Section 1: 10-Q (Q3 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 September 30, 2018

Commission File Number: 001-37780

Randolph Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts	**81-1844402**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10 Cabot Place **Stoughton, Massachusetts**	**02072**
(Address of principal executive offices)	**(Zip Code)**

(781) 963-2100
(Registrant's telephone number, including area code)

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

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

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

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

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

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 account standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 2, 2018 there were 5,952,919 shares of the registrant's common stock outstanding.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets (Unaudited)
(In thousands except for share data)

	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	$ 3,262	$ 3,562
Interest-bearing deposits	2,658	5,260
Total cash and cash equivalents	5,920	8,822
Certificates of deposit	2,695	2,940
Securities available for sale, at fair value	54,405	61,576
Loans held for sale, at fair value	24,120	25,390
Loans, net of allowance for loan losses of $3,890 in 2018 and $3,737 in 2017	468,938	400,373
Federal Home Loan Bank of Boston stock, at cost	3,471	3,310
Accrued interest receivable	1,521	1,432
Mortgage servicing rights, net	7,316	6,397
Premises and equipment, net	6,521	8,670
Bank-owned life insurance	8,186	8,037
Foreclosed real estate	82	193
Other assets	6,507	4,752
Total assets	$ 589,682	$ 531,892
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$ 66,810	$ 62,130
Interest bearing	360,363	304,706
Total deposits	427,173	366,836
Federal Home Loan Bank of Boston advances	77,411	75,954
Mortgagors' escrow accounts	1,810	907
Post-employment benefit obligations	2,588	2,750
Other liabilities	2,570	3,962
Total liabilities	511,552	450,409
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Preferred stock, no par value; authorized: 1,000,000 shares; issued: none	—	—
Common stock, $.01 par value; authorized: 15,000,000 shares; issued and outstanding: 5,987,796 shares at September 30, 2018 and 6,034,276 at December 31, 2017	60	61
Additional paid-in capital	56,549	56,493
Retained earnings	28,556	30,415
ESOP-Unearned compensation	(4,179)	(4,319)
Accumulated other comprehensive loss, net of tax	(2,856)	(1,167)
Total stockholders' equity	78,130	81,483
Total liabilities and stockholders' equity	$ 589,682	$ 531,892

See accompanying notes to consolidated financial statements.

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Operations (Unaudited)
(Dollars in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest and dividend income:				
Loans	$ 5,036	$ 3,936	$ 13,917	$ 11,049
Securities-taxable	386	339	1,122	1,065
Securities-tax exempt	19	87	104	264
Interest-bearing deposits and certificates of deposit	27	27	91	70
Total interest and dividend income	5,468	4,389	15,234	12,448
Interest expense:				
Deposits	865	406	2,074	1,123
Federal Home Loan Bank of Boston advances	343	167	884	335
Total interest expense	1,208	573	2,958	1,458
Net interest income	4,260	3,816	12,276	10,990
Provision for loan losses	178	—	183	335
Net interest income after provision for loan losses	4,082	3,816	12,093	10,655
Non-interest income:				
Customer service fees	357	359	1,096	1,109
Gain on loan origination and sale activities, net	1,956	2,705	5,356	7,263
Mortgage servicing fees, net	310	199	935	1,149
Gain on sale of building	230	—	230	—
Gain on sales of securities	—	—	49	—
Increase in cash surrender value of life insurance	73	38	148	114
Other	282	270	584	780
Total non-interest income	3,208	3,571	8,398	10,415
Non-interest expenses:				
Salaries and employee benefits	4,788	4,668	14,166	14,059
Occupancy and equipment	728	682	2,157	1,957
Data processing	172	179	508	540
Professional fees	252	348	824	1,019
Marketing	205	277	867	624
FDIC insurance	48	18	131	104
Merger and integration costs	—	7	—	531
Other	1,234	1,030	3,683	2,932
Total non-interest expenses	7,427	7,209	22,336	21,766
Income (loss) before income taxes	(137)	178	(1,845)	(696)
Income tax expense (benefit)	5	129	14	(148)
Net income (loss)	$ (142)	$ 49	$ (1,859)	$ (548)
Weighted average common shares outstanding (basic and diluted)	5,567,596	5,429,564	5,585,571	5,427,262
Income (loss) per common share (basic and diluted)	$ (0.03)	$ 0.01	$ (0.33)	$ (0.10)

See accompanying notes to consolidated financial statements.

