Section 1: 10-Q

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

____

FORM 10-Q

____

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _ to
Commission File No. 001-34786

Oritani Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware	**30-0628335**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

370 Pascack Road, Township of Washington, New Jersey 07676
(Address of Principal Executive Offices) (Zip Code)

(201) 664-5400
(Registrant’s telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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 requirements for the past 90 days.

YES ☒ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒ NO

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

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	ORIT	The NASDAQ Stock Market

As of May 10, 2019, there were 56,245,065 shares of the Registrant’s common stock, par value $0.01 per share, issued and 45,083,052 shares outstanding.

Oritani Financial Corp.
FORM 10-Q

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Part I. Financial Information

Item 1. Financial Statements

Oritani Financial Corp. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2019	June 30, 2018
	(unaudited)	(audited)
Assets		
Cash on hand and in banks	$ 14,982	$ 23,613
Federal funds sold and short term investments	2,513	11,235
Cash and cash equivalents	17,495	34,848
Loans, net	3,495,388	3,540,903
Equity securities	1,378	1,565
Debt securities available for sale, at market value	35,013	43,126
Debt securities held to maturity, fair value of $333,066 and $326,511, respectively	335,579	335,374
Bank Owned Life Insurance (at cash surrender value)	100,266	98,438
Federal Home Loan Bank of New York (“FHLB”) stock at cost	26,074	30,365
Accrued interest receivable	11,985	11,261
Real estate owned	636	1,564
Office properties and equipment, net	13,039	13,455
Deferred tax assets, net	28,952	25,864
Other assets	8,897	30,276
Total Assets	$ 4,074,702	$ 4,167,039
Liabilities		
Deposits	$ 2,898,638	$ 2,915,128
Borrowings	548,775	596,372
Advance payments by borrowers for taxes and insurance	28,095	24,169
Other liabilities	68,477	72,024
Total Liabilities	3,543,985	3,607,693
Stockholders’ Equity		
Common stock, $0.01 par value; 150,000,000 shares authorized; 56,245,065 shares issued; 45,080,139 shares outstanding at March 31, 2019 and 46,616,646 shares outstanding at June 30, 2018	562	562
Additional paid-in capital	515,138	514,002
Non-vested restricted stock awards	(241)	(176)
Treasury stock, at cost; 11,164,926 shares at March 31, 2019 and 9,628,419 shares at June 30, 2018	(153,324)	(129,433)
Unallocated common stock held by the employee stock ownership plan	(15,437)	(16,631)
Retained earnings	180,007	179,799
Accumulated other comprehensive income, net of tax	4,012	11,223
Total Stockholders’ Equity	530,717	559,346
Total Liabilities and Stockholders’ Equity	$ 4,074,702	$ 4,167,039

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Income
(In thousands, except per share data)

	Three Months ended March 31, 2019	Three Months ended March 31, 2018	Nine Months ended March 31, 2019	Nine Months ended March 31, 2018
	(unaudited)			
Interest income:				
Interest on loans	$ 35,323	$ 35,398	$ 107,360	$ 107,126
Dividends on FHLB stock	467	432	1,396	1,368
Dividends on equity securities	15	10	37	34
Interest on debt securities available for sale	211	274	673	1,203
Interest on debt securities held to maturity	2,178	1,419	6,109	3,663
Interest on federal funds sold and short term investments	29	28	331	139
Total interest income	38,223	37,561	115,906	113,533
Interest expense:				
Deposits	10,827	7,887	29,803	23,028
Borrowings	3,287	2,721	9,672	8,300
Total interest expense	14,114	10,608	39,475	31,328
Net interest income before provision for loan losses	24,109	26,953	76,431	82,205
Reversal of provision for loan losses	—	—	(2,000)	—
Net interest income after provision for loan losses	24,109	26,953	78,431	82,205
Non-interest income:				
Fees and service charges	405	371	1,044	1,010
Bank-owned life insurance	594	603	1,828	1,879
Gains (losses) on sale of OREO	—	—	855	(2)
Change in fair value of equity securities	87	—	(187)	—
Net losses on sale of debt securities available for sale	—	—	—	(324)
Other income	9	7	18	16
Total non-interest income	1,095	981	3,558	2,579
Non-interest expense:				
Compensation, payroll taxes and fringe benefits	5,958	6,277	17,470	19,619
Advertising	143	143	428	428
Office occupancy and equipment expense	820	862	2,315	2,391
Data processing service fees	527	499	1,545	1,463
Federal insurance premiums	270	300	855	900
Other expenses	1,423	1,681	6,903	4,690
Total non-interest expense	9,141	9,762	29,516	29,491
Income before income tax expense	16,063	18,172	52,473	55,293
Income tax expense	3,613	4,747	13,197	25,902
Net income	$ 12,450	$ 13,425	$ 39,276	$ 29,391
Earnings per basic common share	$ 0.29	$ 0.30	$ 0.90	$ 0.67
Earnings per diluted common share	$ 0.28	$ 0.30	$ 0.89	$ 0.65

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)

	Three Months ended March 31,		Nine Months ended March 31,	
	2019	2018	2019	2018
	(unaudited)			
Net of tax:				
Net income	$ 12,450	$ 13,425	$ 39,276	$ 29,391
Other comprehensive income:				
Change in unrealized holding gain (loss) on debt securities available for sale	159	(298)	318	(663)
Reclassification adjustment for security loss included in net income	—	—	—	184
Amortization related to post-retirement obligations	6	5	20	15
Net change in unrealized (loss) gain on interest rate swaps	(2,898)	3,819	(6,891)	5,556
Total other comprehensive (loss) income	(2,733)	3,526	(6,553)	5,092
Total comprehensive income	$ 9,717	$ 16,951	$ 32,723	$ 34,483

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Three Months ended March 31, 2019 and 2018 (unaudited)
(In thousands, except share data)

	Shares Outstanding	Common stock	Additional paid-in capital	Non-vested restricted stock awards	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss), net of tax	Total stockholders' equity
Balance at December 31, 2017	46,304,550	$ 562	$ 513,316	$ (201)	$ (132,371)	$ (17,331)	$ 178,484	$ 5,086	$ 547,545
Net income	—	—	—	—	—	—	13,425	—	13,425
Other comprehensive income , net of tax	—	—	—	—	—	—	—	3,526	3,526
Cash dividends declared ($0.25 per share)	—	—	—	—	—	—	(11,060)	—	(11,060)
Purchase of treasury stock	(487,671)	—	—	—	(7,753)	—	—	—	(7,753)
Compensation cost for stock options and restricted stock	—	—	37	—	—	—	—	—	37
ESOP shares allocated or committed to be released	—	—	326	—	—	350	—	—	676
Exercise of stock options	787,397	—	—	—	10,524	—	(2,288)	—	8,236
Tax Cuts and Jobs Act of 2017, Reclassification from AOCI to Retained Earnings, Tax Effect	—	—	—	—	—	—	(1,100)	1,100	—
Balance at March 31, 2018	46,604,276	$ 562	$ 513,679	$ (201)	$ (129,600)	$ (16,981)	$ 177,461	$ 9,712	$ 554,632

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Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Three Months ended March 31, 2019 and 2018 (unaudited)
(In thousands, except share data)

	Shares Outstanding	Common stock	Additional paid-in capital	Non-vested restricted stock awards	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss), net of tax	Total stockholders' equity
Balance at December 31, 2018	44,751,879	$ 562	$ 514,744	$ (241)	$ (157,831)	$ (15,789)	$ 178,865	$ 6,745	$ 527,055
Net income	—	—	—	—	—	—	12,450	—	12,450
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(2,733)	(2,733)
Cash dividends declared ($0.25 per share)	—	—	—	—	—	—	(10,773)	—	(10,773)
Compensation cost for stock options and restricted stock	—	—	35	—	—	—	—	—	35
ESOP shares allocated or committed to be released	—	—	359	—	—	352	—	—	711
Exercise of stock options	328,260	—	—	—	4,507	—	(535)	—	3,972
Balance at March 31, 2019	45,080,139	$ 562	$ 515,138	$ (241)	$ (153,324)	$ (15,437)	$ 180,007	$ 4,012	$ 530,717

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Nine Months ended March 31, 2019 and 2018 (unaudited)
(In thousands, except share data)

	Shares Outstanding	Common stock	Additional paid-in capital	Non-vested restricted stock awards	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss), net of tax	Total stockholders' equity
Balance at June 30, 2017	45,992,366	$ 562	$ 512,337	$ (458)	$ (136,517)	$ (18,407)	$ 198,186	$ 3,520	$ 559,223
Net income	—	—	—	—	—	—	29,391	—	29,391
Other comprehensive income , net of tax	—	—	—	—	—	—	—	5,092	5,092
Cash dividends declared ($1.05 per share)	—	—	—	—	—	—	(46,219)	—	(46,219)
Purchase of treasury stock	(492,458)	—	—	—	(7,834)	—	—	—	(7,834)
Compensation cost for stock options and restricted stock	—	—	138	—	—	—	—	—	138
ESOP shares allocated or committed to be released	—	—	1,414	—	—	1,426	—	—	2,840
Exercise of stock options	1,111,368	—	—	—	14,838	—	(2,837)	—	12,001
Forfeiture of restricted stock awards	(7,000)	—	—	87	(87)	—	—	—	—
Vesting of restricted stock awards	—	—	(210)	170	—	—	40	—	—
Tax Cuts and Jobs Act of 2017, Reclassification from AOCI to Retained Earnings, Tax Effect	—	—	—	—	—	—	(1,100)	1,100	—
Balance at March 31, 2018	46,604,276	$ 562	$ 513,679	$ (201)	$ (129,600)	$ (16,981)	$ 177,461	$ 9,712	$ 554,632

Continued on next page

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Nine Months ended March 31, 2019 and 2018 (unaudited)
(In thousands, except share data)

	Shares Outstanding	Common stock	Additional paid-in capital	Non-vested restricted stock awards	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss), net of tax	Total stockholders' equity
Balance at June 30, 2018	46,616,646	$ 562	$ 514,002	$ (176)	$ (129,433)	$ (16,631)	$ 179,799	$ 11,223	$ 559,346
Net income	—	—	—	—	—	—	39,276	—	39,276
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(6,553)	(6,553)
Cash dividends declared ($0.90 per share)	—	—	—	—	—	—	(39,198)	—	(39,198)
Purchase of treasury stock	(1,890,767)	—	—	—	(28,747)	—	—	—	(28,747)
Issuance of restricted stock awards	10,000	—	—	(134)	134	—	—	—	—
Compensation cost for stock options and restricted stock	—	—	121	—	—	—	—	—	121
ESOP shares allocated or committed to be released	—	—	1,101	—	—	1,194	—	—	2,295
Exercise of stock options	344,260	—	—	—	4,722	—	(545)	—	4,177
Vesting of restricted stock awards	—	—	(86)	69	—	—	17	—	—
Reclassification due to the adoption of ASU No. 2016-01	—	—	—	—	—	—	658	(658)	—
Balance at March 31, 2019	45,080,139	$ 562	$ 515,138	$ (241)	$ (153,324)	$ (15,437)	$ 180,007	$ 4,012	$ 530,717

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Nine Months ended March 31,	
	2019	2018
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 39,276	$ 29,391
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	2,416	2,978
Tax benefit from stock-based compensation	260	1,120
Depreciation of premises and equipment	561	583
Net amortization and accretion of premiums and discounts on securities	872	873
Reversal of provision for loan losses	(2,000)	—
Amortization and accretion of deferred loan fees, net	(1,837)	(1,865)
(Increase) decrease in deferred taxes	(323)	10,581
Net losses on sale of debt securities available for sale	—	324
Fair value adjustment for equity securities	187	—
(Gain) loss on sale of real estate owned	(855)	2
Increase in cash surrender value of bank owned life insurance	(1,828)	(1,878)
Increase in accrued interest receivable	(724)	(818)
Decrease (increase) in other assets	11,595	(10,193)
(Decrease) increase in other liabilities	(3,777)	16,843
Net cash provided by operating activities	43,823	47,941
Cash flows from investing activities:		
Net decrease in loans receivable	160,361	54,505
Purchase of mortgage loans	(119,069)	(52,766)
Proceeds from sale of loans receivable	8,060	—
Purchase of debt securities held to maturity	(53,369)	(97,980)
Purchase of Federal Home Loan Bank stock	(17,624)	(31,692)
Proceeds from payments, calls and maturities of debt securities available for sale	8,506	18,989
Proceeds from payments, calls and maturities of debt securities held to maturity	52,365	34,060
Proceeds from sales of debt securities available for sale	—	29,505
Proceeds from redemption of Federal Home Loan Bank stock	21,915	38,361
Proceeds from sale of real estate owned	1,783	138
Purchase of fixed assets	(145)	(207)
Net cash provided by (used in)investing activities	62,783	(7,087)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(16,490)	97,998
Purchase of treasury stock	(28,747)	(7,834)
Dividends paid to shareholders	(39,198)	(46,219)
Exercise of stock options	4,177	12,001
Increase in advance payments by borrowers for taxes and insurance	3,926	3,157
Proceeds from borrowed funds	70,627	57,870
Repayment of borrowed funds	(118,224)	(167,815)
Payment of employee taxes withheld from shared-based awards	(30)	(81)
Net cash used in financing activities	(123,959)	(50,923)
Net decrease in cash and cash equivalents	(17,353)	(10,069)
Cash and cash equivalents at beginning of period	34,848	33,578
Cash and cash equivalents at end of period	$ 17,495	$ 23,509
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 39,194	$ 31,186
Income taxes	$ 9,709	$ 9,611
Noncash transfer		
Loans receivable transferred to real estate owned	$ —	$ 636

See accompanying notes to unaudited consolidated financial statements.

Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements are composed of the accounts of Oritani Financial Corp., its wholly owned subsidiary, Oritani Bank (the "Bank") and the wholly owned subsidiaries of Oritani Bank; Oritani Finance Company, Ormon LLC ("Ormon"), and Oritani Investment Corp., as well as its wholly owned subsidiary, Oritani Asset Corporation (a real estate investment trust), (collectively, the "Company"). Intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all of the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the nine month period ended March 31, 2019 are not necessarily indicative of the results of operations that may be expected for the fiscal year ending June 30, 2019.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for the preparation of the Form 10-Q. The consolidated financial statements presented should be read in conjunction with the Company's audited consolidated financial statements and notes to consolidated financial statements included in the Company's June 30, 2018 Annual Report on Form 10-K, filed with the SEC on August 29, 2018.

The consolidated financial statements have been prepared in conformity with GAAP. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities presented in the Consolidated Balance Sheets at March 31, 2019 and June 30, 2018 and in the Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2019 and 2018. Actual results could differ significantly from those estimates.

A material estimate that is particularly susceptible to significant changes relates to the determination of the allowance for loan losses. The allowance for loan losses represents management's best estimate of losses known and incurred in the portfolio that are both probable and reasonable to estimate. While management uses the most current information available to estimate losses on loans, actual losses are dependent on future events and, as such, increases in the allowance for loan losses may be necessary.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

2. Earnings Per Share ("EPS")

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. The weighted average common shares outstanding includes the average number of shares of common stock outstanding and allocated or committed to be released Employee Stock Ownership Plan shares.

Diluted earnings per share is computed using the same method as basic earnings per share, but reflects the potential dilution that could occur if stock options were exercised and converted into common stock. These potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. When applying the treasury stock method, we add the assumed proceeds from option exercises and the average unamortized compensation costs related to stock options. We then divide this sum by our average stock price to calculate shares assumed to be repurchased. The excess of the number of shares issuable over the number of shares assumed to be repurchased is added to basic weighted average common shares to calculate diluted EPS.

The following is a summary of the Company’s earnings per share calculations and reconciliation of basic to diluted earnings per share.

	Three Months ended March 31,		Nine Months ended March 31,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Net income	$ 12,450	$ 13,425	$ 39,276	$ 29,391
Weighted average common shares outstanding—basic	43,078	44,319	43,732	44,105
Effect of dilutive stock options outstanding	660	785	576	879
Weighted average common shares outstanding—diluted	43,738	45,104	44,308	44,984
Earnings per share-basic	$ 0.29	$ 0.30	$ 0.90	$ 0.67
Earnings per share-diluted	$ 0.28	$ 0.30	$ 0.89	$ 0.65

For the three months ended March 31, 2019 there were 46 option shares that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for those periods. For the three months ended March 31, 2018 there were 1,730 option shares that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for those periods. Anti-dilutive shares for the nine months ended March 31, 2019 and 2018 were 3,178 and 1,052, respectively.

3. Stock Repurchase Program

On March 4, 2015, the Board of Directors of the Company authorized a fourth stock repurchase plan pursuant to which the Company was authorized to repurchase up to 5% of the outstanding shares, or 2,205,451 shares. During the nine months ended March 31, 2019, a total of 1,888,851 shares had been acquired under the fourth repurchase plan at a weighted average cost of $15.20 per share. With these purchases, the fourth repurchase plan has been completed. Repurchased shares are held as treasury stock and will be available for general corporate purposes.

4. Equity Incentive Plans

The 2007 Equity Incentive Plan ("the 2007 Equity Plan") was approved by the Company's stockholders on April 22, 2008, which authorized the issuance of up to 4,172,817 shares of Company common stock pursuant to grants of incentive and non-statutory stock options, stock appreciation rights, and restricted stock awards. The 2011 Equity Incentive Plan ("2011 Equity Plan") was approved by the Company's stockholders on July 26, 2011. The 2011 Equity Plan authorized the issuance of up to 5,790,849 shares of the Company's common stock pursuant to grants of stock options, restricted stock awards and restricted stock units, with no more than 1,654,528 of the shares issued as restricted stock awards or restricted stock units. Employees and outside directors of the Company or Oritani Bank are eligible to receive awards under the Equity Plans.

Stock options are granted at an exercise price equal to the market price of our common stock on the grant date, based on quoted market prices. Stock options generally vest over a five-year service period and expire ten years from issuance. The vesting of the options accelerate upon death or disability, retirement or a change in control and expire 90 days after termination of service, excluding disability or retirement. The Company recognizes compensation expense for all option grants over the awards' respective requisite service periods. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Management estimated the expected life of the options using the simplified method. The Treasury yield in effect at the time of the grant provides the risk-free rate for periods within the contractual life of the option. The Company classified share-based compensation for employees and outside directors within "compensation, payroll taxes and fringe benefits" in the consolidated statements of income to correspond with the same line item as the cash compensation paid.

The fair value of options granted during the nine months ended March 31, 2019 was estimated using the Black-Scholes options-pricing model with the assumptions in the following table.

	Nine Months ended March 31, 2019
Option shares granted	20,000
Expected dividend yield	7.47%
Expected volatility	17.68%
Risk-free interest rate	2.82%
Expected option life (in years)	6.5

There were no options granted during the nine months ended March 31, 2018.

The following is a summary of the Company's stock option activity and related information as of March 31, 2019 and changes therein during the nine months then ended:

	Number of Stock Options	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at June 30, 2018	2,599,864	$ 2.64	$ 12.16	3.4
Granted	20,000	0.78	16.15	10.0
Exercised	(344,260)	2.69	12.13	3.8
Forfeited	(20,000)	0.89	15.40	9.3
Expired	(16,000)	2.70	12.60	3.2
Outstanding at March 31, 2019	2,239,604	$ 2.63	$ 12.19	2.7
Exercisable at March 31, 2019	2,152,004	$ 2.70	$ 12.05	2.5

The Company recorded $8,000 of share based compensation expense related to options for both the three months ended March 31, 2019 and 2018, respectively. The Company recorded $28,000 and $30,000 of share based compensation expense related to options for the nine months ended March 31, 2019 and 2018, respectively. Expected future expense related to the non-vested options outstanding at March 31, 2019 is $73,000 over a weighted average period of 3.7 years. Upon exercise of vested options, management expects to draw on treasury stock as the source of the shares.

Restricted stock shares vest over a five-year service period on the anniversary date of the grant. Vesting of the restricted stock shares accelerate upon death or disability, retirement or a change in control. The product of the number of shares granted and the grant date market price of the Company's common stock determines the fair value of restricted shares under the Company's restricted stock plan. The Company recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period.

The following is a summary of the status of the Company's restricted stock shares as of March 31, 2019 and changes therein during the nine months then ended:

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2018	14,200	$ 15.78
Granted	10,000	16.15
Vested	(5,400)	15.99
Non-vested at March 31, 2019	18,800	$ 15.91

The Company recorded $27,000 and $29,000 of share based compensation expense related to the restricted stock shares for the three months ended March 31, 2019 and 2018, respectively. The Company recorded $93,000 and $108,000 of share based compensation expense related to the restricted stock shares for the nine months ended March 31, 2019 and 2018, respectively. Expected future expense related to the non-vested restricted shares at March 31, 2019 is $232,000 over a weighted average period of 3.1 years.

5. Post-retirement Benefits

The Company provides several post-retirement benefit plans to directors and to certain active and retired employees. The Company has a nonqualified Directors' Retirement Plan ("Retirement Plan"), a nonqualified Benefit Equalization Plan ("BEP Plan"), which provides benefits to employees who are disallowed certain benefits under the Company's qualified benefit plans, and a Post Retirement Medical Plan ("Medical Plan") for directors and certain eligible employees.

Net periodic benefit costs for the three and nine months ended March 31, 2019 and 2018 are presented in the following tables.

	Retirement Plan		BEP Plan		Medical Plan	
	Three Months ended March 31,					
	2019	2018	2019	2018	2019	2018
	(In thousands)					
Service cost	$ 31	$ 33	$ —	$ —	$ 11	$ 15
Interest cost	54	52	13	11	59	52
Amortization of unrecognized:						
Net loss	—	—	8	9	—	—
Total	$ 85	$ 85	$ 21	$ 20	$ 70	$ 67

	Retirement Plan		BEP Plan		Medical Plan	
	Nine Months ended March 31,					
	2019	2018	2019	2018	2019	2018
	(In thousands)					
Service cost	$ 92	$ 98	$ —	$ —	$ 34	$ 44
Interest cost	164	156	39	33	176	158
Amortization of unrecognized:						
Net loss	—	—	25	27	—	—
Total	$ 256	$ 254	$ 64	$ 60	$ 210	$ 202

The service cost component of net periodic benefit cost is included in compensation and employee benefits on the Statements of Income. The other components of net periodic benefit cost, including interest cost and amortization of actuarial gain/loss are included in other expenses on the Statements of Income.

6. Loans, net

Loans, net are summarized as follows:

	March 31, 2019	June 30, 2018
	(In thousands)	
Residential	$ 269,521	$ 267,771
Residential commercial real estate	2,053,654	2,005,315
Grocery/credit retail commercial real estate	498,908	497,708
Other commercial real estate	703,066	796,589
Construction and land loans	8,244	10,960
Total loans	3,533,393	3,578,343
Less:		
Unearned deferred fees and discounts, net	9,415	6,878
Allowance for loan losses	28,590	30,562
Loans, net	$ 3,495,388	$ 3,540,903

The Company's allowance for loan losses is analyzed quarterly and many factors are considered, including changes in the portfolio, delinquencies, nonaccrual loan levels, and other environmental factors. There have been no material changes to the allowance for loan loss methodology as disclosed in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on August 29, 2018.

The activity in the allowance for loan losses for the three and nine months ended March 31, 2019 and 2018 is summarized as follows:

	Three Months ended March 31,		Nine Months ended March 31,	
	(In thousands)			
	2019	2018	2019	2018
Balance at beginning of period	$ 28,639	$ 30,402	$ 30,562	$ 30,272
Reversal of provision for loan losses	—	—	(2,000)	—
Recoveries of loans previously charged off	16	166	93	318
Loans charged off	(65)	(95)	(65)	(117)
Balance at end of period	$ 28,590	$ 30,473	$ 28,590	$ 30,473

The following tables provide the three and nine month activity in the allowance for loan losses allocated by loan category at March 31, 2019 and 2018. 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 to absorb losses in other categories.

	Three Months ended March 31, 2019					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 2,002	$ 15,259	$ 3,274	$ 7,780	$ 324	$ 28,639
Charge-offs	(65)	—	—	—	—	(65)
Recoveries	16	—	—	—	—	16
Provisions (reversal)	177	319	65	(552)	(9)	—
Ending balance	$ 2,130	$ 15,578	$ 3,339	$ 7,228	$ 315	$ 28,590

	Nine Months ended March 31, 2019					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 1,990	$ 17,259	$ 3,015	$ 7,828	$ 470	$ 30,562
Charge-offs	(65)	—	—	—	—	(65)
Recoveries	34	—	—	59	—	93
Provisions (reversal)	171	(1,681)	324	(659)	(155)	(2,000)
Ending balance	$ 2,130	$ 15,578	$ 3,339	$ 7,228	$ 315	$ 28,590

	Three Months ended March 31, 2018					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 1,902	$ 16,475	$ 2,900	$ 8,783	$ 342	$ 30,402
Charge-offs	(95)	—	—	—	—	(95)
Recoveries	19	—	—	147	—	166
Provisions (reversal)	77	570	57	(760)	56	—
Ending balance	$ 1,903	$ 17,045	$ 2,957	$ 8,170	$ 398	$ 30,473

	Nine Months ended March 31, 2018					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 1,261	$ 15,794	$ 3,000	$ 10,017	$ 200	$ 30,272
Charge-offs	(117)	—	—	—	—	(117)
Recoveries	139	—	—	147	32	318
Provisions (reversal)	620	1,251	(43)	(1,994)	166	—
Ending balance	$ 1,903	$ 17,045	$ 2,957	$ 8,170	$ 398	$ 30,473

The following tables detail the amount of loans receivables that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan loss that is allocated to each loan portfolio segment at March 31, 2019 and June 30, 2018.

