018. The increase was mainly attributed to increases of three relationships consisting of three loans totaling $3.9 million offset by decreases of two relationships consisting of two loans totaling $1.0 million.

Investor-owned, one-to-four family residential loans 30-59 days past due decreased $2.6 million, or 40.88%, to $3.9 million at December 31, 2019 compared to $6.5 million at December 31, 2018. The decrease was mainly attributed to decreases of seven relationships consisting of seven loans totaling $6.1 million offset by increases of five relationships consisting of five loans totaling $3.5 million.

Investor-owned, one-to-four family residential loans past due 90 days or more increased $1.1 million, or 100.00%, to $1.1 million at December 31, 2019 compared to no loans at December 31, 2018. The increase was mainly attributed to two relationships consisting of two loans totaling $1.1 million.

Nonresidential properties loans past due 90 days or more increased $2.6 million, or 252.50%, to $3.7 million at December 31, 2019 compared to $1.1 million at December 31, 2018. The increase was mainly attributed to increases of two relationships consisting of two loans totaling $3.2 million offset by decreases of two relationships consisting of two loans totaling $569,000.

Non-Performing Assets. The following table sets forth information regarding non-performing assets. Non-performing assets are comprised of non-accrual loans, non-accrual troubled debt restructurings, and real estate owned. Non-accrual loans include non-accruing troubled debt restructurings of $3.6 million, $3.6 million, $4.6 million, $2.7 million, and $4.5 million at December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

	At December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Nonaccrual loans:					
Mortgage loans:					
1-4 family residential					
Investor-owned	$ 2,312	$ 205	$ 1,034	$ 809	$ 1,635
Owner-occupied	1,009	1,092	2,624	1,463	1,078
Multifamily residential	—	16	521	—	—
Nonresidential properties	3,555	706	1,387	1,614	1,660
Construction and land	1,118	1,115	1,075	1,145	637
Nonmortgage loans:					
Business	—	—	147	22	13
Consumer	—	—	—	—	—
Total nonaccrual loans (not including non-accruing troubled debt restructured loans)	$ 7,994	$ 3,134	$ 6,788	$ 5,053	$ 5,023
Non-accruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residential					
Investor-owned	$ 467	$ 1,053	$ 1,144	$ 1,240	$ 2,599
Owner-occupied	2,491	1,987	2,693	646	1,055
Multifamily residential	—	—	—	—	—
Nonresidential properties	646	604	783	783	828
Construction and land	—	—	—	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total non-accruing troubled debt restructured loans	3,604	3,644	4,620	2,669	4,482
Total nonaccrual loans	$ 11,598	$ 6,778	$ 11,408	$ 7,722	$ 9,505
Real estate owned:					
Mortgage loans:					
1-4 family residential					
Investor-owned	$ —	$ —	$ —	$ —	$ —
Owner-occupied					
Multifamily residential	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	76
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total real estate owned	—	—	—	—	76
Total nonperforming assets	$ 11,598	$ 6,778	$ 11,408	$ 7,722	$ 9,581
Accruing loans past due 90 days or more:					
Mortgage loans:					
1-4 family residential					
Investor-owned	$ —	$ —	$ 7	$ —	$ —
Owner-occupied	—	—	—	—	—
Multifamily residential	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total accruing loans past due 90 days or more	$ —	$ —	$ 7	$ —	$ —
Accruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residential					
Investor-owned	$ 5,191	$ 5,192	$ 6,559	$ 6,422	$ 6,579
Owner-occupied	2,090	3,456	4,756	7,271	8,326
Multifamily residential	—	—	—	—	—
Nonresidential properties	1,306	1,438	1,958	4,066	4,186
Construction and land	—	—	—	—	—
Nonmortgage loans:					
Business	14	374	477	593	814
Consumer	—	—	—	—	—
Total accruing troubled debt restructured loans	$ 8,601	$ 10,460	$ 13,750	$ 18,352	$ 19,905
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	$ 20,199	$ 17,238	$ 25,165	$ 26,074	$ 29,486
Total nonperforming loans to total loans	1.20%	0.73%	1.41%	1.20%	1.65%
Total nonperforming assets to total assets	1.10%	0.64%	1.23%	1.04%	1.35%
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans to total assets	1.92%	1.63%	2.72%	3.50%	4.19%

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities, considered by the Office of the Comptroller of the Currency ("OCC") to be of lesser quality, as "substandard," "doubtful" or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the Bank will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose the Bank to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

Under OCC regulations, when an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of the Bank's periodic reports with the OCC and in accordance with its classification of assets policy, it regularly reviews the loans in its portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of loans, the Bank's classified and special mention loans at the dates indicated were as follows:

	At December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
	(Dollars in thousands)				
Classified Loans:					
Substandard	$ 22,787	$ 18,665	$ 22,999	$ 19,225	$ 17,786
Total classified loans	22,787	18,665	22,999	19,225	17,786
Special mention loans	17,355	14,394	5,317	2,549	6,469
Total classified and special mention loans	$ 40,142	$ 33,059	$ 28,316	$ 21,774	$ 24,255

Special mention loans increased $3.0 million, or 20.57%, to $17.4 million at December 31, 2019 compared to $14.4 million at December 31, 2018. The increase was primarily attributable to two construction multi-family loans which increased in the aggregate by $6.9 million to $14.9 million offset by decreases of $1.3 million in 1-4 family investor owned loans, $1.4 million in commercial lines of credit and loans, $500,000 in 1-4 family construction loans and $800,000 for multifamily residential loans.

Troubled Debt Restructurings. The Bank occasionally modifies loans to help borrowers stay current on their loans and to avoid foreclosure. The Bank considers modifications only after analyzing a borrower's current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. The Bank generally does not forgive principal or interest on loans, but may do so if it is in its best interest and increases the likelihood that it can collect the remaining principal balance. The Bank may modify the terms of loans to lower interest rates, which may be at below market rates, to provide for fixed interest rates on loans where fixed rates are otherwise not available, or to provide for interest-only terms. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and is in the Bank's best interests.

At December 31, 2019, there were 36 loans modified as troubled debt restructured loans totaling $12.2 million. Of these, 10 troubled debt restructured loans, totaling $3.6 million, were included in non-accrual loans and the remaining 26 troubled debt restructured loans, totaling $8.6 million, had been performing in accordance with their modified terms for a minimum of six months since the date of restructuring.

At December 31, 2018, there were 40 loans modified as troubled debt restructured loans totaling $14.1 million. Of these, 8 troubled debt restructured loans totaling $3.6 million were included in non-accrual loans and the remaining 32 troubled debt restructured loans, totaling $10.5 million, had been performing in accordance with their modified terms for a minimum of six months since the date of restructuring.

For the year ended December 31, 2019, there was one troubled debt restructured loan amounting to $275,000 and for the year ended December 31, 2018, there were no loans modified to troubled debt restructured.

Allowance for Loan and Lease Losses

The Bank has approved and maintained an appropriate, systematic and consistently applied process to determine the dollar amounts of the allowance for loan and lease losses ("ALLL") that is adequate to absorb inherent losses in the loan portfolio and other held financial instruments. An inherent loss, as defined by U.S. Generally Accepted Accounting Principles ("U.S.GAAP"), and applicable banking regulations, is an unconfirmed loss that probably exists based on the information that is available as of the evaluation date. It is not a loss that may arise from events that might occur as a result of a possible future event. Arriving at an appropriate allowance involves a high degree of management's judgment, is inevitably imprecise, and results in a range of possible losses.

The determination of the dollar amounts of the ALLL is based on management's current judgments about the credit quality of the loan portfolio taking into consideration all known relevant internal and external factors that affect loan payments at the end of each month. The dollar amounts reported each month for the ALLL are reviewed at least quarterly by the Board of Directors. To ensure that the methodology remains appropriate for the Bank, the Board of Directors periodically has the methodology validated externally and causes revisions to be made when appropriate. The Audit Committee of the Board of Directors oversees and monitors the internal controls over the ALLL determination process. The Bank adheres to a safe and sound banking practice by maintaining, analyzing, and supporting an adequate ALLL in accordance with U.S.GAAP and supervisory guidance.

The Bank's ALLL methodology consists of a system designed and implemented to estimate loan and lease losses. The Bank's ALLL methodology incorporates management's current judgments about the credit quality of the loan and lease portfolio through a disciplined and consistently applied process.

The Bank's loan policy requires the following when the Bank calculates the level of ALLL:

- All loans shall be taken into consideration in the ALLL methodology whether on an individual or group basis.
- The Bank shall identify all loans to be evaluated for impairment on an individual basis under ASC 310 and segment the remainder of the loan portfolio into groups (pools) of loans with similar risk characteristics for evaluation and analysis under ASC 450.
- All known relevant internal and external factors that may affect the collection of the loan shall be taken into consideration.
- All known relevant internal and external factors that may affect loan collectability shall be considered and applied consistently; however, when appropriate, these factors may be modified for new factors affecting loan collectability.
- The particular risks inherent in different kinds of lending shall be taken into consideration.
- The current collateral values, less the costs to sell, shall be taken into consideration when applicable.
- The Bank shall require that competent and well-trained personnel perform the analysis, estimates, reviews and other ALLL methodology functions.
- The ALLL methodology shall be based on current and reliable information.
- The ALLL methodology shall be well documented, in writing, with clear explanations of the supporting analyses and rationale.
- The ALLL methodology shall include a systematic and logical method to consolidate the loss estimates and ensure the ALLL balance is recorded in accordance with U.S. GAAP.

Loan pools with similar risk characteristics. Loss histories are the starting point for the calculation of ALLL balances. Loss histories are calculated for each of the pools by aggregating the historical losses less recoveries within the respective pools and annualizing the number over the determined length of time. The length of time may vary according to the relevance of past periods' experience to the current period, among other considerations. The Bank currently uses a prior twelve quarter rolling average for its historical loss rates.

Each pool's historical loss rate is adjusted for the effects of the qualitative or environmental factors. The factors analyzed include:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices.
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
- Changes in the nature and volume of the portfolio and in the terms of loans.
- Changes in the experience, ability and depth of lending management and other relevant staff.
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans.
- Changes in the quality of the Bank's loan review system.
- Changes in the value of underlying collateral for collateral-dependent loans.
- The existence and effect of any concentration of credit, and changes in the level of such concentrations.
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.

The Bank utilizes a risk-based approach to determine the appropriate adjustments for each qualitative factor. A matrix containing definitions of low, medium, and high risk levels is used to assess the individual factors to determine their respective directional characteristics. These risk levels serve as the foundation for determining the individual adjustments for each factor for each pool of loans.

The qualitative factor adjustments are supported by applicable reports, graphs, articles and any other relevant information to evidence and document management's judgment as to the respective levels of risk and adjustment requirements.

Each of the qualitative adjustment factors is applied to each of the loan pools to reflect adjustments that increase or decrease the historical loss rates applied to each loan pool. Each of these adjustment factors is individually supported and justified, and a discrete narrative for each loan pool reflects current information, events, circumstances and conditions influencing the adjustment. The narratives include descriptions of each factor, management's analysis of how each factor has changed over time, which loan pool's loss rates have been adjusted, the amount by which loss estimates have been adjusted for changes in conditions, an explanation of how management estimated the impact, and other available data that support the reasonableness of the adjustments.

Once these qualitative adjustment factors are determined for each pool of loans, they are added to the historical loss numbers for each corresponding pool of loans to arrive at a loss factor for each pool based on historical loss experience and qualitative or environmental influences. These loss factors are adjusted to appropriately reflect the respective risk rating categories within each pool by applying the weighting factors described above to those loans within the respective pool's risk rates.

The series of calculations described above can be expressed as the following equation:

$[(H*P) + (Q*P)] = R$, where

H = Historical loss factor for the pool

Q = Qualitative/Environmental aggregate adjustment for the pool

P = Total loans within the pool

R = Required reserve amount for the risk rating category within the pool

Specific allowances for identified problem loans. The Bank considers a loan to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. All troubled debt restructurings and loans on non-accrual status are deemed to be impaired. A specific valuation allowance is established for the impairment amount of each loan, calculated using the present value of expected cash flows, observable market price, or the fair value of the collateral, in accordance with the most likely means of recovery.

Factors evaluated in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The Bank determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

An unallocated component may be maintained to cover uncertainties that could affect our estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Validation of the ALLL. The Bank considers its ALLL methodology valid when it accurately estimates the amount of probable loss contained in the loan portfolio. The Bank has employed procedures, including the following, when validating the reasonableness of its ALLL methodology and determining whether there may be deficiencies in its overall methodology or loan grading process:

- A review of trends in loan volume, delinquencies, loan restructurings and concentrations.
- A review of previous charge-offs and recovery history, including an evaluation of the timeliness of the entries to record both the charge-offs and the recoveries.
- At a minimum, an annual review by a third party that is independent of the ALLL estimation process.
- An evaluation of the appraisal process of the underlying collateral.

The Bank supports the independent validation process with the work papers from the ALLL review function and may include the summary findings of an independent reviewer. The Board reviews the findings and acknowledges its review in the minutes of its meeting. If the methodology is changed based upon the findings of the validation process, the documentation that describes and supports the changes is maintained.

As an integral part of its examination process, the OCC will periodically review the Bank's allowance for loan losses. Following such review, the Bank may determine that it is appropriate to recognize additions to the allowance based on its judgment and information available to it at the time of such examination.

Current expected credit losses. On June 16, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, the current expected credit losses ("CECL") standard. In October 2019, the FASB voted to defer implementation of the standard for non-public business entities and smaller reporting companies, such as the Company, to fiscal years beginning after December 15, 2022. In response to the new model, the Bank has reassessed its risk management policies and procedures in order for it to successfully implement CECL. Once adopted, the Bank will have to estimate the allowance for loan losses on expected losses rather than incurred losses.

The following table sets forth activity in the allowance for loan losses for the periods indicated.

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Allowance at beginning of year	$ 12,659	$ 11,071	$ 10,205	$ 9,484	$ 9,449
Provision (recovery) for loan losses	258	1,249	1,716	(57)	353
Charge-offs:					
Mortgage loans:					
1-4 family residential					
Investor-owned	(8)	—	—	(38)	(142)
Owner-occupied	—	—	—	—	(140)
Multifamily residential	—	—	—	(3)	(257)
Nonresidential properties	—	—	—	—	(19)
Construction and land	—	—	—	(85)	(77)
Nonmortgage loans:					
Business	(724)	(34)	(1,423)	—	—
Consumer	—	(14)	(6)	(13)	(8)
Total charge-offs	(732)	(48)	(1,429)	(139)	(643)
Recoveries:					
Mortgage loans:					
1-4 family residential					
Investor-owned	23	1	25	18	53
Owner-occupied	—	250	176	142	10
Multifamily residential	—	—	2	1	—
Nonresidential properties	9	9	9	9	31
Construction and land	—	—	2	5	—
Nonmortgage loans:					
Business	110	122	359	733	224
Consumer	2	5	6	9	7
Total recoveries	144	387	579	917	325
Net (charge-offs) recoveries	(588)	339	(850)	778	(318)
Allowance at end of year	$ 12,329	$ 12,659	$ 11,071	$ 10,205	$ 9,484
Allowance for loan losses as a percentage for nonperforming loans	106.30%	186.77%	97.05%	132.15%	99.78%
Allowance for loan losses as a percentage of total loans	1.28%	1.36%	1.37%	1.57%	1.64%
Net (charge-offs) recoveries to average loans outstanding during the year	(0.06%)	0.04%	(0.12%)	0.13%	(0.06%)

Allowance for Loan and Lease Losses. The following table sets forth the allowance for loan and lease losses by loan category and the percent of the allowance in each category to the total allowance at the dates indicated. The allowance for loan and lease losses of each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,								
	2019			2018			2017		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Mortgage loans:									
1-4 family residential									
Investor-owned	$ 3,503	28.42%	31.60%	$ 3,799	30.01%	32.61%	$ 3,716	33.57%	35.5
Owner-occupied	1,067	8.65%	9.52%	1,208	9.55%	9.98%	1,402	12.66%	12.4
Multifamily residential	3,865	31.35%	25.90%	3,829	30.25%	25.01%	3,109	28.08%	23.3
Nonresidential properties	1,849	15.00%	21.45%	1,925	15.20%	21.18%	1,424	12.86%	18.7
Construction and land	1,782	14.45%	10.28%	1,631	12.88%	9.42%	1,205	10.89%	8.3
Total mortgage loans	12,066	97.87%	98.75%	12,392	97.89%	98.20%	10,856	98.06%	98.3
Nonmortgage loans:									
Business	254	2.06%	1.13%	260	2.05%	1.69%	209	1.89%	1.5
Consumer	9	0.07%	0.13%	7	0.06%	0.11%	6	0.05%	0.1
Total nonmortgage loans	263	2.13%	1.25%	267	2.11%	1.80%	215	1.94%	1.7
Total	$ 12,329	100.00%	100.00%	$ 12,659	100.00%	100.00%	$ 11,071	100.00%	100.0

	At December 31,					
	2016			2015		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 3,146	30.83%	34.90%	$ 2,843	29.98%	35.25%
Owner-occupied	1,805	17.69%	14.98%	2,126	22.42%	18.39%
Multifamily residential	2,705	26.51%	24.28%	1,994	21.02%	21.30%
Nonresidential properties	1,320	12.92%	18.64%	1,298	13.69%	18.46%
Construction and land	615	6.03%	4.66%	502	5.29%	3.97%
Total mortgage loans	9,591	93.98%	97.46%	8,763	92.40%	97.37%
Nonmortgage loans:						
Business	597	5.85%	2.41%	709	7.47%	2.49%
Consumer	17	0.17%	0.13%	12	0.13%	0.14%
Total nonmortgage loans	614	6.02%	2.54%	721	7.60%	2.63%
Total	$ 10,205	100.00%	100.00%	$ 9,484	100.00%	100.00%

At December 31, 2019, the allowance for loan and lease losses represented 1.27% of total loans and 106.30% of nonperforming loans compared to 1.36% of total loans and 186.77% of nonperforming loans at December 31, 2018. The allowance for loan and lease losses decreased to $12.3 million at December 31, 2019 from $12.7 million at December 31, 2018. There were $588,000 in net charge-offs and $339,000 in net loan recoveries during the years ended December 31, 2019 and 2018, respectively.

Although the Bank believes that it uses the best information available to establish the ALLL, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, although the Bank believes that it has established the ALLL in conformity with U.S. GAAP, after a review of the loan portfolio by regulators, the Bank may determine it is appropriate to increase the ALLL. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, the existing ALLL may not be adequate and increases may be necessary should the quality of any loan or lease deteriorate as a result of the factors discussed above. Any material increase in the ALLL may adversely affect the Bank's financial condition and results of operations.

Investment Activities

General. The Bank's investment policy was adopted and is reviewed annually by the Board of Directors. The Chief Financial Officer (designated as the Chief Investment Officer) will plan and execute investment strategies consistent with the policies approved by the Board of Directors. The Chief Financial Officer provides an investment schedule detailing the investment portfolio which is reviewed at least quarterly by the Bank's asset-liability committee and the Board of Directors.

The current investment policy permits, with certain limitations, investments in United States Treasury securities; securities issued by the U.S. government and its agencies or government-sponsored enterprises including mortgage-backed and collateralized mortgage obligations ("CMO") issued by Fannie Mae, Ginnie Mae and Freddie Mac; and corporate bonds and obligations, and certificates of deposit in other financial institutions.

At December 31, 2019 and 2018, the investment portfolio consisted of available-for-sale securities and obligations issued by the U.S. government and government-sponsored enterprises and the FHLBNY stock. At December 31, 2019 and 2018, the Bank owned $5.7 million and $2.9 million, respectively, of FHLBNY stock. As a member of FHLBNY, the Bank is required to purchase stock from the FHLBNY which is carried at cost and classified as restricted equity securities.

Available-for-sale Securities Portfolio Composition. The following table sets forth the amortized cost and estimated fair value of the available-for-sale securities portfolio at the dates indicated, which consisted of U.S. government and federal agencies, pass-through mortgage-backed securities and certificates of deposit.

	At December 31,									
	2019		2018		2017		2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)									
U.S. Government and Federal Agencies	$ 16,373	$ 16,354	$ 20,924	$ 20,515	$ 24,911	$ 24,552	$ 41,906	$ 41,559	$ 71,899	$ 71,166
US Treasury	—	—	4,997	4,995	—	—	—	—	—	—
Certificates of Deposit	—	—	—	—	—	—	500	500	—	—
Mortgage-Backed Securities										
FHLMC Certificates	—	—	—	—	—	—	192	216	202	222
FNMA Certificates	4,680	4,659	778	759	1,118	1,103	3,600	3,606	4,411	4,432
GNMA Certificates	482	491	870	875	3,205	3,242	6,744	6,809	6,084	6,214
Total	$ 21,535	$ 21,504	$ 27,569	$ 27,144	$ 29,234	$ 28,897	$ 52,942	$ 52,690	$ 82,596	$ 82,034

At December 31, 2019 and 2018, there were no securities of which the amortized cost or estimated value exceeded 10% of total equity**.**

Mortgage-Backed Securities. At December 31, 2019 and 2018, there were mortgage-backed securities with a carrying value of $5.2 million and $1.6 million, respectively. Mortgage-backed securities are securities issued in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as “pass through” certificates because the underlying loans are “passed through” to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one-to-four family residential or multifamily residential mortgages, although the Bank invests primarily in mortgage-backed securities backed by one-to-four family residential mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as the Bank. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. All of the Bank’s mortgage-backed securities are backed by Freddie Mac and Fannie Mae, which are government-sponsored enterprises, or Ginnie Mae, which is a government-owned enterprise.

Residential mortgage-backed securities issued by U.S. government agencies and government-sponsored enterprises are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, residential mortgage-backed securities may be used to collateralize borrowings. Investments in residential mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on the securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2019 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. Adjustable-rate mortgage-backed securities are included in the period in which interest rates are next scheduled to adjust.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
U.S. Government and Federal Agencies	$ 16,373	1.38%	$ —	—	$ —	—	$ —	—	$ 16,373	$ 16,354	1.38%
US Treasury	—	—							—	—	—
Mortgage-Backed Securities											
FNMA Certificates	—	—	500	1.79%	—	—	4,180	2.85%	4,680	4,659	2.74%
GNMA Certificates	—	—	—	—	—	—	482	2.88%	482	491	2.88%
Total	$ 16,373	1.38%	$ 500	1.79%	$ —	—	$ 4,662	2.85%	$ 21,535	$ 21,504	1.71%

Sources of Funds

General. Deposits have traditionally been the Bank’s primary source of funds for use in lending and investment activities. The Bank may also use borrowings, primarily from the FHLBNY, brokered and listing service deposits, and unsecured lines of credit with correspondent banks, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk and manage the cost of funds. At December 31, 2019, the amount available to the Bank to borrow from the FHLBNY was $124.3 million. In addition, the Bank receives funds from scheduled loan payments, investment maturities and calls, loan prepayments and income on earning assets. Although scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Deposits are generated primarily from the Bank’s primary market area. The Bank offers a selection of deposit accounts, including demand accounts, savings accounts and certificates of deposit to individuals, business entities, non-profit organizations and individual retirement accounts. Deposit account terms vary, with the primary differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and premature withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. The Bank relies upon personalized customer service, long-standing relationships with customers and the favorable image of the Bank in the community to attract and retain deposits. The Bank recently implemented a fully functional electronic banking platform, including mobile applications, remote deposit capture and online bill pay, among others, as a service to retail and business customers.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. In January 2019, the Bank implemented targeted marketing campaigns and give-aways to increase retail

and commercial demand and money market accounts. During 2019, the Bank opened 3,144 of such accounts with aggregate balances of $39.5 million at December 31, 2019. The ability to attract and maintain these and other interest-bearing deposits, and the rates paid on them, have been, and will continue to be, significantly affected by competition and market conditions.

The following table sets forth the average balance and weighted average rate of deposits for the periods indicated.

	For the Years Ended December 31,								
	2019			2018			2017		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
NOW/IOLA	$ 27,539	3.50%	0.44%	$ 28,182	3.74%	0.36%	$ 26,818	3.82%	0.36%
Money market	124,729	15.88%	2.04%	60,113	7.97%	1.17%	48,006	6.83%	0.81%
Savings	119,521	15.22%	0.13%	125,395	16.63%	0.61%	128,282	18.26%	0.39%
Certificates of deposit	403,010	51.30%	1.90%	439,737	58.32%	1.73%	387,232	55.13%	1.53%
Interest-bearing deposits	674,799	85.90%	1.56%	653,427	86.66%	1.31%	590,338	84.04%	1.11%
Non-interest bearing demand	110,745	14.10%	—	100,628	13.34%	—	112,113	15.96%	—
Total deposits	$ 785,544	100.00%	1.34%	$ 754,055	100.00%	1.14%	$ 702,451	100.00%	0.94%

The following table sets forth deposit activities for the periods indicated.

	At or For the Years Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Beginning balance	$ 809,758	$ 713,985	$ 643,078
Net deposits (withdrawals) before interest credited	(38,219)	87,185	64,338
Interest credited	10,504	8,588	6,569
Net increase (decrease) in deposits	(27,715)	95,773	70,907
Ending balance	$ 782,043	$ 809,758	$ 713,985

The following table sets forth certificates of deposit classified by interest rate as of the dates indicated.