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ (142)	$ 49	$ (1,859)	$ (548)
Other comprehensive income (loss):				
Securities available for sale:				
Unrealized holding gains (losses)	(377)	(334)	(1,605)	465
Reclassification adjustment for net gains realized in income (1)	—	—	(49)	—
Net unrealized gains (losses)	(377)	(334)	(1,654)	465
Related tax effects	—	129	—	(151)
Net-of-tax amount	(377)	(205)	(1,654)	314
Supplemental retirement plan:				
Reclassification adjustments (2):				
Actuarial losses	9	10	27	28
Prior service credits recognized	(21)	(22)	(62)	(67)
	(12)	(12)	(35)	(39)
Related tax effects	—	—	—	—
Net-of-tax amount	(12)	(12)	(35)	(39)
Total other comprehensive income (loss)	(389)	(217)	(1,689)	275
Comprehensive income (loss)	$ (531)	$ (168)	$ (3,548)	$ (273)

1) Amounts are included in gain on sales of securities in the consolidated statements of operations.

2) Amounts are included in other non-interest expenses in the consolidated statements of operations.

See accompanying notes to consolidated financial statements.

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
Nine months ended September 30, 2018 and 2017

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unearned Compensation ESOP	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
				(Dollars in thousands)			
Balance at December 31, 2016	5,868,726	$ 59	$ 56,373	$ 32,661	$ (4,507)	$ (1,284)	$ 83,302
Net loss	—	—	—	(548)	—	—	(548)
Other comprehensive income	—	—	—	—	—	275	275
Stock repurchased	(182)	—	(3)	—	—	—	(3)
ESOP shares committed to be released	—	—	73	—	141	—	214
Balance at September 30, 2017	5,868,544	$ 59	$ 56,443	$ 32,113	$ (4,366)	$ (1,009)	$ 83,240
Balance at December 31, 2017	6,034,276	$ 61	$ 56,493	$ 30,415	$ (4,319)	$ (1,167)	$ 81,483
Net loss	—	—	—	(1,859)	—	—	(1,859)
Other comprehensive loss	—	—	—	—	—	(1,689)	(1,689)
Stock repurchased	(39,438)	(1)	(630)	—	—	—	(631)
Stock-based compensation	—	—	597	—	—	—	597
Restricted stock awards forfeited	(7,042)	—	—	—	—	—	—
ESOP shares committed to be released	—	—	89	—	140	—	229
Balance at September 30, 2018	5,987,796	$ 60	$ 56,549	$ 28,556	$ (4,179)	$ (2,856)	$ 78,130

See accompanying notes to consolidated financial statements.

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	For the Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net loss	$ (1,859)	$ (548)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for loan losses	183	335
Loans originated for sale	(277,474)	(304,312)
Net gain on sales of mortgage loans	(5,283)	(7,331)
Proceeds from sales of mortgage loans	284,027	315,554
Net amortization of securities	142	198
Net change in deferred loan costs and fees	(39)	(178)
Gain on sales of securities	(49)	—
Gain on sale of building	(230)	—
Depreciation and amortization	625	457
Stock-based compensation	597	—
ESOP expense	229	214
Increase in cash surrender value of life insurance	(148)	(114)
Net (increase) decrease in mortgage servicing rights	(919)	2,447
Other, net	(796)	(1,669)
Net cash provided by (used in) operating activities	(994)	5,053
Cash flows from investing activities:		
Redemptions of certificates of deposit	245	735
Securities available for sale:		
Calls/maturities	470	841
Purchases	(9,993)	—
Sales	8,958	—
Principal payments on mortgage-backed securities	5,940	3,256
Loan originations, net of principal repayments	(68,869)	(17,874)
Loans purchased, net of principal repayments	(3,836)	(22,068)
Proceeds from residential portfolio loan sale	3,996	—
Purchases of Federal Home Loan Bank of Boston stock	(161)	(431)
Purchases of premises and equipment	(1,373)	(1,932)
Proceeds from sale of building	649	—
Net cash used in investing activities	(63,974)	(37,473)
Cash flows from financing activities:		
Net increase in non-brokered deposits	14,749	7,722
Net increase in brokered deposits	45,588	—
Net increase in short-term Federal Home Loan Bank of Boston borrowings	3,749	23,191
Repayments of long-term Federal Home Loan Bank of Boston advances	(2,292)	(4,923)
Net increase (decrease) in mortgagors' escrow accounts	903	(261)
Repurchases of common stock	(631)	(3)
Net cash provided by financing activities	62,066	25,726
Net change in cash and cash equivalents	(2,902)	(6,694)
Cash and cash equivalents at beginning of period	8,822	14,849
Cash and cash equivalents at end of period	$ 5,920	$ 8,155
Supplemental cash flow information:		
Interest paid on deposits and borrowed funds	$ 2,877	$ 1,462
Income taxes paid	$ 16	$ 3
Transfer of premises and equipment to assets held for sale	$ 2,897	$ 420