	At March 31, 2019					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	2,130	15,578	3,339	7,228	315	28,590
Total	$ 2,130	$ 15,578	$ 3,339	$ 7,228	$ 315	$ 28,590
Loans receivable:						
Individually evaluated for impairment	$ 5,640	$ —	$ —	$ 3,546	$ —	$ 9,186
Collectively evaluated for impairment	263,881	2,053,654	498,908	699,520	8,244	3,524,207
Total	$ 269,521	$ 2,053,654	$ 498,908	$ 703,066	$ 8,244	$ 3,533,393

	At June 30, 2018					
	Residential	Residential commercial real estate	Grocery/credit retail commercial real estate	Other commercial real estate	Construction and land loans	Total
	(In thousands)					
Allowance for loan losses:						
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	1,990	17,259	3,015	7,828	470	30,562
Total	$ 1,990	$ 17,259	$ 3,015	$ 7,828	$ 470	$ 30,562
Loans receivable:						
Individually evaluated for impairment	$ 5,022	$ —	$ —	$ 4,181	$ —	$ 9,203
Collectively evaluated for impairment	262,749	2,005,315	497,708	792,408	10,960	3,569,140
Total	$ 267,771	$ 2,005,315	$ 497,708	$ 796,589	$ 10,960	$ 3,578,343

The Company continuously monitors the credit quality of its loan portfolio. In addition to internal staff, the Company utilizes the services of a third party loan review firm to evaluate the credit quality ratings of its loan receivables. Credit quality is monitored by reviewing certain credit quality indicators. Assets classified as "Satisfactory" are deemed to possess average to superior credit quality, requiring no more than normal attention. Assets classified as "Pass/Watch" have generally acceptable asset quality yet possess higher risk characteristics/circumstances than satisfactory assets. Such characteristics may include strained liquidity, slow pay, stale financial statements or other circumstances requiring greater attention from bank staff. We classify an asset as "Special Mention" if the asset has a potential weakness that warrants management's close attention. Such weaknesses, if left uncorrected, may result in the deterioration of the repayment prospects of the asset. An asset is considered "Substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as "Doubtful" have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Included in the Substandard caption are all loans that were past due 90 days (or more) and all impaired loans.

The following tables provide information about the loan credit quality at March 31, 2019 and June 30, 2018:

	At March 31, 2019					
	Satisfactory	Pass/Watch	Special Mention	Substandard	Doubtful	Total
	(In thousands)					
Residential	$ 244,946	$ 16,652	$ 1,170	$ 6,753	$ —	$ 269,521
Residential commercial real estate	2,036,153	15,948	1,553	—	—	2,053,654
Grocery/credit retail commercial real estate	496,010	2,898	—	—	—	498,908
Other commercial real estate	618,699	75,945	4,279	4,143	—	703,066
Construction and land loans	8,244	—	—	—	—	8,244
Total	$ 3,404,052	$ 111,443	$ 7,002	$ 10,896	$ —	$ 3,533,393

	At June 30, 2018					
	Satisfactory	Pass/Watch	Special Mention	Substandard	Doubtful	Total
	(In thousands)					
Residential	$ 242,534	$ 18,731	$ 171	$ 6,335	$ —	$ 267,771
Residential commercial real estate	1,981,781	21,952	1,582	—	—	2,005,315
Grocery/credit retail commercial real estate	494,723	—	2,985	—	—	497,708
Other commercial real estate	688,725	92,430	10,164	5,270	—	796,589
Construction and land loans	10,960	—	—	—	—	10,960
Total	$ 3,418,723	$ 133,113	$ 14,902	$ 11,605	$ —	$ 3,578,343

The following tables provide information about loans past due at March 31, 2019 and June 30, 2018:

	At March 31, 2019						
	30-59 Days Past Due	60-89 Days Past Due	90 days or More Past Due	Total Past Due	Current	Total Loans	Nonaccrual (1)
				(In thousands)			
Residential	$ 1,146	$ 1,736	$ 5,549	$ 8,431	$ 261,090	$ 269,521	$ 6,753
Residential commercial real estate	—	—	—	—	2,053,654	2,053,654	—
Grocery/credit retail commercial real estate	—	—	—	—	498,908	498,908	—
Other commercial real estate	533	—	2,330	2,863	700,203	703,066	3,431
Construction and land loans	—	—	—	—	8,244	8,244	—
Total	$ 1,679	$ 1,736	$ 7,879	$ 11,294	$ 3,522,099	$ 3,533,393	$ 10,184

	At June 30, 2018						
	30-59 Days Past Due	60-89 Days Past Due	90 days or More Past Due	Total Past Due	Current	Total Loans	Nonaccrual (2)
				(In thousands)			
Residential	$ 2,696	$ 753	$ 5,213	$ 8,662	$ 259,109	$ 267,771	$ 6,335
Residential commercial real estate	1,582	—	—	1,582	2,003,733	2,005,315	—
Grocery/credit retail commercial real estate	—	—	—	—	497,708	497,708	—
Other commercial real estate	1,009	—	136	1,145	795,444	796,589	1,542
Construction and land loans	—	—	—	—	10,960	10,960	—
Total	$ 5,287	$ 753	$ 5,349	$ 11,389	$ 3,566,954	$ 3,578,343	$ 7,877

(1) Included in nonaccrual loans at March 31, 2019 are residential loans totaling $31,000 that were 30-59 days past due; and residential loans totaling $761,000 that were 60-89 days past due; and residential loans totaling $412,000 and other commercial real estate loans totaling $1.1 million that were less than 30 days past due.

(2) Included in nonaccrual loans at June 30, 2018 are residential loans totaling $35,000 that were 30-59 days past due; residential loans totaling $582,000 that were 60-89 days past due; and residential loans totaling $504,000 and other commercial real estate loans totaling $1.4 million that were less than 30 days past due.

The Company defines an impaired loan as a loan for which it is probable, based on current information, that the Company will not collect all amounts due under the contractual terms of the loan agreement. Loans we individually classify as impaired include multifamily, commercial mortgage and construction loans with balances of $1.0 million or more, unless a condition exists for loans less than $1.0 million that would increase the Bank's potential loss exposure. At March 31, 2019 and June 30, 2018, impaired loans were primarily collateral-dependent and totaled $9.2 million, with no related allowance for credit losses.

The following table provides information about the Company's impaired loans at March 31, 2019 and June 30, 2018:

	At March 31, 2019			At June 30, 2018		
	Recorded Investment	Unpaid Principal Balance	Allowance	Recorded Investment	Unpaid Principal Balance	Allowance
	(In thousands)					
With no related allowance recorded:						
Residential	$ 5,647	$ 5,640	$ —	$ 5,021	$ 5,022	$ —
Other commercial real estate	3,386	3,546	—	4,018	4,181	—
Total	$ 9,033	$ 9,186	$ —	$ 9,039	$ 9,203	$ —

The following tables present the average recorded investment and interest income recognized on impaired loans for the three and nine months ended March 31, 2019 and 2018:

	Three Months ended March 31,			
	2019		2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
With no related allowance recorded:				
Residential	$ 5,691	$ 12	$ 4,746	$ 12
Other commercial real estate	3,474	32	8,189	105
Total	$ 9,165	$ 44	$ 12,935	$ 117
Cash basis interest income		$ 39		$ 108

	Nine Months ended March 31,			
	2019		2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
With no related allowance recorded:				
Residential	$ 5,509	$ 87	$ 4,507	$ 62
Other commercial real estate	3,585	152	7,744	329
Total	$ 9,094	$ 239	$ 12,251	$ 391
Cash basis interest income		$ 168		$ 365

Troubled debt restructured loans (“TDRs”) are those loans whose terms have been modified because of deterioration in the financial condition of the borrower. The Company has selectively modified certain borrower’s loans to enable the borrower to emerge from delinquency and keep their loans current. The eligibility of a borrower for a TDR modification depends upon the facts and circumstances of each transaction, which may change from period to period, and involve judgment by management regarding the likelihood that the modification will result in the maximum recovery by the Company. Modifications could include extension of the terms of the loan, reduced interest rates, and forgiveness of accrued interest and/or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate (a rate equal to or greater than the rate the Company was willing to accept at the time of the restructuring for a new loan with comparable risk), until the year subsequent to the year in which the restructuring takes place, provided the borrower has performed under the modified terms for a six month period. Management classifies all TDRs as impaired loans. Included in impaired loans at March 31, 2019 and June 30, 2018, are $1.5 million and $1.9 million, respectively of loans which are deemed TDRs.

The following table presents additional information regarding the Company’s TDRs as of March 31, 2019 and June 30, 2018:

	Troubled Debt Restructurings at March 31, 2019			Troubled Debt Restructurings at June 30, 2018		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
		(In thousands)			(In thousands)	
Residential	$ —	$ 169	$ 169	$ —	$ 174	$ 174
Other commercial real estate	250	1,101	1,351	309	1,407	1,716
Total	$ 250	$ 1,270	$ 1,520	$ 309	$ 1,581	$ 1,890
Allowance	$ —	$ —	$ —	$ —	—	$ —

The following table presents information about TDRs for the periods presented:

	Nine Months ended March 31,					
	2019			2018		
	Number of Relationships	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Relationships	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)			(Dollars in thousands)		
Other commercial real estate	—	$ —	$ —	1	$ 271	$ 249
Total	—	$ —	$ —	1	$ 271	$ 249

There were no loan relationships modified in a troubled debt restructuring during the three months ended March 31, 2019 and 2018, and during the nine months ended March 31, 2019. The relationship modified during the nine months ended March 31, 2018 was restructured from interest only to a principal and interest amortizing loan through maturity.

There were no payment defaults (90 days or more past due) on loans modified as troubled debt restructurings within twelve months of modification during the three and nine months ended March 31, 2019 and 2018.

7. Securities

Debt Securities Held to Maturity

The following is a comparative summary of debt securities held to maturity at March 31, 2019 and June 30, 2018:

	At March 31, 2019			
	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value
	(In thousands)			
U.S. Government and Federal agency obligations				
Due in less than one year	$ 6,750	$ —	$ 54	$ 6,696
Mortgage-backed securities:				
Residential MBS	218,450	1,016	2,305	217,161
Commercial MBS	22,542	58	108	22,492
CMO	72,802	173	1,184	71,791
Corporate Note				
Due in five to ten years	15,035	92	201	14,926
	$ 335,579	$ 1,339	$ 3,852	$ 333,066

	At June 30, 2018			
	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value
	(In thousands)			
U.S. Government and Federal agency obligations				
Due in less than one year	$ 1,750	$ —	$ 23	$ 1,727
Due in one to five years	5,000	—	94	4,906
Mortgage-backed securities:				
Residential MBS	220,057	23	5,965	214,115
Commercial MBS	13,035	—	421	12,614
CMO	85,488	35	2,398	83,125
Corporate Note				
Due in five to ten years	10,044	—	20	10,024
	$ 335,374	$ 58	$ 8,921	$ 326,511

The contractual maturities of mortgage-backed securities held to maturity generally exceed 20 years; however, the effective lives are expected to be significantly shorter due to scheduled principal payments, anticipated prepayments and, in the case of CMOs, cash flow priorities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

The Company did not sell any debt securities held to maturity during the three and nine months ended March 31, 2019 and 2018. Debt securities with fair values of $7.9 million and $9.1 million at March 31, 2019 and June 30, 2018, respectively, were pledged for advances. There were no debt securities held to maturity pledged for cash flow hedge interest rate swaps at March 31, 2019 and June 30, 2018. Debt securities held to maturity with fair values of $20.2 million were pledged for municipal deposits at March 31, 2019 and none were pledged at June 30, 2018. The Company did not record other-than-temporary impairment charges on debt securities held to maturity during the three and nine months ended March 31, 2019 and 2018.

Gross unrecognized losses on debt securities held to maturity and the fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrecognized loss position at March 31, 2019 and June 30, 2018 were as follows:

	At March 31, 2019					
	Less than 12 months		Greater than 12 months		Total	
	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses
	(In thousands)					
U.S. Government and Federal agency obligations						
Due in less than one year	$ —	$ —	$ 6,696	$ 54	$ 6,696	$ 54
Mortgage-backed securities:						
Residential MBS	1,204	3	150,640	2,302	151,844	2,305
Commercial MBS	—	—	6,660	108	6,660	108
CMO	—	—	47,941	1,184	47,941	1,184
Corporate Note						
Due in five to ten years	9,834	201	—	—	9,834	201
	$ 11,038	$ 204	$ 211,937	$ 3,648	$ 222,975	$ 3,852

	At June 30, 2018					
	Less than 12 months		Greater than 12 months		Total	
	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses
	(In thousands)					
U.S. Government and Federal agency obligations						
Due in less than one year	$ —	$ —	$ 1,727	$ 23	$ 1,727	$ 23
Due in one to five years	—	—	4,906	94	4,906	94
Mortgage-backed securities:						
Residential MBS	188,281	4,646	24,712	1,319	212,993	5,965
Commercial MBS	8,290	224	4,324	197	12,614	421
CMO	9,106	279	48,211	2,119	57,317	2,398
Corporate Note						
Due in five to ten years	10,024	20	—	—	10,024	20
	$ 215,701	$ 5,169	$ 83,880	$ 3,752	$ 299,581	$ 8,921

Management evaluated the securities in the above tables and concluded that none of the securities with losses has impairments that are other-than-temporary. The unrecognized losses on securities were caused by interest rate changes and market conditions. Because the decline in fair value is attributable to changes in interest rates and market conditions and not credit quality, and because the Company has no intent to sell and believes it is not more than likely than not that it will be required to sell these securities until a market price recovery or maturity, these securities are not considered other-than-temporarily impaired.