	At December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Interest Rate:			
0.05% - 0.99%	$ 8,452	$ 11,749	$ 33,438
1.00% - 1.49%	62,492	84,484	136,865
1.50% - 1.99%	94,020	103,423	107,324
2.00% - 2.49%	172,596	187,453	127,556
2.50% - 2.99%	44,961	31,338	4,878
3.00% and greater	6,977	5,639	—
Total	$ 389,498	$ 424,086	$ 410,061

The following table sets forth the amount and maturities of certificates of deposit by interest rate at December 31, 2019.

	Period to Maturity					
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years	Total	Percent of Total
	(Dollars in thousands)					
Interest Rate Range:						
0.05% - 0.99%	$ 8,452	$ —	$ —	$ —	$ 8,452	2.17%
1.00% - 1.49%	46,191	13,815	2,209	277	62,492	16.05%
1.50% - 1.99%	56,181	23,377	7,365	7,097	94,020	24.14%
2.00% - 2.49%	75,613	58,097	33,405	5,481	172,596	44.31%
2.50% - 2.99%	27,704	12,767	1,247	3,243	44,961	11.54%
3.00% and greater	3,018	1,898	—	2,061	6,977	1.79%
Total	$ 217,159	$ 109,954	$ 44,226	$ 18,159	$ 389,498	100.00%

At December 31, 2019, the aggregate amount of all certificates of deposit in amounts greater than or equal to $100,000 was $293.6 million. The following table sets forth the maturity of those certificates as of December 31, 2019.

Maturity Period:	At December 31, (Dollars in thousands)
Three months or less	$ 57,599
Over three months through six months	32,348
Over six months through one year	74,170
Over one year to three years	119,052
Over three years	10,434
Total	$ 293,603

At December 31, 2019, certificates of deposit equal to or greater than $250,000 totaled $84.3 million of which $48.1 million matures on or before December 31, 2020. At December 31, 2019, passbook savings accounts and certificates of deposit with a passbook feature totaled $174.6 million, reflecting depositors' preference for traditional banking services.

Borrowings. The Bank may obtain advances from the FHLBNY by pledging as security its capital stock at the FHLBNY and certain of its mortgage loans and mortgage-backed securities. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to repricing than the Bank's deposits, they can change the Bank's interest rate risk profile. At December 31, 2019 and 2018, the Bank had $104.4 million and $44.4 million of outstanding FHLBNY advances, respectively. Additionally, the Bank has an unsecured line of credit in the amount of $25.0 million with a correspondent bank of which $0.0 million and $25.0 million were outstanding at December 31, 2019 and 2018, respectively. The Bank also had a guarantee from the FHLBNY through a standby letter of credit of $3.5 million and $7.6 million at December 31, 2019 and 2018, respectively.

The following table sets forth information concerning balances and interest rates on borrowings at the dates and for the periods indicated.

	At or For the Years December 31,		
	2019	2018	2017
	(Dollars in Thousands)		
FHLBNY Advances:			
Balance outstanding at end of period	$ 104,404	$ 44,404	$ 16,400
Average amount outstanding during the period	81,404	32,157	9,738
Maximum outstanding at any month-end during the period	169,404	44,404	55,000
Weighted average interest rate during the period	2.32%	1.87%	1.08%
Weighted average interest rate at the end of the period	2.21%	2.72%	2.02%
Correspondent Borrowings:			
Balance outstanding at end of period	$ —	$ 25,000	$ 20,000
Average amount outstanding during the period	—	2,729	548
Maximum outstanding at any month-end during the period	—	25,000	20,000
Weighted average interest rate during the period	—	2.26%	1.64%
Weighted average interest rate at the end of the period	—	2.64%	1.64%

Personnel

At December 31, 2019 and 2018, the Bank had 183 and 181 full-time equivalent employees, respectively. Employees are not represented by any collective bargaining group.

Subsidiaries

The Company has a subsidiary, Ponce Bank, which itself has two subsidiaries, Ponce de Leon Mortgage Corp., a New York State chartered mortgage brokerage entity, whose employees are registered in New York and New Jersey, and PFS Services, Corp., which owns two of the Bank's properties.

Regulation and Supervision

General

As a federally-chartered, stock savings association, the Bank is subject to examination, supervision and regulation, primarily by the OCC, and, secondarily, by the Federal Deposit Insurance Corporation ("FDIC") as the insurer of deposits. The federal system of regulation and supervision establishes a comprehensive framework of activities in which the Bank is engaging and is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund.

The Bank is regulated to a lesser extent by the Board of Governors of the Federal Reserve System, or the "Federal Reserve Board," which governs the reserves to be maintained against deposits and other matters. In addition, the Bank is a member of and owns stock in the FHLBNY, which is one of the 11 regional banks in the Federal Home Loan Bank System. The Bank's relationship with its depositors and borrowers is also regulated, to a great extent, by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of loan documents.

As savings and loan holding companies, the Company and Ponce Bank Mutual Holding Company, are subject to examination and supervision by, and are required to file certain reports with, the Federal Reserve Board. The Company is subject to the rules and regulations of the SEC under the federal securities laws.

Set forth below are certain material regulatory requirements that are applicable to the Bank and the Company. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on the Bank and the Company. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on the Company and the Bank and their respective operations.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for their insured depository subsidiaries, and restricted the components of Tier 1 capital for holding companies to capital instruments that were then currently considered to be Tier 1 capital for insured depository institutions. Subsequent regulations issued by the Federal Reserve Board generally exempted from these requirements bank and savings and loan holding companies with less than $3 billion of consolidated assets. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect before its passage and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new regulator, the Consumer Financial Protection Bureau ("CFPB"), and gave it broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, such as Ponce Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets continue to be examined for compliance by their applicable bank regulators. The legislation also weakened the federal preemption available for national banks and federal savings associations, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per separately insured depositor. The Dodd-Frank Act increased stockholder influence over boards of directors of certain publicly traded companies by requiring them to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments. The legislation also directed the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to holding company executives, regardless of whether the company is publicly traded. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage origination.

Many provisions of the Dodd-Frank Act involve delayed effective dates and/or require implementing regulations. The implementation of the legislation is an ongoing process and the impact on operations cannot yet fully be assessed. The Dodd-Frank Act has resulted in an increased regulatory burden and compliance, operating and interest expenses for most financial institutions, including the Bank and the Company. In February 2017, the President of the United States issued an executive order stating that a policy of his administration would be to make regulations efficient, effective and appropriately tailored. The executive order directed certain regulatory agencies to review and identify laws and regulations that inhibit federal regulation of the U.S. financial system in a manner inconsistent with the policies stated in the executive order. Any changes in laws or regulation as a result of this review could result in a repeal of, amendment to, or delayed implementation of the Dodd-Frank Act. In May 2018, a bipartisan regulatory reform bill was enacted into law. Among other provisions, the law increased the threshold to qualify for the Federal Reserve Board's Small Bank Holding Company Policy Statement from $1.0 billion to $3.0 billion and provided for charter flexibility for federally-chartered savings banks and associations to adopt the powers of a national bank. The Bank has not elected to adopt this provision.

Federal Bank Regulations

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Bank may also establish, subject to specified investment limits, service corporation subsidiaries that may engage in certain activities not otherwise permissible for Ponce Bank, including real estate investment and securities and insurance brokerage.

Examinations and Assessments. The Bank is primarily supervised by the OCC. The Bank is required to file reports with and is subject to periodic examination by the OCC. The Bank is required to pay assessments to the OCC to fund the agency's operations. The Company is required to file reports with and is subject to periodic examination by the Federal Reserve Board. It is also required to pay assessments to the Federal Reserve Board to fund the agency's operations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including federal savings associations, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6.0% and 8.0%, respectively. The regulations also establish a minimum required leverage ratio of at least 4.0% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. In 2015, Ponce De Leon Federal Bank, the predecessor of Ponce Bank, made a one-time, permanent election to opt-out regarding the treatment of AOCI. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0.0% is assigned to cash and U.S. government securities, a risk weight of 50.0% is generally assigned to prudently underwritten first lien one-to-four family residential mortgages, a risk weight of 100.0% is assigned to commercial and consumer loans, a risk weight of 150.0% is assigned to certain past due loans and a risk weight of between 0.0% to 600.0% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement began phasing in starting January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019.

At December 31, 2019, 2018 and 2017, the Bank's capital exceeded all applicable requirements.

	2019		2018		2017	
	(Dollars in thousands)					
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage capital	$ 136,584	12.92%	$ 138,872	13.66%	$ 132,577	14.67%
Requirement	52,843	5.00%	50,815	5.00%	45,190	5.00%
Excess	83,740	7.92%	88,057	8.66%	87,387	9.67%
Tier 1 risk-based	136,584	17.37%	138,872	18.14%	132,577	19.48%
Requirement	62,923	8.00%	61,261	8.00%	54,447	8.00%
Excess	73,661	9.37%	77,611	10.14%	78,130	11.48%
Total Risk Based	146,451	18.62%	148,486	19.39%	141,120	20.73%
Requirement	78,654	10.00%	76,577	10.00%	68,059	10.00%
Excess	67,797	8.62%	71,909	9.39%	73,061	10.73%
Common equity Tier 1	136,584	17.37%	138,872	18.14%	132,577	19.48%
Risk-Based Requirement	51,125	6.50%	49,775	6.50%	44,238	6.50%
Excess	$ 85,459	10.87%	$ 89,097	11.64%	$ 88,339	12.98%

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15.0% of unimpaired capital and surplus. An additional amount may be lent, equal to 10.0% of unimpaired capital and surplus, if secured by "readily marketable collateral," which generally includes certain financial instruments (but not real estate). As of December 31, 2019, the Bank was in compliance with the loans-to-one borrower limitations.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems, audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency pronouncements set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the pronouncements, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the Federal Prompt Corrective Action statute, the OCC is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. A savings institution that has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 ratio of less than 4.5% or a leverage ratio of less than 4.0% is considered to be "undercapitalized." A savings institution that has total risk-based capital of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a common equity Tier 1 ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." A savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Generally, the OCC is required to appoint a receiver or conservator for a federal savings association that becomes "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date that a federal savings association is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a federal savings association that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5.0% of the savings association's assets at the time it was deemed to be undercapitalized by the OCC or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The OCC may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2019, the Bank met the criteria for being considered "well capitalized," which means that its total risk-based capital ratio exceeded 10.0%, its Tier 1 risk-based ratio exceeded 8.0%, its common equity Tier 1 ratio exceeded 6.5% and its leverage ratio exceeded 5.0%.

Qualified Thrift Lender Test. As a federal savings association, the Bank must satisfy the qualified thrift lender, or "QTL," test. Under the QTL test, the Bank must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of every 12-month period. "Portfolio assets" generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

Alternatively, the Bank may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

A savings association that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At December 31, 2019, the Bank satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceeds the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as the Bank, must file a notice with the Federal Reserve Board at least 30 days before its board of directors declares a dividend.

An application or notice related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low and moderate-income borrowers. In connection with its examination of a federal savings association, the OCC is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications, such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. Ponce Bank, received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. As a federal savings association's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as the Bank. The Company is an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10.0% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board of Directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and to the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1.0 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular federal savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC insured financial institutions such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. The Dodd-Frank Act required the FDIC to base its assessments upon each insured institution's total assets less tangible equity. The FDIC has set the assessment range at 2.5 to 45 basis points of total assets less tangible equity. Assessments for most institutions are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. In conjunction with the Deposit Insurance Fund reserve ratio achieving 1.36%, the assessment range (inclusive of possible adjustments) was reduced for most banks and savings associations to anywhere from 1.5 basis points to 40 basis points.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by FICO were due to mature in 2017 through 2019. For the year ended December 31, 2019, the annualized FICO assessment was equal to 0.48 basis points of total assets less tangible capital.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or

condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of the Bank's deposit insurance.

OTHER REGULATIONS

Federal Reserve System

Federal Reserve Board regulations require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). The regulations generally require that reserves be maintained against aggregate transaction accounts, as follows: for that portion of transaction accounts aggregating $124.2 million or less (which may be adjusted by the Federal Reserve Board) the reserve requirement is 3.0% and the amounts greater than $124.2 million require a 10.0% reserve (which may be adjusted annually by the Federal Reserve Board between 8.0% and 14.0%). The first $16.3 million of otherwise reservable balances (which may be adjusted by the Federal Reserve Board) are exempted from the reserve requirements. The Bank is in compliance with these requirements.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLBNY, the Bank is required to acquire and hold shares of capital stock in the FHLBNY. As of December 31, 2019, the Bank was in compliance with this requirement and may utilize advances from the FHLBNY as a supply of investable funds.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act, mandating certain disclosures to depositors; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of the Bank are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

- The USA PATRIOT Act, which requires financial institutions to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirement that also apply to financial institutions under the Bank Secrecy Act and the Foreign Assets Control regulations; and

- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulations

General. The Company and Ponce Bank Mutual Holding Company are non-diversified savings and loan holding companies within the meaning of the Home Owners' Loan Act. As such, the Company and Ponce Bank Mutual Holding Company are registered with the Federal Reserve Board and are subject to the regulation, examination, supervision and reporting requirements applicable to savings and loan holding companies. In addition, the Federal Reserve Board has enforcement authority over the Company, Ponce Bank Mutual Holding Company and their non-savings association subsidiaries, if any. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities of those entities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. Under present law, the business activities of the Company and Ponce Bank Mutual Holding Company are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, provided certain conditions are met and financial holding company status is elected, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance, as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to regulatory approval, and certain additional activities authorized by federal regulations. The Company and Ponce Bank Mutual Holding Company each elected financial holding company status and received applicable clearance on February 21, 2019.

Federal law prohibits a savings and loan holding company, including the Company and Ponce Bank Mutual Holding Company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5.0% ("control") of another savings institution or savings and loan holding company, without prior Federal Reserve Board approval. The Federal Reserve Baord adopted a final rule on January 30, 2020, effective April 1, 2020, providing further guidance regarding under what circumstances "control" will be found to exist. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board considers factors such as the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the Federal Deposit Insurance Fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- the approval of interstate supervisory acquisitions by savings and loan holding companies; and

- the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

Capital. Savings and loan holding companies had historically not been subjected to consolidated regulatory capital requirements. The Dodd-Frank Act required the Federal Reserve Board to establish minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. However, pursuant to legislation passed in December 2014, the Federal Reserve Board extended to savings and loan holding companies the applicability of its "Small Bank Holding Company" exception to its consolidated capital requirements and, pursuant to a law enacted in May 2018, increased the threshold for the exception to $3.0 billion. As a result, savings and loan holding companies with less than $3.0 billion in consolidated assets are generally not subject to the capital requirements unless otherwise advised by the Federal Reserve Board.

Source of Strength. The Dodd-Frank Act extended the "source of strength" doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all savings and loan holding companies serve as a source of strength to their subsidiary depository institutions.

Dividends and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve Bank staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform Federal Reserve Bank supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of the Company to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Waivers of Dividends by Ponce Bank Mutual Holding Company. The Company may pay dividends on its common stock to public stockholders. If it does, it is also required to pay dividends to Ponce Bank Mutual Holding Company, unless Ponce Bank Mutual Holding Company elects to waive the receipt of dividends. Under the Dodd-Frank Act, Ponce Bank Mutual Holding Company must receive the approval of the Federal Reserve Board before it may waive the receipt of any dividends from the Company. The Federal Reserve Board has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances, including circumstances where the waiver is not detrimental to the safe and sound operation of the savings association and a majority of the mutual holding company's members have approved the waiver of dividends by the mutual holding company within the previous twelve months. In addition, for a "non-grandfathered" mutual holding company such as Ponce Bank Mutual Holding Company, each officer or director of the Company and the Bank, and any tax-qualified stock benefit plan or non-tax-qualified stock benefit plan in which such individual participates that holds any shares of stock to which the waiver would apply, must waive the right to receive any such dividend declared. In addition, any dividends waived by Ponce Bank Mutual Holding Company must be considered in determining an appropriate exchange ratio in the event of a conversion of the mutual holding company to stock form**.**

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a savings and loan holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company's outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. The Federal Reserve Board adopted a final rule on January 30, 2020, effective April 1, 2020, providing further guidance regarding under what circumstances "control" will be found to exist.

Federal Securities Laws

The Company's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended. The Company is subject to the public disclosure, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as amended.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the "JOBS Act"), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation. The Company will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under SEC regulations (public float less than $250 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. The Company has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under SEC regulations (public float at least $700 million of voting and non-voting equity held by non-affiliates).

Taxation

Ponce Bank Mutual Holding Company, the Company and the Bank are subject to federal and state income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state taxation is intended only to summarize material income tax matters and is not a comprehensive description of the tax rules applicable to Ponce Bank Mutual Holding Company, the Company and the Bank.

The Company is subject to U.S. federal income tax, New York State income tax, New Jersey income tax and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2016.

Federal Taxation

Method of Accounting. For federal income tax purposes, the Bank currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal income tax returns. The Company and the Bank file a consolidated federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for income taxes on bad debt reserves by savings institutions. For taxable years beginning after 1995, Ponce De Leon Federal Bank, the predecessor of Ponce Bank, and Ponce Bank have been subject to the same bad debt reserve rules as commercial banks. The Bank currently utilizes the specific charge-off method under Section 582(a) of the Internal Revenue Code.

Net Operating Loss Carryovers. A financial institution may not carry back net operating losses ("NOL") to earlier tax years. The NOL can be carried forward indefinitely. The use of NOL to offset income is limited to 80%. At December 31, 2019, the Bank had no federal NOL carryforwards.

State Taxation

The Bank is treated as a financial institution under New York and New Jersey state income tax law. The states of New York and New Jersey subject financial institutions to all state and local taxes in the same manner and to the same extent as other business corporations in New York and New Jersey. Additionally, depository financial institutions are subject to local business license taxes and a special occupation tax.

Consolidated Group Return. With tax years beginning after January 1, 2015, New York State and New York City require unitary combined reporting for all entities engaged in a unitary business that meet certain ownership requirements. All applicable entities meet the ownership requirements in the Bank filing group and a combined return is appropriately filed. Furthermore, New Jersey changed its tax laws and now requires combined reporting for tax years that end on or after July 31, 2019 for entities that engage in a unitary business.

Net Operating Loss Carryovers. The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015. For tax years prior to 2015, no carryback period is allowed. Ponce De Leon Federal Bank, the predecessor of Ponce Bank, has pre-2015 carryforwards of $1.9 million for New York State purposes and $1.8 million for New York City purposes. Furthermore, there are post-2015 carryforwards available of $39.2 million for New York State purposes and $22.0 million for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At December 31, 2019, the Bank had no New Jersey net operating loss carryforwards.

Item 1A. Risk Factors.

The effects of the outbreak of coronavirus disease 2019 ("COVID-19") has negatively affected the global economy, United States economy, our local economy and our markets and may disrupt our operations, which could have an adverse effect on our business, financial condition and results of operations.

The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. Further spread of COVID-19 could cause additional quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain

interruptions and overall economic and financial market instability. The COVID-19 outbreak in the United States may disrupt our operations through its impact on our employees, customers and their businesses, and certain industries in which our customers operate. Disruptions to our customers may impair their ability to fulfill their obligations to the Bank and result in increased risk of delinquencies, defaults, foreclosures, declining collateral values associated with our existing loans, and losses on our loans. Further, the spread of the COVID-19 outbreak has caused severe disruptions in the United States economy and may materially disrupt banking and other financial activity generally and in the areas in which the Company operates. This would likely result in a decline in demand for our products and services, including loans and deposits which would negatively impact our liquidity position and our growth strategy. Any one or more of these developments could have a material adverse effect on our business, operations, consolidated financial condition, and consolidated results of operations. The Company is taking precautions to protect the safety and well-being of our employees and customers. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employee's ability to provide customer support and service.

Multifamily, nonresidential and construction and land loans may carry greater credit risk than loans secured by one-to-four family real estate.

Our focus is primarily on prudently growing our multifamily, nonresidential and construction and land loan portfolio. At December 31, 2019, $556.8 million, or 57.6%, of our loan portfolio consisted of multifamily, nonresidential and construction and land loans as compared to $517.0 million, or 55.6%, of our loan portfolio at December 31, 2018. Given their larger balances and the complexity of the underlying collateral, multifamily, nonresidential and construction and land loans generally expose a lender to greater credit risk than loans secured by one-to-four family real estate.

Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential real estate loan. In addition, any adverse developments with respect to borrowers or groups of borrowers that have more than one of these types of loans outstanding can expose us to significantly greater risk of loss compared to borrowers or groups of borrowers that only have one type of these loans. If loans that are collateralized by real estate or other business assets become troubled and the values of the underlying collateral have been significantly impaired, we may not be able to recover the full contractual amounts of principal and interest that we anticipated at the time we originated the loans, which could cause us to increase our provision for loan losses which would, in turn, adversely affect our operating results and financial condition. Further, if we foreclose on this type of collateral, our holding period for that collateral may be longer than for one-to-four family real estate loans because there are fewer potential purchasers of that collateral, which can result in substantial holding costs.

Some of our borrowers have more than one of these types of loans outstanding. At December 31, 2019, 1,439 loans with an aggregate balance of $860.1 million are to borrowers with only one loan. Another 176 loans are to borrowers with two loans each with a corresponding aggregate balance of $89.4 million. In addition, 30 loans are to borrowers with three loans each and another 12 loans to borrowers with four loans each with a corresponding aggregate balance of $13.5 million and $1.8 million, respectively. One borrower accounts for 8 loans with an aggregate balance of $1.3 million.

The unseasoned nature of our multifamily, nonresidential and construction and land loans portfolio may result in changes to our estimates of collectability, which may lead to additional provisions or charge-offs, which could hurt our profits.

Our multifamily, nonresidential and construction and land loan portfolio has increased approximately $39.8 million, or 7.7%, from $517.0 million at December 31, 2018 to $556.8 million at December 31, 2019 and increased approximately $110.0 million, or 27.0%, from $407.0 million at December 31, 2017 to $517.0 million at December 31, 2018. A large portion of our multifamily, nonresidential and construction and land loan portfolio is unseasoned and does not provide us with a significant payment or charge-off history pattern from which to judge future collectability. Currently, we estimate potential charge-offs using a rolling 12 quarter average and peer data adjusted for qualitative factors specific to us. As a result, it may be difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience or current estimates, which could adversely affect our future performance. Further, these types of loans generally have larger balances and involve a greater risk than one-to-four family owner-occupied residential mortgage loans. Accordingly, if we make any errors in judgment in the collectability of our multifamily, nonresidential and construction and land loans, any resulting charge-offs may be larger on a per loan basis than those incurred historically with our residential mortgage loans.

Our business may be adversely affected by credit risk associated with residential property.

At December 31, 2019 and 2018, one-to-four family residential real estate loans amounted to $397.2 million and $396.0 million, or 41.2% and 42.6%, respectively, of our total loan portfolio. Of these amounts, $305.3 million and $303.2 million, or 76.9% and 76.6%, respectively, is comprised of one-to-four family residential investor-owned properties. One-to-four family residential mortgage lending, whether owner-occupied or non-owner occupied is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations. Declines in real estate values could cause some of our one-to-four family residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

One-to-four family residential mortgage lending, whether owner-occupied or non-owner-occupied, with higher combined loan-to-value ratios are more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their properties, they may be unable to repay their loans in full from the sale proceeds. For those home equity loans and lines of credit secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. In addition, the current judicial and legal climate makes it difficult to foreclose on residential properties expeditiously and with reasonable costs. For these reasons, we may experience higher rates of delinquencies, default and losses on our one-to-four family residential mortgage loans.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.

Although there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is composed of loans secured by property located in the greater New York metropolitan area. This can make us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy, such as unemployment, recession, a catastrophic event or other factors beyond our control, could impact the ability of our borrowers to repay their loans, which could adversely impact our net interest income. Decreases in local real estate values caused by economic conditions or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. See “Business - Market Area and - Competition.”

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

At December 31, 2019 and 2018, respectively, our allowance for loan losses totaled $12.3 million and $12.7 million, which represented 1.27%, and 1.36% of total loans at such dates. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans, loss and delinquency experience, and business and commercial real estate peer data, and we evaluate other factors including, but not limited to, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance, which in turn, could materially decrease our net income.

In addition, our regulators, as well as auditors, as an integral part of their examination process, periodically review the allowance for loan losses and, as a result of such reviews, we may determine that it is appropriate to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs could have a material adverse effect on our financial condition and results of operations.

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of nonperforming loans, which could adversely affect our operations, financial condition and earnings.

Local economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing their loans. Any deterioration in economic conditions could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities, a pandemic or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing their loans, which could negatively affect our financial performance.

Our business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues.

Our business strategy includes growth in assets, loans, deposits and the scale of our operations. Achieving such growth will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, competition from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be considerable costs involved in expanding deposit and lending capacity that generally require a period of time to generate the necessary revenues to offset their costs, especially in areas in which we do not have an established presence and require alternative delivery methods. Accordingly, any such business expansion can be expected to negatively impact our earnings for some period of time until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in modernizing existing facilities, opening of new branches or deploying new services.