See accompanying notes to consolidated financial statements.

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Randolph Bancorp, Inc. (“Bancorp”) and its wholly-owned subsidiary, Envision Bank (the “Bank”, together with Bancorp, the “Company”). The Bank has subsidiaries involved in owning investment securities and foreclosed real estate properties and a subsidiary which provides loan closing services. All intercompany accounts and transactions have been eliminated in consolidation.

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (“SEC”). Accordingly, the accompanying interim financial statements do not include all information required under GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements, primarily consisting of normal recurring adjustments, have been included. The operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or any other interim period.

Prior to 2018, the Company’s operations were managed, and financial performance was evaluated, by the chief operating decision-maker on a company-wide basis. As a result, management had determined there to be a single business segment for financial reporting purposes through December 31, 2017. Due to the significance of the Company’s mortgage banking operations and the strategic focus on this business, management prepared its 2018 operating budget by breaking-out its mortgage banking activities, including residential loan origination and loan servicing. As a result, effective January 1, 2018, the Company is reporting two business segments, namely, “Envision Bank” and “Envision Mortgage”. As part of this process, management analyzed costs incurred by departments providing services to both segments (indirect costs), such as IT, Marketing, Accounting and Administration, to determine the allocation of indirect costs to each business segment in order to fully measure each segment’s results of operations. See Note 15 for disclosure of the Company’s segment information.

For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. This Update provides a revenue recognition framework for any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other accounting standards. This ASU, as amended by ASU 2015-14, is effective for emerging growth companies in fiscal years beginning after December 15, 2018, including interim periods therein with early adoption permitted. The timing of the Company’s revenue recognition is not expected to materially change. The Company's revenue relates principally to financial instruments, which are explicitly excluded from the scope of the new guidance. Management continues to evaluate the potential impact of this ASU on the Company’s consolidated financial statements but does not anticipate, at this time, that adoption of this standard will have a significant impact.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments*. This ASU revises the accounting related to the classification and measurement of investments in equity securities, and 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. This ASU is effective for emerging growth companies for annual periods beginning after December 31, 2018, including interim periods therein. The Company is currently assessing the impact of this ASU on the consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current accounting requirements. For lessors, this ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for emerging growth companies in fiscal years beginning after December 15, 2019, including interim periods therein. Earlier adoption is permitted. The Company is currently assessing the impact of the adoption of this ASU on its consolidated balance sheet.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The ASU sets forth a “current expected credit loss” (“CECL”) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This replaces the existing probable incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgements used in determining the allowance for loan losses, as well as the credit quality and underwriting standards of an organization's loan portfolio. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This ASU is effective for emerging growth companies in fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption is permitted in fiscal years beginning after December 31, 2018. The Company is currently assessing its data and system needs and is evaluating the impact of the adoption of this ASU on the consolidated financial statements.

