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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

o 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 001-38290

Sterling Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Michigan	**38-3163775**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

One Towne Square, Suite 1900
Southfield, Michigan 48076
(248) 355-2400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, no par value per share	SBT	The NASDAQ Stock Market LLC (NASDAQ Capital Market)

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 x No o

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 x No o

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o	Smaller reporting company x Emerging growth company x

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. x

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

As of August 5, 2019, there were 50,517,078 shares of the Registrant's Common Stock outstanding.

STERLING BANCORP, INC.
FORM 10-Q
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Sterling Bancorp, Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(dollars in thousands)

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

	June 30, 2019	December 31, 2018
Assets		
Cash and due from banks	$ 80,416	$ 52,526
Interest-bearing time deposits with other banks	1,100	1,100
Investment securities	153,449	148,896
Mortgage loans held for sale	500	1,248
Loans, net of allowance for loan losses of $20,918 and $21,850	2,924,813	2,895,953
Accrued interest receivable	13,842	13,529
Mortgage servicing rights, net	9,772	10,633
Leasehold improvements and equipment, net	9,675	9,489
Operating lease right-of-use assets	20,454	—
Federal Home Loan Bank stock, at cost	22,950	22,950
Cash surrender value of bank-owned life insurance	31,606	31,302
Deferred tax asset, net	6,440	6,122
Other assets	4,115	3,026
Total assets	$ 3,279,132	$ 3,196,774
Liabilities and Shareholders’ Equity		
Liabilities:		
Noninterest-bearing deposits	$ 70,406	$ 76,815
Interest-bearing deposits	2,476,254	2,375,870
Total deposits	2,546,660	2,452,685
Federal Home Loan Bank borrowings	240,000	293,000
Subordinated notes, net	65,102	65,029
Operating lease liabilities	21,480	—
Accrued expenses and other liabilities	63,837	51,003
Total liabilities	2,937,079	2,861,717
Shareholders’ equity:		
Preferred stock, authorized 10,000,000 shares; no shares issued and outstanding	—	—
Common stock, no par value, authorized 500,000,000 shares; issued and outstanding 50,846,521 and 53,012,283 shares at June 30, 2019 and December 31, 2018, respectively	89,683	111,238
Additional paid-in capital	12,992	12,713
Retained earnings	239,190	211,115
Accumulated other comprehensive income (loss)	188	(9)
Total shareholders’ equity	342,053	335,057
Total liabilities and shareholders’ equity	$ 3,279,132	$ 3,196,774

See accompanying notes to condensed consolidated financial statements.

Sterling Bancorp, Inc.
Condensed Consolidated Statements of Income (Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest income				
Interest and fees on loans	$ 43,301	$ 38,580	$ 85,023	$ 74,980
Interest and dividends on investment securities and restricted stock	1,272	842	2,499	1,661
Other interest	216	119	452	233
Total interest income	44,789	39,541	87,974	76,874
Interest expense				
Interest on deposits	11,524	7,179	22,180	13,768
Interest on Federal Home Loan Bank borrowings	1,375	1,334	2,430	2,167
Interest on subordinated notes	1,175	1,171	2,349	2,343
Total interest expense	14,074	9,684	26,959	18,278
Net interest income	30,715	29,857	61,015	58,596
Provision (recovery) for loan losses	180	1,120	(834)	1,761
Net interest income after provision (recovery) for loan losses	30,535	28,737	61,849	56,835
Non-interest income				
Service charges and fees	112	92	216	166
Investment management and advisory fees	425	500	765	1,123
Loss on sale of investment securities	—	(3)	—	(3)
Gain on sale of mortgage loans held for sale	142	28	180	93
Gain on sale of portfolio loans	1,860	5,068	4,302	9,009
Unrealized gains (losses) on equity securities	57	(30)	106	(94)
Net servicing income (loss)	(1,002)	233	(677)	710
Income on cash surrender value of bank-owned life insurance	315	295	625	590
Other	159	114	379	196
Total non-interest income	2,068	6,297	5,896	11,790
Non-interest expense				
Salaries and employee benefits	7,381	7,229	14,648	13,878
Occupancy and equipment	2,170	1,610	4,407	3,156
Professional fees	1,104	824	2,066	1,446
Advertising and marketing	406	351	845	700
FDIC assessments	190	474	445	1,017
Data processing	303	295	611	583
Other	2,171	1,838	3,825	3,344
Total non-interest expense	13,725	12,621	26,847	24,124
Income before income taxes	18,878	22,413	40,898	44,501
Income tax expense	5,444	6,431	11,781	12,770
Net income	$ 13,434	$ 15,982	$ 29,117	$ 31,731
Income per share, basic and diluted	$ 0.26	$ 0.30	$ 0.56	$ 0.60
Weighted average common shares outstanding:				
Basic	51,510,951	52,963,308	52,029,816	52,963,308
Diluted	51,520,944	52,965,365	52,039,000	52,965,133

See accompanying notes to condensed consolidated financial statements.

Sterling Bancorp, Inc.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 13,434	$ 15,982	$ 29,117	$ 31,731
Other comprehensive income, net of tax:				
Unrealized gains on investment securities, arising during the period, net of tax effect of $35, $17, $77, and $14, respectively	91	66	197	53
Reclassification adjustment for losses included in net income of $-, $3, $-, and $3, respectively, in loss on sale of investment securities, net of tax effect of $-, $(1), $-, and $(1), respectively	—	2	—	2
Total other comprehensive income	91	68	197	55
Comprehensive income	$ 13,525	$ 16,050	$ 29,314	$ 31,786

See accompanying notes to condensed consolidated financial statements.

Sterling Bancorp, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2018	52,963,308	$ 111,238	$ 12,416	$ 149,816	$ (172)	$ 273,298
Cumulative effect adjustment, reclassification of unrealized losses on equity securities	—	—	—	(50)	50	—
Net income	—	—	—	15,749	—	15,749
Stock-based compensation	39,655	—	9	—	—	9
Other comprehensive loss	—	—	—	—	(13)	(13)
Dividends distributed ($0.01 per share)	—	—	—	(531)	—	(531)
Balance at March 31, 2018	53,002,963	111,238	12,425	164,984	(135)	288,512
Net income	—	—	—	15,982	—	15,982
Stock-based compensation	—	—	76	—	—	76
Other comprehensive income	—	—	—	—	68	68
Dividends distributed ($0.01 per share)	—	—	—	(528)	—	(528)
Balance at June 30, 2018	53,002,963	$ 111,238	$ 12,501	$ 180,438	$ (67)	$ 304,110
Balance at January 1, 2019	53,012,283	$ 111,238	$ 12,713	$ 211,115	$ (9)	$ 335,057
Net income	—	—	—	15,683	—	15,683
Repurchases of shares of common stock (Note 10)	(1,212,574)	(11,544)	—	—	—	(11,544)
Stock-based compensation	71,144	—	126	—	—	126
Other comprehensive income	—	—	—	—	106	106
Dividends distributed ($0.01 per share)	—	—	—	(526)	—	(526)
Balance at March 31, 2019	51,870,853	99,694	12,839	226,272	97	338,902
Net income	—	—	—	13,434	—	13,434
Repurchases of shares of common stock (Note 10)	(1,034,792)	(10,011)	—	—	—	(10,011)
Stock-based compensation	10,460	—	153	—	—	153
Other comprehensive income	—	—	—	—	91	91
Dividends distributed ($0.01 per share)	—	—	—	(516)	—	(516)
Balance at June 30, 2019	50,846,521	$ 89,683	$ 12,992	$ 239,190	$ 188	$ 342,053

See accompanying notes to condensed consolidated financial statements.

Sterling Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(dollars in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash Flows From Operating Activities		
Net income	$ 29,117	$ 31,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (recovery) for loan losses	(834)	1,761
Deferred income taxes	(394)	927
Loss on sale of investment securities	—	3
Unrealized (gains) losses on equity securities	(106)	94
Accretion on investment securities, net	(883)	(253)
Depreciation and amortization of leasehold improvements and equipment	796	639
Amortization of intangible asset	225	225
Originations, net of principal payments, mortgage loans held for sale	(16,248)	(18,641)
Proceeds from sale of mortgage loans held for sale	16,940	17,559
Gain on sale of mortgage loans held for sale	(180)	(93)
Gain on sale of portfolio loans	(4,302)	(9,009)
Increase in cash surrender value of bank-owned life insurance, net of premiums	(304)	(311)
Valuation allowance adjustments and amortization of mortgage servicing rights	2,723	788
Stock-based compensation	279	85
Other	71	69
Change in operating assets and liabilities:		
Accrued interest receivable	(313)	(903)
Other assets	(409)	(2,118)
Accrued expenses and other liabilities	12,990	11,005
Net cash provided by operating activities	39,168	33,558
Cash Flows From Investing Activities		
Maturities and principal receipts of investment securities	74,216	57,739
Sales of investment securities	—	2,778
Purchases of investment securities	(77,507)	(76,091)
Loans originated, net of repayments	(147,189)	(395,415)
Proceeds from the sale of portfolio loans	121,806	269,677
Purchase of leasehold improvements and equipment	(982)	(2,009)
Net cash used in investing activities	(29,656)	(143,321)
Cash Flows From Financing Activities		
Net increase in deposits	93,975	95,495
Proceeds from advances from Federal Home Loan Bank	2,461,000	2,731,000
Repayments of advances from Federal Home Loan Bank	(2,514,000)	(2,719,000)
Repurchases of shares of common stock	(21,555)	—
Dividends paid to shareholders	(1,042)	(1,059)
Net cash provided by financing activities	18,378	106,436
Net change in cash and due from banks	27,890	(3,327)
Cash and due from banks at beginning of period	52,526	40,147
Cash and due from banks at end of period	$ 80,416	$ 36,820
Supplemental cash flows information		
Cash paid:		
Interest	$ 22,734	$ 15,784
Income taxes	13,146	14,200
Noncash investing and financing activities:		
Transfers of residential real estate loans to mortgage loans held for sale	119,233	198,184
Transfers of residential real estate loans from mortgage loans held for sale	103	26,329
Right-of-use assets obtained in exchange for new operating lease liabilitites	513	—

See accompanying notes to condensed consolidated financial statements.

STERLING BANCORP, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollars in thousands, except per share amounts)

Note 1—Nature of Operations and Basis of Presentation

Nature of Operations

Sterling Bancorp, Inc. (the "Company") is a unitary thrift holding company that was incorporated in 1989 and the parent company to its wholly owned subsidiary, Sterling Bank and Trust, F.S.B. (the "Bank"). The Company's business is conducted through the Bank which was formed in 1984. The Bank originates construction, residential and commercial real estate loans, commercial lines of credit, and other consumer loans and provides deposit products, consisting primarily of checking, savings and term certificate accounts. The Bank operates through a network of 30 branches of which 26 branches are located in San Francisco and Los Angeles, California with the remaining branches located in New York, New York, Southfield, Michigan and the greater Seattle market.

The Company is headquartered in Southfield, Michigan and its operations are in the financial services industry. Management evaluates the performance of its business based on one reportable segment, community banking.

The Company is subject to regulation, examination and supervision by the Board of Governors of the Federal Reserve ("Federal Reserve"). The Bank is a federally chartered stock savings bank which is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency ("OCC") of the U.S. Department of Treasury and the Federal Deposit Insurance Corporation ("FDIC") and is a member of the Federal Home Loan Bank ("FHLB") system.

Basis of Presentation

The condensed consolidated balance sheet as of June 30, 2019, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three and six months ended June 30, 2019 and 2018 are unaudited. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, in the opinion of management, of a normal recurring nature that are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The financial data and other financial information disclosed in these notes to the condensed consolidated financial statements related to these periods are also unaudited. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ended December 31, 2019 or for any future annual or interim period. The consolidated balance sheet at December 31, 2018 included herein was derived from the audited consolidated financial statements as of that date. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Note 2—New Accounting Standards

Adoption of New Accounting Standard

The Company has adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* and all subsequent amendments as of January 1, 2019. Topic 842 requires a lessee to recognize the following for all leases, except short-term leases, at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Topic 842 also requires expanded disclosures.

Topic 842 permits entities to use a modified retrospective transition approach to apply the guidance as of the beginning of the earliest period presented in the financial statements in the period adopted or the optional transition method which allows entities to apply the new guidance at the adoption date and record a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and not to restate the comparative periods presented.

The Company adopted Topic 842 as of January 1, 2019 using the optional transition method. Therefore, the comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of the standard resulted in the recognition of operating lease right-of-use assets of $21,812 and operating lease liabilities of $22,682 on the condensed consolidated balance sheet as of January 1, 2019. The operating lease right-of-use assets includes the impact of unamortized lease incentives and deferred rent. The Company elected to apply the package of practical expedients upon transition, which includes no reassessment of whether existing contracts are or contain leases and allowed for the lease classification for existing leases to be retained. The Company did not elect the practical expedient to use hindsight in determining the lease term. After transition, in certain instances, the cost of renewal options will be recognized earlier in the term of the lease than under the

previous lease accounting rules. The Company elected the practical expedient to not separate non-lease components from the lease components contained in the operating lease agreements but instead to combine them and account for them as a single lease component and will continue to do so for its real estate operating leases. The new standard did not have a significant impact on the condensed consolidated statements of income or statements of cash flows in 2019.

The Company's operating leases are included in operating lease right-of-use assets and operating lease liabilities in the condensed consolidated balance sheet at June 30, 2019. The lessors' rate implicit in the operating leases were not available to the Company and were not determinable from the terms of the leases. Therefore, the Company's incremental borrowing rate was used in determining the present value of the future lease payments when measuring the operating lease liabilities. The incremental borrowing rates were not observable and therefore, the rates were estimated primarily using observable borrowing rates on the Company's FHLB advances. The FHLB borrowing rates are generally for over collateralized advances for varying lengths of maturity. Therefore, the risk-free U.S. Government bond rate and high-credit quality unsecured corporate bond rates were also considered in estimating the incremental borrowing rates. The Company's incremental borrowing rates were developed considering its monthly payment amounts and the initial terms of its leases. These incremental borrowing rates were applied to future lease payments in determining the present value of the operating lease liability for each lease.

As stated, the comparative prior period information for the three and six months ended June 30, 2018 has not been adjusted and continues to be reported under the Company's historical lease recognition policies under Topic 840, Leases.

The disclosure requirements of Topic 842 are included within Note 16, Operating Leases.