Debt Securities Available for Sale

The following is a comparative summary of debt securities available for sale at March 31, 2019 and June 30, 2018:

	At March 31, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Mortgage-backed securities:				
Residential MBS	$ 19	$ 1	$ —	$ 20
Commercial MBS	3,959	34	—	3,993
CMO	31,692	—	692	31,000
	$ 35,670	$ 35	$ 692	$ 35,013

	At June 30, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Mortgage-backed securities:				
Residential MBS	$ 70	$ 1	$ —	$ 71
Commercial MBS	4,074	63	—	4,137
CMO	40,106	—	1,188	38,918
	$ 44,250	$ 64	$ 1,188	$ 43,126

The contractual maturities of mortgage-backed securities available for sale generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments and, in the case of CMOs, cash flow priorities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

The Company did not sell any debt securities available for sale for the three and nine months ended March 31, 2019. The Company did not sell any debt securities available for sale for the three months ended March 31, 2018. Proceeds from the sale of debt securities available for sale for nine months ended March 31, 2018 were $29.5 million on securities with an amortized cost of $29.8 million, resulting in gross losses of $324,000. Debt securities available for sale with fair values of $13.5 million and $15.5 million at March 31, 2019 and June 30, 2018, respectively, were pledged for advances. There were no debt securities available for sale securities pledged for cash flow hedge interest rate swaps at March 31, 2019 and June 30, 2018, respectively. There were no debt securities available for sale pledged for municipal deposits at March 31, 2019 and June 30, 2018. There were no other-than-temporary impairment charges on debt securities available for sale for the three and nine months ended March 31, 2019 and 2018.

Gross unrealized losses on debt securities available for sale and the fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2019 and June 30, 2018 were as follows:

	At March 31, 2019					
	Less than 12 months		Greater than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
	(In thousands)					
Mortgage-backed securities:						
CMO	$ 908	$ 1	$ 30,092	$ 691	$ 31,000	$ 692
	$ 908	$ 1	$ 30,092	$ 691	$ 31,000	$ 692

	At June 30, 2018					
	Less than 12 months		Greater than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
	(In thousands)					
Mortgage-backed securities:						
CMO	$ 20,651	$ 444	$ 18,267	$ 744	$ 38,918	$ 1,188
	$ 20,651	$ 444	$ 18,267	$ 744	$ 38,918	$ 1,188

Management evaluated the securities in the above tables and concluded that none of the securities with losses has impairments that are other-than-temporary. The unrealized losses on securities were caused by interest rate changes and market conditions. Because the decline in fair value is attributable to changes in interest rates and market conditions and not credit quality, and because the Company has no intent to sell and believes it is not more than likely than not that it will be required to sell these securities until a market price recovery or maturity, these securities are not considered other-than-temporarily impaired.

Equity Securities

The Company's portfolio of equity securities had an estimated fair value of $1.4 million and $1.6 million at March 31, 2019 and June 30, 2018, respectively. Equity Securities are reported at estimated fair value on the Company's Consolidated Balance Sheets. The Company adopted FASB Accounting Standard Update ("ASU") 2016-01 on July 1, 2018. The ASU supersedes the guidance to classify equity securities with readily determinable fair value into different categories and requires equity securities to be measured at fair value with changes in the fair value recognized through net income rather than accumulated other comprehensive income (loss). Upon adoption, the Company recorded an after tax cumulative-effect adjustment of $658,000 in the consolidated statement of stockholders' equity, reclassified its equity securities out of available for sale securities to equity securities on the consolidated balance sheets for all periods presented, and recognized unrealized changes in fair value through earnings. For periods prior to the adoption of ASU 2016-01, unrealized changes in fair value of equity securities were included in accumulated other comprehensive income (loss). Unrealized changes in fair value of equity securities recognized through income for the three and nine months ended March 31, 2019 are a net gain of $87,000 and a net loss of $187,000, respectively. There were no sales of equity securities for the three and nine months ended March 31, 2019 and 2018.

8. Deposits

Deposits include checking (non-interest and interest-bearing demand deposits), money market, savings and time deposits. We had brokered deposits totaling $462.4 million and $450.4 million at March 31, 2019 and June 30, 2018, respectively. Total municipal deposits were $489.9 million and $535.7 million at March 31, 2019 and June 30, 2018, respectively. Municipal deposits are secured by a Federal Home Loan Bank of New York municipal deposit letter of credit in the amount of $177.0 million and $217.0 million at March 31, 2019 and June 30, 2018, respectively. Municipal deposits are also secured by debt securities held to maturity with fair values of $20.2 million at March 31, 2019. As of March 31, 2019 and June 30, 2018, the aggregate amount of outstanding time deposits in amounts greater than $250,000 was $227.4 million and $244.7 million, respectively.

Deposit balances are summarized as follows:

	March 31, 2019	June 30, 2018
	(In thousands)	
Checking accounts	$ 658,959	$ 751,735
Money market deposit accounts	618,145	763,003
Savings accounts	379,204	188,859
Time deposits	1,242,330	1,211,531
	$ 2,898,638	$ 2,915,128

9. Derivatives and Hedging Activities

Oritani is exposed to certain risks regarding its ongoing business operations. Derivative instruments are used to offset a portion of the Company's interest rate risk. Specifically, the Company has utilized interest rate swaps to partially offset the interest rate risk inherent in the Company's balance sheet. Oritani recognizes interest rate swaps as either assets or liabilities at fair value in the statement of financial condition with an offset recorded in Other Comprehensive Income and any ineffectiveness is recorded in earnings. The interest rate swaps have been designed as cash flow hedges. For all cash flow hedges the balance sheet item that has been hedged is brokered deposits.

Oritani is exposed to credit-related losses in the event of nonperformance by the counterparties to the agreements. Oritani controls the credit risk through monitoring procedures and does not expect the counterparty to fail their obligations. Oritani only deals with primary dealers and believes that the credit risk inherent in these contracts was not significant during and at period end. Oritani has the right to demand that the counterparty post collateral to cover any market value shortfall of the counterparty regarding the transaction.

At March 31, 2019, Oritani had twenty one interest rate swap agreements with a total notional outstanding of $375.0 million. These agreements all feature exchanges of fixed for variable payments covering various hedging periods maturing between June 2019 and June 2025. The Company is paying fixed rates on these swaps ranging from 0.68% to 1.90%, in exchange for receiving variable payments linked to one month LIBOR.

The following table presents amounts included in the consolidated balance sheets related to the fair value of derivative financial instruments at March 31, 2019 and June 30, 2018 (dollars in thousands):

	Balance Sheet Line Item	At March 31, 2019		At June 30, 2018	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Cash flow hedge interest rate swaps					
Gross unrealized gain	Other Assets	$ 375,000	$ 7,039	$ 405,000	$ 16,789
	Gross notional / net fair value	$ 375,000	$ 7,039	$ 405,000	$ 16,789
Average rate paid		1.50%		1.96%	
Average rate received		2.33%		2.06%	
Weighted average maturity (years)		3.4		3.9	

Gains (losses) included in the consolidated statements of income and in comprehensive income, on a pre-tax basis, related to cash flow hedge interest rate swaps are as follows:

	Three Months ended March 31,		Nine Months ended March 31,	
	2019	2018	2019	2018
	(in thousands)			
Amount of (loss) gain recognized in other comprehensive income	$ (3,180)	$ 5,622	$ (7,452)	$ 8,159
Amount of unrealized gain (loss) reclassified from accumulated other comprehensive loss to interest expense	916	109	2,298	(403)
Net change in unrealized (loss) gain on interest rate swaps, before taxes	$ (4,096)	$ 5,513	$ (9,750)	$ 8,562

Ineffectiveness recognized during the three and nine months ended March 31, 2019 and 2018 was immaterial. There were no accumulated net after-tax losses related to effective cash flow hedges included in accumulated other comprehensive loss at March 31, 2019 and June 30, 2018, respectively. Amounts reported in accumulated other comprehensive income related to cash flow interest rate swaps are reclassified to interest expense as interest payments are made. There were no securities pledged for the swaps at March 31, 2019 and June 30, 2018.

10. Income Taxes

The Company files income tax returns in the United States federal jurisdiction and in New Jersey, and New York city and state jurisdictions. The Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2014. Currently, the Company is not under examination by any taxing authority. The Company's federal return for the tax year ended December 31, 2015 was audited during fiscal 2019.

The enactment of the Tax Cuts and Jobs Act on December 22, 2017 lowered the federal corporate income tax rate to 21% beginning in 2018 from a maximum rate of 35% in 2017. The benefit of the lower federal tax rate was partially offset by the impact of New Jersey (“NJ”) tax legislation enacted on July 1, 2018 that imposes a temporary surtax of 2.5% for tax years beginning on or after January 1, 2018 through December 31, 2019, and 1.5% for tax years beginning on or after January 1, 2020 through December 31, 2021. The legislation also requires mandatory unitary combined filing for members of an affiliated group for tax years beginning on or after January 1, 2019. The Company reports earnings on a fiscal year basis and the increased income tax implications of the NJ legislation are partially recognized by the Company ratably over the course of the fiscal year ending June 30, 2019. The full impact of the legislation will be recognized in the fiscal year ending June 30, 2020. The Company’s estimated effective tax rate is expected to increase subsequent to the fiscal year ending June 30, 2019. The legislation required a revaluation of our deferred tax assets/liabilities based on the rates at which they are expected to reverse in the future. The revaluation of the Company's deferred tax balances resulted in a one-time non-cash charge of $477,000 which was included in income tax expense for the nine months ended March 31, 2019. Because the Company has a fiscal year end of June 30, the reduced corporate tax rate resulted in the application of a blended federal statutory tax rate of 28% for its fiscal year 2018.

While the Act will lower the Company's future tax rate, in accordance with ASC 740 companies are required to re-measure deferred tax balances using the new enacted tax rates to account for the future impact of lower corporate tax rates on these deferred amounts. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The tax expense recorded in December 31, 2017 quarterly period relating to the remeasurement of the Company's deferred tax balances was $10.2 million.

11. Fair Value Measurements

The Company adopted FASB ASC 820, *"Fair Value Measurements and Disclosures,"* on July 1, 2008. Under ASC 820, fair value measurements are not adjusted for transaction costs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Price or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Following are descriptions of the valuation methodologies and key inputs used to measure assets recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments not recorded at fair value in their entirety on a recurring basis. The descriptions include an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Cash and Cash Equivalents

Due to their short-term nature, the carrying amount of these instruments approximates fair value.

Securities

The Company records securities held to maturity at amortized cost. Equity securities and securities available for sale are measured at fair value on a recurring basis. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. The fair values for securities are obtained from an independent nationally recognized third-party pricing service. Our independent pricing service provides us with prices which are primarily categorized as Level 2, as quoted prices in active markets for identical assets are generally not available for the majority of securities in our portfolio. Pricing services may employ modeling techniques in determining pricing. Inputs to these models include market spreads, dealer quotes, prepayment speeds, credit information and the instrument's terms and conditions, among other things. Management compares the pricing to a second independent pricing source for reasonableness. Equity securities are reported at Level 1 based on quoted market prices for identical securities in active markets.

FHLB of New York Stock

FHLB of New York Stock is recorded at cost (par value) and evaluated for impairment based on the ultimate recoverability of the par value. There is no active market for this stock and no significant observable market data is available for this instrument. The Company considers the profitability and asset quality of FHLB, dividend payment history and recent redemption experience, when determining the ultimate recoverability of the par value. The Company believes its investment in FHLB stock is ultimately recoverable at par. The carrying amount of FHLB stock approximates fair value, since this is the amount for which it could be redeemed.

Loans

The Company does not record loans at fair value on a recurring basis. However, periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements. The estimated fair value for significant nonperforming loans and impaired loans are valued utilizing independent appraisals of the collateral securing such loans that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience. The appraisals may be adjusted downward by management (0-20% adjustment rate and 0-10% risk premium rate), as necessary, for changes in relevant valuation factors subsequent to the appraisal date and the timing of anticipated cash flows (0-8% discount rate). The Company classifies impaired loans as Level 3.

In connection with the adoption of ASU 2016-01 on July 1, 2018, the Company refined the methodology used to estimate the fair value of the loan portfolio using an exit price notion resulting in prior periods no longer being comparable. The exit price notion requires determination of the price at which willing market participants would transact at the measurement date under current market conditions depending on facts and circumstances, such as origination rates, credit risk, transaction costs, liquidity, and other adjustments. The application of an exit price notion requires the use of significant judgment. Estimated fair value for loans is determined using portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential, multifamily, commercial real estate, construction, land and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms. At March 31, 2019, estimated fair value of loans is determined using a discounted cash flow model that employs an exit discount rate that reflects the current market pricing for loans with similar characteristics and remaining maturity, adjusted by underwriting uncertainty, liquidity and credit discounts. The June 30, 2018 estimated fair value of loans was determined using an entrance price methodology based only on the discounted value of contracted cash flows based on prevailing interest rates for loans with similar characteristics and remaining maturity. The Company classifies the estimated fair value of loans held for investment as Level 3.

Real Estate Owned

Assets acquired through foreclosure or deed in lieu of foreclosure are recorded at fair value less estimated selling costs when acquired, thus establishing a new cost basis. Subsequently, real estate owned is carried at the lower of cost or fair value, less estimated selling costs. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience, and are considered Level 3. When an asset is acquired, the excess of the loan balance over fair value, less estimated liquidation costs (5%-20% discount rate), is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in the economic conditions.

Deposit Liabilities

The estimated fair value of deposits with no stated maturity, such as checking, savings, and money market accounts, is equal to the amount payable on demand at the balance sheet date. The estimated fair value of term deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The Company classifies the estimated fair value of term deposits as Level 2.

Borrowings

The book value of overnight borrowings approximates the estimated fair value. The estimated fair value of term borrowings is calculated based on the discounted cash flow of contractual amounts due, using market rates currently available for borrowings of similar amount and remaining maturity. The Company classifies the estimated fair value of term borrowings as Level 2.

Derivatives

The fair value of our interest rate swaps was estimated using Level 2 inputs. The fair value was determined using third party prices that are based on discounted cash flow analyses using observed market interest rate curves and volatilities.