In April 2017, the FASB issued ASU 2017-08 *Receivables – Non-refundable Fees and Other Costs*, which shortens the period of amortization of the premium on certain callable debt securities to the earliest call date. Currently, generally accepted accounting principles ("GAAP") excludes certain callable debt securities from consideration of early repayment of principal even if the holder is certain that the call will be exercised. As a result, upon the exercise of a call on a callable debt security held at a premium, the unamortized premium is recorded as a loss in earnings. This ASU requires that premiums on certain callable debt securities be amortized to the shortest call date. Securities within the scope of this paragraph are those that have explicit, noncontingent call features that are callable at fixed prices and on preset dates. This ASU is effective for emerging growth companies for annual periods beginning after December 15, 2019, including interim periods therein. Early adoption is permitted, including adoption in an interim period. The impact of adopting this ASU is dependent on the materiality of callable debt securities at the time of adoption.

In August 2018, the FASB issued ASU 2018-13 *Fair Value Measurement – Changes to the Disclosure Requirements for Fair Value Measurement*, which removes the disclosure requirements for transfers between Levels 1 and 2 of the fair value hierarchy, the policy for timing of transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. This ASU also adds disclosure requirements for the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and the range and weighted average of significant unobservable inputs used to develop Level 3 measurements. This ASU is effective for emerging growth companies for annual periods beginning after December 15, 2019, including interim periods therein. Early adoption is permitted, including adoption in an interim period. The Company is currently assessing the impact of this ASU on the consolidated financial statements.

3. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net loss. Although certain changes in assets and liabilities are reported as a separate component of stockholders' equity, such items, along with net loss, are components of comprehensive loss.

The components of accumulated other comprehensive loss, included in total stockholders' equity, are as follows:

	September 30, 2018	December 31, 2017
	(In thousands)	
Securities available for sale:		
Net unrealized loss	$ (2,277)	$ (624)
Tax effect	(313)	(313)
Net-of-tax amount	(2,590)	(937)
Supplemental retirement plan		
Unrecognized net actuarial loss	(640)	(667)
Unrecognized net prior service credit	421	484
	(219)	(183)
Tax effect	(47)	(47)
Net-of-tax amount	(266)	(230)
Accumulated other comprehensive loss	$ (2,856)	$ (1,167)

4. SECURITIES AVAILABLE FOR SALE

The amortized cost and fair value of securities available for sale, including gross unrealized gains and losses, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
September 30, 2018				
Debt securities:				
U.S. Government-sponsored enterprises	$ 4,000	$ 7	$ (45)	$ 3,962
Corporate	1,527	6	(23)	1,510
Municipal	1,890	22	—	1,912
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	25,835	24	(1,113)	24,746
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	14,278	—	(803)	13,475
U.S. Government-guaranteed	1,811	—	(45)	1,766
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	1,689	—	(46)	1,643
U.S. Government-guaranteed	5,107	—	(229)	4,878
Total debt securities	56,137	59	(2,304)	53,892
Mutual fund	545	—	(32)	513
Total securities available for sale	$ 56,682	$ 59	$ (2,336)	$ 54,405
December 31, 2017				
Debt securities:				
U.S. Government-sponsored enterprises	$ 3,999	$ 50	$ (24)	$ 4,025
Corporate	2,005	27	(8)	2,024
Municipal	12,707	179	(18)	12,868
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	18,729	118	(450)	18,397
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	14,451	13	(403)	14,061
U.S. Government-guaranteed	2,132	—	(6)	2,126
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	1,871	12	(5)	1,878
U.S. Government-guaranteed	5,760	4	(100)	5,664
Total debt securities	61,654	403	(1,014)	61,043
Mutual fund	545	—	(12)	533
Total securities available for sale	$ 62,199	$ 403	$ (1,026)	$ 61,576

For the nine months ended September 30, 2018, proceeds from sales of available-for-sale securities amounted to $9.0 million with gross realized gains of $49,000 and no gross realized losses.