We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We are dependent upon the services of the members of our senior management team who direct our strategy and operations. Members of our senior management team, or lending personnel who possess expertise in our markets and key business relationships, could be difficult to replace. Our loss of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. See "Directors, Executives Officers, and Corporate Governance."

Adherence to our internal policies and procedures by management is critical to our performance and how we are perceived by our regulators.

Our internal policies and procedures are a critical component of our corporate governance and, in some cases, compliance with applicable regulations. We adopt internal policies and procedures to guide management and employees regarding the operation and conduct of our business. We may not always achieve absolute compliance with all of our policies and procedures. Any deviation or non-adherence to these internal policies and procedures, whether intentional or unintentional, could have a detrimental effect on our management, operations or financial condition.

Our efficiency ratio is high, and we anticipate that it may remain high, as a result of the ongoing implementation of our business strategy.

Our non-interest expense totaled $46.6 million and $34.6 million for the years ended December 31, 2019 and 2018, respectively. Although we continue to analyze our expenses and pursue efficiencies where available, our efficiency ratio remains high as a result of the implementation of our business strategy combined with operating in an expensive market. Our efficiency ratio was 114.19% and 87.26% for the years ended December 31, 2019 and 2018, respectively. If we are unable to successfully implement our business strategy and increase our revenues, our profitability could be adversely affected.

The historically low interest rate environment and the possibility that we may access higher-cost funds to support our loan growth and operations may adversely affect our net interest income and profitability.

The Federal Reserve Board increased the benchmark federal funds rate starting in December 2016 to December 2018 by an aggregate of 200 basis points. Thereafter, the Federal Reserve Board reduced the benchmark federal funds rate by a total of 75 basis points through three rate cuts during the second-half of 2019. On March 3, 2020, and March 15, 2020, the Federal Reserve Board, in emergency actions, decreased the targeted federal funds rate by an aggregate of 150 basis points. These rate cuts were in response to unprecedented market turmoil. Because of significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, our net interest margin was and is being negatively impacted by these rate cuts and additional rate cuts may further negatively impact our net interest margin. These rate cuts and further rate cuts in 2020 could also negatively impact our net interest income, particularly if we are unable to lower our funding costs as quickly as the rates we earn on our loans declines.

An important component of our ability to mitigate pressures of a down rate environment will be our ability to reduce the rates we pay on deposits, including core deposits. If we are unable to reduce these rates, because of competitive pricing pressures in our markets, liquidity purposes or otherwise, our net interest margin will be negatively impacted. In addition, as our growth in earnings assets has outpaced growth in our core deposits in recent quarters, we have had to increase our reliance on noncore funding. These funding sources may be more rate sensitive than our core depositors, and, accordingly, we may be limited in our ability to reduce the rates we pay on these funds while maintaining on-balance sheet liquidity levels consistent with our policies, which would negatively impact our net interest margin. We seek to limit the amount of non-core funding we utilize to support our growth. If we are unable to grow our core funding at rates that are sufficient to match or exceed our loan growth we may be required to slow our loan growth.

As interest rates change, we expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this “gap” may work against us, and our results of operations and financial condition may be negatively affected. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing characteristics, and balances of the different types of our interest-earning assets and interest-bearing liabilities. Interest rate risk management techniques are not exact. From time to time we have repositioned a portion of our investment securities portfolio in an effort to better position our balance sheet for potential changes in short-term rates. We employ the use of models and modeling techniques to quantify the levels of risks to net interest income, which inherently involve the use of assumptions, judgments, and estimates. While we strive to ensure the accuracy of our modeled interest rate risk profile, there are inherent limitations and imprecisions in this determination and actual results may differ.

Future changes in interest rates could reduce our profits and asset values.

Net income (loss) is the amount by which net interest income and non-interest income exceeds (or does not exceed) non-interest expense and the provisions for loan losses and taxes. Net interest income makes up a majority of our income and is based on the difference between:

- the interest income we earn on interest-earning assets, such as loans and securities; and

- the interest expense we pay on interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest we pay on our liabilities. In a period of declining interest rates, the interest income we earn on our assets may decrease more rapidly than the interest we pay on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called, requiring us to reinvest those cash flows at lower interest rates.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A decline in interest rates results in increased prepayments of loans and mortgage-backed and related securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Furthermore, an inverted interest rate yield curve, where short-term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans), can reduce a financial institution's net interest margin and create financial risk for financial institutions who originate and hold longer-term, fixed rate mortgage loans.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and ultimately affect our earnings.

We monitor interest rate risk through the use of simulation models, including estimates of the amounts by which the economic value of our assets and liabilities (the Economic Value of Equity Model "EVE") and our net interest income would change in the event of a range of assumed changes in market interest rates. At December 31, 2019, in the event of an instantaneous 100 basis point decrease in interest rates, we estimate that we would experience a 2.03% increase in EVE and a 0.03% decrease in net interest income. For further discussion of how changes in interest rates could impact us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Management of Market Risk—Net Interest Income Simulation Models and—Economic Value of Equity Model ."

Changes in the valuation of securities held could adversely affect us.

At December 31, 2019 and 2018, our securities portfolio totaled $21.5 million and $27.1 million, which represented 2.0% and 2.6% of total assets, respectively. All of the securities in our portfolio are classified as available-for-sale. Accordingly, a decline in the fair value of our securities could cause a material decline in our reported equity and/or net income. At least quarterly, and more frequently when warranted by economic or market conditions, management evaluates all securities classified as available-for-sale with a decline in fair value below the amortized cost of the investment to determine whether the impairment is deemed to be other-than-temporary impairment ("OTTI"). For impaired debt securities that are intended to be sold, or more likely than not will be required to be sold, the full amount of market decline is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for debt securities is recognized in other comprehensive income net of applicable taxes. A decline in the market value of our securities portfolio could adversely affect our earnings.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms and unregulated or less regulated non-banking entities, operating locally and elsewhere. Many of these competitors have substantially greater resources and higher lending limits than we have and offer certain services that we do not or cannot provide. In addition, some of our competitors offer loans with lower interest rates on more attractive terms than loans we offer. Competition also makes it increasingly difficult and costly to attract and retain qualified employees. Our profitability depends upon our continued ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. For additional information see "Business —Market Area and—Competition."

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions that are larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our lower earnings may also make it more difficult to offer competitive salaries and benefits. In addition, our smaller customer base may make it difficult to generate meaningful non-interest income from such activities as securities and insurance brokerage. Finally, as a smaller institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

Ponce Bank is subject to extensive regulation, supervision and examination by the OCC, and the Company is subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision governs the activities in which our institution and its holding company may engage and are intended primarily for the protection of the Federal Deposit Insurance Fund and the depositors and borrowers of Ponce Bank, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and influencing the level of our allowance for loan losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in interpretation by us. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

The Dodd-Frank Act has significantly changed the regulation of banks and savings institutions and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations and to prepare numerous studies and reports for Congress. The federal agencies have been given significant discretion in drafting the implementing rules and regulations, many of which are not in final form. As a result, we cannot at this time predict the full extent to which the Dodd-Frank Act will impact our business, operations or financial condition. However, compliance with the Dodd-Frank Act and its regulations and policies has already resulted in changes to our business and operations, as well as additional costs, and has diverted management's time from other business activities, all of which have adversely affected our financial condition and results of operations. Moreover, in February 2017, the President issued an Executive Order stating that a policy of his administration would be to make regulations efficient, effective, and appropriately tailored. The Executive Order directed certain regulatory agencies to review and identify laws and regulations that inhibit federal regulation of the U.S. financial system in a manner consistent with the policies stated in the Executive Order. Any changes in laws or regulation as a result of this review could result in a repeal, amendment to or delayed implementation of the Dodd-Frank Act. On May 24, 2018, President Trump signed into law a bipartisan regulatory reform bill. Among other provisions, the bill increased the threshold to qualify for the Federal Reserve Board's Small Bank Holding Company Policy Statement from $1.0 billion to $3.0 billion and also provide for charter flexibility for federally-chartered savings banks and associations to adopt the powers of a national bank.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

Our ability to originate loans could be restricted by recently adopted federal regulations.

The CFPB has issued a rule intended to clarify how lenders can avoid legal liability under the Dodd-Frank Act, which holds lenders accountable for ensuring a borrower's ability to repay a mortgage loan. Under the rule, loans that meet the "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative amortization; and
- terms of longer than 30 years.

Also, to qualify as a "qualified mortgage," a loan must be made to a borrower whose total monthly debt-to-income ratio does not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify a borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments.

In addition, the CFPB has adopted rules and published forms that combine certain disclosures that consumers receive in connection with applying for and closing on certain mortgage loans under the Truth in Lending Act and the Real Estate Settlement Procedures Act.

We face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cyber security breaches.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In addition, we outsource some of our data processing to certain third-party providers. If these third-party providers encounter difficulties, including as a result of cyber-attacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected.

In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, face regulatory action, civil litigation and/or suffer damage to our reputation.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

The Bank's minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6.0%; (iii) a total capital ratio of 8.0%; and (iv) a Tier 1 leverage ratio of 4.0%. The capital rule also establishes a "capital conservation buffer" of 2.5%, and, now that it is fully phased in, results in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The capital conservation buffer requirement which began phasing in January of 2016 at 0.625% of risk-weighted assets and which increased each year until fully implemented in January, 2019, to 2.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount.

We have analyzed the effects of these capital requirements, and we believe that Ponce Bank meets all of these new requirements, including the full 2.5% capital conservation buffer.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we are unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of the requirements of the Basel Committee on Banking Supervision ("Basel III") could result in our having to lengthen the term of our funding sources, change our business models or increase our holdings of liquid assets. Ponce Bank's ability to pay dividends to the Company will be limited if it does not have the capital conservation buffer required by the capital rules, which may further limit the Company's ability to pay dividends to stockholders. See "Regulation and Supervision—Federal Banking Regulation—Capital Requirements."

The cost of finance and accounting systems, procedures and controls in order to satisfy our public company reporting requirements increases our expenses.

The obligations of being a public company, including the substantial public reporting obligations, require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand-alone public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal control over financial reporting. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management's attention from our operations.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our consolidated financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

Our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date to file periodic reports under the Securities and Exchange Act of 1934, including our consolidated financial statements. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for loan losses and our determinations with respect to amounts owed for income taxes.

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial cost and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Our historical markets, minority and immigrant individuals, may be threatened by gentrification and adverse political developments, which could decrease our growth and profitability.

We believe that our historical strength has been our focus on the minority and immigrant markets. The continuing displacement of minorities due to gentrification of our communities may adversely affect us unless we are able to adapt and increase the acceptance of our products and services by non-minority customers. We may also be unfavorably impacted by political developments unfavorable to markets that are dependent on immigrant populations.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

As of December 31, 2019, the net book value of the Bank's office properties including leasehold improvements was $28.0 million, and the net book value of its furniture, fixtures and other equipment and software was $4.7 million. The Company's and Bank's executive offices are located in an owned facility at 2244 Westchester Avenue, Bronx, New York._

The following table sets forth information regarding the Bank's offices as of December 31, 2019.

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property (In thousands)
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	$ 6,540
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	1990	1,182
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	8,336
30 East 170th Street Bronx, NY 10452	Owned	1987	—
51 East 170th Street Bronx, NY 10452	Leased	2018	1,016
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	50
1925 Third Avenue New York, NY 1996	Leased	1996	1,901
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	863
5560 Broadway Bronx, NY 10463	Owned	1998	1,162
3405-3407 Broadway Astoria, NY 11106	Leased	2001	478
3821 Bergenline Avenue Union City, NJ 07087	Owned	2001	1,113
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	222
20-47 86th Street Brooklyn, NY 11214	Owned	2010	3,704
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	481
319 First Avenue New York, NY 10003	Leased	2010	922
			$ 27,970

Item 3. Legal Proceedings.

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company’s shares of common stock are traded on the NASDAQ Global Market under the symbol “PDLB”.

The number of stockholders of record of the Company’s common stock as of March 16, 2020 was 243. The number of record-holders may not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

To date, the Company has not paid any dividends to its stockholders. We have no current plan or intention to pay cash dividends to our stockholders. However, if in the future the Board of Directors considers the payment of dividends, the amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; the Federal Reserve Board’s current regulations restricting the waiver of dividends by mutual holding companies; and general economic conditions. No assurance can be given that the Board of Directors will ever consider the payment of dividends, and shareholders should have no expectation of such. The Federal Reserve Board has issued a policy statement providing that dividends should be paid only out of current earnings and only if our prospective rate of earnings retention is consistent with our capital needs, asset quality and overall financial condition. Regulatory guidance also provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the holding company’s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the holding company’s overall rate of earnings retention is inconsistent with its capital needs and overall financial condition. In addition, the Company’s ability to pay dividends will be limited if it does not have the capital conservation buffer required by the capital rules, which may limit our ability to pay dividends to our stockholders. See “Regulation and Supervision—Federal Bank Regulation—Capital Requirements.” No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future.

We will file a consolidated federal tax return with Ponce Bank. Accordingly, it is anticipated that any cash distributions that we make to our stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal and state tax purposes. Additionally, pursuant to regulations of the Federal Reserve Board, during the three-year period following the Company’s stock offering on September 29, 2017, we may not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

Pursuant to our charter, we are authorized to issue preferred stock. If we issue preferred stock, the holders thereof may have a priority over the holders of our shares of common stock with respect to the payment of dividends. For a further discussion concerning the payment of dividends on our shares of common stock, see “Dividends and Stock Repurchase.” Dividends we can declare and pay will depend, in part, upon receipt of dividends from Ponce Bank, because currently we will have no source of income other than dividends from Ponce Bank and earnings from the investment of the net proceeds from the sale of shares of common stock retained by the Company and interest payments received in connection with the loan to the employee stock ownership plan. Regulations of the Federal Reserve Board and the OCC impose limitations on “capital distributions” by savings institutions. See “Regulation and Supervision—Federal Bank Regulation—Capital Requirements.”

Any payment of dividends by Ponce Bank to the Company that would be deemed to be drawn out of Ponce Bank’s bad debt reserves, if any, would require a payment of taxes at the then-current tax rate by Ponce Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Ponce Bank does not intend to make any distribution to the Company that would create such a federal tax liability. See “Taxation.”

If the Company should ever pay dividends to its stockholders, it will likely pay dividends to Ponce Bank Mutual Holding Company. The Federal Reserve Board’s current regulations significantly restrict the ability of mutual holding companies to waive dividends declared by their subsidiaries. Accordingly, we do not anticipate that, should a dividend ever be paid, Ponce Bank Mutual Holding Company will waive dividends paid by the Company. See “Regulation and Supervision-Other Regulations- Waivers of Dividends by Ponce Bank Mutual Holding Company.”

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

There were no sales of registered securities during the year ended December 31, 2019. The Company has made no sales of unregistered securities.

Issuer Purchases of Equity Securities

The following table sets forth information regarding the shares of common stock repurchased by the Company during the three months ended December 31, 2019.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2019 - October 31, 2019	—	$ —	—	878,835
November 1, 2019 -November 30, 2019	23,194	$ 14.25	23,194	855,641
December 1, 2019 - December 31, 2019	192,510	$ 14.39	215,704	663,131
Total	**215,704**	**$ 14.37**		

(1) The Company repurchased 215,704 shares of its common stock at an aggregate cost $3.1 million during the three months ended December 31, 2019.
(2) This number is not inclusive of the brokerage commission fee of $0.05 per share.

The Company adopted a share repurchase program effective March 25, 2019 through September 24, 2019. Under the repurchase program, the Company could repurchase up to 923,151 shares of its common stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this program, the Company could repurchase up to 878,835 shares of its common stock, or approximately 5% of the Company's then outstanding common shares. The repurchase program may be suspended or terminated at any time without prior notice, and will expire on May 12, 2020.

As of December 31, 2019, the Company had repurchased a total of 1,102,029 shares of common stock at a weighted average price of $14.30. These shares are reported as treasury stock in the consolidated statements of financial condition. Of the 1,102,029 shares of treasury stock, 90,135 shares were reissued as a result of restricted stock units that vested on December 4, 2019.

Item 6. Selected Financial Data.

The summary information presented below at or for each of the periods presented is derived in part from, and should be read in conjunction with, the consolidated financial statements of the Company presented in Item 8.

	At December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$ 1,053,756	$ 1,059,901	$ 925,522	$ 744,983	$ 703,157
Cash and cash equivalents	27,677	69,778	59,724	11,716	12,694
Available-for-sale securities	21,504	27,144	28,897	52,690	82,034
Loans held for sale	1,030	—	—	2,143	3,303
Loans receivable, net	955,737	918,509	798,703	642,148	567,662
Other real estate owned	—	—	—	—	76
Premises and equipment, net	32,746	31,135	27,172	26,028	27,177
FHLBNY stock, at cost	5,735	2,915	1,511	964	1,162
Deposits	782,043	809,758	713,985	643,078	599,506
Borrowings	104,404	69,404	36,400	3,000	8,000
Total stockholders' equity	158,402	169,172	164,785	92,992	91,062

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Selected Operating Data:					
Interest and dividend income	$ 50,491	$ 46,156	$ 38,989	$ 33,741	$ 33,590
Interest expense	12,358	9,490	6,783	5,936	5,650
Net interest income	38,133	36,666	32,206	27,805	27,940
Provision (credit) for loan losses	258	1,249	1,716	(57)	353
Net interest income after provision for loan losses	37,875	35,417	30,490	27,862	27,587
Noninterest income	2,683	2,938	3,104	2,431	2,462
Noninterest expense	46,607	34,557	36,557	27,863	26,216
Income (loss) before provision for income taxes	(6,049)	3,798	(2,963)	2,430	3,833
Provision (benefit) for income taxes	(924)	1,121	1,424	1,005	1,315
Net income (loss)	(5,125)	2,677	(4,387)	1,425	2,518

	At or For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Performance Ratios:					
Return on average assets	(0.49%)	0.28%	(0.51%)	0.20%	0.35%
Return on average equity	(3.08%)	1.60%	(3.52%)	1.53%	2.76%
Net interest rate spread (1)	3.40%	3.57%	3.76%	3.82%	3.96%
Net interest margin (2)	3.79%	3.92%	4.02%	4.02%	4.14%
Noninterest expense to average assets	4.47%	3.56%	4.28%	3.84%	3.67%
Efficiency ratio (3)	114.19%	87.26%	103.53%	92.15%	86.23%
Average interest-earning assets to average interest- bearing liabilities	132.25%	134.52%	130.35%	123.84%	121.66%
Average equity to average assets	15.96%	17.26%	14.58%	12.81%	12.78%
Capital Ratios:					
Total capital to risk weighted assets (bank only)	18.62%	19.39%	20.73%	19.21%	20.72%
Tier 1 capital to risk weighted assets (bank only)	17.37%	18.14%	19.48%	17.96%	19.46%
Common equity Tier 1 capital to risk-weighted assets (bank only)	17.37%	18.14%	19.48%	17.96%	19.46%
Tier 1 capital to average assets (bank only)	12.92%	13.66%	14.67%	13.32%	13.67%
Asset Quality Ratios:					
Allowance for loan losses as a percentage of total loans	1.28%	1.36%	1.37%	1.57%	1.64%
Allowance for loan losses as a percentage of nonperforming loans	106.30%	186.77%	97.05%	132.15%	99.78%
Net (charge-offs) recoveries to average outstanding loans during the year	(0.06%)	0.04%	(0.12%)	0.13%	(0.06%)
Non-performing loans as a percentage of total loans	1.20%	0.73%	1.41%	1.19%	1.65%
Non-performing loans as a percentage of total assets	1.10%	0.64%	1.23%	1.04%	1.35%
Total non-performing assets as a percentage of total assets	1.10%	0.64%	1.23%	1.04%	1.36%
Total non-performing assets, accruing loans past due 90 days or more, and accruing troubled debt restructured loans as a percentage of total assets	1.92%	1.63%	2.72%	3.50%	4.19%
Other:					
Number of offices	14	14	14	14	14
Number of full-time equivalent employees	183	181	177	174	175

(1) Net interest rate spread represents the difference between the weighted average yield on average interest-earning assets and the weighted average rate of average interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

(3) Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following management’s discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those described below. Such risks and uncertainties include, but are not limited to, those identified below and those described in Part I, Item 1A. “Risk Factors,” within this Annual Report on Form 10-K.

Overview

We have made significant investments over the last several years in adding experienced bankers, expanding our lending and relationship staff, absorbing the costs of being a public company and upgrading technology and facilities. These investments have increased our operating expenses during those periods. However, during those same periods, we have been able to significantly grow the Bank’s loan portfolio while improving its asset quality and strengthening its capital.

Abrupt changes in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as interest rates increase and lowering our interest expense faster than lowering our interest income as interest rates decrease. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. Conversely, decreases in interest rates may have a favorable affect on our net interest income and net economic value, which in turn would likely have a positive effect on our results of operations. As described in “—Management of Market Risk,” we expect that our net interest income and our net economic value would react inversely to instantaneous changes in interest rates. To help manage interest rate risk, we promote core deposit products and we are diversifying our loan portfolio by introducing new lending programs. See “—Business Strategy”, “—Management of Market Risk” and “Risk Factors—Future changes in interest rates could reduce our profits and asset values.”

Business Strategy

Our goal is to provide long-term value to our stakeholders, our stockholders, customers, employees and the communities we serve by executing a safe and sound business strategy that produces increasing value. We believe there is a significant opportunity for an immigrant community-focused, minority directed bank to provide a full range of financial services to commercial and retail customers in our market area. The additional capital we obtained from the stock offering of September 29, 2017, continues to enabled us to compete more effectively in the financial services marketplace.

Our current business strategy consists of the following:

- ***Continue to expand our multifamily and nonresidential loans.*** The additional capital raised in the stock offering increased our capacity to originate multifamily and nonresidential loans. Under our current board approved loan concentration policy, such loans, including construction and land loans, shall not exceed 400% of our total risk-based capital. Most multifamily and nonresidential loans are originated with adjustable rates and, as a result, these loans are expected to change loan yields due to their shorter repricing terms compared to longer-term fixed-rate loans.

- ***Community lending programs.*** The Bank is an authorized direct lender under the Small Business Administration (SBA) and a Community Development Financial Institution (CDFI). Both of these programs, combined with our pre-existing products, bolster the Bank’s commitment to continue to serve the communities that it has supported over the past sixty years.

- ***Continue to increase core deposits, with an emphasis on low cost commercial demand deposits, and add non-core funding sources***. Deposits are the major source of balance sheet funding for lending and other investments. Certificates of deposits, brokered deposits, and listing service deposits supplement the Bank’s funding base. We have made significant investments in new products and services, marketing programs, personnel, branch distribution system as well as enhancing our electronic delivery solutions in an effort to become more competitive in the financial services marketplace and attract more core deposits. Core deposits are our least costly source of funds and represent our best opportunity to develop customer relationships that enable us to cross-sell our enhanced products and services.

- ***Manage credit risk to maintain a low level of nonperforming assets***. We believe strong asset quality is a key to our long-term financial success. Our strategy for credit risk management focuses on having an experienced team of credit professionals, well-defined policies and procedures, appropriate loan underwriting criteria and active credit monitoring. The majority of our non-performing assets have been related, largely, to one-to-four family residential loans and, to a lesser extent, construction and land loans. We continue to focus on our credit review function, adding both personnel and ancillary systems, in order to be able to evaluate more complex loans and better manage credit risk, to further support our intended loan growth.

- ***Expand our employee base to support future growth***. We have already made significant investments in our employee base. However, we will continue to work to attract and retain the necessary talent to support increased lending, deposit activities and enhanced information technology.

- ***Grow organically and through opportunistic bank or branch acquisitions***. We focus primarily on organic growth as a lower-risk means of deploying our capital. We will fund improvements in our operating facilities and customer delivery services in order to enhance our competitiveness. Opportunistic acquisition possibilities are explored if we believe they would enhance the value of our franchise and yield potential financial benefits for our stakeholders. Although we believe opportunities exist to increase our market share in our current banking locations, we will not be adverse to expanding into nearby markets, enlarging our current branch network, or adding loan production offices, provided we believe such efforts would enhance our competitive standing. Consequently, in 2019 the Company announced entering into a definitive agreement to acquire Mortgage World Bankers, Inc.; we are awaiting regulatory approval.

Non-U.S. GAAP Financial Measures

The following discussion contains certain non-U.S. GAAP financial measures in addition to results presented in accordance with U.S. GAAP. These non-U.S. GAAP measures are intended to provide the reader with additional supplemental perspectives on operating results, performance trends, and financial condition. Non-U.S. GAAP financial measures are not a substitute for U.S. GAAP measures; they should be read and used in conjunction with the Company’s U.S. GAAP financial information. The Company’s non-U.S. GAAP measures may not be comparable to similar non-U.S. GAAP information which may be presented by other companies. In all cases, it should be understood that non-U.S. GAAP operating measures do not depict amounts that accrue directly to the benefit of shareholders. An item that management excludes when computing non-U.S. GAAP adjusted earnings can be of substantial importance to the Company’s results and condition for any particular year. A reconciliation of non-U.S. GAAP financial measures to U.S. GAAP measures is provided below.