Commitments to Extend Credit and to Purchase or Sell Securities

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of commitments to purchase or sell securities is estimated based on bid quotations received from securities dealers. The fair value of off-balance-sheet commitments approximates book value.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and June 30, 2018 by level within the fair value hierarchy. There were no transfers between levels within the fair value hierarchy during the nine months ended March 31, 2019.

	Fair Value as of March 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Equity Securities	$ 1,378	$ 1,378	$ —	$ —
Mortgage-backed securities available for sale				
Residential MBS	20	—	20	—
Commercial MBS	3,993	—	3,993	—
CMO	31,000	—	31,000	—
Total debt securities available for sale	35,013	—	35,013	—
Interest rate swaps	7,039	—	7,039	—
Total assets measured on a recurring basis	$ 43,430	$ 1,378	$ 42,052	$ —

	Fair Value as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Equity Securities	$ 1,565	$ 1,565	$ —	$ —
Mortgage-backed securities available for sale				
Residential MBS	71	—	71	—
Commercial MBS	4,137	—	4,137	—
CMO	38,918	—	38,918	—
Total debt securities available for sale	43,126	—	43,126	—
Interest rate swaps	16,789	—	16,789	—
Total assets measured on a recurring basis	$ 61,480	$ 1,565	$ 59,915	$ —

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure the fair value of certain other financial assets on a nonrecurring basis in accordance with U.S. GAAP. The adjustments to fair value usually result from the application of lower-of-cost-or-fair value accounting or write downs of individual assets.

The following tables present the recorded amount of assets measured at fair value on a nonrecurring basis as of March 31, 2019 and June 30, 2018 by level within the fair value hierarchy.

	Fair Value as of March 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Impaired loans:				
Other commercial real estate	$ 1,033	$ —	$ —	$ 1,033
Total impaired loans	1,033	—	—	1,033
Real estate owned				
Other commercial real estate	636	—	—	636
Total real estate owned	636	—	—	636
Total assets measured on a non-recurring basis	$ 1,669	$ —	$ —	$ 1,669

	Fair Value as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Impaired loans:				
Other commercial real estate	$ 1,056	$ —	$ —	$ 1,056
Total impaired loans	1,056	—	—	1,056
Real estate owned				
Other commercial real estate	1,564	—	—	1,564
Total real estate owned	1,564	—	—	1,564
Total assets measured on a non-recurring basis	$ 2,620	$ —	$ —	$ 2,620

Estimated Fair Value of Financial Instruments

The following tables present the carrying amount, estimated fair value, and placement in the fair value hierarchy of financial instruments not recorded at fair values in their entirety on a recurring basis on the Company's balance sheet at March 31, 2019 and June 30, 2018. These tables exclude financial instruments for which the carrying amount approximates fair value. Financial instruments for which the carrying amount approximates fair value include cash and cash equivalents, FHLB stock, non-maturity deposits, overnight borrowings, and accrued interest.

	March 31, 2019				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
			(In thousands)		
Financial assets:					
Debt securities held to maturity	$ 335,579	$ 333,066	$ —	$ 333,066	$ —
Loans, net	3,495,388	3,448,659	—	—	3,448,659
Financial liabilities:					
Time deposits	1,242,330	1,249,862	—	1,249,862	—
Term borrowings	493,775	491,500	—	491,500	—

	June 30, 2018				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
			(In thousands)		
Financial assets:					
Debt securities held to maturity	$ 335,374	$ 326,511	$ —	$ 326,511	$ —
Loans, net	3,540,903	3,470,434	—	—	3,470,434
Financial liabilities:					
Time deposits	1,211,531	1,219,558	—	1,219,558	—
Term borrowings	497,372	486,278	—	486,278	—

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include the mortgage banking operation, deferred tax assets, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

12. Other Comprehensive Income

The components of comprehensive income, both gross and net of tax, are presented for the periods below (in thousands):

	Three Months ended March 31,		Nine Months ended March 31,	
	2019	2018	2019	2018
Gross:				
Net income	$ 16,063	$ 18,172	$ 52,473	$ 55,293
Other comprehensive income:				
Change in unrealized holding gain (loss) on debt securities available for sale	225	(423)	466	(1,065)
Reclassification adjustment for security loss included in net income	—	—	—	324
Amortization related to post-retirement obligations	8	9	25	27
Net change in unrealized (loss) gain on interest rate swaps	(4,096)	5,513	(9,750)	8,562
Total other comprehensive (loss) income	(3,863)	5,099	(9,259)	7,848
Total comprehensive income	12,200	23,271	43,214	63,141
Tax applicable to:				
Net income	3,613	4,747	13,197	25,902
Other comprehensive income:				
Change in unrealized holding gain (loss) on debt securities available for sale	66	(125)	148	(402)
Reclassification adjustment for security loss included in net income	—	—	—	140
Amortization related to post-retirement obligations	2	4	5	12
Net change in unrealized (loss) gain on interest rate swaps	(1,198)	1,694	(2,859)	3,006
Total other comprehensive (loss) income	(1,130)	1,573	(2,706)	2,756
Total comprehensive income	2,483	6,320	10,491	28,658
Net of tax:				
Net income	12,450	13,425	39,276	29,391
Other comprehensive income:				
Change in unrealized holding gain (loss) on debt securities available for sale	159	(298)	318	(663)
Reclassification adjustment for security loss included in net income	—	—	—	184
Amortization related to post-retirement obligations	6	5	20	15
Net change in unrealized (loss) gain on interest rate swaps	(2,898)	3,819	(6,891)	5,556
Total other comprehensive (loss) income	(2,733)	3,526	(6,553)	5,092
Total comprehensive income	$ 9,717	$ 16,951	$ 32,723	$ 34,483

The following table presents the changes in the components of accumulated other comprehensive income (loss), net of tax, for the nine months ended March 31, 2019 and 2018 (in thousands):

	Unrealized Holding (Loss) Gain on Debt Securities Available for Sale	Post Retirement Obligations	Unrealized Holding Gain (Loss) on Interest Rate Swaps	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance at June 30, 2018	$ (86)	$ (314)	$ 11,623	$ 11,223
Net change	318	20	(6,891)	(6,553)
Reclassification due to the adoption of ASU No. 2016-01	(658)	—	—	(658)
Balance at March 31, 2019	$ (426)	$ (294)	$ 4,732	$ 4,012
Balance at June 30, 2017	$ 438	$ (569)	$ 3,651	$ 3,520
Net change	(479)	15	5,556	5,092
Reclassification due to the adoption of ASU No. 2018-02	37	(113)	1,176	1,100
Balance at March 31, 2018	$ (4)	$ (667)	$ 10,383	$ 9,712

The following table sets forth information about the amount reclassified from accumulated other comprehensive (loss) income to the consolidated statement of income and the affected line item in the statement where net income is presented (in thousands).

Accumulated Other Comprehensive (Loss) Income Component	Affected line item in the Consolidated Statement of Income	Three Months ended March 31,		Nine Months ended March 31,	
		2019	2018	2019	2018
Reclassification adjustment for security losses included in net income	Net loss on sale of debt securities available for sale	$ —	$ —	$ —	$ 324
Amortization related to post-retirement obligations (1)					
Net loss	Other expenses	8	9	25	27
	Total before tax	8	9	25	351
	Income tax benefit	2	4	5	152
	Net of tax	6	5	20	199

(1) These accumulated other comprehensive income (loss) components are included in the computations of net periodic benefit cost. See Note 5. Postretirement Benefits.

13. Revenue Recognition

Effective July 1, 2018 the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers ("Topic 606") and all subsequent ASUs that modified Topic 606. For further details on ASU No. 2014-09 see Note 14 - "Recent Accounting Pronouncements." The adoption of ASU No. 2014-09 did not have a material impact on the measurement or recognition of revenue as it does not apply to revenue associated with financial instruments, including revenue from loans and investment securities, which is the Company's primary source of revenue. In addition, certain non-interest income streams such as income on bank owned life insurance, gains on securities transactions, and other non-interest income are not in the scope of the guidance. The Company's revenue streams that are within the scope of Topic 606 include service charges on deposit accounts, ATM and card interchange fees, and sales of OREO. However, the revenue recognition of these revenue streams did not change upon adoption of Topic 606 as our customer contracts generally do not have performance obligations and fees are assessed and collected as the transaction occurs.

The following table summarizes non-interest income for the periods indicated (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Fees and service charges for customer services:				
Service charges on deposits	$ 127	$ 120	$ 385	$ 370
ATM and card interchange fees	121	123	388	372
Service charges on loans	157	128	271	268
Total fees and service charges	$ 405	$ 371	$ 1,044	$ 1,010
Bank owned life insurance	594	603	1,828	1,879
Gains (losses) on sale of OREO	—	—	855	(2)
Change in fair value of equity securities	87	—	(187)	—
Net losses on sale of debt securities available for sale	—	—	—	(324)
Other income	9	7	18	16
Total non-interest income	$ 1,095	$ 981	$ 3,558	$ 2,579

Service charges on deposit accounts include account maintenance fees, overdraft fees, insufficient fund fees, wire fees, and other deposit related fees.

ATM and card interchange fees include:

- fees generated when an Oritani cardholder uses a non-Oritani ATM
- a non-Oritani cardholder uses an Oritani ATM
- fees earned whenever the Bank's debit cards are processed through card payment networks such as Visa
- fees earned through partneringwith a third-party service firm to provide Oritani branded credit cards

The Company's performance obligation for service charges on deposit accounts and ATM and card interchange fees is satisfied as services are rendered and related revenue is recognized immediately or in the month of performance of services.

Out-of-scope non-interest income primarily consists of gains and losses on the sale of investments, loans, and derivatives, and service charges on loans such as loan prepayment fees and loan servicing fees.

14. Recent Accounting Pronouncements

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities". The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The update is effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. The update requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. The Company adopted ASU 2017-12 on July 1, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting". This update provides guidance about changes to terms or conditions of a share based payment award which would require modification accounting. In particular, an entity is required to account for the effects of a modification if the fair value, vesting condition or the equity/liability classification of the modified award is not the same immediately before and after a change to the terms and conditions of the award. This update is effective on a prospective basis for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard effective July 1, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost." This update will require employers that sponsor defined benefit pension plans to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost will be presented separately from the service cost component. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company adopted this guidance effective July 1, 2018. The other components of net periodic benefit cost are presented as a component of other non-interest expense. The adoption resulted in a reclassification of $349,000 and $1.0 million for the three and nine months ended March 31, 2018, respectively, from compensation and employee benefits to other expenses.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory". This update requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update is effective for fiscal years beginning after December 31, 2017, including interim periods within that year. The Company adopted this standard effective July 1, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cashflows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". This update addresses eight specific cash flow issue with the objective of reducing existing diversity in practice. This update is effective for fiscal years beginning after December 31, 2017, including interim periods within that year. The Company adopted this standard effective July 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements, nor was additional disclosure deemed necessary.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This update revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. Under ASU 2016-13, the current expected credit losses ("CECL") model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the statement of income and a related allowance for credit losses on the balance sheet at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but also reasonable and supportable forecasts of future events and circumstances, thus incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Under ASU 2016-13, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income. Certain additional disclosures are required, including further disaggregation of credit quality indicators for loans receivable by year of origination. This update is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is reviewing credit loss estimation methodologies and assumptions to be utilized. We anticipate running parallel models during fiscal 2020 to refine our processes and procedures. The Company is evaluating the impact of this update on its consolidated financial statements, the extent of which is indeterminable at this time as it is contingent upon continued testing and refinement of models, methodologies and judgments. Further, the extent of the impact of adoption of CECL will depend on the asset quality of the portfolio, and economic conditions and forecasts at adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to current accounting treatment. This ASU changes the guidance on sale-leaseback transactions, initial direct costs and lease execution costs, and, for lessors, modifies the classification criteria and the accounting for sales-type and direct financing leases. A modified retrospective transition is required under which comparative balance sheets from the earliest historical period presented will be revised to reflect what the financials would have looked like were the provisions of the update applied consistently in all prior periods. For public business entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements. The Company expects a gross-up of its consolidated balance sheet as a result of recognizing lease liabilities and right of use assets; the extent of such gross-up is under evaluation. As such, no conclusions have yet been reached regarding the potential impact upon adoption on the Company's consolidated financial statements, regulatory capital, and risk weighted assets; however, the Company does not expect the amendment to have a material impact on its results of operations.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which is intended to improve the recognition and measurement of financial instruments. The ASU revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The disclosure of fair value of the loan portfolio will be impacted as the fair value will be calculated using an exit price. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted this standard effective July 1, 2018. The Company recorded a cumulative effect adjustment for its equity instruments to the balance sheet as of July 1, 2018 in the amount of $658,000, representing the unrealized gain, net of tax at June 30, 2018. Going forward the fair value will be realized in the statement of income.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The objective of this amendment is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are in the scope of other standards. In August 2015, the FASB issued ASU 2015-14 to defer for one year the effective date of the new revenue standard. During 2016, the FASB issued further implementation guidance regarding revenue recognition. This additional guidance included clarification on certain principal versus agent considerations within the implementation of the guidance as well as clarification related to identifying performance obligations and licensing, assessing collectibility, presenting sales tax, measuring noncash consideration, and certain transaction matters. The requirements are effective for annual periods and interim periods within fiscal years beginning after December 15, 2017. The Company's primary revenue source is net interest income on financial instruments and, to a lesser extent, non-interest income. The guidance does not apply to revenue associated with loans (ASC310 Receivables) securities (ASC320 Debt and Equity Securities), derivatives (ASC 815 Derivatives and Hedging), leases (ASC 840/842), and bank owned life insurance ("BOLI") (ASC 325 Investments in insurance contracts), which are accounted for under U.S. GAAP. The Company adopted this standard effective July 1, 2018. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements, but resulted in additional footnote disclosures, including a disaggregation of certain categories of revenue (see Note 13 - "Revenue Recognition").