Recently Issued Accounting Guidance Not Yet Adopted

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*: *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements as follows: (1) removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the reporting entity's policy for timing of transfers between levels; (2) removes the requirement to disclose the valuation processes for Level 3 fair value measurements; (3) clarifies that the measurement uncertainty disclosure for recurring Level 3 fair value measurements is to communicate information about the uncertainty in measurement as of the reporting date; (4) requires disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period; and (5) requires disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU No. 2018-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. An entity is permitted to early adopt the provisions that remove or modify disclosures upon issuance of this ASU and delay adoption of the additional disclosures until the effective date. The Company is currently evaluating the impact adoption will have on its current fair value measurement disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is intended to improve financial reporting by requiring recording of credit losses on loans and other financial instruments on a more timely basis. The guidance will replace the current incurred loss accounting model with an expected loss approach and requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. In addition, this guidance modifies the other-than-temporary impairment model for available for sale debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for a reversal of credit losses in future periods. The guidance requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, which clarifies and improves areas of guidance related to Topic 326. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief.* The amendments provide entities with an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis, upon adoption of Topic 326. ASU No. 2016-13 is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2019. The Company has formed a cross-functional implementation team consisting of individuals from credit, finance and information systems. The implementation team has been working with a software vendor to assist in implementing required changes to credit loss estimation models and processes. The historical data set for model development has been finalized, and the credit loss estimation models are in the process of being developed and tested. The Company expects to recognize a cumulative effect adjustment to the opening balance of retained earnings as of the beginning of the first reporting period in which ASU No. 2016-13 is

effective. The Company has not yet determined the magnitude of any such one-time adjustment or the overall impact of ASU No. 2016-13 on its condensed consolidated financial statements.

Note 3—Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP’). The condensed consolidated financial statements include the results of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results reported in the future periods may be based upon amounts that could differ from those estimates.

Concentration of Credit Risk

The loan portfolio consists primarily of residential real estate loans which are collateralized by real estate. At June 30, 2019 and December 31, 2018, residential real estate loans accounted for 86% and 84%, respectively, of the loan portfolio. In addition, most of these residential loans and other commercial loans have been made to individuals and businesses in the state of California which are dependent on the area economy for their livelihoods and servicing of their loan obligation. Approximately 91% and 94% of the loan portfolio was originated in California at June 30, 2019 and December 31, 2018, respectively.

Reclassifications to Prior Periods’ Financial Statements

Certain prior period amounts have been reclassified to conform with the current period presentation. Net servicing income (loss) has been reclassified from other non-interest income and reported separately on the condensed consolidated statements of income.

Note 4—Investment Securities

Debt Securities

The following tables summarize the amortized cost and fair value of debt securities available for sale at June 30, 2019 and December 31, 2018 and the corresponding amounts of gross unrealized gains and losses:

	June 30, 2019			
	Amortized Cost	Gross Unrealized		Fair Value
		Gain	Loss	
Available for sale:				
U.S. Treasury securities	$ 147,279	$ 248	$ (4)	$ 147,523
Collateralized mortgage obligations	1,356	39	—	1,395
Collateralized debt obligations	306	—	(22)	284
Total	$ 148,941	$ 287	$ (26)	$ 149,202

	December 31, 2018			
	Amortized Cost	Gross Unrealized		Fair Value
		Gain	Loss	
Available for sale:				
U.S. Treasury securities	$ 142,905	$ 9	$ (56)	$ 142,858
Collateralized mortgage obligations	1,554	46	—	1,600
Collateralized debt obligations	308	—	(11)	297
Total	$ 144,767	$ 55	$ (67)	$ 144,755

STERLING BANCORP, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued
(dollars in thousands, except per share amounts)

No securities of any single issuer, other than debt securities issued by the U.S. government were in excess of 10% of total shareholders' equity as of June 30, 2019 and December 31, 2018.

There were no sales of debt securities available for sale during the three and six months ended June 30, 2019. The proceeds from sales of debt securities available for sale were $2,778 for the three and six months ended June 30, 2018. Gross realized losses on these sales were $3 for the three and six months ended June 30, 2018.

The amortized cost and fair value of debt securities available for sale issued by U.S. Treasury at June 30, 2019 are shown below by contractual maturity. Collateralized mortgage obligations and collateralized debt obligations are disclosed separately in the table below as the expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
U.S. Treasury securities		
Due less than one year	$ 147,279	$ 147,523
Collateralized mortgage obligations	1,356	1,395
Collateralized debt obligations	306	284
Total	$ 148,941	$ 149,202

The table summarizes debt securities available for sale, at fair value, with unrealized losses at June 30, 2019 and December 31, 2018 aggregated by major security type and length of time the individual securities have been in a continuous unrealized loss position, as follows:

June 30, 2019	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 30,864	$ (4)	$ —	$ —	$ 30,864	$ (4)
Collateralized debt obligations	—	—	284	(22)	284	(22)
Total	$ 30,864	$ (4)	$ 284	$ (22)	$ 31,148	$ (26)

December 31, 2018	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 113,219	$ (56)	$ —	$ —	$ 113,219	$ (56)
Collateralized debt obligations	—	—	297	(11)	297	(11)
Total	$ 113,219	$ (56)	$ 297	$ (11)	$ 113,516	$ (67)

As of June 30, 2019, the Company's debt securities portfolio consisted of 7 debt securities, with 2 debt securities in an unrealized loss position. For debt securities in an unrealized loss position, management has both the intent and ability to hold these investments until the recovery of the decline; thus, the impairment was determined to be temporary.

A collateralized debt obligation with a carrying value of $284 and $297 at June 30, 2019 and December 31, 2018, respectively, was rated high quality at inception, but it was subsequently rated by Moody's as Ba1, which is defined as "speculative". The issuers of the underlying collateral for the security are primarily banks. Management uses in-house and third party other-than-temporary impairment evaluation models to compare the present value of expected cash flows to the previous estimate to ensure there are no adverse changes in cash flows during the period. The other-than-temporary impairment model considers the structure and term of the collateralized debt obligations and the financial condition of the underlying issuers. Assumptions used in the model include expected future default rates and prepayments. The collateralized debt obligation remained classified as available for sale and represented $22 and $11 of the unrealized losses reported at June 30, 2019 and December 31, 2018, respectively.

Equity Securities

Equity securities consist of an investment in a qualified community reinvestment act investment fund, which is a publicly-traded mutual fund, and an investment in Pacific Coast Banker's Bank, a thinly traded, restricted stock. At June 30, 2019 and December 31, 2018, equity securities totaled $4,247 and $4,141, respectively.

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At June 30, 2019 and December 31, 2018, equity securities with readily determinable fair values were $4,001 and $3,895, respectively. The following is a summary of unrealized and realized gains and losses recognized in the condensed consolidated statements of income during the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net gains (losses) recorded during the period on equity securities	$ 57	$ (30)	$ 106	$ (94)
Less: net gains (losses) recorded during the period on equity securities sold during the period	—	—	—	—
Unrealized gains (losses) recorded during the period on equity securities held at the reporting date	$ 57	$ (30)	$ 106	$ (94)

The Company has elected to account for its investment in a thinly traded, restricted stock using the measurement alternative for equity securities without readily determinable fair values. The investment was reported at $246 for both June 30, 2019 and December 31, 2018.

Note 5—Loans

Major categories of loans were as follows:

	June 30, 2019	December 31, 2018
Residential real estate	$ 2,523,883	$ 2,452,441
Commercial real estate	220,388	250,955
Construction	172,656	176,605
Commercial lines of credit	28,774	37,776
Other consumer	30	26
Total loans	2,945,731	2,917,803
Less: allowance for loan losses	(20,918)	(21,850)
Loans, net	$ 2,924,813	$ 2,895,953

Loans with carrying values of $1.0 billion and $898.7 million were pledged as collateral on FHLB borrowings at June 30, 2019 and December 31, 2018, respectively.

The table presents the activity in the allowance for loan losses by portfolio segment for the three and six months ending June 30, 2019 and 2018:

Three Months Ended June 30, 2019	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 13,488	$ 2,351	$ 2,717	$ 824	$ 1	$ 1,317	$ 20,698
Provision (recovery) for loan losses	(738)	832	349	(44)	—	(219)	180
Charge offs	—	—	—	—	—	—	—
Recoveries	8	31	1	—	—	—	40
Total ending balance	$ 12,758	$ 3,214	$ 3,067	$ 780	$ 1	$ 1,098	$ 20,918

Six Months Ended June 30, 2019	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 13,826	$ 2,573	$ 3,273	$ 1,058	$ 1	$ 1,119	$ 21,850
Provision (recovery) for loan losses	(1,081)	579	(209)	(102)	—	(21)	(834)
Charge offs	—	—	—	(176)	—	—	(176)
Recoveries	13	62	3	—	—	—	78
Total ending balance	$ 12,758	$ 3,214	$ 3,067	$ 780	$ 1	$ 1,098	$ 20,918

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued
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Three Months Ended June 30, 2018	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 11,499	$ 2,572	$ 2,979	$ 616	$ 1	$ 1,465	$ 19,132
Provision (recovery) for loan losses	1,175	(17)	225	171	—	(434)	1,120
Charge offs	(4)	—	—	—	—	—	(4)
Recoveries	5	40	7	—	—	—	52
Total ending balance	$ 12,675	$ 2,595	$ 3,211	$ 787	$ 1	$ 1,031	$ 20,300

Six Months Ended June 30, 2018	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 12,279	$ 2,040	$ 2,218	$ 469	$ 1	$ 1,450	$ 18,457
Provision (recovery) for loan losses	393	484	985	318	—	(419)	1,761
Charge offs	(4)	—	—	—	—	—	(4)
Recoveries	7	71	8	—	—	—	86
Total ending balance	$ 12,675	$ 2,595	$ 3,211	$ 787	$ 1	$ 1,031	$ 20,300

The following tables present the balance in the allowance for loan losses and the recorded investment by portfolio segment and based on impairment method as of June 30, 2019 and December 31, 2018:

June 30, 2019	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 43	$ —	$ —	$ 6	$ —	$ —	$ 49
Collectively evaluated for impairment	12,715	3,214	3,067	774	1	1,098	20,869
Total ending allowance balance	$ 12,758	$ 3,214	$ 3,067	$ 780	$ 1	$ 1,098	$ 20,918
Loans:							
Loans individually evaluated for impairment	$ 220	$ 1,137	$ 7,486	$ 237	$ —	$ —	$ 9,080
Loans collectively evaluated for impairment	2,523,663	219,251	165,170	28,537	30	—	2,936,651
Total ending loans balance	$ 2,523,883	$ 220,388	$ 172,656	$ 28,774	$ 30	$ —	$ 2,945,731

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December 31, 2018	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 46	$ 30	$ 78	$ 195	$ —	$ —	$ 349
Collectively evaluated for impairment	13,780	2,543	3,195	863	1	1,119	21,501
Total ending allowance balance	$ 13,826	$ 2,573	$ 3,273	$ 1,058	$ 1	$ 1,119	$ 21,850
Loans:							
Loans individually evaluated for impairment	$ 228	$ 3,779	$ 7,412	$ 416	$ —	$ —	$ 11,835
Loans collectively evaluated for impairment	2,452,213	247,176	169,193	37,360	26	—	2,905,968
Total ending loans balance	$ 2,452,441	$ 250,955	$ 176,605	$ 37,776	$ 26	$ —	$ 2,917,803

The following tables present information related to impaired loans by class of loans as of and for the periods indicated:

	At June 30, 2019			At December 31, 2018		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses
With no related allowance for loan losses recorded:						
Residential real estate, first mortgage	$ 128	$ 102	$ —	$ —	$ —	$ —
Commercial real estate:						
Retail	1,339	1,137	—	1,370	1,174	—
Multifamily	—	—	—	1,088	1,083	—
Construction	7,487	7,486	—	4,751	4,751	—
Commercial lines of credit, C&I lending	100	100	—	—	—	—
Subtotal	9,054	8,825	—	7,209	7,008	—
With an allowance for loan losses recorded:						
Residential real estate, first mortgage	117	118	43	254	228	46
Commercial real estate, offices	—	—	—	1,530	1,522	30
Construction	—	—	—	2,661	2,661	78
Commercial lines of credit:						
Private banking	137	137	6	316	316	95
C&I lending	—	—	—	100	100	100
Subtotal	254	255	49	4,861	4,827	349
Total	$ 9,308	$ 9,080	$ 49	$ 12,070	$ 11,835	$ 349

In the above table, the unpaid principal balance is not reduced for partial charge offs. Also, the recorded investment excludes accrued interest receivable on loans which was not significant.