The amortized cost and fair value of debt securities by contractual maturity at September 30, 2018 are presented below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In thousands)	
Within 1 year	$ 400	$ 400
After 1 year through 5 years	6,178	6,133
After 5 years through 10 years	839	851
	7,417	7,384
Mortgage-backed securities	48,720	46,508
	$ 56,137	$ 53,892

Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2018	(In thousands)			
Debt securities:				
U.S. Government-sponsored enterprises	$ —	$ —	$ (45)	$ 1,955
Corporate	(23)	999	—	—
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	(433)	14,863	(680)	7,909
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	(90)	5,066	(713)	8,410
U.S. Government-guaranteed	(45)	1,766	—	—
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	(46)	1,643	—	—
U.S. Government-guaranteed	(197)	4,331	(32)	547
Total debt securities	(834)	28,668	(1,470)	18,821
Mutual Fund	—	—	(32)	513
	$ (834)	$ 28,668	$ (1,502)	$ 19,334
December 31, 2017				
Debt securities:				
U.S. Government-sponsored enterprises	$ —	$ —	$ (24)	$ 19,676
Corporate	—	—	(8)	988
Municipal	(11)	1,919	(7)	479
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	(1)	1,623	(449)	13,163
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	—	—	(403)	8,805
U.S. Government-guaranteed	(6)	2,126	—	—
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	(5)	678	—	—
U.S. Government-guaranteed	(1)	295	(99)	3,756
Total debt securities	(24)	6,641	(990)	46,867
Mutual Fund	—	—	(12)	533
	$ (24)	$ 6,641	$ (1,002)	$ 47,400

At September 30, 2018, 41 debt securities have unrealized losses with aggregate depreciation of 4.64% from the Company's amortized cost basis. The unrealized losses at September 30, 2018, which related primarily to securities issued by U.S. government-sponsored enterprises, were primarily caused by interest rate increases. The Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of these investments. Therefore, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the Company does not intend to sell any debt securities and it is more likely than not that the Company will not be required to sell any debt securities before recovery of its amortized cost basis, it does not consider these investments to be other-than-temporarily impaired at September 30, 2018.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans held for investment at the dates indicated is as follows:

	September 30, 2018	December 31, 2017
	(In thousands)	
Mortgage loans on real estate:		
Residential:		
One-to-four family	$ 254,279	$ 198,475
Home equity loans and lines of credit	42,401	38,968
Commercial	108,817	101,755
Construction	28,816	25,357
	434,313	364,555
Commercial and industrial	18,948	21,766
Consumer	18,075	16,337
Total loans	471,336	402,658
Allowance for loan losses	(3,890)	(3,737)
Net deferred loan costs and fees, and purchase premiums	1,492	1,452
	$ 468,938	$ 400,373

The following table summarizes the changes in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2018 and 2017:

	Residential 1-4 Family	Second Mortgages and HELOC	Commercial Real Estate	Construction	Commercial and Industrial	Consumer	Total
				(In thousands)			
Three Months Ended September 30, 2018							
Allowance at June 30, 2018	$ 969	$ 280	$ 1,505	$ 443	$ 298	$ 247	$ 3,742
Provision (credit) for loan losses	142	11	12	17	(26)	22	178
Loans charged-off	—	—	—	—	—	(41)	(41)
Recoveries	7	—	—	—	—	4	11
Balance at September 30, 2018	$ 1,118	$ 291	$ 1,517	$ 460	$ 272	$ 232	$ 3,890
Three Months Ended September 30, 2017							
Allowance at June 30, 2017	$ 820	$ 338	$ 1,536	$ 389	$ 276	$ 198	$ 3,557
Provision (credit) for loan losses	15	6	42	(50)	(15)	2	—
Loans charged-off	—	—	—	—	—	(25)	(25)
Recoveries	7	—	—	—	—	6	13
Balance at September 30, 2017	$ 842	$ 344	$ 1,578	$ 339	$ 261	$ 181	$ 3,545
Nine Months Ended September 30, 2018							
Allowance at December 31, 2017	$ 854	$ 359	$ 1,620	$ 351	$ 335	$ 218	$ 3,737
Provision (credit) for loan losses	226	(68)	(103)	109	(63)	82	183
Loans charged-off	—	—	—	—	—	(80)	(80)
Recoveries	38	—	—	—	—	12	50
Balance at September 30, 2018	$ 1,118	$ 291	$ 1,517	$ 460	$ 272	$ 232	$ 3,890
Nine Months Ended September 30, 2017							
Allowance at December 31, 2016	$ 1,018	$ 436	$ 1,410	$ 225	$ 37	$ 145	$ 3,271
Provision (credit) for loan losses	(195)	(92)	168	114	189	151	335
Loans charged-off	—	—	—	—	—	(134)	(134)
Recoveries	19	—	—	—	35	19	73
Balance at September 30, 2017	$ 842	$ 344	$ 1,578	$ 339	$ 261	$ 181	$ 3,545