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

Forward Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements may be identified by reference to a future period or periods, or by use of forward looking terminology, such as "may," "will," "believe," "expect," "estimate," "anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Forward looking statements are subject to numerous risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements in addition to those risk factors disclosed in Oritani Financial Corp's (the Company's) Annual Report on Form 10-K for the year ended June 30, 2018, include, but are not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions, which may be made to any forward looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview

The Company is a Delaware corporation that was incorporated in March 2010. The Company is the stock holding company of Oritani Bank (the "Bank"). The Company owns 100% of the outstanding shares of common stock of the Bank. The Company has engaged primarily in the business of holding the common stock of the Bank. The Company had previously engaged in limited lending to the real estate investment properties in which (either directly or through a subsidiary) it maintained an ownership interest. The Company no longer has any lending activities or ownership of investment properties.

The Bank's principal business consists of attracting retail, commercial and municipal bank deposits from the general public and investing those deposits, together with funds generated from operations and borrowed funds, in multifamily and commercial real estate loans, one- to four-family residential mortgage loans as well as in second mortgage and equity loans, construction loans, business loans, other consumer loans, and investment securities. The Bank originates loans primarily for investment and holds such loans in its portfolio. Occasionally, the Bank will also purchase loans or enter into loan participations. The Bank's primary sources of funds are deposits, borrowings, investment maturities and principal and interest payments on loans and securities. The Bank's revenues are derived principally from interest on loans and securities. The Bank also generates revenue from fees, service charges and other income. The Bank's results of operations depend significantly on its net interest income; which is the difference between the interest earned on interest-earning assets and the interest paid on interest-bearing liabilities. The Bank's net interest income is primarily affected by the market interest rate environment, the shape of the U.S. Treasury yield curve, the timing of the re-pricing of interest-earning assets and interest-bearing liabilities, and the prepayment rate on its mortgage-related assets. Provisions for loan losses and asset valuation charges can also have a significant impact on results of operations. Other factors that may affect the Bank's results of operations are general and local economic and competitive conditions, government policies and actions of regulatory authorities.

The Bank's business strategy is to operate as a well-capitalized and profitable financial institution dedicated to providing exceptional personal service to its individual, business, and municipal customers. The Bank's primary focus has been, and will continue to be, organic growth in multifamily and commercial real estate lending.

In December 2017, Oritani Bank (the "Bank"), the wholly owned subsidiary of Oritani Financial Corp. (the "Company"), entered into an informal agreement ("Informal Agreement") with the Federal Deposit Insurance Corporation ("FDIC") and the New Jersey Department of Banking and Insurance ("NJDOBI") with regard to Bank Secrecy Act ("BSA") and Anti-Money Laundering ("AML") compliance matters. The Company has incurred expenses associated with the remediation of these matters. Such expenses totaled $156,000 in the three months ended March 31, 2018, $1.5 million for the nine months ended March 31, 2019 and $269,000 for the nine months ended March 31, 2018. These costs are included in other expenses. However, the Company had no professional fees related to the remediation of the compliance matters in the quarter ended March 31, 2019. The Company believes significant progress has been made regarding the remediation of these matters and the majority of the associated costs have been expended and expensed.

Comparison of Financial Condition at March 31, 2019 and June 30, 2018

Total Assets. Total assets decreased $92.3 million to $4.07 billion at March 31, 2019, from $4.17 billion at June 30, 2018. The primary contributor to the decreased asset level was the contraction in loan balances, cash and other assets.

Cash and Cash Equivalents. Cash and cash equivalents (which include fed funds and short term investments) decreased $17.4 million to $17.5 million at March 31, 2019, from $34.8 million at June 30, 2018.

Net Loans. Loans, net decreased $45.5 million to $3.50 billion at March 31, 2019, from $3.54 billion at June 30, 2018. The Company's primary strategic business objective remains the organic growth of multifamily and commercial real estate loans. As discussed in the Company's Form 10-Q for the period ended September 30, 2018, the market to originate such loans has been particularly challenging in recent periods. These market conditions have persisted and, arguably, worsened. The multifamily market in New York is concerned about proposed changes to rent regulations and their potentially negative impact on future revenue. The sales volume of multifamily properties in the New York metropolitan area were down in the first calendar quarter of 2019 as compared to recent quarterly periods. In addition, the competitive environment and the decreased external interest rate environment have decreased the market rates on new multifamily and commercial real estate loan originations.

Despite present conditions, the Company's loan balances increased slightly ($12.2 million) over the quarter ended March 31, 2019. While originations were somewhat below expectations ($89.0 million), principal repayment decreased significantly (to $73.9 million) versus the levels realized in recent periods. In addition, there were $4.6 million of loan participations purchased and an $8.1 million loan (which was 60-89 days past due), was sold at par plus accrued interest. The average balance of the loan portfolio increased $44.3 million for the three months ended March 31, 2019 versus the three months ended December 31, 2018. Loan originations, purchases and principal payments totaled $107.6 million, $114.4 million and $241.7 million, respectively, for the three months ended December 31, 2018. The Company's loan pipeline was $167.1 million at March 31, 2019 versus $106.3 million as of December 31, 2018. The average balance of the loan portfolio decreased $95.9 million for the three months ended March 31, 2019 versus the comparable 2018 period. Loan originations and principal payments totaled $92.2 million and $112.2 million, respectively, for the three months ended March 31, 2018. There were no loan purchases in that period. The average balance of the loan portfolio decreased $83.0 million for the nine months ended March 31, 2019 versus the comparable 2018 period. Loan originations, purchases, sales and principal payments for the nine months ended March 31, 2019 totaled $278.7 million, $119.1 million, $8.1 million and $439.0 million, respectively. Loan originations, purchases and principal payments for the nine months ended March 31, 2018 totaled $349.0 million, $52.8 million and $403.5 million, respectively. There were no sales in the 2018 period. Delinquency and non performing asset information is provided below:

	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
			(Dollars in thousands)		
Delinquency Totals					
30—59 days past due	$ 1,648	$ 2,890	$ 15,261	$ 5,253	$ 9,772
60—89 days past due	975	8,431	356	171	472
Nonaccrual	10,184	10,706	9,083	7,877	11,887
Total	$ 12,807	$ 22,027	$ 24,700	$ 13,301	$ 22,131
Non Performing Asset Totals					
Nonaccrual loans, per above	$ 10,184	$ 10,706	$ 9,083	$ 7,877	$ 11,887
Real Estate Owned	636	636	1,564	1,564	636
Total	$ 10,820	$ 11,342	$ 10,647	$ 9,441	$ 12,523
Nonaccrual loans to total loans	0.29%	0.30%	0.26%	0.22%	0.33%
Delinquent loans to total loans	0.36%	0.63%	0.70%	0.37%	0.61%
Non performing assets to total assets	0.27%	0.28%	0.26%	0.23%	0.30%

Overall, non-performing asset totals and charge-offs continue to illustrate minimal credit issues at the Company. During the quarter ended March 31, 2019, an $8.1 million loan was sold at par plus accrued interest. This loan was included in the 60-89 days past due total at December 31, 2018.

Debt Securities available for sale. Debt securities AFS decreased $8.1 million to $35.0 million at March 31, 2019, from $43.1 million at June 30, 2018. The decrease is primarily due to principal payments.

Debt Securities held to maturity. Debt securities HTM were essentially stable at $335.6 million at March 31, 2019 and $335.4 million at June 30, 2018. Purchases have been approximately equal to principal payments.

Federal Home Loan Bank of New York ("FHLB") stock. FHLB stock decreased $4.3 million to $26.1 million at March 31, 2019, from $30.4 million at June 30, 2018. FHLB stock holdings are required depending on several factors, including the level of borrowings with the FHLB. As FHLB borrowings decreased over the period, excess FHLB stock was redeemed.

Deposits. Deposits decreased $16.5 million to $2.90 billion at March 31, 2019, from $2.92 billion at June 30, 2018. Strong deposit growth remains a strategic objective of the Company. As discussed in the Company's Form 10-Q for the period ended December 31, 2018 and prior periods, deposit growth has been particularly difficult to attain in the current environment. The Company has increased the rates of interest offered on various deposit products in order to maintain balances. However, the Company has remained cognizant of the cost of alternative sources of funds, and has been unwilling to increase the interest rates on deposit products above these levels. The Company has been largely successful in minimizing the outflow of deposits, but sizeable growth was not obtained. As compared to the quarter ended December 31, 2018, the average balance of deposits decreased $10.6 million and period end balances decreased $4.6 million and the cost of deposits increased 13 basis points. The increase in deposit cost is due to the increased interest rates offered on various deposit products and customer migration toward products with a greater return. The Company's loan to deposit ratio was 120.6% at March 31, 2019.

Borrowings. Borrowings decreased $47.6 million to $548.8 million at March 31, 2019, from $596.4 million at June 30, 2018. The decrease is primarily a function of the Company's decreased total assets at March 31, 2019, particularly decreased loan balances.

Stockholders' Equity. Stockholders' equity decreased $28.6 million to $530.7 million at March 31, 2019, from $559.3 million at June 30, 2018. The decrease was primarily due to dividends and stock repurchases, partially offset by net income and the release of treasury shares in conjunction with stock option exercises. There were no stock repurchases during the quarter ended March 31, 2019. Based on our March 31, 2019 closing price of $16.63 per share, the Company stock was trading at 141.3% of book value.

Average Balance Sheet for the Three and Nine Months ended March 31, 2019 and 2018

The following tables present certain information regarding Oritani Financial Corp.'s financial condition and net interest income for the three and nine months ended March 31, 2019 and 2018. The tables present the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields, including prepayment penalties.

Average Balance Sheet and Yield/Rate Information
For the Three Months Ended (unaudited)

	March 31, 2019			March 31, 2018		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/Rate
Interest-earning assets:	(Dollars in thousands)					
Loans [1]	$ 3,472,390	$ 35,323	4.07%	$ 3,568,280	$ 35,398	3.97%
Federal Home Loan Bank Stock	26,872	467	6.95%	26,228	432	6.59%
Equity securities	1,378	15	4.35%	1,516	10	2.64%
Debt securities available for sale	36,464	211	2.31%	49,515	274	2.21%
Debt securities held to maturity	347,748	2,178	2.51%	282,059	1,419	2.01%
Federal funds sold and short term investments	5,083	29	2.28%	7,111	28	1.58%
Total interest-earning assets	3,889,935	38,223	3.93%	3,934,709	37,561	3.82%
Non-interest-earning assets	185,227			198,051		
Total assets	$ 4,075,162			$ 4,132,760		
Interest-bearing liabilities:						
Savings deposits	347,919	965	1.11%	186,459	119	0.26%
Money market	634,179	1,745	1.10%	811,897	2,209	1.09%
Checking accounts	704,953	2,440	1.38%	784,017	1,292	0.66%
Time deposits	1,223,001	5,677	1.86%	1,175,513	4,267	1.45%
Total deposits	2,910,052	10,827	1.49%	2,957,886	7,887	1.07%
Borrowings	538,810	3,287	2.44%	525,159	2,721	2.07%
Total interest-bearing liabilities	3,448,862	14,114	1.64%	3,483,045	10,608	1.22%
Non-interest-bearing liabilities	95,291			96,104		
Total liabilities	3,544,153			3,579,149		
Stockholders' equity	531,009			553,611		
Total liabilities and stockholders' equity	$ 4,075,162			$ 4,132,760		
Net interest income		$ 24,109			$ 26,953	
Net interest rate spread [2]			2.29%			2.60%
Net interest-earning assets [3]	$ 441,073			$ 451,664		
Net interest margin [4]			2.48%			2.74%
Average of interest-earning assets to interest-bearing liabilities			112.79%			112.97%

(1) Average Outstanding Balance includes nonaccrual loans and interest earned includes prepayment income.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Average Balance Sheet and Yield/Rate Information
For the Nine Months Ended (unaudited)

	March 31, 2019			March 31, 2018		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans [1]	$ 3,475,890	$ 107,360	4.12%	3,558,872	$ 107,126	4.01%
Federal Home Loan Bank Stock	27,128	1,396	6.86%	27,532	1,368	6.63%
Equity securities	1,440	37	3.43%	1,529	34	2.96%
Debt securities available for sale	39,069	673	2.30%	76,312	1,203	2.10%
Debt securities held to maturity	339,170	6,109	2.40%	253,261	3,663	1.93%
Federal funds sold and short term investments	19,550	331	2.26%	13,974	139	1.33%
Total interest-earning assets	3,902,247	115,906	3.96%	3,931,480	113,533	3.85%
Non-interest-earning assets	199,180			204,433		
Total assets	$ 4,101,427			$ 4,135,913		
Interest-bearing liabilities:						
Savings deposits	277,032	1,796	0.86%	180,919	324	0.24%
Money market	690,691	5,665	1.09%	837,081	6,944	1.11%
Checking accounts	721,790	6,215	1.15%	749,947	3,376	0.60%
Time deposits	1,224,047	16,127	1.76%	1,166,888	12,384	1.42%
Total deposits	2,913,560	29,803	1.36%	2,934,835	23,028	1.05%
Borrowings	542,454	9,672	2.38%	544,124	8,300	2.03%
Total interest-bearing liabilities	3,456,014	39,475	1.52%	3,478,959	31,328	1.20%
Non-interest-bearing liabilities	99,524			94,957		
Total liabilities	3,555,538			3,573,916		
Stockholders' equity	545,889			561,997		
Total liabilities and stockholders' equity	$ 4,101,427			$ 4,135,913		
Net interest income		$ 76,431			$ 82,205	
Net interest rate spread [2]			2.44%			2.65%
Net interest-earning assets [3]	$ 446,233			$ 452,521		
Net interest margin [4]			2.61%			2.79%
Average of interest-earning assets to interest-bearing liabilities			112.91%			113.01%

(1) Average Outstanding Balance includes nonaccrual loans and interest earned includes prepayment income.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Comparison of Operating Results for the Three Months ended March 31, 2019 December 31, 2018 and 2018

Net Income. Net income decreased $975,000 to $12.5 million for the quarter ended March 31, 2019, from $13.4 million for the corresponding 2018 quarter. The most significant factor contributing to the decreased quarterly income was increased interest expense.