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	Three Months Ended					
	June 30, 2019			June 30, 2018		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance for loan losses recorded:						
Residential real estate, first mortgage	$ 104	$ —	$ —	$ —	$ —	$ —
Commercial real estate:						
Retail	1,146	15	10	1,220	16	11
Multifamily	—	—	—	1,102	12	8
Construction	7,391	172	100	4,715	99	46
Commercial lines of credit, C&I lending	100	2	1	—	—	—
Subtotal	8,741	189	111	7,037	127	65
With an allowance for loan losses recorded:						
Residential real estate, first mortgage	118	2	1	121	2	1
Commercial real estate, offices	—	—	—	1,541	22	15
Construction	—	—	—	2,643	52	17
Commercial lines of credit:						
Private banking	137	2	1	332	6	2
C&I lending	—	—	—	100	2	1
Subtotal	255	4	2	4,737	84	36
Total	$ 8,996	$ 193	$ 113	$ 11,774	$ 211	$ 101

	Six Months Ended					
	June 30, 2019			June 30, 2018		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance for loan losses recorded:						
Residential real estate, first mortgage	$ 105	$ —	$ —	$ —	$ —	$ —
Commercial real estate:						
Retail	1,156	30	25	1,228	32	27
Multifamily	541	12	12	547	12	8
Offices	761	25	25	—	—	—
Construction	8,435	318	246	2,485	99	46
Commercial lines of credit, C&I Lending	100	4	3	—	—	—
Subtotal	11,098	389	311	4,260	143	81
With an allowance for loan losses recorded:						
Residential real estate, first mortgage	119	3	2	122	3	2
Commercial real estate, offices	—	—	—	1,546	43	36
Construction	—	—	—	1,330	52	17
Commercial lines of credit:						
Private banking	138	4	3	336	11	7
C&I lending	—	—	—	50	2	1
Subtotal	257	7	5	3,384	111	63
Total	$ 11,355	$ 396	$ 316	$ 7,644	$ 254	$ 144

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Also presented in the table above is the average recorded investment of the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired. When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received under the cash basis method. The average balances are calculated based on the month-end balances of the loans for the period reported.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Residential real estate:				
Residential first mortgage	$ 6,590	$ 57	$ 4,360	$ 80
Commercial real estate:				
Retail	50	—	60	—
Total	$ 6,640	$ 57	$ 4,420	$ 80

The following tables present the aging of the recorded investment in past due loan by class of loans as of June 30, 2019 and December 31, 2018:

June 30, 2019	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate:						
Residential first mortgage	$ 3,975	$ 500	$ 6,647	$ 11,122	$ 2,490,057	$ 2,501,179
Residential second mortgage	210	—	—	210	22,494	22,704
Commercial real estate:						
Retail	—	—	50	50	6,250	6,300
Multifamily	—	—	—	—	59,196	59,196
Offices	—	—	—	—	25,276	25,276
Hotel/SROs	—	—	—	—	81,841	81,841
Industrial	—	—	—	—	14,629	14,629
Other	—	—	—	—	33,146	33,146
Construction	2,280			2,280	170,376	172,656
Commercial lines of credit:						
Private banking	—	—	—	—	14,692	14,692
C&I lending	—	—	—	—	14,082	14,082
Other consumer loans	—	—	—	—	30	30
Total	$ 6,465	$ 500	$ 6,697	$ 13,662	$ 2,932,069	$ 2,945,731

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December 31, 2018	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate:						
Residential first mortgage	$ 3,110	$ 1,257	$ 4,440	$ 8,807	$ 2,421,190	$ 2,429,997
Residential second mortgage	377	295	—	672	21,772	22,444
Commercial real estate:						
Retail	—	—	60	60	9,957	10,017
Multifamily	—	—	—	—	64,638	64,638
Offices	—	—	—	—	27,670	27,670
Hotel/SROs	—	—	—	—	101,414	101,414
Industrial	—	—	—	—	14,756	14,756
Other	—	—	—	—	32,460	32,460
Construction	1,971	—	—	1,971	174,634	176,605
Commercial lines of credit:						
Private banking	176	—	—	176	15,762	15,938
C&I lending	—	—	—	—	21,838	21,838
Other consumer loans	—	—	—	—	26	26
Total	$ 5,634	$ 1,552	$ 4,500	$ 11,686	$ 2,906,117	$ 2,917,803

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential real estate and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which is presented above, and by payment activity. The Company reviews the status of nonperforming loans which include loans 90 days past due and still accruing and nonaccrual loans.

Troubled Debt Restructurings

At June 30, 2019 and December 31, 2018, the balance of outstanding loans identified as troubled debt restructurings was $5,623 and $5,826, respectively. The allowance for loan losses on these loans was $49 and $261 at June 30, 2019 and December 31, 2018, respectively. There were no loans identified as troubled debt restructurings that subsequently defaulted.

During the six months ended June 30, 2019, the terms of a construction loan was modified by providing for an extension of the maturity dates at the contract's existing rate of interest, which is lower than the current market rate for new debt with similar risk. The total outstanding recorded investments was $1,046 both before and after modification. The effect of the modification on the allowance for loan losses was not significant. The Bank had commitments to lend an additional $308 to customers whose terms have been modified in troubled debt restructuring as of June 30, 2019. During the six months ended June 30, 2018, the Bank did not modify any loan as a troubled debt restructuring.

The terms of certain other loans have been modified during the six months ended June 30, 2019 and 2018 that did not meet the definition of a troubled debt restructuring. These other loans that were modified were not considered significant.

Credit Quality

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes homogeneous loans such as residential real estate and consumer loans and non-homogeneous loans, such as commercial lines of credit, construction and commercial real estate loans. This analysis is performed monthly. The Company uses the following definitions for risk ratings:

Pass: Loans are of satisfactory quality.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

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Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.

At June 30, 2019 and December 31, 2018, the risk rating of loans by class of loans was as follows:

June 30, 2019	Pass	Special Mention	Substandard	Doubtful	Total
Residential real estate:					
Residential first mortgage	$ 2,494,537	$ —	$ 2,362	$ 4,280	$ 2,501,179
Residential second mortgage	22,704	—	—	—	22,704
Commercial real estate:					
Retail	5,163	—	1,137	—	6,300
Multifamily	59,196	—	—	—	59,196
Offices	22,317	—	2,959	—	25,276
Hotel/SROs	78,312	—	3,529	—	81,841
Industrial	14,629	—	—	—	14,629
Other	26,501	—	6,645	—	33,146
Construction	155,069	4,665	12,922	—	172,656
Commercial lines of credit:					
Private banking	12,943	1,749	—	—	14,692
C&I lending	10,112	—	3,970	—	14,082
Other consumer loans	30	—	—	—	30
Total	$ 2,901,513	$ 6,414	$ 33,524	$ 4,280	$ 2,945,731

December 31, 2018	Pass	Special Mention	Substandard	Doubtful	Total
Residential real estate:					
Residential first mortgage	$ 2,425,584	$ —	$ 4,193	$ 220	$ 2,429,997
Residential second mortgage	22,444	—	—	—	22,444
Commercial real estate:					
Retail	8,843	—	1,174	—	10,017
Multifamily	63,555	—	1,083	—	64,638
Offices	27,670	—	—	—	27,670
Hotel/SROs	101,414	—	—	—	101,414
Industrial	14,756	—	—	—	14,756
Other	31,451	—	1,009	—	32,460
Construction	158,489	8,733	9,383	—	176,605
Commercial lines of credit:					
Private banking	15,762	—	176	—	15,938
C&I lending	17,785	—	4,053	—	21,838
Other consumer loans	26	—	—	—	26
Total	$ 2,887,779	$ 8,733	$ 21,071	$ 220	$ 2,917,803

The Bank sold pools of residential real estate mortgages for $71,915 and $157,508 during the three months ended June 30, 2019 and 2018, respectively, and $121,806 and $269,677 during the six months ended June 30, 2019 and 2018, respectively, to third-party investors. The transactions resulted in full derecognition of the mortgages (i.e. transferred assets) from the condensed consolidated balance sheets and recognition of gain on sale of portfolio loans of $1,860 and $5,068 for the three months ended June 30, 2019 and 2018, respectively, and $4,302 and $9,009 for the six months ended June 30, 2019 and 2018, respectively. After the sales, the Bank's only continuing involvement in the transferred assets is to act as servicer or subservicer of the mortgages.

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Note 6—Mortgage Servicing Rights, Net

The Bank records servicing assets from the sale of mortgage loans to the secondary market for which servicing has been retained. Residential real estate mortgage loans serviced for others are not included in the condensed consolidated balance sheets. The principal balance of these loans at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Residential real estate mortgage loan portfolios serviced for:		
FNMA	$ 93,894	$ 85,364
FHLB	90,644	92,229
Private investors	698,636	713,095

Custodial escrow balances maintained with these serviced loans were $18,223 and $13,593 at June 30, 2019 and December 31, 2018, respectively.

Activity for mortgage servicing rights and the related valuation allowance are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Mortgage servicing rights:				
Beginning of period	$ 10,892	$ 7,801	$ 10,733	$ 6,706
Additions	1,019	2,066	1,862	3,587
Amortization	(838)	(554)	(1,522)	(980)
End of period	11,073	9,313	11,073	9,313
Valuation allowance at beginning of period	137	21	100	210
Additions (recoveries)	1,164	(3)	1,201	(192)
Valuation allowance at end of period	1,301	18	1,301	18
Mortgage servicing rights, net	$ 9,772	$ 9,295	$ 9,772	$ 9,295

Servicing fee income, net of amortization of servicing rights and changes in the valuation allowance, was $(1,002) and $233 for the three months ended June 30, 2019 and 2018, respectively, and $(677) and $710 for the six months ended June 30, 2019 and 2018, respectively.

The fair value of mortgage servicing rights was $10,113 and $11,523 at June 30, 2019 and December 31, 2018, respectively. The fair value of mortgage servicing rights is highly sensitive to changes in underlying assumptions. Changes in prepayment speed assumptions have the most significant impact on the estimate of the fair value of mortgage servicing rights. The fair value at June 30, 2019 was determined using discount rates ranging from 9.5% to 12.0%, prepayment speeds ranging from 6.8% to 46.9%, depending on the stratification of the specific right, and a weighted average default rate of 0.2%. The fair value at December 31, 2018 was determined using discount rates ranging from 9.5% to 12.0%, prepayment speeds ranging from 6.8% to 33.6%, depending on the stratification of the specific right, and a weighted average default rate of 0.2%.

At June 30, 2019 and December 31, 2018, the carrying amount of certain individual groupings exceeded their fair values. See Note 13.

Note 7—Deposits

Time deposits, included in interest-bearing deposits, were $1,164,244 and $894,279 at June 30, 2019 and December 31, 2018, respectively. Time deposits includes brokered deposits of $75,000 and $33,750 at June 30, 2019 and December 31, 2018, respectively.

Time deposits that meet or exceed the FDIC insurance limit of $250 were $272,660 and $208,888 at June 30, 2019 and December 31, 2018, respectively.

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Note 8—Federal Home Loan Bank Borrowings

Federal Home Loan Bank borrowings at June 30, 2019 and December 31, 2018 consist of the following:

	June 30, 2019	Interest Rates	December 31, 2018	Interest Rates
Short-term fixed rate advances	$ —	—	$ 103,000	2.60%
Long-term fixed rate advances	240,000	0.98%-1.96%	190,000	0.98%-1.18%
Total FHLB advances	$ 240,000		$ 293,000	

FHLB Advances

The long-term fixed rate advances have maturity dates ranging from July 2019 to October 2026. Interest on advances is payable monthly and each advance is payable at its maturity date, and may contain a prepayment penalty if paid before maturity. At June 30, 2019, advances totaling $207,000 were callable by the FHLB as follows: $67,000 in September 2021; $90,000 in October 2021; and $50,000 in May 2024. At June 30, 2019, the Bank had additional borrowing capacity of $406,998 from the FHLB.

FHLB Overdraft Line of Credit

The Bank has established an overdraft line of credit agreement with the FHLB providing maximum borrowings of $50,000. The average amount outstanding during the six months ended June 30, 2019 and 2018 was $3,839 and $4,511, respectively. At June 30, 2019 and December 31, 2018, there were no outstanding borrowings under this agreement. Borrowings accrue interest based on a variable rate based on the FHLB's overnight cost of funds rate, which was 2.82% and 2.87% at June 30, 2019 and December 31, 2018, respectively. The agreement has a one-year term and terminates in October 2019.

The FHLB advances and the overdraft line of credit are collateralized by pledged loans totaling $1.0 billion at June 30, 2019.

Other Borrowings

The Company had available credit lines with other banks totaling $70,000 at June 30, 2019 and December 31, 2018. There were no borrowings under these credit lines during the six months ended June 30, 2019 and year ended December 31, 2018.

Note 9—Subordinated Notes, Net

The subordinated notes ("Notes") were as follows:

	June 30, 2019	December 31, 2018
7.0% fixed to floating rate subordinated notes	$ 65,000	$ 65,000
Unamortized note premium	504	533
Unamortized debt issuance costs	(402)	(504)
Total	$ 65,102	$ 65,029

The Notes bear interest at 7% per annum, payable semi-annually on April 15 and October 15 in arrears, through April 2021 after which the Notes will have a variable interest rate of the three-month LIBOR rate plus a margin of 5.82%. Premiums and debt issuance costs are amortized over the contractual term of the Notes into interest expense using the effective interest method. Interest expense on these Notes was $1,175 and $1,171 for the three months ended June 30, 2019 and 2018, respectively, and $2,349 and $2,343 for the six months ended June 30, 2019 and 2018, respectively. The Notes mature in April 2026.

On or after April 14, 2021, the Company may redeem the Notes, in whole or in part, at an amount equal to 100% of the outstanding principal amount being redeemed plus accrued interest, in a principal amount with integral multiples of $1. The Notes are not redeemable by the Company prior to April 14, 2021 except in the event that (i) the Notes no longer qualify as Tier 2 Capital, (ii) the interest on the Notes is determined by law to be not deductible for Federal Income Tax reporting or (iii) the Company is considered an investment company pursuant to the Investment Company Act of 1940. The Notes are not subject to redemption by the noteholder.

The Notes are unsecured obligations and are subordinated in right of payment to all existing and future indebtedness, deposits and other liabilities of the Company's current and future subsidiaries, including the Bank's deposits as well as the Company's subsidiaries liabilities to general creditors and liabilities arising during the ordinary course of business. The Notes may be included in Tier 1 capital of the Bank and Tier 2 capital for the Company under current regulatory guidelines and interpretations. As long as the Notes are outstanding, the Company is permitted to pay dividends if prior to such dividends, the Bank is considered well capitalized, as defined in Note 14, Regulatory Capital Requirements.

Note 10—Stock Repurchase Program

In late 2018, the board of directors approved the repurchase of up to $50,000 of the Company's outstanding shares of common stock. The stock repurchase program permits the Company to purchase shares of its common stock from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date. The Company received regulatory approval of its stock repurchase program and publicly announced the program in January 2019. Under this program, the Company is not obligated to repurchase shares of its common stock. The repurchased shares will be canceled and returned to authorized but unissued status.

During the three months ended June 30, 2019, the Company repurchased and cancelled 1,034,792 shares of its common stock for $10,011, including commissions and fees (average repurchase price of $9.67 per share). During the six months ended June 30, 2019, the Company repurchased and cancelled 2,247,366 shares of its common stock for $21,555, including commissions and fees (average repurchase price of $9.59 per share). Such repurchases of common stock were funded through cash generated from operations. As of June 30, 2019, the Company had $28,445 of common stock purchases remaining that may be made under the program.

Note 11—Stock-based Compensation

The board of directors established a 2017 Omnibus Equity Incentive Plan (the "Plan") which was approved by the shareholders. The Plan provides for the grant of up to 4,237,100 shares of common stock for stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards for issuance to employees, consultants and board of directors of the Company. The stock-based awards are issued at no less than the market price on the date the awards are granted.

Stock Options

Stock option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of grant. The stock option awards generally vest in installments of 50% in each of the third and fourth year after the date of grant and have a maximum term of ten years.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted below. Estimating the grant date fair values for employee stock options requires management to make assumptions regarding expected volatility of the value of those underlying shares, the risk-free rate over the expected life of the stock options and the date on which share-based payments will be settled. Expected volatilities are based on a weighted average of the Company's historic volatility and an implied volatility for a group of industry-relevant bank holding companies as of the measurement date. The expected term of options granted is calculated using the simplified method (the midpoint between the end of the vesting period and the end of the maximum term). The risk-free rate for the expected term of the option is based upon U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield represents what the Company anticipates will be declared during the expected term of the options.