The SEC has exempted from the definition of non-U.S. GAAP financial measures certain commonly used financial measures that are not based on U.S. GAAP. Management believes that these non-U.S. GAAP financial measures are useful in evaluating the Company’s financial performance and facilitate comparisons with the performance of other financial institutions. However, that information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with U.S. GAAP.

The table below includes references to the Company's net income and earnings per share for the year ended December 31, 2019 before deduction of expenses related to termination of the Company’s Defined Benefit Pension Plan (Defined Benefit Plan”). In management's view, that information, which is considered non-U.S. GAAP information, may be useful to investors as it will improve comparability of core operations year over year and in future periods. The non-U.S. GAAP net income amount and earnings per share reflect adjustments of the non-recurring charges associated with termination of the Defined Benefit Plan, net of tax effect. A reconciliation of the non-U.S. GAAP information to U.S. GAAP net income and earnings per share is provided below.

Non-U.S. GAAP Reconciliation – Net Income Before Loss on Termination of Defined Benefit Plan (Unaudited)

	Year Ended December 31, 2019	Earnings Per Common Share (1)
	(Dollars in thousands, except per share data)	
Net loss - U.S. GAAP	$ (5,125)	$ (0.29)
Loss on termination of pension plan	9,930	
Income tax benefit	(2,086)	
Net income before loss on termination of pension plan - non-U.S. GAAP	$ 2,719	$ 0.16

(1) Basic earnings per share were computed (for the U.S. GAAP and non-U.S. GAAP basis) based on the weighted average number of shares outstanding during the year ended December 31, 2019 (17,432,318 shares). The assumed exercise of outstanding stock options and vesting of restricted stock units were included in computing the non-U.S. GAAP diluted earnings per share and do not result in material dilution.

Critical Accounting Policies

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management and that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Management believes that the most critical accounting policy relates to the allowance for loan losses.

The allowance for loan losses is established as probable losses are estimated to occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The discussion and analysis of the financial condition and results of operations are based on our consolidated financial statements, which are prepared in conformity with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed to be significant accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of the Company’s assets and liabilities and results of operations.

See Note 1, “Nature of Business and Summary of Significant Accounting Policies,” of the Notes to the accompanying Consolidated Financial Statements for a discussion of significant accounting policies.

Factors Affecting the Comparability of Results

Defined Benefit Plan. As has previously been disclosed, on May 31, 2007, the Company’s Defined Benefit Plan was frozen and replaced with a qualified defined contribution plan. On May 31, 2019, the Company’s Board of Directors approved the termination of the Defined Benefit Plan which was liquidated on December 1, 2019. During 2019, we offered participants in the Defined Benefit Plan with vested qualified benefits the option of receiving their benefits in a lump sum payment in lieu of receiving monthly annuity payments. Approximately 115 participants elected to receive the lump sum payments aggregating approximately $6.4 million which were paid from plan assets to these participants during the fourth quarter of 2019. Also, during the fourth quarter of 2019, the Company transferred the remainder of the Defined Benefit Plan’s pension obligations to a third party insurance provider by purchasing annuity contracts aggregating approximately $7.4 million which was fully funded directly by plan assets. The benefit obligations settled by the lump sum payments and annuity contracts resulted in payments from plan assets of approximately $13.9 million. The remaining previously unrecognized losses in accumulated other comprehensive loss relating to the Defined Benefit Plan were recognized as an expense and a pre-tax charge of approximately $9.9 million ($7.8 million after-tax) was recorded in other income (expense), net, in our consolidated statements of operations during the fourth quarter of 2019.

Share Repurchases. The Board of Directors approved two repurchase programs of the Company’s stock, the first on March 25, 2019 and the second on November 13, 2019. See Note 9, “Compensation and Benefit Plans,” of the Notes to Consolidated Financial Statements included herein for additional information on our stock repurchase programs. For the year ended December 31, 2019, the

Company repurchased approximately 1.1 million shares at an average price of $14.30 per share for a total value of $15.8 million pursuant to open market repurchases.

Basis of Presentation. Certain prior period amounts have been reclassified to conform to the current period presentation.

Financial Conditions

Comparison of Financial Condition at December 31, 2019 and December 31, 2018

Total Assets. Total assets remained essentially unchanged at $1.1 billion at December 31, 2019 and 2018.

Cash and Cash Equivalents. Cash and cash equivalents decreased $42.1 million, or 60.3%, to $27.7 million at December 31, 2019, compared to $69.8 million at December 31, 2018. The decrease in cash and cash equivalents was primarily driven by a repayment of $25.0 million of short-term advances from a correspondent bank, $15.8 million of repurchases of common stock, a decrease of $27.7 million in deposits, an increase of $42.2 million in gross loans and $34.0 million of purchases of available-for-sale securities, offset by an increase of $60.0 million in net advances from FHLBNY, $39.6 million of maturities of available-for-sale securities and $3.6 million from the sale of loans.

Available-for-Sale Securities. The composition of available-for-sale securities at December 31, 2019 and 2018 and the amounts maturing of each classification are summarized as follows:

	December 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government and Federal Agency Securities:				
Amounts maturing:				
Three months or less	$ 2,000	$ 2,000	$ 4,997	$ 4,995
After three months through one year	14,373	14,354	4,554	4,497
After one year through five years	—	—	16,370	16,018
	16,373	16,354	25,921	25,510
Mortgage-Backed Securities	5,162	5,150	1,648	1,634
Total	$ 21,535	$ 21,504	$ 27,569	$ 27,144

Gross Loans Receivable. The composition of gross loans receivable at December 31, 2019 and 2018 and the percentage of each classification to total loans are summarized as follows:

	December 31, 2019		December 31, 2018		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Dollars	Percent
	(Dollars in thousands)					
Mortgage loans:						
1-4 Family residential						
Investor-Owned	$ 305,272	31.6%	$ 303,197	32.6%	$ 2,075	0.7%
Owner-Occupied	91,943	9.5%	92,788	10.0%	(845)	(0.9%)
Multifamily residential	250,239	25.9%	232,509	25.0%	17,730	7.6%
Nonresidential properties	207,225	21.4%	196,917	21.2%	10,308	5.2%
Construction and land	99,309	10.3%	87,572	9.4%	11,737	13.4%
Nonmortgage loans:						
Business loans	10,877	1.1%	15,710	1.7%	(4,833)	(30.8%)
Consumer loans	1,231	0.1%	1,068	0.1%	163	15.3%
Total	$ 966,096	100.0%	$ 929,761	100.0%	$ 36,335	3.9%

The composition of the loan portfolio increased $36.3 million, or 3.9%, to $966.1 million at December 31, 2019 from $929.8 million at December 31, 2018.

Commercial real estate mortgage loans, as defined by applicable banking regulations, include multifamily residential, nonresidential properties, and construction and land mortgage loans. At December 31, 2019, approximately 8.0% of the outstanding principal balance of the Bank's commercial real estate mortgage loans was secured by owner-occupied commercial real estate, compared to 10.1% at December 31, 2018. Owner-occupied commercial real estate is similar in many ways to commercial and industrial lending in that these loans are generally made to businesses predominantly on the basis of the cash flows of the business rather than on cash flows and valuation of the real estate.

Banking regulations have established guidelines relating to the amount of construction and land mortgage loans and investor-owned commercial real estate mortgage loans of 100% and 300% of total risk-based capital, respectively. Should a bank's ratios be in excess of these pronouncements, banking guidelines generally require an increased level of monitoring in these lending areas by bank management. The Bank's policy is to operate within the 100% guideline for construction and land mortgage loans and up to 400% for investor-owned commercial real estate mortgage loans. Both ratios are calculated by dividing certain types of loan balances for each of the two categories by the Bank's total risk-based capital. At December 31, 2019 and 2018, the Bank's construction and land mortgage loans as a percentage of total risk-based capital was 67.4% and 58.6%, respectively. Investor-owned commercial real estate mortgage loans as a percentage of total risk-based capital was 349.7% and 313.1% as of December 31, 2019 and 2018, respectively. At December 31, 2019, the Bank was within the 100% ratio for construction and land mortgage loans established by banking guidelines, but exceeded the 300% guideline for investor-owned commercial real estate mortgage loans. However, the Bank was within its 400% policy limit established by the Bank's internal loan policy. Management believes that it has established the appropriate level of controls to monitor the Bank's lending in these areas and is, accordingly, within the monitoring guidelines.

Deposits. The composition of deposits at December 31, 2019 and 2018 and changes in dollars and percentages are summarized as follows:

	December 31, 2019	December 31, 2018	Increase (Decrease) Dollars	Increase (Decrease) Percent
	(Dollars in thousands)			
Demand	$ 109,548	$ 115,923	$ (6,375)	(5.5%)
Interest-bearing deposits:				
NOW/IOLA accounts	32,866	30,783	2,083	6.8%
Money market accounts	86,721	64,262	22,459	34.9%
Reciprocal deposits	47,659	51,913	(4,254)	(8.2%)
Savings accounts	115,751	122,791	(7,040)	(5.7%)
Total savings, NOW, reciprocal and money market	282,997	269,749	13,248	4.9%
Certificates of deposit of $250K or more	84,263	90,195	(5,932)	(6.6%)
Brokered certificates of deposit	76,797	67,157	9,640	14.4%
Listing service deposits	32,400	39,065	(6,665)	(17.1%)
All other certificates of deposit less than $250K	196,038	227,669	(31,631)	(13.9%)
Total certificates of deposit	389,498	424,086	(34,588)	(8.2%)
Total interest-bearing deposits	672,495	693,835	(21,340)	(3.1%)
Total deposits	$ 782,043	$ 809,758	$ (27,715)	(3.4%)

When wholesale funding is necessary to complement the Bank's core deposit base, management determines which source is best suited to address both liquidity risk and interest rate risk in line with management objectives. The Bank's Interest Rate Risk Policy imposes limitations on overall wholesale funding and noncore funding reliance. The overall reliance on wholesale funding and noncore funding were within those policy limitations as of December 31, 2019 and 2018. The Management Asset/Liability Committee generally meets on a weekly basis to review needs, if any, and to ensure that the Bank is operating within the approved limitations.

Borrowings. The Bank had outstanding borrowings at December 31, 2019 and 2018 of $104.4 million and $69.4 million, respectively. These borrowings are in the form of advances from the FHLBNY and borrowings from our correspondent banking relationships. The net increase in borrowings was due to new FHLBNY term advances of $90.0 million for a term of three years, at an average rate of 2.0%, offset by the repayment of $30.0 million of FHLBNY term advances (excluding overnight advances) and $25.0 million in short-term advances from a correspondent bank.

Stockholders' Equity. Total stockholders' equity decreased $10.8 million, or 6.4%, to $158.4 million at December 31, 2019, from $169.2 million at December 31, 2018. The decrease in stockholders' equity was mainly attributable to $15.8 million of stock repurchases, a net loss of $5.1 million offset by a net $7.8 million adjustment to accumulated other comprehensive loss related to the termination of the Defined Benefit Plan, $1.2 million of expenses related to restricted stock units, $707,000 of expenses related to the Company's Employee Stock Ownership Plan, $311,000 related to unrealized loss on available-for-sale securities and $101,000 of expenses related to stock options.

Results of Operations

Comparison of Operating Results for the Years Ended December 31, 2019 and 2018

The following table presents the results of operations for the periods indicated:

	For the Years Ended December 31,		Increase (Decrease)	
	2019	2018	Dollars	Percent
	(Dollars in thousands, except per share data)			
Interest and dividend income	$ 50,491	$ 46,156	$ 4,335	9.4%
Interest expense	12,358	9,490	2,868	30.2%
Net interest income	38,133	36,666	1,467	4.0%
Provision for loan losses	258	1,249	(991)	(79.3%)
Net interest income after provision for loan losses	37,875	35,417	2,458	6.9%
Noninterest income	2,683	2,938	(255)	(8.7%)
Noninterest expense	46,607	34,557	12,050	34.9%
Income (loss) before income taxes	(6,049)	3,798	(9,847)	(259.3%)
Provision (benefit) for income taxes	(924)	1,121	(2,045)	(182.4%)
Net income (loss)	$ (5,125)	$ 2,677	$ (7,802)	(291.4%)
Earnings (loss) per share for the period				
Basic	$ (0.29)	$ 0.15	$ (0.44)	(293.3%)
Diluted	$ (0.29)	$ 0.15	$ (0.44)	(293.3%)

General. Consolidated net loss for the year ended December 31, 2019, was ($5.1 million) compared to a net income of $2.7 million for the year ended December 31, 2018. The decrease was primarily attributable to an increase of $12.1 million in noninterest expense, mainly due to a $9.9 million ($7.8 million, net of tax effect) loss incurred from the termination of the Company's Defined Benefit Plan, and a decrease of $255,000 in non-interest income offset by an increase of $2.5 million in net interest income after the provision for loan losses and a decrease of $2.0 million in provision for income taxes. Excluding the one-time charge, the Company would have reported net income of $2.7 million, or $0.16 per share.

Interest Income. Interest and dividend income increased $4.3 million, or 9.4%, to $50.5 million for the year ended December 31, 2019, from $46.2 million for the year ended December 31, 2018. The increase was primarily due to a $4.4 million, or 9.7%, increase in interest income on loans, which is our primary source of interest income, offset by a decrease of $0.1 million of other interest and dividend income. Average loan balances increased $79.1 million, or 9.0%, to $946.2 million for the year ended December 31, 2019 from $867.0 million for the year ended December 31, 2018. The increase in average loan balances was mainly driven by increases in the multifamily residential, nonresidential, one-to-four family residential, and construction and land mortgage loan portfolios. The average yield on loans increased 3 basis point to 5.21% for the year ended December 31, 2019 from 5.18% for the year ended December 31, 2018.

	For the Years Ended December 31,		Change	
	2019	2018	Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 20,339	$ 19,799	$ 540	2.7%
Multifamily residential	12,053	10,699	1,354	12.7%
Nonresidential properties	9,621	8,485	1,136	13.4%
Construction and land	6,374	5,042	1,332	26.4%
Business loans	824	852	(28)	(3.3%)
Consumer loans	96	71	25	35.2%
Total interest income on loans receivable	$ 49,307	$ 44,948	$ 4,359	9.7%

Interest income on deposits due from banks and available-for-sale securities and dividend income from FHLBNY stock remained unchanged at $1.2 million for the years ended December 31, 2019 and 2018. The average balance of deposits due from banks, available-for-sale securities and FHLBNY stock decreased $9.1 million, or 13.1%, to $60.3 million for the year ended December 31, 2019, from $69.4 million for the year ended December 31, 2018. The average rate earned on deposits due from banks, available-for-sale securities and FHLBNY stock increased 23 basis points to 1.97% for the year ended December 31, 2019 from 1.74% for the year ended December 31, 2018.

	For the Years Ended December 31,		Change	
	2019	2018	Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 617	$ 679	$ (62)	(9.1%)
Interest on available-for-sale securities	362	381	(19)	(5.0%)
Dividend on FHLBNY stock	206	148	58	39.2%
Total interest and dividend	$ 1,185	$ 1,208	$ (23)	(1.9%)

Interest Expense. Interest expense increased $2.9 million, or 30.2%, to $12.4 million for the year ended December 31, 2019, from $9.5 million for the year ended December 31, 2018. Interest expense on money market accounts increased $1.8 million to $2.5 million for the year ended December 31, 2019 from $701,000 for the same period in 2018. The average balance of money market accounts increased $64.6 million to $124.7 million for the year ended December 31, 2019 from $60.1 million for the same period last year, while the average rate paid on money market accounts increased 87 basis points to 2.04% for the year ended December 31, 2019 from 1.17% for the year ended December 31, 2018.

Interest expense on certificates of deposit remained essentially unchanged at $7.6 million for the years ended December 31, 2019 and 2018. The average balance on certificates of deposit decreased $36.7 million, or 8.4%, to $403.0 million for the year ended December 31, 2019 from $439.7 million for the same period last year, and the average rate the Bank paid on certificates of deposit increased 17 basis points to 1.90% for the year ended December 31, 2019 from 1.73% for the same period in 2018.

Interest expense on borrowings increased $955,000, or 106.2%, to $1.9 million for the year ended December 31, 2019 from $899,000 for the year ended December 31, 2018. The average balance on borrowings increased $42.7 million, or 122.5%, to $77.6 million for the year ended December 31, 2019 from $34.9 million for the same period last year, and the average rate the Bank paid on borrowings decreased 19 basis points to 2.39% for the year ended December 31, 2019 from 2.58% for the same period in 2018.

Increased funding costs were primarily driven by management’s efforts to retain high balance customers in higher yielding liquid deposits and higher market interest rates being offered by the Bank’s competitors, combined with a resulting shift towards alternative funding during the year ended December 31, 2019.

	For the Years Ended December 31,		Change	
	2019	2018	Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 7,677	$ 7,617	$ 60	0.8%
Money market	2,549	701	1,848	263.6%
Savings	152	168	(16)	(9.5%)
NOW/IOLA	122	102	20	19.6%
Advance payments by borrowers	4	3	1	33.3%
Borrowings	1,854	899	955	106.2%
Total interest expense	$ 12,358	$ 9,490	$ 2,868	30.2%

Net Interest Income. Net interest income increased $1.5 million, or 4.0%, to $38.1 million for the year ended December 31, 2019 from $36.7 million for the year ended December 31, 2018, primarily as a result of organic loan growth offset by higher average cost of funds on interest bearing liabilities. Average net interest-earning assets increased by $5.1 million, or 2.1%, to $245.4 million for the year ended December 31, 2019 from $240.3 million for the same period in 2018, due primarily to increases of $64.6 million in average money market accounts and $42.7 million in borrowings offset by a decrease of $36.7 million in certificates of deposit and an increase of $79.1 million in loans. The net interest rate spread decreased by 17 basis points to 3.40% for the year ended December 31, 2019 from 3.57% for the year ended December 31, 2018, and the net interest margin was 3.79% and 3.92% for the years ended December 31, 2019 and 2018, respectively. The compression on the net interest margin was primarily caused by organic loan growth being offset by higher market interest rates due to increased competition for deposits and increased funding costs attributed to increased alternative funding.

Management continued in 2019 to deploy various asset and liability management strategies to manage the Bank's risk of interest rate fluctuations. Net interest margin decrease 13 basis points in 2019, reflecting that pricing for creditworthy borrowers and meaningful depositors remained very competitive. The Federal Reserve Board reduced the federal funds interest rate by 25 basis points on each of July 31, September 18, and October 30, 2019. Further, on March 3, 2020, and March 15, 2020, the Federal Reserve Board, in emergency actions, decreased the targeted federal funds rate by an aggregate of 150 basis points. These rate cuts were in response to severe market turmoil. As a result of these rate cuts and in the event that short-term interest rates were to be cut further in 2020 or beyond, the Bank's net interest margin will likely be negatively impacted as management's ability to lower funding costs on interest-bearing deposits would more than likely not exceed the pace with which these cuts would impact the Bank's yields on its earning assets. Although it could be anticipated that the Bank's net interest margin may continue to decrease in 2020, we believe net interest income should continue to increase compared to 2019 primarily due to increased average earning asset volumes, primarily loans. Management will continue to seek to fund these increased loan volumes by growing its core deposits, but will utilize funding alternatives, as needed.

Provision for Loan Losses. The provision for loan losses represents a charge to earnings necessary to establish ALLL that, in management's opinion, should be adequate to provide coverage for the inherent losses on outstanding loans.

In evaluating the level of the ALLL, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic and market conditions and other qualitative and quantitative factors which could affect potential credit losses. See "—Summary of Significant Accounting Policies" and "Business—Allowance for Loan and Lease Losses" for additional information.

After an evaluation of these factors, the Bank established a provision for loan losses for the year ended December 31, 2019 of $258,000 compared to $1.2 million for the year ended December 31, 2018.

To the best of management's knowledge, the Bank recorded all loan losses that are both probable and reasonably expected. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to the Bank's loan portfolio, could result in material increases in the Bank's provision for loan losses. In addition, the OCC, as an integral part of its examination process, periodically reviews the Bank's allowance for loan losses and as a result of such reviews, the Bank may determine to adjust the allowance for loan losses. However, regulatory agencies are not directly involved in establishing the allowance for loan losses as the process is management's responsibility and any increase or decrease in the allowance is the responsibility of management. The Bank has selected a CECL model and has begun assessing plausible scenarios. The extent of the change to ALLL is indeterminable at this time as it will be dependent upon the portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. The Company is taking advantage of the extended transition period for complying with this new accounting standard. Assuming it remains a smaller reporting company, the Company will adopt the CECL standard for fiscal years beginning after December 15, 2022. See Note 1, "Nature of Business and Summary of Significant Accounting Policies" of the Notes to the accompanying Consolidated Financial Statements for a discussion of the CECL standard.

Non-interest Income. Total non-interest income decreased $255,000, or 8.7%, to $2.7 million for the year ended December 31, 2019 from $2.9 million for the year ended December 31, 2018. The decrease in non-interest income for the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to decreases of $530,000 in brokerage commissions and other non-interest income offset by increases of $275,000 in late and prepayment charges and service charges and fees.

	For the Years Ended December 31,		Change	
	2019	2018	Amount	Percent
	(Dollars in thousands)			
Service charges and fees	$ 971	$ 845	$ 126	14.9%
Brokerage commissions	212	533	(321)	(60.2%)
Late and prepayment charges	755	606	149	24.6%
Other	745	954	(209)	(21.9%)
Total non-interest income	$ 2,683	$ 2,938	$ (255)	(8.7%)

Non-interest Expense. Total non-interest expense increased $12.1 million, or 34.9%, to $46.6 million for the year ended December 31, 2019, compared to $34.6 million for the year ended December 31, 2018. The $12.1 million increase for the year ended December 31, 2019 compared to the year ended December 31, 2018, is primarily attributable to a one-time charge of $9.9 million for the termination of the Defined Benefit Plan, of which $7.8 million was previously recognized in accumulated other comprehensive income (loss), a $2.1 million charge-off related to the deferred tax asset associated with the Defined Benefit Plan, an increase of $944,000 in compensation and benefits expense largely as a result of expenses related to restricted stock units and stock options and an increase of $939,000 in occupancy and equipment expense due to the rebranding and branch network renovation initiatives. Other contributing factors were a $208,000 increase in other operating expenses as a result of increases in recruiting fees of $112,000 and $55,000 in expenses related to the repurchase of common shares, a $168,000 increase in data processing expenses as a result of system enhancements and implementation charges related to software upgrades and additional product offerings, a $83,000 increase in professional fees associated with public reporting requirements and a $45,000 increase in insurance and surety bond premium expense. The increase in non-interest expense was partially offset by decreases of $96,000 for direct loan expense, $124,000 for office supplies, telephone and postage and $57,000 for marketing and promotional expenses.

	For the Years Ended December 31,		Change	
	2019	2018	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 18,883	$ 17,939	$ 944	5.3%
Loss on termination of pension plan	9,930	—	9,930	—
Occupancy and equipment	7,612	6,673	939	14.1%
Data processing expenses	1,576	1,408	168	11.9%
Direct loan expenses	692	788	(96)	(12.2%)
Insurance and surety bond premiums	414	369	45	12.2%
Office supplies, telephone and postage	1,185	1,309	(124)	(9.5%)
Professional fees	3,237	3,154	83	2.6%
Marketing and promotional expenses	158	215	(57)	(26.5%)
Directors fees	294	277	17	6.1%
Regulatory dues	231	238	(7)	(2.9%)
Other operating expenses	2,395	2,187	208	9.5%
Total noninterest expense	$ 46,607	$ 34,557	$ 12,050	34.9%

Income Tax Expense. The Company incurred an income tax benefit of ($924,000) for the year ended December 31, 2019 and $1.1 million in income tax expense for the year ended December 31, 2018, resulting in effective tax rates of 15.3% and 29.5%, respectively. At December 31, 2019 and 2018, net deferred tax assets amounted to $3.7 million and $3.8 million, respectively.

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

The following table presents the results of operations for the periods indicated:

	For the Years Ended December 31,		Increase (Decrease)	
	2018	2017	Dollars	Percent
	(Dollars in thousands, except per share data)			
Interest and dividend income	$ 46,156	$ 38,989	$ 7,167	18.4%
Interest expense	9,490	6,783	2,707	39.9%
Net interest income	36,666	32,206	4,460	13.8%
Provision for loan losses	1,249	1,716	(467)	(27.2%)
Net interest income after provision for loan losses	35,417	30,490	4,927	16.2%
Noninterest income	2,938	3,104	(166)	(5.3%)
Noninterest expense	34,557	36,557	(2,000)	(5.5%)
Income (loss) before income taxes	3,798	(2,963)	6,761	228.2%
Provision for income taxes	1,121	1,424	(303)	(21.3%)
Net income (loss)	$ 2,677	$ (4,387)	$ 7,064	161.0%
Earnings per share for the period				
Basic	$ 0.15	$ (0.16)	$ 0.31	193.8%
Diluted	$ 0.15	$ (0.16)	$ 0.31	193.8%

General. Consolidated net income increased $7.1 million, or 161.0%, to $2.7 million for the year ended December 31, 2018, compared to net loss of ($4.4 million) for the year ended December 31, 2017. The increase was primarily attributable to an increase of $4.9 million in net interest income after the provision for loan losses and by decreases of $2.0 million in non-interest expense offset by a decrease of $166,000 in non-interest income.