Total Interest Income. Total interest income increased $662,000 to $38.2 million for the three months ended March 31, 2019, from $37.6 million for the three months ended March 31, 2018. Interest income on loans decreased $75,000 to $35.3 million for the three months ended March 31, 2019, from $35.4 million for the three months ended March 31, 2018. The decrease in the average balance of loans, as discussed in "Comparison of Financial Condition at March 31, 2019 and June 30, 2018, Net Loans," impacted loan interest income.

The yield on the loan portfolio increased 10 basis points for the quarter ended March 31, 2019 versus the comparable 2018 period. On a linked quarter basis (March 31, 2019 versus December 31, 2018), the yield on the loan portfolio decreased 14 basis points. The level of prepayment income impacted these results. Exclusive of prepayment penalties, the yield on the loan portfolio increased 13 basis points versus the quarter ended March 31, 2018 and 3 basis points versus the December 31, 2018 quarter. Prepayment penalties totaled $275,000, $1.7 million and $553,000 for the quarters ended March 31, 2019, December 31, 2018 and March 31, 2018, respectively. In addition to prepayment penalties, the prepayment level also effects the loan yield through the realization of deferred loan fees. While loan fees are regularly amortized into income, loan prepayments accelerate the recognition of these fees as income. Deferred loan fees recognized as interest income totaled $438,000, $687,000 and $543,000 for the quarters ended March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Interest income on debt securities AFS decreased $63,000 to $211,000 for the three months ended March 31, 2019, from $274,000 for the three months ended March 31, 2018. Interest income on debt securities HTM increased $759,000 to $2.2 million for the three months ended March 31, 2019, from $1.4 million for the three months ended March 31, 2018. The average balance of debt securities available for sale decreased $13.1 million for the three months ended March 31, 2019 versus the comparable 2018 period, while the average balance of debt securities held to maturity increased $65.7 million over the same period. The Company has been classifying the majority of new purchases as held to maturity.

Total Interest Expense. Total interest expense increased $3.5 million to $14.1 million for the three months ended March 31, 2019, from $10.6 million for the three months ended March 31, 2018. The average balance of deposits, as discussed in "Comparison of Financial Condition at March 31, 2019 and June 30, 2018, Deposits," impacted interest expense on deposits. The average balance of brokered deposits decreased $52.2 million between the periods. The average balance of municipal deposits, which can be subject to significant fluctuation, decreased $34.5 million between the periods. The overall cost of deposits increased 42 basis points for the quarter ended March 31, 2019 versus the comparable 2018 period. The increased costs are primarily due to the impact of market pressures. Customer migration is largely responsible for some of the significant shifts in the average balances of our deposit products. The Company's highest yielding core deposit account is currently a savings account. Many money market accounts have shifted to the higher yielding savings account. The decreased checking account balances are partially attributable to decreased municipal account balances as well as customer migration. Interest expense on borrowings increased $566,000 to $3.3 million for the three months ended March 31, 2019, from $2.7 million for the three months ended March 31, 2018. The cost of borrowings increased 37 basis points. The cost of borrowings has been impacted by the overall increase in interest rates, particularly overnight and short term borrowings, and the maturities of certain lower cost borrowings.

Net Interest Income Before Provision for Loan Losses. Net interest income decreased by $2.8 million to $24.1 million for the three months ended March 31, 2019, from $27.0 million for the three months ended March 31, 2018. The Company's net interest income, spread and margin over the period are detailed in the chart below.

				Including Prepayment Penalties		*Excluding Prepayment Penalties*	
Quarter Ended	**Net Interest Income Before Provision**	**Prepayment Penalty Income**	**Net Interest Income Before Provision, Excluding Prepayment Penalties**	**Spread**	**Margin**	**Spread**	**Margin**
	(Dollars in thousands)						
March 31, 2019	$ 24,109	$ 275	$ 23,834	2.29%	2.48%	2.26%	2.45%
December 31, 2018	26,027	1,727	24,300	2.51%	2.68%	2.33%	2.51%
September 30, 2018	26,295	1,154	25,141	2.51%	2.67%	2.40%	2.55%
June 30, 2018	27,721	1,836	25,885	2.65%	2.81%	2.47%	2.63%
March 31, 2018	26,953	553	26,400	2.60%	2.74%	2.54%	2.68%

The Company's spread and margin have been significantly impacted by prepayment penalties. Due to this situation, the chart above details results with and without the impact of prepayment penalties. Net interest income before provision for loan losses, excluding prepayment penalties, is a non-GAAP financial measure since it excludes a component (prepayment penalty income) of net interest income and therefore differs from the most directly comparable measure calculated in accordance with GAAP. The Company believes the presentation of this non-GAAP financial measure is useful because it provides information to assess the underlying performance of the loan portfolio since prepayment penalty income can be expected to change as interest rates change. While prepayment penalty income is expected to continue, fluctuations in the level of prepayment income are also expected. The level of prepayment income is generally expected to decrease as external interest rates increase since borrowers would have less of an incentive to refinance existing loans. However, the time period when these events could occur may not align, and the specific behavior of borrowers is difficult to predict. Borrowers can be driven to prepay their loans based on factors other than interest rates. The level of loan prepayments and prepayment income experienced by the Company has been elevated (versus historical levels) despite generally increased interest rates during the majority of the period.

The Company's spread and margin have been under pressure due to several factors, including a flat and partially inverted treasury yield curve, modifications of loans within the existing loan portfolio, prepayments of higher yielding loans and investments, and increased funding costs. While spread and margin have been under pressure for an extended period, the competitive market for deposits increased substantially in fiscal 2019. Although the Company has realized increases in both the cost of funds and the yield on interest earning assets, the increase in cost of funds has outpaced the increase in yield on assets. The cost increase incurred in the most recent quarter is largely due to existing customers transferring to higher yielding accounts from lower yielding accounts, and the opening of new higher yielding accounts. The Company has not increased its deposit rates on any consequential account offering in over four months. While the above trend regarding customer behavior can be expected to continue, the impact on the rate of increase in the cost of deposits can be expected to subside assuming rates remain stable (or decrease).

The Company's net interest income and net interest rate spread were both negatively impacted in all periods due to the reversal of accrued interest income on loans delinquent more than 90 days. The total of such income reversed was $100,000 and $4,000 for the three months ended March 31, 2019 and 2018, respectively.

Provision for Loan Losses. The Company recorded no provision for loan losses for the three months ended March 31, 2019 and March 31, 2018. A rollforward of the allowance for loan losses for the three months ended March 31, 2019 and 2018 is presented below:

	Three Months ended March 31,	
	2019	2018
	(Dollars in thousands)	
Balance at beginning of period	$ 28,639	$ 30,402
Provisions charged to operations	—	—
Recoveries of loans previously charged off	16	166
Loans charged off	(65)	(95)
Balance at end of period	$ 28,590	$ 30,473
Allowance for loan losses to total loans	0.81%	0.85%
Net charge-offs (annualized) to average loans outstanding	0.01%	(0.01)%

Non-interest Income. Non-interest income increased $114,000 to $1.1 million for the three months ended March 31, 2019, from $981,000 for the three months ended March 31, 2018. The increase is primarily due to $87,000 increase in fair value of equity securities held by the Company.

Non-interest Expenses. Non-interest expenses decreased $621,000 to $9.1 million for the three months ended March 31, 2019, from $9.8 million for the three months ended March 31, 2018. The decrease was primarily due to compensation, payroll taxes and fringe benefits, which decreased $319,000 to $6.0 million for the three months ended March 31, 2019, from $6.3 million for the three months ended March 31, 2018. The decrease was largely due to decreased accrual costs associated with non-qualified benefit plans. Other expenses decreased $258,000 to $1.4 million for the three months ended March 31, 2019, from $1.7 million for the three months ended March 31, 2018. The decrease is primarily due to decreased professional fees associated with the remediation of Bank Secrecy Act and Anti-Money Laundering compliance matters as (discussed in previous filings) and the recovery of problem loan expenses that were expensed in a prior period. The Company had no professional fees related to the remediation of the compliance matters in the quarter ended March 31, 2019, and incurred such expenses totaling $156,000 in the three months ended March 31, 2018.

Income Tax Expense. Income tax expense for the three months ended March 31, 2019 was $3.6 million on pre-tax income of $16.1 million, resulting in an effective tax rate of 22.5%. Income tax expense for the three months ended March 31, 2018 was $4.7 million. The actual expenses for the three month period ending March 31, 2019, was also affected by a refund of an item that was expensed in a prior period and the exercise of nonqualified stock options. Income tax expense for the three months ended March 31, 2018 was $4.7 million on pre-tax income of $18.2 million, resulting in an effective rate of 26.1%.

Comparison of Operating Results for the Nine Months ended March 31, 2019 and 2018

Net Income. Net income increased $9.9 million to $39.3 million for the nine months ended March 31, 2019, from $29.4 million for the corresponding 2018 period. The most significant factor resulting in the increased income in the nine-month period is changes in income tax expense. Results for the nine months ended March 31, 2018 were negatively impacted by the Tax Cuts and Jobs Act (the "Act"). The Act required the Company to revalue its deferred tax assets and deferred tax liabilities to account for the future impact of lower corporate tax rates on these deferred amounts. The revaluation resulted in a one-time charge of $10.2 million.

Total Interest Income. Total interest income increased $2.4 million to $115.9 million for the nine months ended March 31, 2019, from $113.5 million for the nine months ended March 31, 2018. The explanations provided in "Comparison of Operating Results for the Three Months ended March 31, 2019 and 2018, Total Interest Income" and "Comparison of Financial Condition at March 31, 2019 and June 30, 2018, Net Loans," largely describe the changes applicable to the nine month period comparison. Prepayment penalties totaled $3.2 million for the nine months ended March 31, 2019 and $3.5 million for the nine months ended March 31, 2018. Prepayment penalties increased annualized loan yield by 12 basis points in the 2019 period versus 13 basis points in the 2018 period.

Total Interest Expense. Total interest expense increased $8.1 million to $39.5 million for the nine months ended March 31, 2019, from $31.3 million for the nine months ended March 31, 2018. The explanations provided in "Comparison of Operating Results for the Three Months ended March 31, 2019 and 2018, Total Interest Expense" and "Comparison of Financial Condition at March 31, 2019 and June 30, 2018, Deposits," largely describe the changes applicable to the nine month period comparison.

Net Interest Income Before Provision for Loan Losses. Net interest income decreased by $5.8 million to $76.4 million for the nine months ended March 31, 2019, from $82.2 million for the nine months ended March 31, 2018. The explanations and information contained in "Comparison of Operating Results for the Three Months ended March 31, 2019 and 2018, Net Interest Income Before Provision for Loan Losses" are also applicable to the nine month comparison. The total reversal of accrued interest income on loans delinquent 90 days or more was $235,000 and $210,000 for the nine months ended March 31, 2019 and 2018, respectively.

Provision for Loan Losses. The Company recorded a reversal of provision for loan losses of $2.0 million for the nine months ended March 31, 2019 and no provision for loan losses for the nine months ended March 31, 2018. A rollforward of the allowance for loan losses for the nine months ended March 31, 2019 and 2018 is presented below:

	Nine Months ended March 31,	
	2019	2018
	(Dollars in thousands)	
Balance at beginning of period	$ 30,562	$ 30,272
Provisions charged to operations	(2,000)	—
Recoveries of loans previously charged off	93	318
Loans charged off	(65)	(117)
Balance at end of period	$ 28,590	$ 30,473
Allowance for loan losses to total loans	0.81%	0.85%
Net charge-offs (annualized) to average loans outstanding	—	(0.01)%

The $2.0 million reversal of provision for loan losses recorded for the nine month period ended March 31, 2019 was due primarily to loan portfolio contraction and reduced qualitative factors within the allowance calculation as determined as part of our quarterly reassessment.

See also delinquency information contained in "Comparison of Financial Condition at March 31, 2019 and June 30, 2018, Net Loans" and footnote 6 of the consolidated financial statements.