On March 1, 2019, the board of directors approved the issuance of options to purchase 84,889 shares of common stock with an exercise price of $10.12 to certain key employees which are accounted for as equity awards. These options to purchase shares of common stock had a weighted average grant-date fair value of $3.20 per option. The grant-date fair value of each stock option award is estimated using the Black-Scholes option pricing model that uses the assumptions set forth in the following table:

Exercise price of options	$10.12
Risk-free interest rate	2.66%
Expected term (in years)	6.75
Expected stock price volatility	26.26%
Dividend yield	.40%

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A summary of the stock option activity as of and for the six months ended June 30, 2019 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2019	92,625	$ 13.73	9.22	$ —
Granted	84,889	10.12		
Exercised	—	—		
Forfeited	(3,000)	13.73		
Outstanding at June 30, 2019	174,514	$ 11.97	9.19	$ —

The Company recorded share-based compensation expense associated with stock options of $39 and $26 for the three months ended June 30, 2019 and 2018, respectively, and $71 and $29 for the six months ended June 30, 2019 and 2018, respectively. At June 30, 2019, there was $527 of total unrecognized compensation cost related to nonvested stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of 3.17 years. No options are exercisable at June 30, 2019.

Restricted Stock Awards

On March 1, 2019, the board of directors approved the issuance of 71,144 restricted stock awards to certain key employees. The restricted stock awards vest in installments of 50% in each of the third and fourth year after the date of grant. On May 23, 2019, the board of directors approved an additional issuance of 10,460 restricted stock awards to non-employee directors that vest on the first anniversary of the grant date. Upon a change in control, as defined in the Plan, the outstanding restricted stock awards will immediately vest. The value of a restricted stock award is based on the market value of the Company's common stock at the date of grant reduced by the present value of dividends per share expected to be paid during the period the shares are not vested.

A summary of the restricted stock awards activity as of and for the six months ended June 30, 2019 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2019	48,975	$ 13.55
Granted	81,604	9.91
Vested	(8,419)	13.62
Forfeited	—	—
Nonvested at June 30, 2019	122,160	$ 11.12

The fair value of the award is recorded as compensation expense on a straight-line basis over the vesting period. The Company recorded share-based compensation expense associated with restricted stock awards of $114 and $50 for the three months ended June 30, 2019 and 2018, respectively, and $208 and $56 for the six months ended June 30, 2019 and 2018, respectively. At June 30, 2019, there was $1,050 of total unrecognized compensation cost related to the nonvested stock granted under the Plan. The cost is expected to be recognized over a weighted-average period of 3.15 years.

Note 12—Income Per Share

Basic income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted income per common share further includes any common shares available to be issued upon the exercise of outstanding stock options and restricted stock awards if such inclusions would be dilutive. The Company determines the potentially dilutive common shares using the treasury stock method. The following table presents the computation of income per share, basic and diluted:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 13,434	$ 15,982	$ 29,117	$ 31,731
Denominator:				
Weighted average common shares outstanding, basic	51,510,951	52,963,308	52,029,816	52,963,308
Weighted average effect of potentially dilutive common shares:				
Stock options	—	—	—	—
Restricted stock	9,993	2,057	9,184	1,825
Weighted average common shares outstanding, diluted	51,520,944	52,965,365	52,039,000	52,965,133
Income per share, basic and diluted	$ 0.26	$ 0.30	$ 0.56	$ 0.60

The weighted average effect of certain stock options and nonvested restricted stock that were excluded from the computation of weighted average diluted shares outstanding as inclusion of such items would be anti-dilutive, are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Stock options	174,514	92,625	174,514	92,625
Restricted stock	10,460	—	57,352	—
Total	184,974	92,625	231,866	92,625

Note 13—Fair Values of Financial Instruments

Financial instruments include assets carried at fair value, as well as certain assets and liabilities carried at cost or amortized cost but disclosed at fair value in these condensed consolidated financial statements. Fair value is defined as the exit price, the price that would be received for an asset or paid to transfer a liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date under current market conditions. The inputs to valuation techniques used to measure fair value are prioritized into a three-level hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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 reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Investment Securities

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar investment securities (Level 2). For investment securities where quoted prices or market prices of similar investment securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to LIBOR curves that are updated to incorporate loss severities, volatility, credit spread and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the analysis. Rating agency and industry research reports as well as defaults and deferrals on individual investment securities are reviewed and incorporated into the calculations.

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Impaired Loans

The fair value of collateral dependent impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach, such as comparable sales or income approach, or a combination of both. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers whose qualifications and licenses have been reviewed and verified by us. Once received, an appraisal compliance review is completed in accordance with regulatory guidelines.

Mortgage Servicing Rights

Fair value of mortgage servicing rights is initially determined at the individual grouping level based on an internal valuation model that calculates the present value of estimated future net servicing income. On a quarterly basis, mortgage servicing rights are evaluated for impairment based upon third party valuations obtained. As disclosed in Note 6, the valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income (Level 3).

Assets Measured at Fair Value on a Recurring Basis

The table below presents the assets measured at fair value on a recurring basis categorized by the level of inputs used in the valuation of each asset at June 30, 2019 and December 31, 2018:

		Fair Value Measurements at June 30, 2019		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Available for sale debt securities:				
U.S. Treasury securities	$ 147,523	$ 147,523	$ —	$ —
Collateralized mortgage obligations	1,395	—	1,395	—
Collateralized debt obligations	284	—	—	284
Equity securities	4,001	4,001	—	—

		Fair Value Measurements at December 31, 2018		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Available for sale debt securities:				
U.S. Treasury securities	$ 142,858	$ 142,858	$ —	$ —
Collateralized mortgage obligations	1,600	—	1,600	—
Collateralized debt obligations	297	—	—	297
Equity securities	3,895	3,895	—	—

There were no transfers between Level 1 and Level 2 during 2019 and 2018.

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The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2019 and December 31, 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Investment Securities	
	June 30, 2019 Collateralized Debt Obligations	December 31, 2018 Collateralized Debt Obligations
Balance of recurring Level 3 assets at January 1,	$ 297	$ 571
Total gains or losses (realized/unrealized):		
Included in income-realized	—	—
Included in other comprehensive income (loss)	(11)	24
Principal maturities/settlements	(2)	(298)
Sales	—	—
Transfers in and/or out of Level 3	—	—
Balance of recurring Level 3 assets at end of period	$ 284	$ 297

Unrealized losses on Level 3 investments for collateralized debt obligations was $22 at June 30, 2019. In addition to the amounts included in income for the six months ended June 30, 2019 as presented in the table above, interest income recorded on collateralized debt obligations was $8. Unrealized losses on Level 3 investments for collateralized debt obligations were $11 at December 31, 2018. In addition to the amounts included in income for the year ended December 31, 2018 as presented in the table above, interest income recorded on collateralized debt obligations was $16.

The fair value of the collateralized debt obligations is obtained from third party pricing information. It is determined by calculating discounted cash flows using LIBOR curves plus spreads that adjust for credit risk and illiquidity. The Company also performs an internal analysis that considers the structure and term of the collateralized debt obligations and the financial condition of the underlying issuers to collaborate the information used from the independent third party.

Assets Measured at Fair Value on a Non-Recurring Basis

From time to time, the Bank may be required to measure certain other assets at fair value on a nonrecurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis which were still held in the condensed consolidated balance sheet at June 30, 2019 and December 31, 2018, the following table provides the level of valuation assumptions used to determine each adjustment and the related carrying value:

	Fair Value Measurements at June 30, 2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage servicing rights	$ 7,902	$ —	$ —	$ 7,902

	Fair Value Measurements at December 31, 2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans:				
Construction	$ 2,583	$ —	$ —	$ 2,583
Residential real estate	108	—	—	108
Mortgage servicing rights	1,858	—	—	1,858

As discussed previously, the fair values of collateral dependent impaired loans carried at fair value are determined by third-party appraisals. Management adjusts these appraised values based on the age of the appraisal and the type of the property. The following

table presents quantitative information about Level 3 fair value measurements for the financial instruments measured at fair value on a nonrecurring basis at June 30, 2019 and December 31, 2018:

	Quantitative Information about Level 3 Fair Value Measurements at June 30, 2019			
	Fair Value	Valuation Technique	Unobservable Inputs	
Mortgage servicing rights	$ 7,902	Discounted cash flow	Discount rate	9.5% – 12.0%
			Prepayment speed	7.3% – 46.9%
			Weighted average default rate	0.2%

	Quantitative Information about Level 3 Fair Value Measurements at December 31, 2018			
	Fair Value	Valuation Technique	Unobservable Inputs	
Impaired loans:				
Construction	$ 2,583	Sales comparison approach	Management discount for property type and recent market volatility	10%
Residential real estate	108	Sales comparison approach	Management discount for property type and recent market volatility	10%
Mortgage servicing rights	1,858	Discounted cash flow	Discount rate	9.5% - 12.0%
			Prepayment speed	7.0% - 33.6%
			Weighted average default rate	0.2%

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments not carried at fair value at June 30, 2019 and December 31, 2018, are as follows:

	Fair Value Measurements at June 30, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	$ 80,416	$ 80,416	$ 80,416	$ —	$ —
Interest-bearing time deposits with other banks	1,100	1,100	—	1,100	—
Mortgage loans held for sale	500	510	—	510	—
Loans, net	2,924,813	2,992,566	—	—	2,992,566
Financial Liabilities					
Time deposits	1,164,244	1,164,898	—	1,164,898	—
Federal Home Loan Bank borrowings	240,000	238,316	—	238,316	—
Subordinated notes, net	65,102	67,600	—	67,600	—

	Fair Value Measurements at December 31, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	$ 52,526	$ 52,526	$ 52,526	$ —	$ —
Interest-bearing time deposits with other banks	1,100	1,100	1,100	—	—
Mortgage loans held for sale	1,248	1,261	—	1,261	—
Loans, net	2,893,262	2,987,419	—	—	2,987,419
Financial Liabilities					
Time deposits	894,279	890,020	—	890,020	—
Federal Home Loan Bank borrowings	293,000	285,265	—	285,265	—
Subordinated notes, net	65,029	65,650	—	65,650	—

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Note 14—Regulatory Capital Requirements

The Bank is subject to the capital adequacy requirements of the OCC. The Company, as a thrift holding company, is subject to the capital adequacy requirements of the Federal Reserve. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors, and the regulators could lower classifications in certain cases. Prompt corrective action provisions are not applicable to thrift holding companies. Failure to meet minimum capital requirements can initiate regulatory action that could have a direct material effect on the condensed consolidated financial statements.

Prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition.

Under the Basel III rules, the Company must hold a capital conservation buffer over the adequately capitalized risk-based capital ratios. The capital conservation buffer was 2.50% starting January 1, 2019. The net unrealized gain or loss on investment securities is not included in regulatory capital. Starting January 1, 2019, banking organizations are required to maintain a minimum total capital ratio of 10.5%, a minimum Tier 1 capital ratio of 8.5% and a minimum common equity Tier 1 capital ratio minimums of 7.0%, respectively. Management believes that at June 30, 2019, the Company and the Bank have met all regulatory capital requirements on a fully phased-in basis under the Basel III rules.

At June 30, 2019, the most recent regulatory notifications categorized the Bank as well capitalized. There have been no conditions or events since these notifications that management believes would have changed the Bank’s category.

At June 30, 2019 and December 31, 2018, the Bank exceeded all capital requirements to be categorized as well-capitalized and the Company exceeded the Capital Adequacy requirements as presented below. The Company and the Bank’s actual and minimum required capital amounts and ratios, with such regulatory minimum not including the capital conservation buffer, at June 30, 2019 and December 31, 2018 are as follows:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2019						
Total adjusted capital to risk weighted assets						
Consolidated	$ 427,660	21.91%	$ 156,117	8.00%	N/A	N/A
Bank	345,661	17.72	156,090	8.00	$ 195,113	10.00%
Tier 1 (core) capital to risk weighted assets						
Consolidated	341,640	17.51	117,088	6.00	N/A	N/A
Bank	324,743	16.64	117,068	6.00	156,090	8.00
Common Equity Tier 1 (CET1)						
Consolidated	341,640	17.51	87,816	4.50	N/A	N/A
Bank	324,743	16.64	87,801	4.50	126,823	6.50
Tier 1 (core) capital to adjusted tangible assets						
Consolidated	341,640	10.40	131,432	4.00	N/A	N/A
Bank	324,743	9.88	131,430	4.00	164,288	5.00

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	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Total adjusted capital to risk weighted assets						
Consolidated	$ 421,495	21.98%	$ 153,426	8.00%	N/A	N/A
Bank	324,905	16.94	153,403	8.00	$ 191,754	10.00%
Tier 1 (core) capital to risk weighted assets						
Consolidated	334,616	17.45	115,069	6.00	N/A	N/A
Bank	303,055	15.80	115,052	6.00	153,403	8.00
Common Equity Tier 1 (CET1)						
Consolidated	334,616	17.45	86,302	4.50	N/A	N/A
Bank	303,055	15.80	86,289	4.50	124,640	6.50
Tier 1 (core) capital to adjusted tangible assets						
Consolidated	334,616	10.42	128,431	4.00	N/A	N/A
Bank	303,055	9.44	128,430	4.00	160,538	5.00

Dividend Restrictions

As noted above, banking regulations require the Bank to maintain certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to its shareholders. The Company's principal source of funds for dividend payments is dividends received from the Bank and banking regulations limit the dividends that may be paid. Also, pursuant to the terms of the subordinated note agreements, the Company may pay dividends if it is "well capitalized" as defined by regulatory guidelines. At June 30, 2019, $175,766 of consolidated retained earnings were available to pay dividends to the Company's shareholders.

The Qualified Thrift Lender ("QTL") test requires that a minimum of 65% of assets be maintained in housing-related finance and other specified areas. If the QTL test is not met, limits are placed on growth, branching, new investments, FHLB Advances and dividends, or the Bank must convert to a commercial bank charter. Management believes that the QTL test has been met.

Note 15—Related Party Transactions

From time to time, the Company makes charitable contributions to a foundation which certain members of the board of directors of the Company and Bank, and whom are also related to the Company's principal shareholder, serve as trustees of the foundation. The Company paid $225 to the foundation during the three months ended June 30, 2019 and 2018, and $450 during the six months ended June 30, 2019 and 2018.

The Bank provides monthly data processing and programming services to entities controlled by the Company's principal shareholders. Aggregate fees received amounted to $25 and $29 during the three months ended June 30, 2019 and 2018, respectively, and $52 and $54 during the six months ended June 30, 2019 and 2018, respectively.