Interest Income. Interest and dividend income increased $7.2 million, or 18.4%, to $46.2 million for the year ended December 31, 2018, from $39.0 million for the year ended December 31, 2017. The increase was primarily due to a $6.8 million, or 17.8%, increase in interest income on loans, which is our primary source of interest income. Average loan balances increased $131.5 million, or 17.9%, to $867.0 million for the year ended December 31, 2018 from $735.6 million for the year ended December 31, 2017. The increase in average loan balances was mainly driven by increases in the multifamily residential mortgage, nonresidential mortgage, one-to-four family residential mortgage, and construction and land loan portfolios. The average yield on loans decreased 1 basis point to 5.18% for the year ended December 31, 2018 from 5.19% for the year ended December 31, 2017.

	For the Years Ended December 31,		Change	
	2018	2017	Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 19,799	$ 18,322	$ 1,477	8.1%
Multifamily residential	10,699	8,908	1,791	20.1%
Nonresidential properties	8,485	7,193	1,292	18.0%
Construction and land	5,042	2,843	2,199	77.3%
Business loans	852	846	6	0.7%
Consumer loans	71	60	11	18.3%
Total interest income on loans receivable	$ 44,948	$ 38,172	$ 6,776	17.8%

Interest and dividend income on deposits due from banks, available-for-sale securities and FHLBNY stock increased $391,000, or 47.9%, to $1.2 million for the year ended December 31, 2018, from $817,000 for the year ended December 31, 2017. The yield on deposits due from banks, available-for-sale securities and FHLBNY stock increased 42 basis points to 1.74% for the year ended December 31, 2018, from 1.33% for the year ended December 31, 2017. The average balance of deposits due from banks, available-for-sale securities and FHLBNY stock increased $3.8 million, or 5.8%, to $69.4 million for the year ended December 31, 2018, from $65.5 million for the year ended December 31, 2017.

	For the Years Ended December 31,		Change	
	2018	2017	Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 679	$ 259	$ 420	162.2%
Interest on available-for-sale securities	381	480	(99)	(20.6%)
Dividend on FHLBNY stock	148	78	70	89.7%
Total interest and dividend	$ 1,208	$ 817	$ 391	47.9%

Interest Expense. Interest expense increased $2.7 million, or 39.9%, to $9.5 million for the year ended December 31, 2018, from $6.8 million for the year ended December 31, 2017. The increase was the result of an overall increase in interest expense on certificates of deposit, savings, money markets, NOW/IOLA and borrowings. Specifically, interest expense on certificates of deposit increased $1.7 million, or 28.7%, to $7.6 million for the year ended December 31, 2018, from $5.9 million for the year ended December 31, 2017. This increase resulted from increases in both the average balance of certificates of deposit and the average rate we paid on certificates of deposit. The average balance of certificates of deposit increased $52.5 million, or 13.6%, to $439.7 million for the year ended December 31, 2018 from $387.2 million for the year ended December 31, 2017, and the average rate we paid on certificates of deposit increased 20 basis points to 1.73% for the year ended December 31, 2018, from 1.53% for the year ended December 31, 2017.

Interest expense on savings, money markets, NOW/IOLA and borrowings increased $1.0 million to $1.9 million for the year ended December 31, 2018, from $866,000 for the year ended December 31, 2017. This increase resulted from an increase in the average rate we paid on other deposits and borrowings. The average balance of savings, money markets, savings, NOW/IOLA and borrowings increased $28.6 million, or 12.8%, to $256.3 million for the year ended December 31, 2018, from $227.4 million for the year ended December 31, 2017, and the average rate we paid on savings, money markets, savings, NOW/IOLA and borrowings increased 33 basis points to 0.73% for the year ended December 31, 2018, from 0.40% for the year ended December 31, 2017, reflecting higher market interest rates.

	For the Years Ended December 31,		Change	
	2018	2017	Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 7,617	$ 5,917	$ 1,700	28.7%
Money market	701	390	311	79.7%
Savings	168	165	3	1.8%
NOW/IOLA	102	97	5	5.2%
Advance payments by borrowers	3	4	(1)	(25.0%)
Borrowings	899	210	689	328.1%
Total interest expense	$ 9,490	$ 6,783	$ 2,707	39.9%

Net Interest Income. Net interest income increased $4.5 million, or 13.8%, to $36.7 million for the year ended December 31, 2018 from $32.2 million for the year ended December 31, 2017, primarily as a result of higher market yields on earning assets. Our average net interest-earning assets increased by $53.8 million, or 28.9%, to $240.3 million for the year ended December 31, 2018, from $186.5 million for the year ended December 31, 2017, due primarily to our loan growth, described above. Our net interest rate spread decreased by 19 basis points, to 3.57%, for the year ended December 31, 2018, from 3.76% for the year ended December 31, 2017, and our net interest margin was 3.92% and 4.02% for the years ended December 31, 2018 and 2017, respectively.

A material change in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income if interest rates were to increase. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of

operations. We expect that our net interest income and our net economic value would decrease as a result of a significant increase in interest rates. Conversely, decreases in interest rates may favorably affect our net interest income and net economic value, which in turn would likely have a favorable effect on our results of operations. We expect that our net interest income and our net economic value would increase as a result of a significant decrease in interest rates. To help manage interest rate risk, we are promoting core deposit products while concurrently diversifying our loan portfolio by introducing new lending programs.

Provision for Loan Losses. Provision for loan losses are charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the consolidated financial statements. In evaluating the level of the allowance for loan losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See "—Summary of Significant Accounting Policies" and "Business—Allowance for Loan Losses" for additional information.

After an evaluation of these factors, the Bank decreased the provision for loan losses for the year ended December 31, 2018 by $467,000, or 27.2%, to $1.2 million compared to $1.7 million for the year ended December 31, 2017. The allowance for loan losses was $12.7 million at December 31, 2018 compared to $11.1 million at December 31, 2017. The allowance for loan losses to gross loans decreased to 1.36% at December 31, 2018 from 1.37% at December 31, 2017, and the allowance for loan losses to non-performing loans increased to 186.77% at December 31, 2018 from 97.05% at December 31, 2017.

To the best of our knowledge, we have recorded all loan losses that are both probable and reasonable to estimate at December 31, 2018. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for loan losses. In addition, the OCC, as an integral part of its examination process periodically reviews our allowance for loan losses and as a result of such reviews, we may determine to adjust our allowance for loan losses. However, regulatory agencies are not directly involved in establishing the allowance for loan losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Non-interest Income. Total non-interest income decreased $166,000, or 5.3%, to $2.9 million for the year ended December 31, 2018 from $3.1 million for the year ended December 31, 2017. The decrease in non-interest income for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to a decrease of $204,000 in late and prepayment charges.

	For the Years Ended December 31,		Change	
	2018	2017	Amount	Percent
	(Dollars in thousands)			
Service charges and fees	$ 845	$ 909	$ (64)	(7.0%)
Brokerage commissions	533	547	(14)	(2.6%)
Late and prepayment charges	606	810	(204)	(25.2%)
Other	954	838	116	13.8%
Total non-interest income	$ 2,938	$ 3,104	$ (166)	(5.3%)

Non-interest Expense. Total non-interest expense decreased $2.0 million, or 5.5%, to $34.6 million for the year ended December 31, 2018, from $36.6 million for the year ended December 31, 2017. For the year ended December 31, 2018 compared to the year ended December 31, 2017, compensation and employee benefits expense increased by $830,000 mainly due to our investment in our employee base, including the senior management team and our sales and relationship management personnel, to help support our continued growth strategy. Occupancy expense increased $848,000, due to the rebranding and improvements of our branches. Professional fees, which primarily include legal and audit expenses, increased $2.1 million. Other operating expenses increased $357,000. Office supplies, telephone and postage increased $206,000. In addition, there was an increase $100,000 in insurance and surety bond expenses for the year ended December 31, 2018. Direct loan expense increased $49,000. These increases were partially offset by a decrease of $6.3 million, which resulted from the absence of the contribution of 609,279 shares of Company common stock, valued at $6.1 million, and $200,000 in cash to the Ponce De Leon Foundation in 2017. In addition, data processing expenses, decreased by $62,000 mainly due to contractual provisions and the level of new products and services that were introduced during 2018.

	For the Years Ended December 31,		Change	
	2018	2017	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 17,939	$ 17,109	$ 830	4.9%
Occupancy and equipment	6,673	5,825	848	14.6%
Data processing	1,408	1,470	(62)	(4.2%)
Direct loan expense	788	739	49	6.6%
Insurance and surety bond premiums	369	269	100	37.2%
Office supplies, telephone and postage	1,309	1,103	206	18.7%
Charitable foundation contributions	—	6,293	(6,293)	(100.0%)
Professional fees	3,154	1,060	2,094	197.5%
Marketing and promotional expenses	215	308	(93)	(30.2%)
Directors fees	277	289	(12)	(4.2%)
Regulatory dues	238	262	(24)	(9.2%)
Other operating expenses	2,187	1,830	357	19.5%
Total non-interest expense	$ 34,557	$ 36,557	$ (2,000)	(5.5%)

Income Tax Expense. We incurred income tax expense of $1.1 million and $1.4 million for the years ended December 31, 2018 and 2017, respectively, resulting in effective tax rates of 29.5% and 48.1%, respectively. At December 31, 2018 and 2017, net deferred tax assets amounted to $3.8 million and $3.9 million, respectively.

Average Balance Sheet

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are monthly average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Years Ended December 31,					
	2019			2018		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 946,159	$ 49,306	5.21%	$ 867,030	$ 44,948	5.18%
Available-for-sale securities	24,778	362	1.46%	26,424	381	1.44%
Other (2)	35,517	823	2.32%	42,937	828	1.93%
Total interest-earning assets	1,006,454	50,491	5.02%	936,391	46,157	4.93%
Non-interest-earning assets	35,504			33,610		
Total assets	$ 1,041,958			$ 970,001		
Interest-bearing liabilities:						
NOW/IOLA	$ 27,539	$ 122	0.44%	$ 28,182	$ 102	0.36%
Money market	124,729	2,548	2.04%	60,113	702	1.17%
Savings	119,521	153	0.13%	125,395	167	0.13%
Certificates of deposit	403,010	7,677	1.90%	439,737	7,617	1.73%
Total deposits	674,799	10,500	1.56%	653,427	8,588	1.31%
Advance payments by borrowers	8,608	4	0.05%	7,762	4	0.05%
Borrowings	77,621	1,854	2.39%	34,886	899	2.58%
Total interest-bearing liabilities	761,028	12,358	1.62%	696,075	9,491	1.36%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	110,745	—		100,628	—	
Other non-interest-bearing liabilities	3,900	—		5,859	—	
Total non-interest-bearing liabilities	114,645	—		106,487	—	
Total liabilities	875,673	12,358		802,562	9,491	
Total equity	166,285			167,439		
Total liabilities and total equity	$ 1,041,958		1.62%	$ 970,001		1.36%
Net interest income		$ 38,133			$ 36,666	
Net interest rate spread (3)			3.40%			3.57%
Net interest-earning assets (4)	$ 245,426			$ 240,316		
Net interest margin (5)			3.79%			3.92%
Average interest-earning assets to interest-bearing liabilities			132.25%			134.52%

(1) Includes a loan held for sale for the year ended December 31, 2019. There were no loans held for sale for the year ended December 31, 2018.

(2) Includes FHLBNY demand account and FHLBNY stock dividends.

(3) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on the Bank's net interest income for the periods indicated. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	For the Years Ended December 31, 2019 vs. 2018		
	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)
	(Dollars in thousands)		
Interest-earning assets:			
Loans (1)	$ 4,102	$ 256	$ 4,358
Available-for-sale securities	(24)	5	(19)
Other	(143)	138	(5)
Total interest-earning assets	3,935	399	4,334
Interest-bearing liabilities:			
NOW/IOLA	(2)	22	20
Money Market	755	1,091	1,846
Savings	(8)	(6)	(14)
Certificates of deposit	(636)	696	60
Total deposits	109	1,803	1,912
Advance payment by borrowers	—	—	—
Borrowings	1,101	(146)	955
Total interest-bearing liabilities	1,210	1,657	2,867
Change in net interest income	$ 2,725	$ (1,258)	$ 1,467

(1) Includes a loan held for sale for the year ended December 31, 2019. There were no loans held for sale for the year ended December 31, 2018.

Management of Market Risk

General. The most significant form of market risk is interest rate risk because, as a financial institution, the majority of the Bank's assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of the Bank's operations is to manage interest rate risk and limit the exposure of its financial condition and results of operations to changes in market interest rates. The Bank's Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in the Bank's assets and liabilities, for determining the level of risk that is appropriate, given the Bank's business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by the Board of Directors. The Bank currently utilizes a third-party modeling solution that is prepared on a quarterly basis to evaluate the sensitivity to changing interest rates, based on the foregoing considerations.

The Bank does not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Net Interest Income Simulation Models. Management utilizes a respected, sophisticated third party designed asset liability modeling software that measures the Bank's earnings through simulation modeling. Earning assets, interest-bearing liabilities and off-balance sheet financial instruments are combined with forecasts of interest rates for the next 12 months and are combined with other factors in order to produce various earnings simulations over that same 12-month period. To limit interest rate risk, the Bank has policy guidelines for earnings risk which seek to limit the variance of net interest income in both gradual and instantaneous changes to interest rates. As of December 31, 2019, in the event of an instantaneous upward and downward change in rates from management's level interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

Rate Shift (basis points) (1)		Net Interest Income Year 1 Forecast	Year 1 Change from Level
		(Dollars in thousands)	
+200	$	37,851	(2.22%)
+100		38,473	(0.61%)
Level		38,709	0.00%
-100		38,697	(0.03%)
-200		37,945	(1.97%)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

Although an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could alter any potential adverse impact of changes in interest rates.

The behavior of the deposit portfolio in the baseline forecast and in alternate interest rate scenarios set out in the table above is a key assumption in the projected estimates of net interest income. The projected impact on net interest income in the table above assumes no change in deposit portfolio size or mix from the baseline forecast in alternative rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the benefit in those scenarios.

At December 31, 2019, the earnings simulation model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

Economic Value of Equity Model. While earnings simulation modeling attempts to determine the impact of a changing rate environment to net interest income, the Economic Value of Equity Model ("EVE") measures estimated changes to the economic values of assets, liabilities and off-balance sheet items as a result of interest rate changes. Economic values are determined by discounting expected cash flows from assets, liabilities and off-balance sheet items, which establishes a base case EVE. Rates are then shocked as prescribed by the Interest Rate Risk Policy to measure the sensitivity in EVE values for each of those shocked rate scenarios versus the base case. The Interest Rate Risk Policy sets limits for those sensitivities. At December 31, 2019, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

					EVE as a Percentage of Present Value of Assets (3)	
			Estimated Increase (Decrease) in EVE			
Change in Interest Rates (basis points) (1)		Estimated EVE (2)	Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
			(Dollars in thousands)			
+200	$	162,852	$ (12,514)	(7.14%)	15.67%	(58)
+100		170,126	(5,240)	(2.99%)	16.06%	(19)
Level		175,366	—	0.00%	16.25%	—
-100		178,922	3,556	2.03%	16.29%	4
-200		184,968	9,602	5.48%	16.56%	31

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) EVE Ratio represents EVE divided by the present value of assets.

Although an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account

factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could alter the adverse impact of changes in interest rates.

At December 31, 2019, the EVE model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

Most Likely Earnings Simulation Models. Management also analyzes a most-likely earnings simulation scenario that projects the expected change in rates based on a forward yield curve adopted by management using expected balance sheet volumes forecasted by management. Separate growth assumptions are developed for loans, investments, deposits, etc. Other interest rate scenarios analyzed by management may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements to further analyze or stress the balance sheet under various interest rate scenarios. Each scenario is evaluated by management and weighted to determine the most likely result. These processes assist management to better anticipate financial results and, as based thereon, management may determine the need to review other operating strategies and tactics which might enhance results or better position the balance sheet to reduce interest rate risk going forward.

Each of the above analyses may not, on its own, be an accurate indicator of how net interest income will be affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as interest rate caps and floors) which limit changes in interest rates. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the maturity of certain instruments. The ability of many borrowers to service their debts also may decrease during periods of rising interest rates. The Asset/Liability Committee reviews each of the above interest rate sensitivity analyses along with several different interest rate scenarios as part of its responsibility to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing and capital policies.

Management's model governance, model implementation and model validation processes and controls are subject to review in the Bank’s regulatory examinations to ensure they are in compliance with the most recent regulatory guidelines and industry and regulatory practices. Management utilizes a respected, sophisticated third party designed asset liability modeling software and external professionals to help ensure that the implementation of management's assumptions into the model are processed as intended and in a robust manner. That said, there are numerous assumptions regarding financial instrument behaviors that are integrated into the model. The assumptions are formulated by combining observations gleaned from the Bank’s historical studies of financial instruments and the best estimations of how, if at all, these instruments may behave in the future given changes in economic conditions, technology, etc. These assumptions may prove to be inaccurate. Additionally, given the large number of assumptions built into Bank’s asset liability modeling software, it is difficult, at best, to compare its results to other banks.

The Asset/Liability Committee may determine that the Bank should over time become more or less asset or liability sensitive depending on the underlying balance sheet circumstances and its conclusions as to anticipated interest rate fluctuations in future periods. The Federal Reserve Board decreased the targeted federal funds interest rate by 25 basis points in each of July 2019, September 2019 and October 2019. On March 3, 2020, and March 15, 2020 the Federal Reserve Board, in emergency actions, decrease this targeted federal funds rate by an aggregate of 150 basis points. These rate cuts were in response to unprecedented market turmoil. We cannot make any representation as to whether, or how many times, the Federal Reserve Board will decrease or increase the targeted federal funds rate in the future.

GAP Analysis. In addition, management analyzes interest rate sensitivity by monitoring the Bank's interest rate sensitivity "gap." The interest rate sensitivity gap is the difference between the amount of our interest-earning assets maturing or repricing within a specific time period and the amount of our interest bearing-liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets maturing or repricing during a period exceeds the amount of interest rate sensitive liabilities maturing or repricing during the same period, and a gap is considered negative when the amount of interest rate sensitive liabilities maturing or repricing during a period exceeds the amount of interest rate sensitive assets maturing or repricing during the same period.

The following table sets forth the Bank's interest-earning assets and its interest-bearing liabilities at December 31, 2019, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2019, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	December 31, 2019								
	Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Zero Days to Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 6,762	$ 27
Securities	8,345	14,289	17,317	17,780	18,971	21,535	21,535	(31)	21
Net loans (includes LHFS)	89,160	150,369	252,643	449,840	916,284	957,901	957,901	(1,134)	95
FHLBNY Stock	5,735	5,735	5,735	5,735	5,735	5,735	5,735	—	5
Other assets	—	—	—	—	—	—	—	42,073	42
Total	$ 124,155	$ 191,308	$ 296,610	$ 494,270	$ 961,905	$ 1,006,086	$ 1,006,086	$ 47,670	$ 1,05
Liabilities:									
Non-maturity deposits	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 109,548	$ 39
Certificates of deposit	73,784	119,986	216,963	327,082	389,499	389,498	389,498	—	38
Other liabilities	—	—	—	11,029	104,404	104,404	104,404	8,907	11
Total liabilities	356,781	402,983	499,960	621,108	776,900	776,899	776,899	118,455	89
Stockholders' equity	—	—	—	—	—	—	—	158,402	15
Total liabilities and stockholders' equity	$ 356,781	$ 402,983	$ 499,960	$ 621,108	$ 776,900	$ 776,899	$ 776,899	$ 276,857	$ 1,05
Asset/liability gap	$ (232,626)	$ (211,675)	$ (203,350)	$ (126,838)	$ 185,005	$ 229,187	$ 229,187		
Gap/assets ratio	34.80%	47.47%	59.33%	79.58%	123.81%	129.50%	129.50%		

The following table sets forth the Bank's interest-earning assets and its interest-bearing liabilities at December 31, 2018, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2018, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	December 31, 2018 Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Zero Days to Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 24,553	$ 24,553	$ 24,553	$ 24,553	$ 24,553	$ 24,553	$ 24,553	$ 45,225	$ 69,778
Securities	5,121	5,997	10,675	26,397	26,698	27,568	27,568	(424)	27,144
Net loans (includes LHFS)	103,967	137,999	206,712	371,288	856,529	924,906	924,906	(6,397)	918,509
FHLBNY Stock	—	—	—	—	2,915	2,915	2,915	—	2,915
Other assets	—	—	—	—	4	4	4	41,551	41,555
Total	$ 133,641	$ 168,549	$ 241,940	$ 422,238	$ 910,699	$ 979,946	$ 979,946	$ 79,955	$ 1,059,901
Liabilities:									
Non-maturity deposits	$ 269,749	$ 269,749	$ 269,749	$ 269,749	$ 269,749	$ 269,749	$ 269,749	$ 115,923	$ 385,672
Certificates of deposit	65,267	107,838	189,720	283,655	424,086	424,086	424,086	—	424,086
Other liabilities	25,000	25,000	25,000	33,029	69,404	69,404	69,404	11,567	80,971
Total liabilities	360,016	402,587	484,469	586,433	763,239	763,239	763,239	127,490	890,729
Stockholders' equity	—	—	—	—	—	—	—	169,172	169,172
Total liabilities and stockholders' equity	$ 360,016	$ 402,587	$ 484,469	$ 586,433	$ 763,239	$ 763,239	$ 763,239	$ 296,662	$ 1,059,901
Asset/liability gap	$ (226,375)	$ (234,038)	$ (242,529)	$ (164,195)	$ 147,460	$ 216,707	$ 216,707		
Gap/assets ratio	37.12%	41.87%	49.94%	72.00%	119.32%	128.39%	128.39%		

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and economic value tables presented assume that the composition of the interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and EVE tables provide an indication of the interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and EVE and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. In the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes the ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of the Bank's customers and to fund current and planned expenditures. The primary sources of funds are deposits, principal and interest payments on loans and available-for-sales securities and proceeds from the sale of loans. The Bank also has access to borrow from the FHLBNY. At December 31, 2019 and 2018, we had $104.4 million and $44.4 million, respectively, of term and overnight outstanding advances from the FHLBNY, and also had a guarantee from the FHLBNY through a standby letter of credit of $3.5 million and $7.6 million, respectively. At December 31, 2019, there was eligible collateral of approximately $301.8 million in mortgage loans available to secure advances from the FHLBNY. The Bank also has an unsecured line of credit of $25.0 million with a correspondent bank, of which there was $0 and $25.0 million outstanding at December 31, 2019 and 2018, respectively. The Bank did not have any outstanding securities sold under repurchase agreements with brokers as of December 31, 2019 and 2018.

Although maturities and scheduled amortization of loans and available-for-sale securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. The most liquid assets are cash and interest-bearing deposits in banks. The levels of these assets are dependent on operating, financing, lending and investing activities during any given period.

Net cash provided by operating activities was $5.0 million and $7.9 million for the years ended December 31, 2019 and 2018, respectively.

Net cash used in investing activities, which consists primarily of disbursements for loan originations, offset by principal collections on loans, purchases of available-for-sale securities, proceeds from maturing of available-for-sale securities and pay downs on mortgage-backed available-for-sale securities, was $(38.7 million) and $(126.6 million) for the years ended December 31, 2019 and 2018, respectively.

Net cash (used in) provided by financing activities, consisting of activities in deposit accounts and advances, was $(8.5 million) and $128.8 million for the years ended December 31, 2019 and 2018, respectively.

The Bank is committed to maintaining an adequate liquidity position. The liquidity position is monitored on a daily basis and it is anticipated that there will be sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, it is anticipated that a significant portion of maturing time deposits will be retained.

At December 31, 2019 and 2018, all regulatory capital requirements were met, resulting in the Company and the Bank being categorized as well capitalized at December 31, 2019 and 2018. Management is not aware of any conditions or events that would change the Company's and the Bank's well capitalized category.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, the Bank routinely is a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. Although these contractual obligations represent the Bank's future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans originated. At December 31, 2019 and 2018, the Bank had outstanding commitments to originate loans, commitments under lines of credit, and standby letters of credit totaling $96.1 million and $104.5 million, respectively. It is anticipated that the Bank will have sufficient funds available to meet its current lending commitments. Certificates of deposits that are scheduled to mature in less than one year from December 31, 2019 total $217.2 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits are not retained, the Bank may utilize FHLBNY advances, unsecured credit lines with correspondent banks, or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of its operations, the Bank enters into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities. The following table summarizes our contractual obligations for the periods indicated as of December 31, 2019:

	Total	For the Years Ending December 31, 2020	2021	2022	2023	2024	Thereafter
				(in thousand)			
Operating leases	$ 12,467	$ 1,340	$ 1,380	$ 1,289	$ 1,276	$ 1,310	$ 5,872
Vendor obligations (1)	16,616	3,382	3,000	2,649	2,638	2,636	2,311
Advances from FHLBNY	104,404	8,029	3,000	65,000	28,375	—	—
Certificates of deposit	389,498	217,159	109,954	44,226	8,512	9,647	—
Total contractual obligation	$ 522,985	$ 229,910	$ 117,334	$ 113,164	$ 40,801	$ 13,593	$ 8,183

(1) Amounts are for data processing services, leases of equipment and service implementation.