Non-interest Income. Non-interest income increased $979,000 to $3.6 million for the nine months ended March 31, 2019 from $2.6 million for the nine months ended March 31, 2018. The increase is primarily due to a gain of $855,000 on the sale of a foreclosed property. This increase was partially offset by a $187,000 decrease in fair value of equity securities held by the Company. Despite the increase in value of equity securities described for the three month period comparison, there was an overall decrease in value in the nine month period. Results for the 2018 period were reduced by a loss of $324,000 on the sale of certain AFS investment securities. There were no sales of securities in the 2019 period.

Non-interest Expense. Non-interest expenses were essentially stable at $29.5 million for both the nine months ended March 31, 2019 and 2018, though there were fluctuations within the various categories. Compensation, payroll taxes and fringe benefits decreased $2.1 million to $17.5 million for the nine months ended March 31, 2019, from $19.6 million for the nine months ended March 31, 2018. The decrease was primarily due to decreased ESOP related expenses as well as decreased costs associated with the incentive and non-qualified benefit plans. Other expenses increased $2.2 million to $6.9 million for the nine months ended March 31, 2019, from $4.7 million for the nine months ended March 31, 2018. The increase is primarily due to professional fees associated with the remediation of compliance matters. Such fees totaled $1.5 million for the 2019 period versus $269,000 for the 2018 period. The nine month period comparison was also impacted by an additional pension contribution that was expensed in fiscal 2019.

Income Tax Expense. Income tax expense for the nine months ended March 31, 2019, was $13.2 million on pre-tax income of $52.5 million, resulting in an effective tax rate of 25.2%. The Company's estimated effective tax rate for the fiscal year ending June 30, 2019 is 25%. This estimated effective rate is lower than prior fiscal years primarily as a result of the Act. The actual expenses for the nine month period ending March 31, 2019, was affected by a refund of an item that was expensed in a prior period and the exercise of nonqualified stock options. In addition, the nine month period ending March 31, 2019 was also impacted by New Jersey ("NJ") tax legislation enacted on July 1, 2018. The legislation required, among other consequences, a revaluation of our deferred tax assets/liabilities based on the rates at which they are expected to reverse in the future. The revaluation of the Company's deferred tax balances resulted in a one-time non-cash charge of $477,000 which is included in income tax expense for the nine months ended March 31, 2019. Income tax expense for the nine month period ended March 31, 2018 was $25.9 million. Income tax expense for the nine month period ended March 31, 2018 was significantly impacted by the Act, as previously discussed in "Comparison of Operating Results for the Nine Months ended March 31, 2019 and 2018, Net Income."

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, FHLB borrowings, and investment maturities. While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including advances from the FHLB and Federal Reserve Bank of New York.

At March 31, 2019 and June 30, 2018, the Company had $55.0 million and $99.0 million in overnight borrowings, respectively. The Company had total borrowings of $548.8 million at March 31, 2019 and $596.4 million at June 30, 2018. The Company's total borrowings at March 31, 2019 include $493.8 million in longer term borrowings, $469.6 million with the FHLB and $24.2 million with another financial institution.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At March 31, 2019, outstanding commitments to originate loans totaled $66.8 million and outstanding commitments to extend credit totaled $30.1 million. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

Time deposits scheduled to mature in one year or less totaled $856.7 million at March 31, 2019. Based upon historical experience, management estimates that a large portion of such deposits will remain with the Company. The portion that remains will be significantly impacted by the renewal rates offered by the Company.

The management of liquidity described in the above paragraphs primarily pertains to Oritani Bank. The Company, on an unconsolidated basis, also has liquidity sources and uses. The Company's primary, recurring source of funds has been dividends from Oritani Bank. As a wholly owned subsidiary of the Company, the Bank will typically distribute its net income to the Company as a dividend. Under the New Jersey Banking Act, a stock savings bank may declare and pay a dividend on its capital stock only to the extent that the payment of the dividend would not impair the capital stock of the savings bank. In addition, a stock savings bank may not pay a dividend unless the savings bank would, after the payment of the dividend, have a surplus of not less than 50% of its capital stock, or alternatively, the payment of the dividend would not reduce the surplus. Additionally, Oritani Bank must notify the Federal Reserve Board thirty days before declaring any dividend to the Company. The Federal Reserve Board may object to the payment of the dividend if it deems it to be unsafe or unsound or a violation of a law, regulation or order or if the institution will be undercapitalized after the dividend. An inability of Oritani Bank to pay dividends may restrict the Company's ability to pay dividends.

The Company's primary use of funds has been dividends to shareholders and repurchases of common stock. The declarations of such dividends are at the discretion of the Company and the dividend amount could be reduced or eliminated if the payment of a dividend to shareholders would result in a liquidity concern. At March 31, 2019 and June 30, 2018, the Company, on an unconsolidated basis, had cash and cash equivalents of $35.0 million and $56.6 million, respectively.

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The federal banking agencies implemented final rules ("Final Rules") to establish a new comprehensive regulatory capital framework (Basel III) with a phase-in period beginning on January 1, 2015 and ending on January 1, 2019. The Final Rules implemented certain regulatory amendments based on the recommendation of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and substantially amended the regulatory risk-based capital rules applicable to the Company. The Final Rules require the Company and Bank to hold a 2.5 percent capital conservation buffer designed to absorb losses during periods of economic stress. As of March 31, 2019, management believes the Company and Bank meet all capital adequacy requirements to which they are subject and there are no conditions or events subsequent to this date that management believes have changed the Company's or Bank's risk-based capital category.

As of March 31, 2019 and June 30, 2018, the Company and Bank exceeded all regulatory capital requirements, including the currently applicable capital conservation buffer of 2.50%, as follows:

	March 31, 2019			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Company:				
Common Equity Tier 1 (CET1) (to risk-weighted assets)	$ 526,704	14.46%	$ 163,873	4.50%
Tier 1capital (to risk-weighted assets)	526,704	14.46%	218,497	6.00%
Total capital (to risk-weighted assets)	555,295	15.25%	291,330	8.00%
Tier 1 leverage capital (to average assets)	526,704	12.92%	163,033	4.00%
Capital Conservation Buffer	263,965	7.25%	91,041	2.500%

	June 30, 2018			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Company:				
Common Equity Tier 1 (CET1) (to risk-weighted assets)	$ 548,122	14.82%	$ 166,458	4.50%
Tier 1 capital (to risk-weighted assets)	548,122	14.82%	221,945	6.00%
Total capital (to risk-weighted assets)	578,685	15.64%	295,926	8.00%
Tier 1 leverage capital (to average assets)	548,122	13.25%	165,465	4.00%
Capital Conservation Buffer	282,759	7.64%	69,358	1.875%

	March 31, 2019					
	Actual		Required		Well-Capitalized	
	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)					
Bank:						
Common Equity Tier 1 ("CET1") (to risk weighted assets)	$ 472,201	12.97%	$ 163,848	4.50%	$ 236,669	6.50%
Tier 1 capital (to risk-weighted assets)	472,201	12.97%	218,464	6.00%	291,285	8.00%
Total capital (to risk-weighted assets)	500,791	13.75%	291,285	8.00%	364,106	10.00%
Tier 1 Leverage capital (to average assets)	472,201	11.59%	163,005	4.00%	203,756	5.00%
Capital conservation buffer	209,506	5.75%	91,027	2.500%		

	June 30, 2018					
	Actual		Required		Well-Capitalized	
	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)					
Bank:						
Common Equity Tier 1 ("CET1") (to risk weighted assets)	$ 470,857	12.73%	$ 166,431	4.50%	$ 240,401	6.50%
Tier 1 capital (to risk-weighted assets)	470,857	12.73%	221,908	6.00%	295,878	8.00%
Total capital (to risk-weighted assets)	501,419	13.56%	295,878	8.00%	369,847	10.00%
Tier 1 Leverage capital (to average assets)	470,857	11.38%	165,438	4.00%	206,797	5.00%
Capital conservation buffer	205,541	5.56%	69,346	1.875%		

Critical Accounting Policies

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended June 30, 2018, included in the Company's Annual Report on Form 10-K, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets and liabilities are carried in the consolidated Balance Sheets at fair value or the lower of cost or fair value. Policies with respect to the methodologies used to determine the allowance for loan losses and judgments regarding the valuation of securities and derivatives as well as the valuation allowance against deferred tax assets are the most critical accounting policies because they are important to the presentation of the Company's financial condition and results of operations, involve a higher degree of complexity, and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually, with the Audit Committee of the Board of Directors. For a further discussion of the critical accounting policies of the Company, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K, for the year ended June 30, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has the authority and responsibility for managing interest rate risk. Oritani Bank has established an Asset/Liability Management Committee, comprised of various members of its senior management, which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the Board the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. The Asset/Liability Management Committee reports its activities to the Board on a monthly basis. An interest rate risk analysis is presented to the Board on a quarterly basis.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

(i) originating multifamily and commercial real estate loans that generally tend to have shorter interest duration and generally have interest rates that reset in five years or less. The chart below provides maturity/repricing information for the entire loan portfolio, the majority of which is comprised of multifamily and commercial real estate loans;
(ii) investing in shorter duration securities and mortgage-backed securities;
(iii) obtaining general financing through FHLB advances with a fixed long term; and
(iv) utilizing interest rate swaps or other derivative instruments

Loan Portfolio by Reprice/Maturity Date
At March 31, 2019
(Dollars in thousands)

Repricing or Maturing Within:	Amount	Weighted Average Rate	% of Total Loans	Cumulative % of Total Loans
1 Year or less	$ 892,233	3.74%	25.25%	25.25%
1 - 3 years	1,082,752	3.65%	30.64%	55.89%
3 - 5 years	905,194	4.16%	25.62%	81.51%
5 - 7 years	149,789	4.29%	4.24%	85.75%
7 to 10 years	173,548	4.84%	4.91%	90.66%
Greater than 10 years	329,877	4.44%	9.34%	100.00%
Total	$ 3,533,393	3.96%	100.00%	

At March 31, 2019, 55.89 % of the loan portfolio matures or reprices in 3 years or less, and 81.51% matures or reprices in 5 years or less.

Shortening the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and securities, as well as loans and securities with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates. In addition, if changes occur that cause the estimated duration of a security to lengthen significantly, management will consider the sale of such security. By following these strategies, we believe that we are well-positioned to react to changes in market interest rates.

Net Portfolio Value. We compute the amounts by which the net present value of cash flow from assets, liabilities and off balance sheet items (the institution's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The table below sets forth, as of March 31, 2019, the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the United States Treasury yield curve. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates and loan prepayment and deposit decay rates, and should not be relied upon as indicative of actual results.

		Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets (3)	
Change in Interest Rates (basis points) (1)	**Estimated NPV (2)**	**Amount**	**Percent**	**NPV Ratio (4)**	**Increase (Decrease) basis points**
			(Dollars in thousands)		
+200	$ 510,499	$ (78,032)	(13.3)%	13.0%	(143)
+100	553,026	(35,505)	(6.0)%	13.8%	(63)
—	588,531	—	—%	14.4%	—
(100)	614,327	25,796	4.4%	14.8%	38
(200)	644,116	55,585	9.4%	15.2%	79

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NPV Ratio represents NPV divided by the present value of assets.

The table above indicates that at March 31, 2019, in the event of a 200 basis point decrease in interest rates, we would experience a 9.4% increase in net portfolio value. In the event of a 200 basis point increase in interest rates, we would experience a 13.3% decrease in net portfolio value. These changes in net portfolio value are within the limitations established in our asset and liability management policies.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There were no changes made in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the period covered by this report.

Part II – Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes from those risk factors previously disclosed in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on August 29, 2018.

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

(a) **Unregistered Sale of Equity Securities**. There were no sales of unregistered securities during the period covered by this report.
(b) **Use of Proceeds**. Not applicable.
(c) **Repurchase of Our Equity Securities**. The were no repurchases of our equity securities during the period covered by this report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

3.1	Certificate of Incorporation of Oritani Financial Corp. *
3.2	Bylaws of Oritani Financial Corp. *
4	Form of Common Stock Certificate of Oritani Financial Corp. *
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Incorporated by reference to the Registration Statement on Form S-1 of Oritani Financial Corp. (file no. 333-165226), as amended, filed with the Securities and Exchange Commission on April 16, 2010.

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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.

ORITANI FINANCIAL CORP.

Date: May 10, 2019	/s/ Kevin J. Lynch Kevin J. Lynch President and Chief Executive Officer
Date: May 10, 2019	/s/ John M. Fields, Jr. John M. Fields, Jr. Executive Vice President and Chief Financial Officer

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Section 2: EX-31.1 (EXHIBIT31.1)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kevin J. Lynch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oritani Financial Corp., a Delaware corporation;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
    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: May 10, 2019

/s/ Kevin J. Lynch
Kevin J. Lynch
President and Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John M. Fields, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oritani Financial Corp., a Delaware corporation;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   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:	May 10, 2019	/s/ John M. Fields, Jr.
		John M. Fields, Jr.
		Executive Vice President and Chief Financial Officer

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Section 4: EX-32 (EXHIBIT 32)

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Kevin J. Lynch, Chief Executive Officer and President of Oritani Financial Corp., a Delaware corporation (the “Company”) and John M. Fields, Executive Vice President and Chief Financial Officer of the Company, each certify in his capacity as an officer of the Company that he has reviewed the quarterly report on Form 10-Q for the quarter ended March 31, 2019 (the “Report”) and that to the best of his knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 10, 2019	/s/ Kevin J. Lynch
		Kevin J. Lynch
		President and Chief Executive Officer
Date:	May 10, 2019	/s/ John M. Fields, Jr.
		John M. Fields, Jr.
		Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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