Related party leases are disclosed in Note 16, Operating Leases.

Note 16—Operating Leases

The Company leases its corporate headquarters and branch offices through noncancelable operating lease contracts. Such noncancelable operating lease contracts convey the right to control such real estate for a period of time in exchange for consideration. The operating leases have remaining terms ranging from 2019 to 2029, and generally have options to extend for one or two five-year periods. Beginning in 2019, the lease term may include options to extend the lease when it is reasonably certain that the option will be exercised based on the facts and circumstances at lease commencement. The lease agreements, most often, provide for rental payments that increase over the lease term based on a fixed percentage or based on a specified consumer price index. Any changes in the consumer price index after the lease commencement date are considered variable lease payments and recorded in the period when

incurred. Additionally, the Company, in most cases, is required to pay insurance costs, real estate taxes and other operating expenses such as common area maintenance.

The Company leases certain storage and office space from entities owned by the Company's principal shareholders. Amounts paid under such leases totaled $13 and $17 during the three months ended June 30, 2019 and 2018, respectively, and $26 and $34 during the six months ended June 30, 2019 and 2018, respectively. The Company also subleases certain office space to entities owned by the Company's principal shareholders. Amounts received under such subleases totaled $69 and $67 during the three months ended June 30, 2019 and 2018, respectively, and $137 and $135 during the six months ended June 30, 2019 and 2018.

Rent expense totaled $948 and $1,869 for the three and six months ended June 30, 2018, respectively. The components of lease expense, which are recorded in noninterest expense – occupancy and equipment, in the condensed consolidated statements of income for the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 1,134	$ 2,260
Variable lease cost	277	551
Total	$ 1,411	$ 2,811

Maturities of lease liabilities, including reconciliation to the lease liabilities, based on required contractual payments, were as follows:

Year Ended December 31,	
2019 (excluding the six months ended June 30, 2019)	$ 2,187
2020	4,119
2021	3,491
2022	2,709
2023	2,459
Thereafter	9,495
Total lease payments	24,460
Less: future interest costs[(a)]	(2,980)
Present value of lease liabilities	$ 21,480

(a) Computed using the estimated interest rate for each lease

Other information related to the lease liabilities as of and for the six months ended June 30, 2019 was as follows:

Other Information	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 2,104
Weighted average remaining lease term	7.14 years
Weighted average discount rate	3.55%

Note 17—Commitments and Contingencies

Legal Proceedings

The Company and its subsidiaries may be subject to legal actions and claims arising from contracts or other matters from time to time in the ordinary course of business. Management is not aware of any pending or threatened litigation where the ultimate disposition or resolution could have a material adverse effect on its financial position, results of operations or liquidity.

Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit which are not reflected in the condensed consolidated financial statements.

Unfunded Commitments to Extend Credit

A commitment to extend credit, such as a loan commitment, credit line and overdraft protection, is a legally binding agreement to lend funds to a customer, usually at a stated interest rate and for a specific purpose. Such commitments have fixed expiration dates and generally require a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Bank will experience is expected to be lower than the contractual amount of commitments to extend credit because a significant portion of those commitments are expected to expire without being drawn upon. Certain commitments are subject to loan agreements containing covenants regarding the financial performance of the customer that must be met before the Bank is required to fund the commitment. The Bank uses the same credit policies in making commitments to extend credit as it does in making loans.

The commitments outstanding to make loans include primarily residential real estate loans that are made for a period of 90 days or less. At June 30, 2019, outstanding commitments to make loans consisted of fixed rate loans of $15,602 with interest rates ranging from 2.75% to 4.875% and maturities ranging from 15 years to 30 years and variable rate loans of $212,885 with varying interest rates (ranging from 3.125% to 7.875% at June 30, 2019) and maturities ranging from 1 to 30 years.

Standby Letters of Credit

Standby letters of credit are issued on behalf of customers in connection with construction contracts between the customers and third parties. Under standby letters of credit, the Bank assures that the third parties will receive specified funds if customers fail to meet their contractual obligations. The credit risk to the Bank arises from its obligation to make payment in the event of a customer’s contractual default. The maximum amount of potential future payments guaranteed by the Bank is limited to the contractual amount of these letters. Collateral may be obtained at exercise of the commitment. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The following is a summary of the total amount of unfunded commitments to extend credit and standby letters of credit outstanding at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Commitments to make loans	$ 228,487	$ 241,809
Unused lines of credit	191,122	160,803
Standby letters of credit	70	70

Note 18—Subsequent Events

Subsequent to June 30, 2019, the Company repurchased and canceled 329,443 shares of common stock for $3,300, including commission and fees.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements, related notes, and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed on March 18, 2019 with the U.S. Securities and Exchange Commission ("SEC").

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "attribute," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "goal," "target," "outlook," "aim," "would," "annualized" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

The forward-looking statements in this report should be read in conjunction with other cautionary statements that are included in the items set forth under the heading "*Risk Factors*" in our Annual Report on Form 10-K for the year ended December 31, 2018. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise except as required by law. New risks and uncertainties arise from time to time, and it is not possible for us to predict those events or how they may affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

We are a unitary thrift holding company headquartered in Southfield, Michigan with our primary branch operations in San Francisco and Los Angeles, California. Through our wholly owned bank subsidiary, Sterling Bank and Trust, F.S.B., a qualified thrift lender, we offer a broad range of loan products to the residential and commercial markets, as well as retail and business banking services.

We have grown significantly since 2013 while maintaining stable margins and solid asset quality. We have made significant investments over the last several years in staffing and upgrading technology and system security. In the first quarter of 2019, we opened a new branch in Koreatown in the Los Angeles market. As of June 30, 2019, the Company had total consolidated assets of $3.28 billion, total consolidated deposits of $2.55 billion and total consolidated shareholders' equity of $342.1 million.

For the three months ended June 30, 2019, we originated loans of $356.5 million, down from $433.9 million for the same period of 2018, which included $316.1 million in residential mortgage loans, $38.7 million in construction loans, $1.2 million in commercial real estate loans, and $0.5 million in commercial lines of credit. For the six months ended June 30, 2019, we originated loans of $661.4 million, down from $841.8 million for the same period of 2018, which included $573.7 million in residential mortgage loans, $86.0 million in construction loans, $1.2 million in commercial real estate loans, and $0.5 million in commercial lines of credit. Also, for the three and six months ended June 30, 2019, we sold pools of residential mortgages loans for $71.9 million and $121.8 million, respectively, to third-party investors. We continue to focus on the residential mortgage market, construction, and commercial real estate lending.

Net income for the three months ended June 30, 2019 was $13.4 million, or $0.26 per diluted share as compared to $16.0 million, or $0.30 per diluted share, for the same period in 2018.

Net income for the six months ended June 30, 2019 was $29.1 million, or $0.56 per diluted share as compared to $31.7 million, or $0.60 per diluted share, for the same period in 2018.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP and with general practices within the financial services industry. Application of these principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

During the six months ended June 30, 2019, there were no significant changes to our critical accounting policies and estimates, which are disclosed in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC.

Discussion and Analysis of Financial Condition

The following sets forth a discussion and analysis of our financial condition as of the dates presented below.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At June 30, 2019		At December 31, 2018	
	Amount	%	Amount	%
	(Dollars in thousands)			
Real estate:				
Residential real estate	$ 2,523,883	86%	$ 2,452,441	84%
Commercial real estate	220,388	7%	250,955	9%
Construction	172,656	6%	176,605	6%
Total real estate	2,916,927	99%	2,880,001	99%
Commercial lines of credit	28,774	1%	37,776	1%
Other consumer	30	—%	26	—%
Total loans	2,945,731	100%	2,917,803	100%
Allowance for loan losses	(20,918)		(21,850)	
Loans, net	$ 2,924,813		$ 2,895,953	

The following table sets forth our fixed and adjustable-rate loans in our loan portfolio at June 30, 2019:

	Fixed	Adjustable	Total
		(In thousands)	
Real estate:			
Residential real estate	$ 15,643	$ 2,508,240	$ 2,523,883
Commercial real estate	30,430	189,958	220,388
Construction	—	172,656	172,656
Commercial lines of credit	441	28,333	28,774
Other consumer	30	—	30
Total	$ 46,544	$ 2,899,187	$ 2,945,731

The table set forth below contains the repricing dates of adjustable rate loans included within our loan portfolio as of June 30, 2019:

June 30, 2019	Residential Real Estate	Commercial Real Estate	Construction	Commercial Lines of Credit	Other Consumer	Total
			(In thousands)			
Amounts to adjust in:						
6 months or less	$ 419,735	$ 15,417	$ 172,656	$ 28,333	$ —	$ 636,141
More than 6 months through 12 months	393,426	14,119	—	—	—	407,545
More than 12 months through 24 months	417,946	45,794	—	—	—	463,740
More than 24 months through 36 months	669,659	27,532	—	—	—	697,191
More than 36 months through 60 months	529,914	87,096	—	—	—	617,010
More than 60 months	77,560	—	—	—	—	77,560
Fixed to maturity	15,643	30,430	—	441	30	46,544
Total	$ 2,523,883	$ 220,388	$ 172,656	$ 28,774	$ 30	$ 2,945,731

At June 30, 2019, $277.1 million, or 10%, of our adjustable interest rate loans were at their interest rate floor.

Delinquent Loans. The following tables set forth our loan delinquencies, including nonaccrual loans, by type and amount at the dates indicated.

	June 30, 2019			December 31, 2018		
	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)			
Residential real estate	$ 4,185	$ 500	$ 6,647	$ 3,487	$ 1,552	$ 4,440
Commercial real estate	—	—	50	—	—	60
Construction	2,280	—	—	1,971	—	—
Commercial lines of credit	—	—	—	176	—	—
Other consumer	—	—	—	—	—	—
Total delinquent loans	$ 6,465	$ 500	$ 6,697	$ 5,634	$ 1,552	$ 4,500

Nonperforming Assets

Nonperforming assets include loans that are 90 or more days past due or on nonaccrual status, including troubled debt restructurings and other loan collateral acquired through foreclosure and repossession. Loans 90 days or greater past due may remain on an accrual basis if adequately collateralized and in the process of collection. At June 30, 2019 and December 31, 2018, we had $57 thousand and $80 thousand of accruing loans past due 90 days. For nonaccrual loans, interest previously accrued but not collected is reversed and charged against income at the time a loan is placed on nonaccrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Troubled debt restructurings are modified loans in which a borrower demonstrates financial difficulties and for which a concession has been granted. At June 30, 2019 and December 31, 2018, we had troubled debt restructuring loans of $152 thousand and $168 thousand, respectively, on nonaccrual status.

The following table sets forth information regarding our nonperforming assets at the dates indicated.

	At June 30, 2019	At December 31, 2018
	(Dollars in thousands)	
Nonaccrual loans [(1)]:		
Residential real estate	$ 6,590	$ 4,360
Commercial real estate	50	60
Construction	—	—
Commercial lines of credit	—	—
Other consumer	—	—
Total nonaccrual loans	6,640	4,420
Loans past due 90 days and still accruing	57	80
Troubled debt restructurings [(2)]	5,471	5,657
Real estate owned	22	—
Total nonperforming assets	$ 12,190	$ 10,157
Total loans	$ 2,945,731	$ 2,917,803
Total assets	$ 3,279,132	$ 3,196,774
Total nonaccrual loans to total loans	0.23%	0.15%
Total nonperforming assets to total assets	0.37%	0.32%

(1) Loans are presented before the allowance for loan losses.
(2) Troubled debt restructurings exclude those loans presented above as nonaccrual or past 90 days and still accruing.

Allowance for Loan Losses

The allowance for loan losses is maintained at levels considered adequate by management to provide for probable loan losses inherent in the loan portfolio as of the condensed consolidated balance sheet reporting dates. The allowance for loan losses is based on management's assessment of various factors affecting the loan portfolio, including loss experience, portfolio composition, delinquent and nonaccrual loans, national and local business conditions and an overall evaluation of the quality of the underlying collateral.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Allowance for loan losses at beginning of period	$ 20,698	$ 19,132	$ 21,850	$ 18,457
Provision (recovery) for loan losses	180	1,120	(834)	1,761
Charge offs:				
Residential real estate	—	(4)	—	(4)
Commercial real estate	—	—	—	—
Construction	—	—	—	—
Commercial lines of credit	—	—	(176)	—
Other consumer	—	—	—	—
Total charge offs	—	(4)	(176)	(4)
Recoveries:				
Residential real estate	8	5	13	7
Commercial real estate	31	40	62	71
Construction	1	7	3	8
Commercial lines of credit	—	—	—	—
Other consumer	—	—	—	—
Total recoveries	40	52	78	86
Allowance for loan losses at end of period	$ 20,918	$ 20,300	$ 20,918	$ 20,300
Nonperforming loans and troubled debt restructurings at end of period	$ 12,168	$ 3,583	$ 12,168	$ 3,583
Total loans outstanding at end of period	$ 2,945,731	$ 2,836,456	$ 2,945,731	$ 2,836,456
Average loans outstanding during period	$ 2,994,142	$ 2,829,819	$ 2,968,345	$ 2,782,055
Allowance for loan losses to nonperforming loans and troubled debt restructurings	172%	567%	172%	567%
Allowance for loan losses to total loans at end of period	0.71%	0.72%	0.71%	0.72%
Net charge offs (recoveries) to average loans outstanding during the period	0.00%	0.00%	0.00%	0.00%

Allocation of Allowance for Loan Losses. The following tables set forth the allowance for loan losses allocated by loan category. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance for loan losses to absorb losses in other categories.

	At June 30, 2019		At December 31, 2018	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)			
Residential real estate	$ 12,758	86%	$ 13,826	84%
Commercial real estate	3,214	7%	2,573	9%
Construction	3,067	6%	3,273	6%
Commercial lines of credit	780	1%	1,058	1%
Other consumer	1	—%	1	—%
Unallocated	1,098	N/A	1,119	N/A
Total	$ 20,918	100%	$ 21,850	100%

The allowance for loan losses as a percentage of loans was 0.71% and 0.75% as of June 30, 2019 and December 31, 2018, respectively. The decrease in the allowance for loan losses as a percentage of total loans at June 30, 2019, as compared to December 31, 2018 was primarily attributable to the release of previously recorded allowance for loan losses as the Company has experienced an elongated period of very low credit losses.

At June 30, 2019 and December 31, 2018, we had impaired loans of $9.1 million and $11.8 million, respectively. The decrease in impaired loans was primarily due to payoffs of previously impaired loans.