The obligations related to our uncertain tax positions, which are not considered material, have been excluded from the table above because of the uncertainty surrounding the timing and final amounts of settlement, if any.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information regarding quantitative and qualitative disclosures about market risk appears under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Management of Market Risk.”

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of PDL Community Bancorp

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of PDL Community Bancorp and Subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mazars USA LLP
We have served as the Company's auditor since 2013.

New York, New York
March 17, 2020

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Financial Condition
December 31, 2019 and 2018
(Dollars in thousands, except share data)

	December 31,	
	2019	**2018**
ASSETS		
Cash and due from banks (Note 2):		
Cash	$ 6,762	$ 45,225
Interest-bearing deposits in banks	20,915	24,553
Total cash and cash equivalents	27,677	69,778
Available-for-sale securities, at fair value (Note 3)	21,504	27,144
Loans held for sale	1,030	—
Loans receivable, net of allowance for loan losses - 2019 $12,329; 2018 $12,659 (Note 4)	955,737	918,509
Accrued interest receivable	3,982	3,795
Premises and equipment, net (Note 5)	32,746	31,135
Federal Home Loan Bank of New York Stock (FHLBNY), at cost	5,735	2,915
Deferred tax assets (Note 8)	3,724	3,811
Other assets	1,621	2,814
Total assets	$ 1,053,756	$ 1,059,901
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 6)	$ 782,043	$ 809,758
Accrued interest payable	97	63
Advance payments by borrowers for taxes and insurance	6,348	6,037
Advances from the Federal Home Loan Bank of New York and others (Note 7)	104,404	69,404
Other liabilities	2,462	5,467
Total liabilities	895,354	890,729
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 18,463,028 shares issued and 17,451,134 shares outstanding as of December 31, 2019 and 18,463,028 shares issued and outstanding as of December 31, 2018	185	185
Treasury stock, at cost; 1,011,894 shares as of December 31, 2019 and no shares as of December 31, 2018 (Note 9)	(14,478)	—
Additional paid-in-capital	84,777	84,581
Retained earnings	93,688	98,813
Accumulated other comprehensive income (loss) (Note 14)	20	(8,135)
Unearned Employee Stock Ownership Plan (ESOP); 579,001 shares as of December 31, 2019 and 627,251 shares as of December 31, 2018 (Note 9)	(5,790)	(6,272)
Total stockholders' equity	158,402	169,172
Total liabilities and stockholders' equity	$ 1,053,756	$ 1,059,901

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Income (Loss)
For the Years Ended December 31, 2019, 2018 and 2017
(Dollars in thousands, except share data)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Interest and dividend income:			
Interest on loans receivable	$ 49,306	$ 44,948	$ 38,172
Interest on deposits due from banks	617	679	259
Interest and dividend on available-for-sale securities and FHLBNY stock	568	529	558
Total interest and dividend income	50,491	46,156	38,989
Interest expense:			
Interest on certificates of deposit	7,677	7,617	5,917
Interest on other deposits	2,827	974	656
Interest on borrowings	1,854	899	210
Total interest expense	12,358	9,490	6,783
Net interest income	38,133	36,666	32,206
Provision for loan losses (Note 4)	258	1,249	1,716
Net interest income after provision for loan losses	37,875	35,417	30,490
Noninterest income:			
Service charges and fees	971	845	909
Brokerage commissions	212	533	547
Late and prepayment charges	755	606	810
Other	745	954	838
Total noninterest income	2,683	2,938	3,104
Noninterest expense:			
Compensation and benefits	18,883	17,939	17,109
Loss on termination of pension plan	9,930	—	—
Occupancy expense	7,612	6,673	5,825
Data processing expenses	1,576	1,408	1,470
Direct loan expenses	692	788	739
Insurance and surety bond premiums	414	369	269
Office supplies, telephone and postage	1,185	1,309	1,103
Charitable foundation contributions	—	—	6,293
Professional fees	3,237	3,154	1,060
Marketing and promotional expenses	158	215	308
Directors fees	294	277	289
Regulatory dues	231	238	262
Other operating expenses	2,395	2,187	1,830
Total noninterest expense	46,607	34,557	36,557
Income (loss) before income taxes	(6,049)	3,798	(2,963)
Provision (benefit) for income taxes (Note 8)	(924)	1,121	1,424
Net income (loss)	$ (5,125)	$ 2,677	$ (4,387)
Earnings (loss) per share: (Note 10)			
Basic	$ (0.29)	$ 0.15	$ (0.16)
Diluted	$ (0.29)	$ 0.15	$ (0.16)

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2019, 2018 and 2017
(In thousands)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Net income (loss)	$ (5,125)	$ 2,677	$ (4,387)
Net change in unrealized gains (losses) on securities available-for-sale:			
Unrealized gain (losses)	395	(89)	(85)
Expense (benefit) due to enactment of federal tax reform	—	—	44
Income tax effect	(84)	19	(14)
Unrealized gain (losses) on securities, net	311	(70)	(55)
Pension benefit liability adjustment:			
Net gain (loss) during the period	9,930	1,368	(2,006)
Expense (benefit) due to the enactment of federal tax reform	—	—	1,192
Reclassification of stranded income tax effects from accumulated other comprehensive income	—	(1,281)	—
Income tax effect	(2,086)	(301)	(732)
Pension liability adjustment, net of tax	7,844	(214)	(1,546)
Total other comprehensive income (loss), net of tax	8,155	(284)	(1,601)
Total comprehensive income (loss)	$ 3,030	$ 2,393	$ (5,988)

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2019, 2018 and 2017
(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Employee Stock Ownership Plan (ESOP)	Total
Balance, December 31, 2016	—	$ —	$ —	$ —	$ 99,242	$ (6,250)	$ —	$ 92,992
Net loss	—	—	—	—	(4,387)	—	—	(4,387)
Other comprehensive loss, net of tax	—	—	—	—	—	(1,601)	—	(1,601)
Issuance of common stock, $0.01 par value; to the mutual holding company	9,545,387	96	—	—	—	—	—	96
Issuance of common stock, $0.01 par value; for initial public offering, net of costs of $4,988	8,308,362	83	—	78,012	—	—	—	78,095
Issuance of common stock, $0.01 par value; to The Ponce De Leon Foundation	609,279	6	—	6,087	—	—	—	6,093
Unallocated ESOP- 723,751 shares , $0.01 par value	—	—	—	—	—	—	(7,238)	(7,238)
ESOP shares committed to be released (48,250 shares)	—	—	—	252	—	—	483	735
Balance, December 31, 2017	18,463,028	$ 185	$ —	$ 84,351	$ 94,855	$ (7,851)	$ (6,755)	$ 164,785
Net income	—	—	—	—	2,677	—	—	2,677
Other comprehensive income, net of tax	—	—	—	—	—	997	—	997
Reclassification of stranded income tax effects from accumulated other comprehensive income	—	—	—	—	1,281	(1,281)	—	—
ESOP shares committed to be released (48,250 shares)	—	—	—	132	—	—	483	615
Restricted stock awards	—	—	—	91	—	—	—	91
Stock options	—	—	—	7	—	—	—	7
Balance, December 31, 2018	18,463,028	$ 185	$ —	$ 84,581	$ 98,813	$ (8,135)	$ (6,272)	$ 169,172
Net loss	—	—	—	—	(5,125)	—	—	(5,125)
Other comprehensive income, net of tax	—	—	—	—	—	8,155	—	8,155
Release of restricted stock units	90,135	—	1,285	(1,285)				—
Treasury stock	(1,102,029)	—	(15,763)	—	—	—	—	(15,763)
ESOP shares committed to be released (48,250 shares)	—	—	—	225	—	—	482	707
Restricted stock awards	—	—	—	1,155	—	—	—	1,155
Stock options	—	—	—	101	—	—	—	101
Balance, December 31, 2019	17,451,134	$ 185	$ (14,478)	$ 84,777	$ 93,688	$ 20	$ (5,790)	$ 158,402

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(In thousands)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Cash Flows From Operating Activities:			
Net income (loss)	$ (5,125)	$ 2,677	$ (4,387)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of premiums/discounts on securities, net	42	10	52
Loss on sale of loans	102	54	106
(Gain) loss on sale of available-for-sale securities	—	(12)	6
Loss on termination of pension plan	9,930	—	—
Provision for loan losses	258	1,249	1,716
Depreciation and amortization	2,222	1,798	1,625
Amortization of core deposit intangible assets	—	—	3
ESOP compensation expense	766	615	735
Share-based compensation expense	1,256	98	—
Charitable foundation contribution expense	—	—	6,093
Deferred income taxes	(2,099)	(184)	(40)
Changes in assets and liabilities:			
Increase in accrued interest receivable	(187)	(460)	(628)
Decrease (increase) in other assets	1,450	(371)	38
Increase in accrued interest payable	34	21	14
Increase in advance payments by borrowers	311	1,012	1,143
Net (decrease) increase in other liabilities	(2,884)	1,378	2,170
Net cash provided by operating activities	6,076	7,885	8,646
Cash Flows From Investing Activities:			
Proceeds from redemption of FHLBNY Stock	11,565	—	9,364
Purchases of FHLBNY Stock	(14,385)	(1,404)	(9,909)
Purchases of available-for-sale securities	(34,000)	(4,996)	—
Proceeds from sale of available-for-sale securities	—	3,760	20,374
Proceeds from maturities, calls and principal repayments on available-for-sale securities	39,555	2,902	3,276
Proceeds from sales of loans	3,614	6,885	2,967
Net increase in loans	(42,232)	(127,994)	(159,201)
Purchases of premises and equipment	(3,816)	(5,761)	(2,769)
Net cash used in investing activities	(39,699)	(126,608)	(135,898)
Cash Flows From Financing Activities:			
Net increase in deposits	$ (27,715)	$ 95,773	$ 70,907
Repurchase of treasury stock	(15,763)	—	—
Proceeds from issuance of common stock	—	—	78,191
Funds loaned to the ESOP	—	—	(7,238)
Proceeds from advances	699,498	271,027	646,400
Repayments of advances	(664,498)	(238,023)	(613,000)
Net cash (used in) provided by financing activities	(8,478)	128,777	175,260
Net (decrease) increase in cash and cash equivalents	(42,101)	10,054	48,008
Cash and Cash Equivalents:			
Beginning	69,778	59,724	11,716
Ending	$ 27,677	$ 69,778	$ 59,724
Supplemental Disclosures:			
Cash paid during the year:			
Interest	$ 12,324	$ 9,469	$ 6,821
Income taxes	$ 1,178	$ 549	$ 1,474
Supplemental Disclosures of Noncash Investing Activities:			
Transfer of loans held for sale from loans	$ 1,030	$ —	$ —
Transfer of loans held for sale to loans	$ —	$ —	$ 2,143
Supplemental Disclosure of Noncash Financing Activities:			
Issuance of common stock to the Ponce De Leon Foundation	$ —	$ —	$ 6,093

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

The Consolidated Financial Statements of PDL Community Bancorp (the "Company") presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiary Ponce Bank (the "Bank"), and the Bank's wholly-owned subsidiaries. The Bank's subsidiaries consist of PFS Service Corp., which owns some of the Bank's real property, and Ponce De Leon Mortgage Corp., which is a mortgage banking entity.

Inter-company transactions and balances are eliminated in consolidation.

Nature of Operations:

The Bank is a federally chartered savings association headquartered in the Bronx, New York. It was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, it changed its name to "Ponce De Leon Federal Savings Bank." In 1997, it changed its name again to "Ponce De Leon Federal Bank." Upon the completion of its reorganization into the MHC, the assets and liabilities of Ponce De Leon Federal Bank were transferred to and assumed by the Bank, a federally chartered stock savings association, owned 100% by PDL Community Bancorp and known as and conducting business under the name "Ponce Bank." The Bank will continue to be subject to comprehensive regulation and examination by the Office of Comptroller of the Currency (the "OCC").

The Bank's business is conducted through the administrative office and 13 branch offices. The banking offices are located in the Bronx (4 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York and Union City (1 branch), New Jersey. The primary market area currently consists of the New York City metropolitan area.

The Bank's business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties and construction and land, and, to a lesser extent, in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, as well as, mortgage-backed securities and Federal Home Loan Bank of New York (the "FHLBNY") stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

Summary of Significant Accounting Policies:

Use of Estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities, the determination of pension benefit obligations and the estimates relating to the valuation for share-based awards.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Significant Group Concentrations of Credit Risk: Most of the Bank's activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio is susceptible to changes in the local market conditions. Note 3 discusses the types of securities that the Bank invests in. Notes 4 and 11 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Bank considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Bank, interest-bearing deposits in financial institutions, and deposits are reported net in the consolidated statements of cash flows.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as "held to maturity" and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held to maturity or trading, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the consolidated statement of income (loss) and 2) OTTI related to other factors, which is recognized in other comprehensive income (loss).

The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank of New York Stock: The Bank is a member of the FHLBNY. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBNY stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Bank's policy, typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or recorded against principal balances only, until qualifying for return to accrual. Cash-basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing troubled debt restructurings, is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When a loan is modified to troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs, if repayment under the modified terms becomes doubtful.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over a rolling 12 quarter average period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and, effects of changes in credit concentrations.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: Residential and multifamily mortgage loans are secured by first mortgages. These loans are typically underwritten with loan-to-value ratios ranging from 65% to 90%. The primary risks involved in residential mortgages are the borrower's loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize repayment in the event that the underlying collateral needs to be liquidated to pay off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments of 10 to 15 years, and terms which provide that the interest rates is adjusted on a 5 year schedule,

Construction and Land Loans: Construction real estate loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that government approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of six months to two years during the construction period with fixed rates or interest rates based on a designated index.

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue. They possess greater risk than most other types of loans because the repayment capacity of the borrower may become inadequate. Business loans generally have terms of five to seven years or less and interest rates that float in accordance with a designated published index. Substantially all such loans are backed by the personal guarantees of the owners of the business.

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Loans Held for Sale: Loan sales occur from time to time as part of strategic business or regulatory compliance initiatives. Loans held for sale, including deferred fees and costs, are reported at the lower of cost or fair value as determined by expected bid prices from potential investors. Loans are sold without recourse and servicing released. When a loan is transferred from portfolio to held-for-sale and the fair value is less than cost, a charge-off is recorded against the allowance for loan loss. Subsequent declines in fair value, if any, are charged against earnings.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements’ estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Impairment of Long-Lived Assets: Long-lived assets, including premises and leasehold improvements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of income (loss).

Related Party Transactions: Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 15 contains details regarding related party transactions.

Employee Benefit Plans: The Company maintains Ponce Bank’s 401(k) Plan, and a Supplemental Executive Retirement Plan (the “SERP”). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided.

Employee Stock Ownership Plan: Compensation expense is recorded as shares are committed to be released with a corresponding credit to unearned ESOP equity account at the average fair market value of the shares during the period and the shares become outstanding for earnings per share computations. Compensation expense is recognized ratably over the service period based upon management’s estimate of the number of shares expected to be allocated by the ESOP. The difference between the average fair market value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in-capital. Unallocated common shares held by the Company’s ESOP are shown as a reduction in stockholders’ equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Stock Options: The Company recognizes the value of shared-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur during the period.

Restricted Stock Units: The Company recognizes compensation cost related to restricted stock units based on the market price of the stock units at the grant date over the vesting period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units. The Company recognizes compensation expense for the fair value of the restricted stock units on a straight-line basis over the requisite service period.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss) which are both recognized as separate components of equity. Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and unrecognized gains and losses on actuarial loss and prior service cost of the defined benefit plan.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the operations and financial position of the Company.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 12. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Reporting: Although management monitors the revenue streams of the various products and services, the identifiable segments and operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregate in one reportable operating segment.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings (Loss) per Share ("EPS"): Basic EPS represents net income (loss) attributable to common shareholders divided by the basic weighted average common shares outstanding. Diluted EPS is computed by dividing net income attributable to common shareholders by the basic weighted average common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. Basic weighted common shares outstanding is weighted average common shares outstanding less weighted average unallocated ESOP shares.

Treasury Stock: Shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity.

Reclassification of Prior Year Presentation: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reporting results of operations and did not affect previously reported amounts in the Consolidated Statements of Income.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements:

As an emerging growth company ("EGC") as defined in Rule 12b-2 of the Exchange Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public business entities until such pronouncements are made applicable to nonpublic business entities. As of December 31, 2019, there is no significant difference in the comparability of the consolidated financial statements as a result of this extended transition period.

Accounting Pronouncements Not Yet Adopted:

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* This ASU 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. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Company has identified its leased office spaces as within the scope of the guidance. The Company currently leases seven branches and the new guidance will result in the establishment of a right to use asset and corresponding lease obligations. The Company continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope and subsequent related accounting standard updates. The Company has established a project committee and has initiated training on ASU 2016-02. The Company is performing preliminary computations of its right to use asset and corresponding lease obligations for the operating leases of its seven branches.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments."* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard is to replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, is to apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also reportedly simplifies the accounting model for purchased credit-impaired debt, securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities, that are not deemed to be smaller reporting companies as defined by the SEC as of November 15, 2019. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities have to 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).

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Although early adoption is permitted, the Company does not expect to elect that option. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current “incurred loss” model to one based on estimated cash flows over a loan’s contractual life, adjusted for prepayments (a “life of loan” model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Company also expects that the new guidance may result in an allowance for available-for-sale debt securities. The Company has selected the CECL model and has begun running scenarios. In both cases, the extent of the 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.

In March 2017, the FASB issued ASU 2017-08 *“Receivables – Non-Refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.”* The ASU requires premiums on callable debt securities to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018 for public business entities. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2017-08 is not expected to have a material impact on the Company’s consolidated financial position, results of operations or disclosures.

In August 2018, the FASB issued ASU 2018-13, “*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.” This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company’s consolidated financial statements.

Note 2. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had $5,935 and $44,717 in cash to cover its minimum reserve requirements of $4,927 and $4,375 at December 31, 2019 and 2018, respectively.

Note 3. Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Federal Agencies	$ 16,373	$ —	$ (19)	$ 16,354
Mortgage-Backed Securities:				
FNMA Certificates	4,680	—	(21)	4,659
GNMA Certificates	482	9	—	491
	$ 21,535	$ 9	$ (40)	$ 21,504

Note 3. Available-for-Sale-Securities (Continued)

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Federal Agencies	$ 20,924	$ —	$ (409)	$ 20,515
U.S. Treasury	4,997	—	(2)	4,995
Mortgage-Backed Securities:				
FNMA Certificates	778	—	(19)	759
GNMA Certificates	870	5	—	875
	$ 27,569	$ 5	$ (430)	$ 27,144

There were no securities that were classified as held-to-maturity as of December 31, 2019 and 2018. There were no securities sold during the year ended December 31, 2019. The Company sold $3,760 of available-for-sale securities during the year ended December 31, 2018. The Company purchased $30,000 of U.S. Treasury securities and $4,000 of mortgage-backed securities during the year ended December 31, 2019. A total of $39,555 of available-for-sale securities matured during the year ended December 31, 2019.

The following tables present the Company's securities' gross unrealized losses and fair values, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2019 and 2018:

	December 31, 2019					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and Federal Agencies	$ —	$ —	$ 16,354	$ (19)	$ 16,354	$ (19)
Mortgage-Backed						
FNMA Certificates	—	—	4,659	(21)	4,659	(21)
	$ —	$ —	$ 21,013	$ (40)	$ 21,013	$ (40)

Note 3. Available-for-Sale-Securities (Continued)

	December 31, 2018					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and Federal Agencies	$ —	$ —	$ 20,515	$ (409)	$ 20,515	$ (409)
U.S. Treasury	4,995	(2)	—	—	4,995	(2)
Mortgage-Backed						
FNMA Certificates	—	—	759	(19)	759	(19)
	$ 4,995	$ (2)	$ 21,274	$ (428)	$ 26,269	$ (430)

The Company’s investment portfolio had 10 and 12 available-for-sale securities at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the Company had 9 and 11 available-for-sale securities, respectively, with gross unrealized losses. Management reviewed the financial condition of the entities underlying the securities at both December 31, 2019 and 2018 and determined that they are not other than temporary impaired because the unrealized losses in those securities relate to market interest rate changes. The Company has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Company will be required to sell these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Company will receive all contractual principal and interest related to these investments.

Note 3. Available-for-Sale-Securities (Continued)

The following is a summary of maturities of securities at December 31, 2019 and 2018. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, at any time, these securities are included as a total within the table.

	December 31, 2019 Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	$ 2,000	$ 2,000
After three months through one year	14,373	14,354
After one year through five years	—	—
	16,373	16,354
Mortgage-Backed Securities	5,162	5,150
Total	$ 21,535	$ 21,504

	December 31, 2018 Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	$ 4,997	$ 4,995
After three months through one year	4,554	4,497
After one year through five years	16,370	16,018
	25,921	25,510
Mortgage-Backed Securities	1,648	1,634
Total	$ 27,569	$ 27,144

There were no securities pledged at December 31, 2019 and 2018.

Note 4. Loans Receivable and Allowance for Loan Losses

Loans at December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019	December 31, 2018
Mortgage loans:		
1-4 family residential		
Investor-Owned	$ 305,272	$ 303,197
Owner-Occupied	91,943	92,788
Multifamily residential	250,239	232,509
Nonresidential properties	207,225	196,917
Construction and land	99,309	87,572
Nonmortgage loans:		
Business loans	10,877	15,710
Consumer loans	1,231	1,068
	966,096	929,761
Net deferred loan origination costs	1,970	1,407
Allowance for loan losses	(12,329)	(12,659)
Loans receivable, net	$ 955,737	$ 918,509

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The Company's lending activities are conducted principally in New York City. The Company primarily grants loans secured by real estate to individuals and businesses pursuant to an established credit policy applicable to each type of lending activity in which it engages. Although collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrowers' ability to generate continuing cash flows. The Company also evaluates the collateral and creditworthiness of each customer. The credit policy provides that depending on the borrowers' creditworthiness and type of collateral, credit may be extended up to predetermined percentages of the market value of the collateral. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities.

For disclosures related to the allowance for loan losses and credit quality, the Company does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: Internally assigned risk ratings are used as credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Company's risk-rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

Below are the definitions of the Company's internally assigned risk ratings:

Strong Pass – Loans to new or existing borrowers collateralized at least 90 percent by an unimpaired deposit account at the Company.

Good Pass – Loans to a new or existing borrower in a well-established enterprise in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.

Satisfactory Pass – Loans to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.

Performance Pass – Loans that evidence strong payment history but document less than average strength, financial condition, record of earnings, or projected cash flows with which to service debt.

Special Mention – Loans in this category are currently protected but show one or more potential weaknesses and risks which may inadequately protect collectability or borrower's ability to meet repayment terms at some future date if the weakness or weaknesses are not monitored or remediated.

Substandard – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize their repayment. They are characterized by the distinct possibility that some loss may be sustained if the deficiencies are not remedied.

Doubtful – Loans that have all the weaknesses of loans classified as "Substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. They are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of December 31, 2019 and 2018:

	December 31, 2019						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 386,022	$ 249,066	$ 202,761	$ 75,997	$ 10,877	$ 1,231	$ 925,954
Special mention	2,412	—	—	14,943	—	—	17,355
Substandard	8,781	1,173	4,464	8,369	—	—	22,787
Total	$ 397,215	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

	December 31, 2018						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 383,123	$ 231,422	$ 195,327	$ 71,438	$ 14,324	$ 1,068	$ 896,702
Special mention	3,728	775	—	8,505	1,386	—	14,394
Substandard	9,134	312	1,590	7,629	—	—	18,665
Total	$ 395,985	$ 232,509	$ 196,917	$ 87,572	$ 15,710	$ 1,068	$ 929,761

An aging analysis of loans, as of December 31, 2019 and 2018, is as follows:

	December 31, 2019						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Nonaccrual Loans	Over 90 Days Accruing
Mortgages:							
1-4 Family							
Investor-Owned	$ 300,324	$ 3,866	$ —	$ 1,082	$ 305,272	$ 1,749	$ —
Owner-Occupied	87,243	3,405	—	1,295	91,943	3,500	—
Multifamily residential	246,318	3,921	—	—	250,239	—	—
Nonresidential properties	203,514	3	—	3,708	207,225	4,201	—
Construction and land	99,309	—	—	—	99,309	1,118	—
Nonmortgage Loans:							
Business	10,877	—	—	—	10,877	—	—
Consumer	1,231	—	—	—	1,231	—	—
Total	$ 948,816	$ 11,195	$ —	$ 6,085	$ 966,096	$ 10,568	$ —

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	December 31, 2018						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Nonaccrual Loans	Over 90 Days Accruing
Mortgages:							
1-4 Family							
Investor-Owned	$ 296,188	$ 6,539	$ 470	$ —	$ 303,197	$ 1,258	$ —
Owner-Occupied	89,610	1,609	574	995	92,788	3,079	—
Multifamily residential	231,514	995	—	—	232,509	16	—
Nonresidential properties	195,861	—	4	1,052	196,917	1,310	—
Construction and land	87,572	—	—	—	87,572	1,115	—
Nonmortgage Loans:							
Business	15,418	292	—	—	15,710	—	—
Consumer	1,068	—	—	—	1,068	—	—
Total	$ 917,231	$ 9,435	$ 1,048	$ 2,047	$ 929,761	$ 6,778	$ —

The following schedules detail the composition of the allowance for loan losses and the related recorded investment in loans as of December 31, 2019, 2018, and 2017, respectively.