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and our results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while we believe we have established our allowance for loan losses in conformity with generally accepted accounting principles in the United States of America, there can be no assurance that regulators, in reviewing our loan portfolio, will not require us to increase our allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of any loans deteriorate. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

Investment Securities Portfolio

The following table sets forth the amortized cost and estimated fair value of our available for sale debt securities portfolio at the dates indicated.

	At June 30, 2019		At December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
U.S. Treasury securities	$ 147,279	$ 147,523	$ 142,905	$ 142,858
Collateralized mortgage obligations	1,356	1,395	1,554	1,600
Collateralized debt obligations	306	284	308	297
Total	$ 148,941	$ 149,202	$ 144,767	$ 144,755

At June 30, 2019 and December 31, 2018, we had no investments in a single company or entity, other than the U.S. government, with an aggregate book value in excess of 10% of our total shareholders' equity.

We review the debt securities portfolio on a quarterly basis to determine the cause, magnitude and duration of declines in the fair value of each security. In estimating other-than-temporary impairment, we consider many factors including: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether we have the intent to sell the security or more likely than not will be required to sell the security before its anticipated recovery. 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 income. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) other-than-temporary impairment related to credit loss, which must be recognized in the condensed consolidated statements of income and (2) other-than-temporary impairment related to other factors, which is recognized in other comprehensive income (loss). The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. The assessment of whether any other than temporary decline exists may involve a high degree of subjectivity and judgment and is based on the information available to management at a point in time. We evaluate debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

At June 30, 2019, gross unrealized losses on debt securities totaled $26 thousand. We do not consider the debt securities to be other-than-temporarily impaired at June 30, 2019, since (i) the decline in fair value is attributable to changes in interest rates and illiquidity, not credit quality, (ii) we do not have the intent to sell the debt securities and (iii) it is likely that we will not be required to sell the debt securities before their anticipated recovery.

The Company's equity securities consist of an investment in a qualified community reinvestment act investment fund, which is a publicly-traded mutual fund and an investment in Pacific Coast Banker's Bank, a thinly traded, restricted stock. At June 30, 2019 and December 31, 2018, equity securities totaled $4.2 million and $4.1 million, respectively.

Deposits

Total deposits were $2.55 billion at June 30, 2019, compared with $2.45 billion at December 31, 2018. The increase was attributable to an increase in our retail time deposits and brokered deposits, partially offset by a decrease in our money market deposit products. Retail time deposits increased by $228.7 million to $1.09 billion at June 30, 2019. Our brokered deposits increased by $41.3 million to $75.0 million at June 30, 2019. Money market deposits decreased by $174.6 million to $1.12 billion at June 30, 2019. We continue to focus on the acquisition and expansion of core deposit relationships, which we define as all deposits except for time deposits greater than $250 thousand and brokered deposits. Core deposits totaled $2.23 billion at June 30, 2019, or 87.7% of total deposits at that date.

Borrowings

At June 30, 2019, we had the ability to borrow a total of $697.0 million from the Federal Home Loan Bank, which includes an available line of credit of $50.0 million. We also had available credit lines with additional banks totaling $70.0 million. At June 30, 2019, outstanding FHLB borrowings totaled $240.0 million, and there were no amounts outstanding on lines of credit held by other banks. In addition, we have $65.0 million in subordinated notes outstanding that are due April 15, 2026 but may be redeemed by us, in whole or in part, on or after April 14, 2021.

In addition to deposits, we use short-term borrowings, such as FHLB advances and a FHLB overdraft credit line, as a source of funds to meet our daily liquidity needs of our customers and fund growth in earning assets. Our short-term FHLB advances consists primarily of advances of funds for one or two week periods.

Average Balance Sheet and Related Yields and Rates

The following tables present average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the three and six months ended June 30, 2019 and 2018. The average balances are daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

	As of and for the Three Months Ended						As of and for the Six Months Ended					
	June 30, 2019			June 30, 2018			June 30, 2019			June 30, 2018		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)						(Dollars in thousands)					
Interest earning assets												
Loans[1]	$ 2,994,142	$ 43,301	5.78%	$ 2,829,819	$ 38,580	5.45%	$ 2,968,345	$ 85,023	5.73%	$ 2,782,055	$ 74,980	5.39%
Securities includes restricted stock[2]	174,823	1,272	2.91%	159,243	842	2.12%	172,483	2,499	2.90%	150,478	1,661	2.21%
Other interest earning assets	28,794	216	3.00%	24,496	119	1.94%	30,037	452	3.01%	24,579	233	1.90%
Total interest earning assets	3,197,759	44,789	5.60%	3,013,558	39,541	5.25%	3,170,865	87,974	5.55%	2,957,112	76,874	5.20%
Noninterest earning assets												
Cash and due from banks	10,594			10,420			10,826			11,336		
Other assets	73,614			49,195			73,373			48,175		
Total average assets	$ 3,281,967			$ 3,073,173			$ 3,255,064			$ 3,016,623		
Interest-bearing liabilities												
Savings, NOW, Money Markets	$ 1,356,200	$ 4,961	1.47%	$ 1,515,912	$ 4,468	1.18%	$ 1,414,839	$ 10,339	1.47%	$ 1,520,648	$ 8,602	1.14%
Time deposits	1,044,388	6,563	2.52%	715,863	2,711	1.52%	984,027	11,841	2.43%	710,872	5,166	1.47%
Total deposits	2,400,588	11,524	1.93%	2,231,775	7,179	1.29%	2,398,866	22,180	1.86%	2,231,520	13,768	1.24%
FHLB borrowings	323,583	1,375	1.68%	351,846	1,334	1.50%	296,227	2,430	1.63%	305,707	2,167	1.41%
Subordinated notes, net	65,079	1,175	7.22%	64,935	1,171	7.21%	65,061	2,349	7.22%	64,918	2,343	7.22%
Total borrowings	388,662	2,550	2.60%	416,781	2,505	2.38%	361,288	4,779	2.63%	370,625	4,510	2.42%
Total interest-bearing liabilities	2,789,250	14,074	2.02%	2,648,556	9,684	1.47%	2,760,154	26,959	1.97%	2,602,145	18,278	1.42%
Noninterest-bearing liabilities												
Demand deposits	71,277			73,755			72,414			71,925		
Other liabilities	75,634			50,874			79,467			50,465		
Total noninterest-bearing liabilities	146,911			124,629			151,881			122,390		
Shareholders' equity	345,806			299,988			343,029			292,088		
Total average liabilities and shareholders' equity	$ 3,281,967			$ 3,073,173			$ 3,255,064			$ 3,016,623		
Net interest income and spread		$ 30,715	3.58%		$ 29,857	3.78%		$ 61,015	3.58%		$ 58,596	3.78%
Net interest margin			3.84%			3.96%			3.85%			3.96%

(1) Nonaccrual loans are included in the respective average loan balances. Income, if any, on such loans is recognized on a cash basis.
(2) Interest income does not include taxable equivalent adjustments.

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest earning assets and interest-bearing liabilities for the periods indicated. The table distinguishes between: (1) changes attributable to volume (changes in volume multiplied by the prior period's rate), (2) changes attributable to rate (change in rate multiplied by the prior year's volume) and (3) total increase (decrease) (the sum of the previous columns). Changes attributable to both volume and rate are allocated ratably between the volume and rate categories.

	Three Months Ended June 30, 2019 vs. 2018			Six Months Ended June 30, 2019 vs. 2018		
	Increase (Decrease) due to		Total Increase	Increase (Decrease) due to		Total Increase
	Volume	Rate		Volume	Rate	
	(Dollars in thousands)					
Change in interest income:						
Loans	$ 2,307	$ 2,414	$ 4,721	$ 5,183	$ 4,860	$ 10,043
Securities, includes restricted stock	89	341	430	267	571	838
Other interest earning assets	24	73	97	60	159	219
Total change in interest income	2,420	2,828	5,248	5,510	5,590	11,100
Change in interest expense:						
Saving/Now/Money Markets	(471)	964	493	(599)	2,336	1,737
Time deposits	1,581	2,271	3,852	2,466	4,209	6,675
Total deposits	1,110	3,235	4,345	1,867	6,545	8,412
FHLB borrowings	(107)	148	41	(67)	330	263
Subordinated notes, net	3	1	4	5	1	6
Total change in interest expense	1,006	3,384	4,390	1,805	6,876	8,681
Change in net interest income	$ 1,414	$ (556)	$ 858	$ 3,705	$ (1,286)	$ 2,419

Results of Operations for the Three and Six Months Ended June 30, 2019 and 2018

General

Net income was $13.4 million for the three months ended June 30, 2019, compared to $16.0 million for the same period in 2018. Net income was $29.1 million for the six months ended June 30, 2019, compared to $31.7 million for the same period in 2018.

Net Interest Income

Net interest income was $30.7 million for the three months ended June 30, 2019, an increase of $0.9 million, or 3%, compared to the same period in 2018.

Interest income increased $5.2 million, or 13%, to $44.8 million compared to the three months ended June 30, 2018. The increase in interest income was the result of an increase in interest rates and volume of loans during the three months ended June 30, 2019. Our average yield on interest-earning assets increased 35 basis points to 5.60%. Our average balance on interest-earning assets, primarily related to loans, increased $184.2 million, or 6%.

Interest expense increased $4.4 million, or 45%, to $14.1 million compared to the three months ended June 30, 2018. The increase was primarily the result of an increase in interest rates in 2019. Our average rate paid on interest-bearing liabilities increased 55 basis points to 2.02%. Our average balance of interest-bearing liabilities increased $140.7 million, or 5%.

Net interest income was $61.0 million for the six months ended June 30, 2019, an increase of $2.4 million, or 4%, compared to the same period in 2018.

Interest income increased $11.1 million, or 14%, to $88.0 million compared to the six months ended June 30, 2018. The increase in interest income was the result of an increase in interest rates and volume of loans in 2019. Our average yield on interest-earning assets increased 35 basis points to 5.55%. Our average balance on interest-earning assets, primarily related to loans, increased $213.8 million, or 7%.

Interest expense increased $8.7 million, or 47%, to $27.0 million compared to the six months ended June 30, 2018. The increase was primarily the result of an increase in rates in 2019. Our average rate paid on interest-bearing liabilities increased 55 basis points to 1.97%. Our average balance of interest-bearing liabilities increased $158.0 million, or 6%.

Net Interest Margin and Spreads

Net interest margin was 3.84% for the three months ended June 30, 2019, compared with 3.96% for the same period in 2018. The interest rate spread was 3.58% for the three months ended June 30, 2019, compared with 3.78% for the same period in 2018. The decrease in net interest margin and spread was due to a 55 basis point increase in the cost of our interest-bearing liabilities, primarily related to interest-bearing deposits, partially offset by a 35 basis point increase in the yield of our interest-earning assets, primarily related to loans.

Our average balance of interest-bearing deposits increased $168.8 million, or 8%, to $2.40 billion for the three months ended June 30, 2019. Our average rate paid on interest-bearing deposits increased 64 basis points to 1.93% for the three months ended June 30, 2019. The rate on interest-bearing deposits increased as some customers shifted their deposits from lower-yielding money market, savings and NOW accounts to higher-yielding time deposits.

Our average balance of loans increased $164.3 million, or 6%, to $2.99 billion for the three months ended June 30, 2019. Our average yield on loans increased 33 basis points to 5.78% for the three months ended June 30, 2019 from 5.45% for the same period in 2018. The yield on our loan portfolio increased primarily due to certain variable rate loans resetting at higher rates.

Net interest margin was 3.85% for the six months ended June 30, 2019, compared with 3.96% for the same period in 2018. The interest rate spread was 3.58% for the six months ended June 30, 2019, compared with 3.78% for the same period in 2018. The decrease in net interest margin and spread was due to a 55 basis point increase in the cost of our interest-bearing liabilities, primarily related to interest-bearing deposits, partially offset by a 35 basis point increase in the yield of our interest-earning assets, primarily related to loans.

Our average balance of interest-bearing deposits increased $167.3 million, or 7%, to $2.40 billion for the six months ended June 30, 2019. Our average rate paid on interest-bearing deposits increased 62 basis points to 1.86% for the six months ended June 30, 2019. The rate on interest-bearing deposits increased as some customers shifted their deposits from lower-yielding money market, savings and NOW accounts to higher-yielding time deposits.

Our average balance of loans increased $186.3 million, or 7%, to $2.97 billion for the six months ended June 30, 2019. Our average yield on loans increased 34 basis points to 5.73% for the six months ended June 30, 2019 from 5.39% for the same period in 2018. The yield on our loan portfolio increased primarily due to certain variable rate loans resetting at higher rates.

Provision (recovery) for Loan Losses

During the three months ended June 30, 2019, our provision for loan losses was $0.2 million, a decrease of $0.9 million from the three months ended June 30, 2018, primarily attributable to the slower growth in total loans held for investment.

During the six months ended June 30, 2019, our provision for loan losses was $(0.8) million compared to a $1.8 million of provision for loan losses during the six months ended June 30, 2018, primarily resulting from a $(1.0) million of provision for loan losses recorded during the three months ended March 31, 2019. The reduced provision for loan losses reflects the migration of certain residential real estate loans to a lower risk level as a result of the seasoning of the loan portfolio in our newer markets, lower volumes of loan originations in the first half of 2019, and the elimination of general reserve on certain collateral dependent loans that have valuations higher than our recorded investments.

The allowance for loan losses was $20.9 million, or 0.71% of total loans at June 30, 2019, compared to $21.9 million, or 0.75% of total loans at December 31, 2018.

Non-interest Income

Non-interest income information is as follows:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
	(Dollars in thousands)							
Service charges and fees	$ 112	$ 92	$ 20	22%	$ 216	$ 166	$ 50	30%
Investment management and advisory fees	425	500	(75)	(15)%	765	1,123	(358)	(32)%
Loss on sale of investment securities	—	(3)	3	N/M	—	(3)	3	N/M
Gain on sale of mortgage loans held for sale	142	28	114	407%	180	93	87	94%
Gain on sale of portfolio loans	1,860	5,068	(3,208)	(63)%	4,302	9,009	(4,707)	(52)%
Unrealized gains (losses) on equity securities	57	(30)	87	290%	106	(94)	200	213%
Net servicing income (loss)	(1,002)	233	(1,235)	(530)%	(677)	710	(1,387)	(195)%
Income on cash surrender value of bank-owned life insurance	315	295	20	7%	625	590	35	6%
Other	159	114	45	39%	379	196	183	93%
Total non-interest income	$ 2,068	$ 6,297	$ (4,229)	(67)%	$ 5,896	$ 11,790	$ (5,894)	(50)%

N/M – Not meaningful

Non-interest income of $2.1 million for the three months ended June 30, 2019 decreased $4.2 million as compared to the same period in 2018. Non-interest income of $5.9 million for the six months ended June 30, 2019 decreased $5.9 million as compared to the same period in 2018. The decrease in noninterest income for the three and six months ended June 30, 2019, compared to the same periods in 2018, was primarily the result of a decrease in gain on sale of portfolio loans due to lower volume of loans sold in the secondary market in 2019, and a $1.2 million valuation allowance taken against mortgage servicing rights in the three months ended June 30, 2019, as a result of the decline in long-term interest rates.

Non-interest Expense

Non-interest expense information is as follows:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
	(Dollars in thousands)							
Salaries and employee benefits	$ 7,381	$ 7,229	$ 152	2%	$ 14,648	$ 13,878	$ 770	6%
Occupancy and equipment	2,170	1,610	560	35%	4,407	3,156	1,251	40%
Professional fees	1,104	824	280	34%	2,066	1,446	620	43%
Advertising and marketing	406	351	55	16%	845	700	145	21%
FDIC assessments	190	474	(284)	(60)%	445	1,017	(572)	(56)%
Data processing	303	295	8	3%	611	583	28	5%
Other	2,171	1,838	333	18%	3,825	3,344	481	14%
Total non-interest expense	$ 13,725	$ 12,621	$ 1,104	9%	$ 26,847	$ 24,124	$ 2,723	11%

Non-interest expense of $13.7 million for the three months ended June 30, 2019 increased $1.1 million as compared to the same period of 2018. Non-interest expense of $26.8 million for the six months ended June 30, 2019 increased $2.7 million as compared to the same period of 2018. The increase in occupancy and equipment expenses is primarily due to a full three and six months impact of expenses related to our branch network expansion in the greater Seattle market, New York and California primarily during the second half of 2018 and the first half of 2019 as compared to fewer months of expenses incurred in the prior period. Regulatory compliance

initiatives attributed to increased professional fees during both the three and six months ended June 30, 2019. Partially offsetting these increases was the decrease in our FDIC assessments.

Income Tax Expense. We recorded an income tax expense of $5.4 million for the three months ended June 30, 2019, a decrease from $6.4 million for the three months ended June 30, 2018. Our effective tax rate was 28.8% and 28.7% for the three months ended June 30, 2019 and 2018, respectively. We recorded income tax expense of $11.8 million for the first half of 2019, reflecting an effective tax rate of 28.8%, compared to $12.8 million for the same period of 2018, reflecting an effective tax rate of 28.7%.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations when they come due. Our primary sources of funds consist of deposit inflows, loan repayments, FHLB borrowings and proceeds from the sale of portfolio loans. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

We regularly review the need to adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest earning deposits and securities, and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest earning deposits and short-term securities.

Our most liquid assets are cash and due from banks, interest-bearing deposits with other banks and U.S. Treasury securities classified as available for sale. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At June 30, 2019 and December 31, 2018, cash and due from banks totaled $80.4 million and $52.5 million, respectively; debt securities classified as available-for-sale, which provide additional sources of liquidity, totaled $149.2 million and $144.8 million, respectively. Interest-bearing time deposits with other banks totaled $1.1 million at June 30, 2019 and December 31, 2018.

At June 30, 2019, we had the ability to borrow a total of $697.0 million from the Federal Home Loan Bank including an available line of credit with the Federal Home Loan Bank of $50.0 million. At June 30, 2019, we also had available credit lines with additional banks for $70.0 million. Outstanding borrowings at June 30, 2019 with the Federal Home Loan Bank totaled $240.0 million, and there were no amounts outstanding with the aforementioned additional banks.

In December 2018, the board of directors approved the repurchase of up to $50.0 million of the Company's outstanding shares of common stock. The stock repurchase program permits the Company to purchase shares of its common stock from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date. Under this program, the Company is not obligated to repurchase shares of its common stock. During the six months ended June 30, 2019, the Company repurchased and cancelled 2,247,366 shares of its common stock for $21.6 million, including commissions and fees. Such repurchases of shares of common stock were funded through cash generated from operations. As of June 30, 2019, the Company had $28.4 million of common stock purchases remaining that may be made under the program.

We have no material commitments or demands that are likely to affect our liquidity other than as set forth below. In the event loan demand were to increase faster than expected, or any unforeseen demand or commitment were to occur, we could access our borrowing capacity with the Federal Home Loan Bank, our bank lines of credit, or obtain additional funds through brokered certificates of deposit.

At June 30, 2019, we had $419.6 million in loan commitments outstanding, and $70 thousand in standby letters of credit. At December 31, 2018, we had $402.6 million in loan commitments outstanding, and $70 thousand in standby letters of credit.

Time deposits due within one year of June 30, 2019 totaled $796.9 million, or 31% of total deposits. Total time deposits at June 30, 2019 were $1.16 billion, or 46%, of total deposits. Time deposits due within one year of December 31, 2018 totaled $473.9 million, or 19% of total deposits. Total time deposits at December 31, 2018 were $894.3 million, or 36% of total deposits.

Our primary investing activities are the origination of loans and to a lesser extent, the purchase of investment securities. During the three months ended June 30, 2019 and 2018, we originated $356.5 million and $433.9 million of loans, respectively, and purchased $30.9 million and $51.4 million of investment securities, respectively. During the six months ended June 30, 2019 and 2018, we originated $661.4 million and $841.8 million of loans, respectively, and purchased $77.5 million and $76.1 million of investment securities, respectively.

Financing activities consist primarily of activity in deposit accounts. We experienced a net increase in total deposits of $110.1 million and $49.4 million for the three months ended June 30, 2019 and 2018, respectively, and a net increase in total deposits of

$94.0 million and $95.5 million for the six months ended June 30, 2019 and 2018, respectively. We generate deposits from local businesses and individuals through customer referrals and other relationships and through our retail presence. We believe we have a very stable core deposit base evidenced by the average life of our accounts, which we attribute to a high level of customer service and our consistently competitive rates. We expect the high level of core deposits to be maintained. We utilize borrowings, brokered deposits, and bulk sales of whole loans to supplement funding needs and manage overall growth.

We also manage liquidity by selling pools of our portfolio loans into the secondary market from time to time. We generated $71.9 million and $157.5 million in proceeds from the sale of loans in the three months ended June 30, 2019 and 2018, respectively. We generated $121.8 million and $269.7 million in proceeds from the sale of loans in the six months ended June 30, 2019 and 2018, respectively.

The Company and Bank are subject to various regulatory capital requirements administered by the Federal Reserve and the OCC, respectively. We manage our capital to comply with our internal planning targets and regulatory capital standards administered by the Federal Reserve and the OCC. We review capital levels on a monthly basis for purposes of assessing our needs for additional capital and ability to pay cash dividends. At June 30, 2019 and December 31, 2018, each of the Company and Bank exceeded all applicable regulatory capital requirements, and the Bank was considered "well capitalized" under regulatory guidelines. Refer to Note 14 in the unaudited condensed consolidated financial statements for additional information.

The following tables present our capital ratios as of the indicated dates for the Company and Bank.

	Well Capitalized	Adequately Capitalized	Under Capitalized	Company Actual at June 30, 2019	Company Actual at December 31, 2018
Total adjusted capital to risk-weighted assets	N/A	8.00%	6.00%	21.91%	21.98%
Tier 1 (core) capital to risk-weighted assets	N/A	6.00%	4.00%	17.51%	17.45%
Common Tier 1 (CET 1)	N/A	4.50%	3.00%	17.51%	17.45%
Tier 1 (core) capital to adjusted tangible assets	N/A	4.00%	3.00%	10.40%	10.42%

	Well Capitalized	Adequately Capitalized	Under Capitalized	Bank Actual at June 30, 2019	Bank Actual at December 31, 2018
Total adjusted capital to risk-weighted assets	10.00%	8.00%	6.00%	17.72%	16.94%
Tier 1 (core) capital to risk-weighted assets	8.00%	6.00%	4.00%	16.64%	15.80%
Common Tier 1 (CET 1)	6.50%	4.50%	3.00%	16.64%	15.80%
Tier 1 (core) capital to adjusted tangible assets	5.00%	4.00%	3.00%	9.88%	9.44%

Effective January 1, 2019, the Basel Rules require the Company to maintain a 2.5% "capital conservation buffer" over the minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a (i) CET1 to risk-weighted assets, (ii) Tier 1 capital to risk-weighted assets or (iii) total capital to risk-weighted assets above the respective minimum but below the minimum plus the capital conservation buffer will face constraints on dividends, equity repurchases and discretionary bonus payments to executive officers based on the amount of the shortfall. As of June 30, 2019, the Company's and the Bank's risk based capital exceeded the required capital conservation buffer.

Recently Issued Accounting Guidance

Refer to Note 2, New Accounting Standards, to our unaudited condensed consolidated financial statements included in Item 1. Financial Statements for a discussion of recently issued accounting guidance and related impact on our financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General. The principal objective of our asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing net income and preserving adequate levels of liquidity and capital. The Asset Liability Committee of our board of directors has oversight of our asset and liability management function, which is implemented and managed by our Management Asset Liability Committee. Our Management Asset Liability Committee meets regularly to review, among other things, the sensitivity of our assets and liabilities to product offering rate changes, local and national market conditions and market interest rates. That group also reviews our liquidity, capital, deposit mix, loan mix and investment positions.

We manage our exposure to interest rates primarily by structuring our balance sheet in the ordinary course of business. We do not typically enter into derivative contracts for the purpose of managing interest rate risk, but we may do so in the future. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Net Interest Income Simulation. We use an interest rate risk simulation model to test the interest rate sensitivity of net interest income and the balance sheet. Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest income. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment and replacement of asset and liability cash flows.

The following table presents the estimated changes in net interest income of the Bank, calculated on a bank-only basis, which would result from changes in market interest rates over a twelve-month period beginning June 30, 2019 and December 31, 2018. The table below demonstrates that for the initial twelve-month period after an immediate and parallel rate shock, we are liability sensitive in a rising interest rate environment.

	At June 30, 2019		At December 31, 2018	
Change in Interest Rates (Basis Points)	Estimated 12-Months Net Interest Income	Change	Estimated 12-Months Net Interest Income	Change
	(Dollars in thousands)			
400	$ 101,306	(13.9)%	$ 94,251	(23.4)%
300	106,410	(9.5)%	103,028	(16.3)%
200	110,745	(5.8)%	110,806	(10.0)%
100	114,272	(2.8)%	117,419	(4.6)%
0	117,622		123,052	
–100	115,869	(1.5)%	125,930	2.3%
–200	115,664	(1.7)%	127,378	3.5%

Economic Value of Equity Simulation. We also analyze our sensitivity to changes in interest rates through an economic value of equity ("EVE") model. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. EVE attempts to quantify our economic value using a discounted cash flow methodology. We estimate what our EVE would be as of a specific date. We then calculate what EVE would be as of the same date throughout a series of interest rate scenarios representing immediate and permanent parallel shifts in the yield curve. We currently calculate EVE under the assumptions that interest rates increase 100, 200, 300 and 400 basis points from current market rates, and under the assumption that interest rates decrease 100 and 200 basis points from current market rates.

The following table presents the estimated changes in EVE of the Bank, calculated on a bank-only basis, which would result from changes in market interest rates over a twelve-month period beginning June 30, 2019 and December 31, 2018.

	At June 30, 2019		At December 31, 2018	
Change in Interest Rates (Basis Points)	Economic Value of Equity	Change	Economic Value of Equity	Change
	(Dollars in thousands)			
400	$ 373,713	(4.3)%	$ 419,344	(10.7)%
300	391,882	0.4%	444,120	(5.4)%
200	400,277	2.5%	455,502	(3.0)%
100	399,763	2.4%	464,655	(1.0)%
0	390,416		469,560	
–100	340,413	(12.8)%	443,588	(5.5)%
–200	266,926	(31.6)%	387,703	(17.4)%

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that our management may undertake to manage the

risks in response to anticipated changes in interest rates, and actual results may also differ due to any actions taken in response to the changing rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2019. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2019.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings, including ordinary routine litigation incidental to the business, to which the Company or one of its subsidiaries is a party.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Registration Statement on Form S-1 (File No. 333-221016) for the initial public offering of our common stock was declared effective by the Securities and Exchange Commission on November 16, 2017. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the Securities and Exchange Commission on November 17, 2017 pursuant to Rule 424(b)(4).

Stock Repurchase Program

On December 24, 2018, the board of directors approved the repurchase of up to $50.0 million of the Company's outstanding shares of common stock. The stock repurchase program permits the Company to acquire shares of common stock from time to time in the open market or in privately negotiated transactions. The Company received regulatory approval of the stock repurchase program and publicly announced the program on January 28, 2019. The program does not have an expiration date. Under the stock repurchase program, the Company is not obligated to repurchase shares of its common stock, and there is no assurance that it will continue to do so. Any shares repurchased under this program will be canceled and returned to authorized but unissued status.

The following table provides certain information with respect to our purchases of shares of the Company's common stock, as of the settlement date, during the three months ended June 30, 2019:

	Issuer Purchases of Equity Securities			
Period	**Total Number of Shares Purchased**	**Average Price Paid per Share [(1)]**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
April 1 - 30, 2019	—	$ —	—	$ —
May 1 - 31, 2019	172,263	9.92	172,263	36,746,885
June 1 - 30, 2019	862,529	9.63	862,529	28,444,354
Total	1,034,792	$ 9.67	1,034,792	

(1) Includes commissions and fees

ITEM 6. EXHIBITS

A list of exhibits to this Form 10-Q is set forth in the Exhibit Index below.

			Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Filed Herewith**	**Form**	**Period Ending**	**Exhibit / Appendix Number**	**Filing Date**
10.1	Agreement dated June 18, 2019 by and Between Sterling Bank and Trust, FSB and the Office of the Comptroller of the Currency	X				
31.1	Section 302 Certification — Chief Executive Officer	X				
31.2	Section 302 Certification — Chief Financial Officer	X				
32.1*	Section 906 Certification — Chief Executive Officer	X				
32.2*	Section 906 Certification — Chief Financial Officer	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				

* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 9, 2019

STERLING BANCORP, INC.
(Registrant)

By: /s/ THOMAS LOPP

Thomas Lopp
President
Chief Operating Officer
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 10.1

AGREEMENT BY AND BETWEEN
Sterling Bank and Trust, FSB
Southfield, Michigan
and
The Office of the Comptroller of the Currency

Sterling Bank and Trust, FSB, Southfield, Michigan ("Bank") and the Office of the Comptroller of the Currency ("OCC") wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency ("Comptroller") has found unsafe or unsound practices relating to the Bank's credit administration and violations of law relating to certain aspects of the Bank's Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") compliance program.