	For the Year Ended December 31, 2019							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of period	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Provision charged to expense	(311)	(141)	36	(85)	151	608	—	258
Losses charged-off	(8)	—	—	—	—	(724)	—	(732)
Recoveries	23	—	—	9	—	110	2	144
Balance, end of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Ending balance: individually evaluated for impairment	$ 265	$ 149	$ —	$ 31	$ —	$ 14	$ —	$ 459
Ending balance: collectively evaluated for impairment	3,238	918	3,865	1,818	1,782	240	9	11,870
Total	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Loans:								
Ending balance: individually evaluated for impairment	$ 6,973	$ 5,572	$ —	$ 5,548	$ 1,125	$ 14	$ —	$ 19,232
Ending balance: collectively evaluated for impairment	298,299	86,371	250,239	201,677	98,184	10,863	1,231	946,864
Total	$ 305,272	$ 91,943	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Year Ended December 31, 2018							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of period	$ 3,716	$ 1,402	$ 3,109	$ 1,424	$ 1,205	$ 209	$ 6	$ 11,071
Provision charged to expense	82	(444)	720	492	426	(37)	10	1,249
Losses charged-off	—	—	—	—	—	(34)	(14)	(48)
Recoveries	1	250	—	9	—	122	5	387
Balance, end of period	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Ending balance: individually evaluated for impairment	$ 349	$ 234	$ —	$ 35	$ —	$ —	$ —	$ 618
Ending balance: collectively evaluated for impairment	3,450	974	3,829	1,890	1,631	260	7	12,041
Total	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Loans:								
Ending balance: individually evaluated for impairment	$ 6,452	$ 6,525	$ 16	$ 2,750	$ 1,108	$ 374	$ —	$ 17,225
Ending balance: collectively evaluated for impairment	296,745	86,263	232,493	194,167	86,464	15,336	1,068	912,536
Total	$ 303,197	$ 92,788	$ 232,509	$ 196,917	$ 87,572	$ 15,710	$ 1,068	$ 929,761

	For the Year Ended December 31, 2017							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of year	$ 3,147	$ 1,804	$ 2,705	$ 1,320	$ 615	$ 597	$ 17	$ 10,205
Provision charged to expense	544	(578)	402	95	588	676	(11)	1,716
Losses charged-off	—	—	—	—	—	(1,423)	(6)	(1,429)
Recoveries	25	176	2	9	2	359	6	579
Balance, end of year	$ 3,716	$ 1,402	$ 3,109	$ 1,424	$ 1,205	$ 209	$ 6	$ 11,071
Ending balance: individually evaluated for impairment	$ 506	$ 375	$ —	$ 39	$ —	$ 2	$ —	$ 922
Ending balance: collectively evaluated for impairment	3,210	1,027	3,109	1,385	1,205	207	6	10,149
Total	$ 3,716	$ 1,402	$ 3,109	$ 1,424	$ 1,205	$ 209	$ 6	$ 11,071
Loans:								
Ending balance: individually evaluated for impairment	$ 8,738	$ 10,074	$ 520	$ 4,128	$ 1,075	$ 625	$ —	$ 25,160
Ending balance: collectively evaluated for impairment	278,420	90,780	188,030	147,065	66,165	12,248	886	783,594
Total	$ 287,158	$ 100,854	$ 188,550	$ 151,193	$ 67,240	$ 12,873	$ 886	$ 808,754

Loans are considered impaired when current information and events indicate all amounts due may not be collectable according to the contractual terms of the related loan agreements. Impaired loans, including troubled debt restructurings, are identified by applying normal loan review procedures in accordance with the allowance for loan losses methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is, or will potentially be, no longer performing in accordance with the terms of the original loan contract is evaluated to determine impairment.

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following information relates to impaired loans as of and for the years ended December 31, 2019, 2018, and 2017:

December 31, 2019	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 13,566	$ 8,390	$ 4,155	$ 12,545	$ 414	$ 12,995	$ 361
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,640	5,173	375	5,548	31	3,988	121
Construction and land	1,465	1,125	—	1,125	—	1,219	6
Nonmortgage Loans:							
Business	16	—	14	14	14	195	—
Consumer	—	—	—	—	—	1	—
Total	$ 20,687	$ 14,688	$ 4,544	$ 19,232	$ 459	$ 18,404	$ 488

December 31, 2018	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 12,985	$ 7,080	$ 5,898	$ 12,978	$ 583	$ 15,163	$ 758
Multifamily residential	16	16	—	16	—	36	3
Nonresidential properties	2,748	2,270	480	2,750	35	3,230	172
Construction and land	1,115	1,107	—	1,107	—	1,094	—
Nonmortgage Loans:							
Business	374	374	—	374	—	454	22
Consumer	—	—	—	—	—	—	—
Total	$ 17,238	$ 10,847	$ 6,378	$ 17,225	$ 618	$ 19,977	$ 955

December 31, 2017	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 20,036	$ 10,651	$ 8,161	$ 18,812	$ 506	$ 18,512	$ 890
Multifamily residential	533	520	—	520	375	166	—
Nonresidential properties	4,729	3,633	495	4,128	—	5,231	166
Construction and land	1,233	1,075	—	1,075	39	1,042	—
Nonmortgage Loans:							
Business	667	529	96	625	2	594	24
Consumer	—	—	—	—	—	—	—
Total	$ 27,198	$ 16,408	$ 8,752	$ 25,160	$ 922	$ 25,545	$ 1,080

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The loan portfolio also includes certain loans that have been modified to troubled debt restructurings. Under applicable standards, loans are modified to troubled debt restructurings when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When a loan is modified to a troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a troubled debt restructuring is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off to the allowance for loan losses.

For the year ended December 31, 2019, there was one troubled debt restructuring and for the year ended December 31, 2018, there were no loans modified to troubled debt restructuring.

	Loans Restructured During Year Ended December 31, 2019			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —
Combination of rate, maturity, other	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —

	Loans Restructured During Year Ended December 31, 2018			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	—	$ —	$ —	1	$ 176
Total	—	$ —	$ —	1	$ 176
Combination of rate, maturity, other	—	$ —	$ —	1	$ 176
Total	—	$ —	$ —	1	$ 176

At December 31, 2019, there were 36 troubled debt restructured loans totaling $12,204 of which $8,601 are on accrual status. At December 31, 2018, there were 40 troubled debt restructured loans totaling $14,104 of which $10,460 were on accrual status. There were no commitments to lend additional funds to borrowers whose loans have been modified to troubled debt restructuring. The financial impact from the concessions made represents specific impairment reserves on these loans, which aggregated to $459 and $618 at December 31, 2019 and 2018, respectively.

At December 31, 2019, there was one loan in the amount of $1,030 held for sale and no loans held for sale at December 31, 2018. The one loan held for sale is a nonaccrual loan and is over 90 days past due.

Note 5. Premises and Equipment

A summary of premises and equipment at December 31, 2019 and 2018 is as follows:

	December 31,	
	2019	**2018**
Land	$ 3,979	$ 3,979
Buildings and improvements	17,350	16,423
Leasehold improvements	25,534	23,430
Furniture, fixtures and equipment	8,513	7,728
	55,376	51,560
Less accumulated depreciation and amortization	(22,630)	(20,425)
	$ 32,746	$ 31,135

Depreciation and amortization expense amounted to $2,222, $1,798 and $1,625 for the years ended December 31, 2019, 2018, and 2017, respectively, and are included in occupancy expense in the accompanying consolidated statements of income. Leasehold improvements increased by $2,104 to $25,534 and buildings and improvements increased by $927 to $17,350 at December 31, 2019 mainly due to investments made to the branch network and other product delivery services as part of branch renovation initiative. Furniture, fixtures and equipment also increased by $785 to $8,513 at December 31, 2019, mainly as a result of investments in new Teller Cash Recyclers (TCRs) that were installed in the branches.

Note 6. Deposits

Deposits at December 31, 2019 and 2018 are summarized as follows:

	December 31,	
	2019	**2018**
Demand	$ 109,548	$ 115,923
Interest-bearing deposits:		
NOW/IOLA accounts	32,866	30,783
Money market accounts	86,721	64,262
Reciprocal deposits (1)	47,659	51,913
Savings accounts	115,751	122,791
Total NOW, money market, and savings	282,997	269,749
Certificates of deposit of $250K or more	84,263	90,195
Brokered certificates of deposit (3)	76,797	67,157
Listing service deposits (3)	32,400	39,065
Certificates of deposit less than $250K (2)	196,038	227,669
Total certificates of deposit	389,498	424,086
Total interest-bearing deposits	672,495	693,835
Total deposits	$ 782,043	$ 809,758

(1) Included in reciprocal deposits are money market accounts and certificates of deposit.
(2) Brokered certificates of deposit in the amount of $76,797 and $67,157 and listing service deposits in the amount of $32,400 and $39,065 for the years ended December 31, 2019 and 2018, respectively, are excluded from the certificates of deposit of less than $250K.
(3) There were no individual brokered certificates of deposit or listing service deposits amounting to $250K or more.

Note 6. Deposits (Continued)

At December 31, 2019, scheduled maturities of certificates of deposit were as follows:

December 31,		
2020	$	217,159
2021		109,954
2022		44,226
2023		8,512
2024		9,647
	$	389,498

Overdrawn deposit accounts that have been reclassified to loans amounted to $199 and $241 as of December 31, 2019 and 2018, respectively.

Note 7. Borrowings

FHLBNY Advances: As a member of FHLBNY, the Bank has the ability to borrow from the FHLBNY based on a certain percentage of the value of the Bank's qualified collateral, as defined in FHLBNY Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with FHLBNY, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had $104,404 and $44,404 of outstanding advances from FHLBNY at December 31, 2019 and 2018, respectively. Additionally, the Bank has an unsecured line of credit in the amount of $25,000 with a correspondent bank of which $0 and $25,000 were outstanding at December 31, 2019 and 2018, respectively. The Bank also had a guarantee from the FHLBNY through a standby letter of credit of $3,455 and $7,639 at December 31, 2019 and 2018, respectively.

Borrowed funds at December 31, 2019 and 2018 consist of the following and are summarized by maturity and call date below:

	December 31, 2019			**December 31, 2018**		
	Scheduled Maturity	**Redeemable at Call Date**	**Weighted Average Rate**	**Scheduled Maturity**	**Redeemable at Call Date**	**Weighted Average Rate**
Correspondent bank overnight line of credit advance	$ —	$ —	—%	$ 25,000	$ 25,000	2.64%
FHLBNY term advances ending :						
2020	8,029	8,029	2.86	8,029	8,029	2.86
2021	3,000	3,000	1.84	3,000	3,000	1.84
2022	65,000	65,000	1.89	5,000	5,000	1.97
2023	28,375	28,375	2.82	28,375	28,375	2.82
	$ 104,404	$ 104,404	2.21%	$ 69,404	$ 69,404	2.69%

Interest expense on advances totaled $1,854, $899, and $210 for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018, the Bank has eligible collateral of approximately $301,753 and $280,457, respectively, in mortgage loans available to secure advances from the FHLBNY.

Note 8. Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2019, 2018, and 2017 consists of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Federal:			
Current	$ 878	$ 972	$ 1,062
Deferred	(1,436)	37	24
	(558)	1,009	1,086
State and local:			
Current	296	333	402
Deferred	(3,002)	(1,011)	(1,670)
	(2,706)	(678)	(1,268)
Changes in valuation allowance	2,340	790	1,606
Provision (benefit) for income taxes	$ (924)	$ 1,121	$ 1,424

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% for 2019 and 2018 and 34% for 2017 to income before income taxes as a result of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Income tax, at federal rate	$ (1,270)	$ 799	$ (1,007)
State and local tax, net of federal taxes	(2,128)	(536)	(1,340)
Valuation allowance, net of the federal benefit	2,340	790	1,606
Expense due to enactment of federal tax reform	—	—	2,113
Other	134	68	52
Provision (benefit) for income taxes	$ (924)	$ 1,121	$ 1,424

On December 22, 2017, the U.S. Government signed into law the "Tax Cuts and Jobs Act" (the "Tax Act") which, starting in 2018, reduced the Company's corporate income tax rate from 34% to 21%, but eliminates or increases certain permanent differences. As of the date of enactment, the Company has adjusted its deferred tax assets and liabilities for the new statutory rate, which resulted in $2,113 income tax expense for the year ended December 31, 2017.

On December 22, 2017, the U.S. Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 118 ("SAB 118") to address any uncertainty or diversity of views in practice in accounting for the income tax effects of the Act in situations where a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete this accounting in the reporting period that includes the enactment date. SAB 118 allows for a measurement period, not to extend beyond one year from the Act's enactment date, to complete the necessary accounting. All these matters were finalized in 2018 with no material impact to the Company's federal income tax expense.

Management maintains a valuation allowance against its net New York State and New York City deferred tax as it is unlikely these deferred tax assets will impact the Company's tax liability in future years. The valuation allowance increased by $2,340, $790 and $1,606 for the years ended December 31, 2019, 2018 and 2017, respectively.

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets in accordance with GAAP since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

Note 8. Income Taxes (Continued)

At December 31, 2019 and 2018, the Company had no unrecognized tax benefits recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

The Company is subject to U.S. federal income tax, New York State income tax, New Jersey income tax, and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2016.

In 2018, the Company elected to early adopt ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The Company reclassified the income tax effects of Tax Cuts and Jobs Act of approximately $1,281 from accumulated other comprehensive income to retained earnings as presented in the consolidated statements of stockholders' equity.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are presented below:

	At December 31,	
	2019	**2018**
Deferred tax assets:		
Allowance for losses on loans	$ 3,990	$ 3,939
Pension obligations	—	2,102
Interest on nonaccrual loans	338	74
Unrealized loss on available-for-sale securities	7	91
Amortization of intangible assets	88	102
Deferred rent payable	—	153
Depreciation of premises and equipment	30	—
Net operating losses	4,258	3,111
Charitable contribution carryforward	1,675	1,694
Compensation and benefits	182	129
Other	130	106
Total gross deferred tax assets	10,698	11,501
Deferred tax liabilities:		
Cumulative contribution in excess of net periodic benefit costs, net	85	3,120
Depreciation and amortization of premises and equipment	—	222
Deferred loan fees	638	438
Other	7	6
Total gross deferred tax liabilities	730	3,786
Valuation allowance	6,244	3,904
Net deferred tax assets	$ 3,724	$ 3,811

The deferred tax expense (benefit) has been allocated between operations and equity as follows:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Equity	$ 2,186	$ 282	$ 746
Operations	(2,099)	(184)	(1,276)
	$ 87	$ 98	$ (530)

Note 9. Compensation and Benefit Plans

Defined Benefit Plan:

As has previously been disclosed, on May 31, 2007, the Company's defined benefit pension plan ("Defined Benefit Plan") was frozen and replaced with a qualified defined contribution plan. On May 31, 2019, the Company's Board of Directors approved the termination of the Defined Benefit Plan which was liquidated on December 1, 2019. During 2019, the Company offered participants in the Defined Benefit Plan with vested qualified benefits the option of receiving their benefits in a lump sum payment in lieu of receiving monthly annuity payments. Approximately 115 participants elected to receive lump sum payments aggregating approximately $6,427 which were paid from plan assets to these participants during the fourth quarter of 2019. Also, during the fourth quarter of 2019, the Company transferred the remainder of the Defined Benefit Plan's pension obligations to a third party insurance provider by purchasing annuity contracts aggregating approximately $7,431 which was fully funded directly by plan assets. The benefit obligations settled by the lump sum payments and annuity contracts resulted in payments from plan assets of approximately $13,858. The remaining previously unrecognized losses in accumulated other comprehensive loss relating to the Defined Benefit Plan were recognized as an expense and a pre-tax charge of approximately $9,930 ($7,844 after-tax) was recorded in other income (expense), net, in our consolidated statements of operations during the fourth quarter of 2019.

The following table sets forth the Defined Benefit Plan's funded status and amounts recognized in the consolidated statements of financial condition as of December 31, 2019 and 2018 using a measurement date as of December 31, 2019 and 2018, respectively:

	December 31,	
	2019	2018
Projected benefit obligation	$ —	$ (14,244)
Fair value of plan assets	261	14,416
Funded status	$ 261	$ 172
Accumulated benefit obligation	$ —	$ (14,244)

	December 31,	
	2019	2018
Changes in benefit obligation:		
Beginning of period	$ 14,244	$ 15,883
Service cost	39	39
Interest cost	589	542
Lump sum and annuity purchase	(13,858)	—
Interest rate change	2,787	(1,691)
Mortality change	—	(41)
(Gain)/ Loss	(3,130)	243
Administrative cost	(39)	(39)
Benefits paid	(632)	(692)
End of period	$ —	$ 14,244

	December 31,	
	2019	2018
Changes in plan assets:		
Fair value of plan assets, beginning of year	$ 14,416	$ 14,732
Actual return on plan assets	374	415
Lump sum and annuity purchase	(13,858)	
Benefits paid	(632)	(692)
Administrative expenses paid	(39)	(39)
Fair value of plan assets, end of year	$ 261	$ 14,416

Note 9. Compensation and Benefit Plans (Continued)

Pretax amounts recognized in accumulated other comprehensive loss, which will be amortized into net periodic benefit cost over the coming years, were $0 and $9,856 at December 31, 2019 and 2018, respectively.

The components of net periodic benefit cost are as follows for the years ended December 31, 2019, 2018, and 2017:

	For the Years Ended December 31,		
	2019	2018	2017
Service cost	$ 39	$ 39	$ 39
Interest cost	589	542	581
Expected return on plan assets	(842)	(860)	(839)
Amortization of prior service cost	25	25	25
Amortization of loss	259	299	234
Net periodic benefit cost	$ 70	$ 45	$ 40

Weighted-average assumptions used to determine the net benefit obligations consisted of the following as of December 31, 2019 and 2018:

	December 31,	
	2019	2018
Discount rate	N/A	4.25%
Rate of compensation increase	N/A	0.00%

Weighted-average assumptions used to determine the net benefit cost consisted of the following for the years ended December 31, 2019 and 2018:

	December 31,	
	2019	2018
Discount rate	4.25%	3.50%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return on assets	6.00%	6.00%

The expected rate of return on plan assets is estimated based on the plan's historical performance of return on assets.

The investment policy for plan assets is to manage the portfolio to preserve principal and liquidity while maximizing the return on the plan's investment portfolio through the full investment of available funds. Plan assets are currently maintained in a guaranteed deposit account with Prudential Retirement Insurance and Annuity Company, earning interest at rates that are determined at the beginning of each year.

Pension assets consist solely of funds on deposit in a guaranteed deposit account. The fair value of the pension plan assets at December 31, 2019 and 2018 was $261 and $14,416, respectively.

The guaranteed deposit account is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Such fair value measurement is considered a Level 3 measurement.

Note 9. Compensation and Benefit Plans (Continued)

401(k) Plan:

The Company also provides a qualified defined contribution retirement plan adopted under Section 401(k) of the Internal Revenue Code. The 401(k) Plan qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan at the beginning of each quarter (January 1, April 1, July 1 or October 1). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided. The Company is currently making a safe harbor contributions of 3%. The 401(k) expenses recorded in the consolidated statements of income (loss) amounted to $331, $363 and $317 for the years ended December 31, 2019, 2018 and 2017, respectively.

Employee Stock Ownership Plan:

In connection with the reorganization, the Company established an Employee Stock Ownership Plan (ESOP) for the exclusive benefit of eligible employees. The ESOP borrowed $7,238 from the Company, sufficient to purchase 723,751 shares (approximately 3.92% of the common stock sold in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of 15 years. Shares purchased with the loan proceeds are held by the trustee in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants, subject to applicable regulations.

Contributions to the ESOP are to be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, compensation expense equal to the average market price of the shares for the respective period are recognized, and the unallocated shares are taken into consideration when computing earnings per share (see Note 10).

A summary of the ESOP shares is as follows:

	December 31, 2019	December 31, 2018
Shares committed-to-be released	48,250	48,250
Shares to be allocated to participants	96,500	48,250
Unallocated shares	579,001	627,251
Total	723,751	723,751
Fair value of unearned shares	$ 8,511	$ 7,991

The Company recognized $766, $615 and $526 in compensation expense for the years ended December 31, 2019, 2018 and 2017, respectively.

Supplemental Executive Retirement Plan:

The Bank maintains a non-qualified supplemental executive retirement plan (“SERP”) for the benefit of one key executive. SERP expenses recognized were $62, $61, and $166 for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 9. Compensation and Benefit Plans (Continued)

2018 Incentive Plan

The Company's stockholders approved the PDL Community Bancorp 2018 Long-Term Incentive Plan (the "2018 Incentive Plan") at the Special Meeting of Stockholders on October 30, 2018. The maximum number of shares of common stock which can be issued under the 2018 Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares that may be awarded under the 2018 Incentive Plan pursuant to the exercise of stock options or stock appreciation rights ("SARs") is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the 2018 Incentive Plan contains a flexible feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. The Company converted 462,522 awards of stock options into 154,174 restricted stock units in 2018.

Under the 2018 Incentive Plan, the Company made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 40,000 restricted stock units to officers, 322,254 restricted stock units to executive officers and 148,625 restricted stock units to outside directors. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. As of December 31, 2019 and 2018, the maximum number of stock options and SARs and the maximum number of shares of common stock that may be issued as restricted stock awards or restricted stock units remaining to be awarded under the Incentive Plan was 265,476 and 0, respectively, for both years. If the 2018 Incentive Plan's flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock awards or restricted stock units would be 88,492, but would eliminate the availability of stock options and SARs available for award.

The product of the number of units granted and the grant date market price of the Company's common stock determine the fair value of restricted stock units under the Company's 2018 Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period for the entire award.

A summary of the Company's restricted stock units activity and related information for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	510,879	$ 12.77
Granted	29,725	12.93
Forfeited	(29,725)	12.77
Vested	(90,135)	12.77
Non-vested at December 31	420,744	$ 12.78

Note 9. Compensation and Benefit Plans (Continued)

	December 31, 2018		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	—	$	—
Granted	510,879		12.77
Forfeited	—		—
Vested	—		—
Non-vested at December 31	510,879	$	12.77

Compensation expense related to restricted stock units for the years ended December 31, 2019 and 2018 was $1,155 and $91, respectively.

A summary of the Company's stock options activity and related information for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$	12.77
Granted	8,918		12.93
Exercised	—		—
Forfeited	(8,918)		12.77
Outstanding, end of year (1)	163,766	$	12.78
Exercisable, end of year (1)	24,788	$	12.77

	December 31, 2018		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	—	$	—
Granted	163,766		12.77
Exercised	—		—
Forfeited	—		—
Outstanding, end of year (1)	163,766	$	12.77
Exercisable, end of year (1)	—	$	—

(1) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at respective periods and the stated exercise price of the underlying options, was $315 and $0 for outstanding options and $48 and $0 for exercisable options at December 31, 2019 and 2018, respectively.

Note 9. Compensation and Benefit Plans (Continued)

The weighted-average exercise price for outstanding options as of December 31, 2019 was $12.78 per share and the weighted-average remaining contractual life is 8.9 years. The weighted-average period over which it is expected to be recognized is 5.4 years. There were 24,788 shares exercisable as of December 31, 2019. Total compensation costs related to stock options recognized was $101 and $7 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the total remaining unrecognized compensation cost related to unvested stock options and restricted stock units was $5,757, which is expected to be recognized over the next 32 quarters.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following weighted average assumptions:

	For the Years Ended December 31,	
	2019	2018
Dividend yield	0.00%	0.00%
Expected life	6.5 years	6.5 years
Expected volatility	16.94%	20.15%
Risk-free interest rate	2.51%	2.74%
Weighted average grant date fair value	$ 4.01	$ 3.53

The expected volatility is based on the stock's historical volatility. The expected life is an estimate based on management's review of the various factors and calculated using the simplified method for plain vanilla options. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

Treasury Stock:

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under this program, the Company was permitted to repurchase up to 923,151 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company may repurchase up to 878,835 shares of the Company's stock, or approximately
5% of the Company's then current issued and outstanding shares. The repurchase program may be suspended or terminated at any time without prior notice, and it will expire no later than May 12, 2020.

As of December 31, 2019, the Company had repurchased a total of 1,102,029 shares under the repurchase programs at a weighted average price of $14.30 per share, which are reported as treasury stock in the consolidated statements of financial condition. Of the 1,102,029 shares of treasury stock, 90,135 shares were reissued as a result of restricted stock units that vested on December 4, 2019.

Note 10. Earnings Per Common Share

The following table presents a reconciliation of the number of common shares used in the calculation of basic and diluted earnings per common share:

	For the Years Ended December 31,		For the Period September 29, through December 31,
	2019	2018	2017
	(Dollars in thousands except share data)		
Net Income (loss)	$ (5,125)	$ 2,677	$ (2,864)
Common shares outstanding for basic EPS:			
Weighted average common shares outstanding (1)	18,039,640	18,463,028	18,463,028
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	607,322	657,159	723,232
Basic weighted average common shares outstanding	17,432,318	17,805,869	17,739,796
Basic earnings (loss) per common share	$ (0.29)	$ 0.15	$ (0.16)
Dilutive potential common shares:			
Add: Dilutive effect of restricted stock awards	—	6,337	—
Diluted weighted average common shares outstanding	17,432,318	17,812,206	17,739,796
Diluted earnings (loss) per common share	$ (0.29)	$ 0.15	$ (0.16)

(1) The weighted average shares outstanding are calculated for the full periods presented and factor zero shares outstanding for the days prior to the conversion on September 29, 2017.

Note 11. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, financial instruments with off-balance-sheet risk may be used to meet the financing needs of customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The same credit policies are used in making commitments and contractual obligations as for on-balance-sheet instruments.

Note 11. Commitments, Contingencies and Credit Risk (Continued)

Financial instruments whose contractual amounts represent credit risk at December 31, 2019 and 2018 are as follows:

	December 31,	
	2019	2018
Commitments to grant mortgage loans	$ 64,829	$ 52,017
Unfunded commitments under lines of credit	27,833	44,752
Standby letters of credit	3,455	7,759
	$ 96,117	$ 104,528

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Material losses are not anticipated as a result of these transactions.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are both uncollateralized and usually contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Company is committed.

Standby Letters of Credit: Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Standby letters of credit are largely cash secured.

Concentration by Geographic Location: Loans, commitments to extend credit and standby letters of credit have been granted to customers who are located primarily in New York City. The majority of such loans most often are secured by one-to-four family residential. The loans are expected to be repaid from the borrowers' cash flows.

Lease Commitments: At December 31, 2019, there were noncancelable operating leases for office space that expire on various dates through 2034. One such lease contains an escalation clause providing for increased rental based primarily on increases in real estate taxes. Rental expenses under operating leases, included in occupancy expense, totaled $1,490, $1,440, and $1,488 for the years ended December 31, 2019, 2018, and 2017, respectively.

The projected minimum rental payments under the terms of the leases at December 31, 2019 are as follows:

December 31,	
2020	$ 1,340
2021	1,380
2022	1,289
2023	1,276
2024	1,310
Thereafter	5,872
	$ 12,467

Legal Matters: The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company’s financial condition or results of operations.

Note 12. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. These assets and liabilities were not recorded at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the period.

FHLBNY Stock: The carrying value of FHLBNY stock approximates fair value since the Company can redeem such stock with FHLBNY at cost. As a member of the FHLBNY, the Company is required to purchase this stock, which we carry at cost and classify as restricted equity securities.

Loans: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. Loans are not recorded at fair value on a recurring basis.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is determined from actual bids from bona fide investors. These assets are classified as Level 2.

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the asset is classified as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the asset is classified as Level 3.

Deposits: The fair values of demand deposits, savings, NOW, reciprocal deposits and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. Deposits are not recorded at fair value on a recurring basis.

Note 12. Fair Value (Continued)

FHLBNY Advances: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLBNY interest rates for advances of similar maturity to a schedule of maturities of such advances. These borrowings are not recorded at fair value on a recurring basis.

Off-Balance-Sheet Instruments: Fair values for off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2019 and 2018, and indicate the level within the fair value hierarchy utilized to determine the fair value:

		December 31, 2019		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
U.S. government and federal agencies	$ 16,354	$ —	$ 16,354	$ —
Mortgage-Backed Securities:				
FNMA Certificates	4,659	—	4,659	—
GNMA Certificates	491	—	491	—
	$ 21,504	$ —	$ 21,504	$ —

		December 31, 2018		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
U.S. government and federal agencies	$ 20,515	$ —	$ 20,515	$ —
U.S. Treasury	4,995	4,995	—	—
Mortgage-Backed Securities:				
FNMA Certificates	759	—	759	—
GNMA Certificates	875	—	875	—
	$ 27,144	$ 4,995	$ 22,149	$ —

Our assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018 and indicate the fair value hierarchy utilized to determine the fair value:

	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 19,232	$ —	$ —	$ 19,232

Note 12. Fair Value (Continued)

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Impaired loans	$ 17,225	$ —	$ —	$ 17,225

Losses on assets carried at fair value on a nonrecurring basis were de minimis for the years ended December 31, 2019 and 2018, respectively.

The fair value information about financial instruments are disclosed, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair value amounts for 2019 and 2018 have been measured as of their respective period-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each period.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other banks may not be meaningful.

Note 12. Fair Value (Continued)

As of December 31, 2019 and 2018, the book balances and estimated fair values of the Company's financial instruments were as follows:

	Carrying	Fair Value Measurements			
December 31, 2019	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	$ 27,677	$ 27,677	$ —	$ —	$ 27,677
Investment securities	21,504	—	21,504	—	21,504
Loans held for sale	1,030	—	—	1,035	1,035
Loans receivable, net	955,737	—	—	959,942	959,942
Accrued interest receivable	3,982	—	3,982	—	3,982
FHLBNY stock	5,735	5,735	—	—	5,735
Financial liabilities:					
Deposits:					
Demand deposits	109,548	109,548	—	—	109,548
Interest-bearing deposits	282,997	282,997	—	—	282,997
Certificates of deposit	389,498	—	393,254	—	393,254
Advance payments by borrowers for taxes and insurance	97	—	97	—	97
Advances from FHLBNY	6,348	6,348	—	—	6,348
Accrued interest payable	782,043	—	782,043	—	782,043
December 31, 2018					
Financial assets:					
Cash and cash equivalents	$ 69,778	$ 69,778	$ —	$ —	$ 69,778
Investment securities	27,144	4,995	22,149	—	27,144
Loans receivable, net	918,509	—	—	926,867	926,867
Accrued interest receivable	3,795	—	3,795	—	3,795
FHLBNY stock	2,915	2,915	—	—	2,915
Financial liabilities:					
Deposits:					
Demand deposits	115,923	115,923	—	—	115,923
Interest-bearing deposits	269,749	269,749	—	—	269,749
Certificates of deposit	424,086	—	425,564	—	425,564
Advance payments by borrowers for taxes and insurance	6,037	—	6,037	—	6,037
Advances from FHLBNY	69,404	69,404	—	—	69,404
Accrued interest payable	63	—	63	—	63

Off-Balance-Sheet Instruments: There were no loan commitments on which the committed interest rate is less than the current market rate at December 31, 2019 and 2018.

Note 13. Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal Reserve Board and the OCC, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s operations and consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the maintenance of minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined), common equity Tier 1 capital (as defined), and Tier 1 capital to adjusted total assets (as defined). As of December 31, 2019 and 2018, all applicable capital adequacy requirements have been met.

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer is being phased in from 0% for 2015 to 2.5% by 2019. The applicable capital buffer was 10.6% and 11.4% at December 31, 2019 and 2018, respectively.

The most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that management believes have changed the Bank's category.

Note 13. Regulatory Capital Requirements (Continued)

The Company's and the Bank’s actual capital amounts and ratios as of December 31, 2019 and 2018 as compared to regulatory requirements are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2019						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 168,268	21.35%	$ 63,044	8.00%	$ 78,805	10.00%
Tier 1 Capital to Risk-Weighted Assets	158,382	20.10%	47,283	6.00%	63,044	8.00%
Common Equity Tier 1 Capital Ratio	158,382	20.10%	35,462	4.50%	51,223	6.50%
Tier 1 Capital to Total Assets	158,382	14.97%	42,334	4.00%	52,917	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 146,451	18.62%	$ 62,923	8.00%	$ 78,654	10.00%
Tier 1 Capital to Risk-Weighted Assets	136,584	17.37%	47,192	6.00%	62,923	8.00%
Common Equity Tier 1 Capital Ratio	136,584	17.37%	35,394	4.50%	51,125	6.50%
Tier 1 Capital to Total Assets	136,584	12.92%	42,275	4.00%	52,843	5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2018						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 186,940	24.36%	$ 61,385	8.00%	$ 76,731	10.00%
Tier 1 Capital to Risk-Weighted Assets	177,307	23.11%	46,038	6.00%	61,385	8.00%
Common Equity Tier 1 Capital Ratio	177,307	23.11%	34,529	4.50%	49,875	6.50%
Tier 1 Capital to Total Assets	177,307	18.13%	39,114	4.00%	48,892	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 148,486	19.39%	$ 61,261	8.00%	$ 76,577	10.00%
Tier 1 Capital to Risk-Weighted Assets	138,872	18.14%	45,946	6.00%	61,261	8.00%
Common Equity Tier 1 Capital Ratio	138,872	18.14%	34,459	4.50%	49,775	6.50%
Tier 1 Capital to Total Assets	138,872	13.66%	40,652	4.00%	50,815	5.00%

Note 14. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows:

	December 31, 2019		
	December 31, 2018	Change	December 31, 2019
Unrealized losses on securities available for sale, net	$ (291)	$ 311	$ 20
Realized losses on pension benefits, net	(7,844)	7,844	—
Total	$ (8,135)	$ 8,155	$ 20

	December 31, 2018		
	December 31, 2017	Change	December 31, 2018
Unrealized losses on securities available for sale, net	$ (221)	$ (70)	$ (291)
Unrealized losses on pension benefits, net	(7,630)	(214)	(7,844)
Total	$ (7,851)	$ (284)	$ (8,135)

Note 15. Transactions with Related Parties

Directors and officers of the Company have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the years ended December 31, 2019, 2018, and 2017 were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Beginning balance	$ 1,278	$ 1,351	$ 1,573
Originations	60	400	—
Payments	(78)	(473)	(222)
Ending balance	$ 1,260	$ 1,278	$ 1,351

The Company held deposits in the amount of $8,302 and $6,943 from officers and directors at December 31, 2019 and 2018, respectively.

Note 16. Parent Company Only Financial Statements

The following are the financial statements of the Parent as of and for the years ended December 31, 2019 and 2018.

	December 31,	
ASSETS	2019	2018
Cash and cash equivalents	$ 13,363	$ 30,867
Investment in Ponce Bank	136,603	130,737
Loan receivable - ESOP	5,894	6,308
Loan receivable - Foundation	606	—
Other assets	2,409	1,523
Total assets	$ 158,875	$ 169,435
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities and accrued expenses	$ 473	$ 263
Stockholders' equity	158,402	169,172
Total liabilities and stockholders' equity	$ 158,875	$ 169,435

Note 16. Parent Company Only Financial Statements (Continued)

	For the Years Ended December 31,	
	2019	2018
Interest on ESOP loan	$ 164	$ 175
Interest on certificates of deposit	90	—
Interest on other deposits	182	404
Net interest income	436	579
Share-based compensation expense	1,256	98
Management fee expense	411	411
Office occupancy and equipment	60	20
Contribution to Ponce De Leon Foundation	—	—
Professional fees	1,255	1,823
Other noninterest expenses	115	171
Total noninterest expense	3,097	2,523
Income (loss) before income tax (benefit)	(2,661)	(1,944)
Income tax (benefit)	(533)	(221)
Equity in undistributed earnings of Ponce Bank	(2,997)	4,400
Net income (loss)	$ (5,125)	$ 2,677

	For the Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net income (loss)	$ (5,125)	$ 2,677
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Equity in undistributed earnings of subsidiaries	2,997	(4,400)
Deferred income tax	598	83
Share-based compensation expense	1,256	98
Increase in other assets	(918)	(257)
Net (decrease) increase in other liabilities	(357)	202
Net cash used in operating activities	(1,549)	(1,597)
Cash Flows from Investing Activities:		
Loan to Foundation	(606)	—
Repayment of ESOP Loan	414	404
Net cash (used in) provided by investing activities	(192)	404
Cash Flows from Financing Activities:		
Repurchase of treasury shares	(15,763)	—
Net cash (used in) provided by financing activities	(15,763)	—
Net (decrease) increase in cash and cash equivalents	(17,504)	(1,193)
Cash and cash equivalents at beginning of year	30,867	32,060
Cash and cash equivalents at end of year	$ 13,363	$ 30,867

Note 17. Quarterly Financial Information (unaudited)

	2019				2018			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(Dollars in thousands except share data)							
Net interest income	$ 9,562	$ 9,765	$ 9,344	$ 9,462	$ 9,607	$ 9,247	$ 9,133	$ 8,677
Provision for loan losses	95	14	—	149	215	602	337	94
Net interest income after provision for loan losses	9,467	9,751	9,344	9,313	9,392	8,645	8,796	8,583
Noninterest income	665	579	686	753	815	714	524	885
Noninterest expense	19,475	9,334	8,707	9,091	9,074	8,769	8,455	8,259
Income (loss) before taxes	(9,343)	996	1,323	975	1,133	590	865	1,209
Provision (benefit) for income taxes	(1,891)	287	373	307	498	188	166	268
Net income (loss)	$ (7,452)	$ 709	$ 950	$ 668	$ 635	$ 402	$ 699	$ 941
Basic earnings (loss) per share	$ (0.43)	$ 0.04	$ 0.05	$ 0.04	$ 0.04	$ 0.02	$ 0.04	$ 0.05
Diluted earnings (loss) per share	$ (0.43)	$ 0.04	$ 0.05	$ 0.04	$ 0.04	$ 0.02	$ 0.04	$ 0.05
Basic weighted average common shares	17,145,970	17,185,993	17,565,934	17,835,295	17,823,847	17,811,784	17,799,723	17,787,661
Diluted weighted average common shares	17,145,970	17,297,054	17,655,664	17,864,327	17,830,184	17,811,784	17,799,723	17,787,661

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure

a) Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2019. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

b) Management's Annual Report

The management of the Company is responsible for establishing and maintaining adequate internal control (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's Chief Executive Officer and Chief Financial Officer regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with accounting principles generally accepted in the U.S.

In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on management's assessment, the Company believes that, as of December 31, 2019, the Company's internal control over financial reporting is effective based on the criteria established by Internal Control—Integrated Framework (2013) issued by COSO.

c) Attestation Report of the Registered Public Accounting Firm

Not applicable because the Company is an emerging growth company.

d) Changes in Internal Control Over Financial Reporting

There were no significant changes made in the Company's internal control over financial reporting during the fourth quarter of the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The “Proposal I - Election of Directors – Directors, and – Executive Officer who is not a Director” sections of the Company’s definitive proxy statement for the Company’s 2019 Annual Meeting of Stockholders (the “2019 Proxy Statement”) are incorporated herein by reference.

Item 11. Executive Compensation.

The “Proposal I – “Election of Directors – Executive Compensation” section of the 2019 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The “Voting Securities and Principal Holders” and “Proposed I – Election of Directors – Benefit Plans and Agreements – 2018 Long-Term Incentive Plan” sections of the Company’s 2019 Proxy Statement are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The “Proposal I – Election of Directors - Transactions with Certain Related Persons, - Board Independence and -Meetings and Committees of the Board of Directors” sections of the Company’s 2019 Proxy statement are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The “Proposal II - Ratification of Appointment of Independent Registered Public Accounting Firm” section of the 2019 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

The following are filed as a part of this Form 10-K under Item 8:

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Statements of Financial Condition as of December 31, 2019 and 2018

(C) Consolidated Statements of Income (Loss) for the Years ended December 31, 2019, 2018, and 2017

(D) Consolidated Statements of Comprehensive Income (Loss) for the Years ended December 31, 2019, 2018, and 2017

(E) Consolidated Statements Stockholders’ Equity for the Years ended December 31, 2019, 2018, and 2017

(F) Consolidated Statements of Cash Flows for the Years ended December 31, 2019, 2018, and 2017

(G) Notes to the Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

Exhibit Index

Exhibit Number	Description
3.1	Charter of PDL Community Bancorp (attached as Exhibit 3.1 to the Registrant's amendment No. 1 to the Form S-1 (File No. 333-217275) filed with the Commission on May 22, 2017).
3.2	Bylaws of PDL Community Bancorp (attached as Exhibit 3.2 to the Registrant's amendment No. 2 to the Form S-1 (File No. 333-217275) filed with the Commission on July 27, 2017).
4.1	Form of Common Stock Certificate of PDL Community Bancorp (attached as Exhibit 4.1 to the Registrant's amendment No. 2 to the Form S-1 (File No, 333-217275) filed with the Commission on July 27, 2017).
4.2*	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	Ponce Bank Employee Stock Ownership Plan (attached as Exhibit 10.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.2	Ponce Bank ESOP Equalization Plan (attached as Exhibit 10.2 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.3	Ponce De Leon Federal Deferred Compensation Plan (attached as Exhibit 10.3 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.4	Employment Agreement, dated as of March 23, 2017, by and between Ponce de Leon Federal Bank and Carlos P. Naudon (attached as Exhibit 10.4 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.5	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Carlos P. Naudon (attached as Exhibit 10.5 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.6	Employment Agreement, dated March 23, 2017, by and between Ponce De Leon Federal Bank and Steven Tsavaris (attached as Exhibit 10.6 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.7	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Steven Tsavaris (attached as Exhibit 10.7 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.8	Employment Agreement, dated March 31, 2017, by and between Ponce De Leon Federal Bank and Frank Perez (attached as Exhibit 10.8 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.9	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Frank Perez (attached as Exhibit 10.9 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.10	Specimen Form of Restricted Stock Unit Award Agreement for Employees (attached as Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.11	Specimen Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (attached as Exhibit 10.2 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).

10.12	Specimen Form of Stock Option Agreement for Employees (attached as Exhibit 10.3 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.13	Specimen Form of Stock Option Agreement for Non-Employee Directors (attached as Exhibit 10.4 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
21.1	Subsidiaries of the Registrant (attached as Exhibit 21.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

***	Filed herewith.**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Company Name

Date: March 17, 2020

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Carlos P. Naudon **Carlos P. Naudon**	President, Chief Executive Officer and Director	March 17, 2020
/s/ Frank Perez **Frank Perez**	Executive Vice President and Chief Financial Officer	March 17, 2020
/s/ Steven A. Tsavaris **Steven A. Tsavaris**	Executive Chairman and Director	March 17, 2020
/s/ James Demetriou **James Demetriou**	Director	March 17, 2020
/s/ William Feldman **William Feldman**	Director	March 17, 2020
/s/ Julio Gurman **Julio Gurman**	Director	March 17, 2020
/s/ Maria Alvarez **Maria Alvarez**	Director	March 17, 2020
/s/ Nick Lugo **Nick Lugo**	Director	March 17, 2020

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT’S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, PDL Community Bancorp (the “Company”) had only one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: its common stock, par value $0.01 per share. The following summary description of the common stock of the Company does not purport to be complete and is qualified in its entirety by reference to the Company's Charter and Bylaws (the “Bylaws”), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part, as well as the regulations promulgated by the Board of Governors of the Federal Reserve System (“FRB”).

General

Pursuant to the Company’s Charter, the Company has the authority to issue up to 50 million shares of common stock, par value $0.01 per share, and an additional 10 million shares of preferred stock, par value $0.01 per share. Each share of the Company’s common stock has the same relative rights, and is identical in all respects, with each other share of the Company’s common stock. The Company’s common stock is traded on NASDAQ under the symbol "PDLB."

Voting Rights

Holders of the Company’s common stock are entitled to one vote per share on all matters requiring stockholder action, including, but not limited to, the election of directors. Cumulative voting is not permitted for the election of directors. If the Company issues preferred stock, holders of the preferred stock may also possess voting rights.

Dividends

Holders of the Company’s common stock may, from time to time, receive dividends when, as and if declared by the Company’s board of directors (the “Board”), out of funds legally available for payment of dividends, subject to any restrictions imposed by Federal regulators and the payment of any preferential amounts to which any class of preferred stock may be entitled. Other restrictions on the Company’s ability to pay dividends are described below under "Restrictions on Dividends."

Liquidation Preference

Holders of common stock are not entitled to a liquidation preference in respect of their shares. Upon liquidation, dissolution or the winding up of the Company, holders of the Company’s common stock will be entitled to share ratably in all assets remaining after (i) the payment or provision for payment of all debts and liabilities of the Company; and (ii) the distribution or provision for distribution to holders of any class or series of stock having preference over the common stock in the liquidation, dissolution, or winding up of the Company.

Other Matters

The holders of the Company’s common stock have no preemptive or other subscription rights. The Company’s common stock is not subject to call or redemption.

Restrictions on Dividends

The Company's ability to pay dividends or to repurchase its common stock are restricted by several factors. The Company is a federally chartered savings and loan holding company and is supervised by the FRB. The FRB has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with FRB staff concerning dividends in certain circumstances such as where the Company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the Company's overall rate of earnings retention is inconsistent with the Company's capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform FRB supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of the Company to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

The Company may pay dividends on its common stock to public stockholders. If it does, it is also required to pay dividends to Ponce Bank Mutual Holding Company, unless Ponce Bank Mutual Holding Company elects to waive the receipt of dividends. Under the Dodd-Frank Act, Ponce Bank Mutual Holding Company must receive the approval of the FRB before it may waive the receipt of any dividends from the Company. The FRB has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances, including where the waiver is not detrimental to the safe and sound operation of the savings association and a majority of the mutual holding company's members have approved the waiver of dividends by the mutual holding company within the previous 12 months. In addition, for a "non-grandfathered" mutual holding company such as Ponce Bank Mutual Holding Company, each officer or director of the Company and Ponce Bank, and any tax-qualified stock benefit plan or non-tax-qualified stock benefit plan in which such individual participates that holds any shares of stock to which the waiver would apply, must waive the right to receive any such dividend declared. In addition, any dividends waived by Ponce Bank Mutual Holding Company must be considered in determining an appropriate exchange ratio in the event of a conversion of the mutual holding company to stock form.

Restrictions on Ownership of the Company's Common Stock

Under the Home Owner's Loan Act (the "HOLA"), any person or entity is required to obtain the approval of the FRB before acquiring control of the Company, which, among other things, includes the acquisition of ownership of or control over 25% or more of any class of voting securities of the Company or the power to exercise a "controlling influence" over the Company. Federal regulations establish a rebuttable presumption of control upon ownership, control, or holding with power to vote, of 10% or more of any class of the Company's voting securities if (i) the Company has registered securities under Section 12 of the Securities Exchange Act of 1934, or (ii) no other person will own, control, or hold the power to vote a greater percentage of that class of voting securities immediately after the transaction. In the case of an acquirer that is a savings and loan holding company or saving association, the HOLA requires approval of the FRB for the acquisition of ownership or control of any voting securities of the Company, if the acquisition results in the savings and loan holding company or savings association controlling more than 5% of the outstanding shares of any class of the Company's voting securities. The Change in Bank Control Act prohibits a

person, entity, or group of persons or entities acting in concert, from acquiring "control" of a savings and loan holding company, such as the Company, unless the FRB has been given prior notice and has not objected to the transaction.

As a result of the Company’s formation on September 29, 2017, until September 29, 2020, FRB regulations generally prohibit any person from acquiring or making an offer to acquire beneficial ownership of more than 10% of the stock of the Company or Ponce Bank without the FRB’s prior approval.

Anti-Takeover Provisions in the Company’s Charter and Bylaws

Certain provisions of the Company's Charter and Bylaws could make it less likely that the Company's management would be changed or someone would acquire voting control of the Company without the consent of the Company’s Board. These provisions could delay, deter or prevent tender offers or takeover attempts that stockholders might believe are in their best interests, including tender offers or takeover attempts that could allow stockholders to receive premiums over the market price of their common stock.

Preferred Stock

The Company’s Board can, under the Company's Charter and without stockholder approval, issue one or more series of preferred stock with such preferences and designations as the Board may from time to time determine. The issuance of preferred stock must be approved by a majority of the Company’s independent directors who do not have an interest in the transaction and who have access, at the Company’s expense, to legal counsel. In some cases, the issuance of preferred stock could discourage or make more difficult attempts to take control of the Company through a merger, tender offer, proxy context or otherwise.

Nomination Procedures

Holders of the Company’s common stock can nominate candidates for the Company’s Board. A stockholder must follow the advance notice procedures described in the Bylaws. In general, to nominate a person for election to the Company’s Board at the annual meeting of Company stockholders, a stockholder must submit a written notice of the proposed nomination to the Company's corporate secretary at least five days prior to the date of the annual meeting.

Amendment of Bylaws

Under the Bylaws, the Company’s Board, upon a majority vote of the authorized directors, or the Company’s stockholders, upon a majority vote of the votes cast by the Company’s stockholders at any legal meeting, can amend the Bylaws so long as the amendments are consistent with the regulations of the FRB.

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carlos P. Naudon, certify that:

1. I have reviewed this annual report on Form 10-K of PDL Community Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

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

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

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

    (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 17, 2020

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President, Chief Executive Officer & Director

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank Perez, certify that:

1. I have reviewed this annual report on Form 10-K of PDL Community Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

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

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

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

   (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 17, 2020

By: /s/ Frank Perez
Frank Perez
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the annual report of PDL Community Bancorp (the "Company") on Form 10-K for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 17, 2020

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President, Chief Executive Officer and Director

Exhibit 32.2

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

In connection with the annual report of PDL Community Bancorp (the “Company”) on Form 10-K for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 17, 2020

By: /s/ Frank Perez
Frank Perez
Executive Vice President and Chief Financial Officer