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors ("Board"), hereby agree that the Bank shall operate at all times in compliance with the following:

ARTICLE I

JURISDICTION

(1) The Bank is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a Federal savings association within the meaning of 12 U.S.C. § 1813(q)(1)(C), and is chartered and examined by the OCC. *See* 12 U.S.C. §§ 1461 *et seq.*, 5412(b)(2)(B).

(3) The OCC is the "appropriate Federal banking agency" as that term is defined in 12 U.S.C. § 1813(q).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within sixty (60) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) By September 30, 2019, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

(a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;

(b) the specific corrective actions undertaken to comply with each Article of this Agreement;

(c) the results and status of the corrective actions; and

(d) how each violation of law identified in the Report of Examination dated as of March 31, 2018 or subsequently discovered is being or has been corrected during the reporting period.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of the first Board meeting following the Board's receipt of such report, unless additional time is granted in writing by the Assistant Deputy Comptroller.

ARTICLE III

CUSTOMER DUE DILIGENCE AND ENHANCED DUE DILIGENCE

(1) Within one hundred and eighty (180) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller, for a prior written determination of no supervisory objection, a revised customer due diligence and enhanced due diligence program to ensure appropriate collection and analysis of customer information when opening new accounts, when renewing or modifying existing accounts for customers, and when the Bank obtains event-driven information indicating that it would be prudent to obtain updated information. The program must be adequate to ensure that the Bank understands the nature of its customer relationships and develops an accurate customer risk profile, and shall ensure the Bank operates in accordance with applicable law. At a minimum, the revisions must include:

(a) policies and procedures to ensure the Bank conducts sufficient due diligence on related account parties;

(b) policies and procedures to ensure customer due diligence questionnaires are completed for required account types and appropriately imported and maintained in the Bank's suspicious activity monitoring system;

(c) policies and procedures to outline which account types are exempt from the requirement to complete a customer due diligence questionnaire, with a documented rationale for the exemption;

(d) a revised customer risk rating methodology to ensure weighting criteria is effective in identifying high-risk customers and correlates to customer risk ratings in the Bank's suspicious activity monitoring system;

(e) revised policies and procedures with respect to account closures that:

(i) outline reasons for account closure that would result in a customer not being able to re-establish a relationship with the Bank;

(ii) establish effective procedures for closing a customer relationship for BSA reasons;

(iii) implement appropriate and effective controls to require that a customer whose relationship was closed cannot be re-established without appropriate elevated levels of approval; and

(iv) require that the elevated risk associated with reopening of any account closed for BSA reasons is documented and reflected in the customer's risk rating;

(f) policies and procedures to require that enhanced due diligence searches are conducted consistently according to the Bank's processes and are appropriately documented, with any known or potential negative news fully investigated and rationale for false positives appropriately documented;

(g) ongoing due diligence reviews for moderate- and high-risk customers; and

(h) a secondary quality assurance review process conducted by the BSA Officer or his/her designee that includes, but is not limited to the following:

(i) enhanced due diligence reviews, conducted periodically for all high-risk customers and their related accounts, to determine whether account activity is consistent with the customer's expected activity and the stated purpose of the account, and, as appropriate, documentation provided is validated;

(ii) periodic reviews of a sample of lending questionnaires for customers rated low- and moderate-risk to ensure lending staff are completing the questionnaire appropriately; and

(iii) customer risk ratings in the Bank's suspicious activity monitoring system.

(2) No later than the next Board meeting following the receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt, and management shall immediately implement and thereafter ensure adherence to the revised program.

ARTICLE IV

SUSPICIOUS ACTIVITY MONITORING

(1) Within ninety (90) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller, for a prior written determination of no supervisory objection, a revised suspicious activity monitoring program to ensure, pursuant to 12 C.F.R. § 163.180, the timely and appropriate identification and review of suspicious transaction activity, disposition of

suspicious activity alerts, and filing of Suspicious Activity Reports ("SARs"). This program shall ensure the Bank operates in accordance with applicable law, including 12 C.F.R. § 163.180. At a minimum, the revisions must include:

(a) effective processes and staff to ensure identification, investigation, monitoring, and reporting of suspicious activity, which shall include implementing and adhering to a process to improve monitoring for the lending activities as specified in the Report of Examination dated as of March 31, 2018;

(b) an enhanced written BSA/AML risk assessment that timely and accurately identifies the BSA/AML risks posed to the Bank, and that includes:

(i) detailed analysis of BSA/AML risks in all products and services, and assignment of an inherent and residual risk to each;

(ii) detailed analysis of the effectiveness of the Bank's risk management processes, including its system of internal controls, and identification of any gaps or weaknesses when determining residual risk; and

(iii) revised scoring for low-, moderate-, and high-risk to ensure risk ratings are appropriately stratified;

(c) revised policies and procedures to require business line referrals of suspicious activity to the BSA department and ensure that internal referral processes are consistently followed. The policies and procedures shall include requirements for:

(i) consistent documentation and tracking of business line referrals, with a case created for each referral in the Bank's suspicious activity monitoring system; and

(ii) training for all employees, including quality control personnel and fraud investigators, regarding the internal process for referring suspicious activity; and

(d) a sufficient secondary quality assurance review process to ensure that disposition of suspicious activity alerts and SAR decision-making and filing are working effectively.

(2) No later than the next Board meeting following the receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt, and management shall immediately implement and thereafter ensure adherence to the revised program.

ARTICLE V

LOOKBACK

(1) Within ninety (90) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller, for a prior written determination of no supervisory objection, the name, qualifications, and terms of engagement of a proposed independent, third-party consultant to review and provide a written report on the Bank's suspicious activity monitoring ("Lookback"). Refer to OCC Bulletin 2013-33, "Use and Review of Independent Consultants in Enforcement Actions: Guidance for Bankers" for guidance. The specific requirements of the Lookback have been communicated separately to the Bank in a Supervisory Letter dated June 14, 2019.

(2) Upon completion of the Lookback, the written findings (“Lookback Report”) shall be reported to the Board, and the independent consultant shall provide a copy of the written findings, supporting materials, and work papers directly to the Assistant Deputy Comptroller. The Lookback Report shall contain a list of customers recommended to the Bank for further review, any SARs that the Bank should file or existing SARs that the Bank should modify to comply with the requirements of 12 C.F.R. § 163.180, a list of customers and customer relationships that represent excessive risk for BSA/AML compliance, and a conclusion about the effectiveness of the Bank’s suspicious activity monitoring. The Lookback Report shall also, among other things, describe:

(a) the methodologies and tools used in conducting the review;

(b) the process followed for investigating customers and customer activities;

(c) a summary of the number and types of customers and customer relationships reviewed;

(d) the number of customers and customer relationships requiring additional investigation; and

(e) the number of customers the independent consultant recommended to the Bank for further review, SAR filings, or modifications to existing SAR filings, including the number of customers where the Bank determined not to file a SAR.

(3) The Bank shall determine whether to file SARs, in accordance with 12 C.F.R. § 163.180, for any previously unreported suspicious activity identified during the Lookback. The Bank shall provide all of its supporting materials and work papers associated with the Lookback to the OCC.

(4) If the results of the Lookback reflect a systemic failure on behalf of the Bank to file SARs in accordance with 12 C.F.R. § 163.180, the OCC, at its sole discretion, may expand the Lookback. If an expanded Lookback is deemed appropriate by the OCC, the expanded Lookback shall be completed in accordance with the requirements of this Article.

ARTICLE VI

MODEL RISK MANAGEMENT

(1) Within one hundred and eighty (180) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller, for a prior written determination of no supervisory objection, revised policies and procedures to ensure effective BSA/AML model risk management for its automated suspicious activity monitoring system. Refer to OCC Bulletin 2011-12, "Sound Practices for Model Risk Management" for guidance. The policies and procedures shall ensure the Bank's BSA/AML model risk management and validation are consistent with safe and sound practices and ensure effective implementation of all corrective actions in the Report of Examination dated as of March 31, 2018. At a minimum, the revisions must ensure:

(a) periodic testing and tuning of existing parameters, with sufficient documentation supporting their appropriateness given the Bank's products, services, and geographic markets, or supporting that the parameters need to be changed;

(b) dual controls over rule adjustments and behavioral reviews, to ensure that changes are appropriate and that all changes are documented, including identification of the individuals making and approving any changes;

(c) tuning of the suspicious activity monitoring system to customize customer settings in order to more accurately capture suspicious activity specific to each customer;

(d) review of current wire transfer configurations to determine if they are appropriate to monitor for suspicious activity. The Bank must:

(i) document and maintain supporting rationale for funds transfer configurations;

(ii) conduct a detailed analysis to identify gaps within the model to monitor suspicious activity within funds transfers, relative to the risks of the loan products and customer base; and

(iii) if the Bank's suspicious activity monitoring system is unable to appropriately monitor for suspicious activity for wire transfers, the Bank must implement manual reports and processes to address this gap; and

(e) within one hundred and twenty (120) days of the implementation date of the revised policies and procedures, an independent validation of the model used in the suspicious activity monitoring system conducted by a qualified, independent third party. As part of this validation, appropriate and qualified individuals must conduct outcomes analysis, to include the following:

(i) integrity of data inputs from all products, services, and transactions, to include international and domestic wires; and

(ii) evaluation of the appropriateness of thresholds in criteria used to identify potential suspicious activity.

(2) No later than the next Board meeting following the receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt, and management shall immediately implement and thereafter ensure adherence to the revised policies and procedures.

ARTICLE VII

BSA STAFFING

(1) Within forty-five (45) days of the date of this Agreement, the Board shall ensure that the Bank's BSA Department maintains sufficient personnel with the requisite expertise, training, and skills necessary to manage the Bank's BSA/AML risk. Any needed enhancements in staffing in the interim must be addressed through the use of contractors until permanent staff is in place.

ARTICLE VIII

RESIDENTIAL REAL ESTATE LOAN UNDERWRITING

(1) Within ninety (90) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller, for a prior written determination of no supervisory objection, revised policies and procedures to ensure effective controls over loan underwriting. Refer to the "Residential Real Estate" booklet of the *Comptroller's Handbook* for guidance. The policies and procedures shall ensure the Bank operates in accordance with applicable law. At a minimum, the revisions must include:

(a) effective controls and processes to collect and verify employment and income;

(b) verification of borrowers' ability to repay indebtedness in a timely manner;

(c) verification of borrowers' income and cash flow information used in the Bank's underwriting process for non-owner occupied properties;

(d) effective controls and verification procedures for the acceptance of gift letters, including proper execution and endorsement by both the donor and recipient; and

(e) effective oversight of exceptions identified by the Bank's quality control function, including proper escalation and disposition of concerns raised by quality control to management or the BSA Officer.

(2) No later than the next Board meeting following the receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt, and management shall immediately implement and thereafter ensure adherence to the revised policies and procedures.

ARTICLE IX

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in the most recent Report of Examination or any subsequent Report of Examination, or brought to the Board or Bank's attention in writing by management, regulators, auditors, loan review, or other third parties. Within thirty (30) days after the violation is cited or brought to the Board or Bank's attention, Bank management shall provide to the Board and Compliance Committee a list of any violations that have not been corrected. This list shall also include an explanation of the actions taken to correct the violation,

the reason why the violation has not yet been corrected, and a plan to correct the violation by a specified date.

ARTICLE X

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

(a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;

(b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;

(c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;

(d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;

(e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under

the terms of this Agreement; and

(f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE XI

OTHER PROVISIONS

(1) Regarding the effect of this Agreement, and unless the OCC informs the Bank otherwise in writing with respect to any or all of the subparts below:

(a) pursuant to 12 C.F.R. § 5.3(g)(5), the Bank is not an "eligible savings association" for the purposes of 12 C.F.R. Part 5; and

(b) pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is not subject to the restrictions in 12 C.F.R. § 5.51 requiring prior notice to the OCC of changes in directors and senior executive officers or the limitations on golden parachute payments set forth in 12 C.F.R. Part 359, subject to the requirements contained in 12 C.F.R. § 5.51(c)(7)(i), (iii).

(2) This Agreement supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3(g)(5) and 5.51(c)(7)(ii).

ARTICLE XII

CLOSING

(1) This Agreement is intended to be, and shall be construed to be, a "written agreement" within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations

herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, or within any plan or program submitted pursuant to this Agreement, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the relevant provision(s) of the Agreement or plan or program submitted pursuant to this Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(3) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(4) The OCC may enforce the terms of this Agreement pursuant to its statutory authority, including 12 U.S.C. § 1818(i)(2).

(5) Each citation, guidance, or issuance referenced in this Agreement includes any subsequent citation, guidance, or issuance that replaces, supersedes, amends, or revises the referenced cited citation, guidance, or issuance.

(6) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(7) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Allyn Adams
Assistant Deputy Comptroller
200 Public Square, Suite 1610
Cleveland, OH 44114

(8) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his duly authorized representative, has hereunto set his signature on behalf of the Comptroller.

/s/ Allyn Adams — 6/18/2019

Allyn Adams
Assistant Deputy Comptroller
Cleveland Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Sterling Bank and Trust, FSB, have hereunto set their signatures on behalf of the Bank.

/s/ Barry Allen	6/18/2019
Barry Allen	Date
/s/ Gary Judd	6/18/2019
Gary Judd	Date
/s/ Seth Meltzer	6/18/2019
Seth Meltzer	Date
/s/ Sandra Seligman	7/9/2019
Sandra Seligman	Date
/s/ Peter Sinatra	6/18/2019
Peter Sinatra	Date
/s/ Rachel Tronstein Stewart	7/16/2019
Rachel Tronstein Stewart	Date
/s/ Benjamin Wineman	6/18/2019
Benjamin Wineman	Date
/s/ Lyle Wolberg	6/18/2019
Lyle Wolberg	Date

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to
Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary Judd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sterling Bancorp, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   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 registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ GARY JUDD
Gary Judd
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to
Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas Lopp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sterling Bancorp, Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors:

   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 registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 9, 2019

/s/ THOMAS LOPP
Thomas Lopp
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of Sterling Bancorp, Inc. (the “Company”) for the quarter ended June 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: August 9, 2019

/s/ GARY JUDD
Gary Judd
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of Sterling Bancorp, Inc. (the "Company") for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: August 9, 2019

/s/ THOMAS LOPP
Thomas Lopp
Chief Financial Officer
(principal financial officer)