Additional information pertaining to the allowance for loan losses at September 30, 2018 and December 31, 2017 is as follows:

	Residential 1-4 Family	Second Mortgages and HELOC	Commercial Real Estate	Construction	Commercial and Industrial	Consumer	Total
September 30, 2018				(In thousands)			
Allowance for impaired loans	$ 97	$ —	$ —	$ —	$ —	$ —	$ 97
Allowance for non-impaired loans	1,021	291	1,517	460	272	232	3,793
Total allowance for loan losses	$ 1,118	$ 291	$ 1,517	$ 460	$ 272	$ 232	$ 3,890
Impaired loans	$ 5,241	$ 243	$ 247	$ —	$ —	$ —	$ 5,731
Non-impaired loans	249,038	42,158	108,570	28,816	18,948	18,075	465,605
Total loans	$ 254,279	$ 42,401	$ 108,817	$ 28,816	$ 18,948	$ 18,075	$471,336
December 31, 2017							
Allowance for impaired loans	$ 160	$ 1	$ 1	$ —	$ —	$ —	$ 162
Allowance for non-impaired loans	694	358	1,619	351	335	218	3,575
Total allowance for loan losses	$ 854	$ 359	$ 1,620	$ 351	$ 335	$ 218	$ 3,737
Impaired loans	$ 5,205	$ 276	$ 352	$ —	$ —	$ —	$ 5,833
Non-impaired loans	193,270	38,692	101,403	25,357	21,766	16,337	396,825
Total loans	$ 198,475	$ 38,968	$ 101,755	$ 25,357	$ 21,766	$ 16,337	$402,658

The following is a summary of past due and non-accrual loans at September 30, 2018 and December 31, 2017:

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total Past Due	Non-accrual Loans
			(In thousands)		
September 30, 2018					
Residential one-to-four family	$ 1,773	$ —	$ 635	$ 2,408	$ 1,765
Home equity loans and lines of credit	34	96	71	201	243
Commercial real estate	—	—	—	—	—
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Consumer	40	—	13	53	—
Total	$ 1,847	$ 96	$ 719	$ 2,662	$ 2,008
December 31, 2017					
Residential one-to-four family	$ 737	$ —	$ —	$ 737	$ 1,975
Home equity loans and lines of credit	96	—	—	96	276
Commercial real estate	—	—	—	—	—
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Consumer	—	—	—	—	—
Total	$ 833	$ —	$ —	$ 833	$ 2,251

The following is a summary of impaired loans at September 30, 2018 and December 31, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
September 30, 2018			
Impaired loans without a valuation allowance:			
Residential one-to-four family	$ 3,004	$ 3,004	
Home equity loans and lines of credit	243	243	
Commercial real estate	247	247	
Total	3,494	3,494	
Impaired loans with a valuation allowance:			
Residential one-to-four family	2,237	2,237	$ 97
Total impaired loans	$ 5,731	$ 5,731	$ 97
December 31, 2017			
Impaired loans without a valuation allowance:			
Residential one-to-four family	$ 2,685	$ 2,641	
Home equity loans and lines of credit	247	247	
Commercial real estate	257	257	
Total	3,189	3,145	
Impaired loans with a valuation allowance:			
Residential one-to-four family	2,584	2,564	$ 160
Home equity loans and lines of credit	29	29	1
Commercial real estate	95	95	1
Total	2,708	2,688	162
Total impaired loans	$ 5,897	$ 5,833	$ 162

Additional information pertaining to impaired loans follows:

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
		(In thousands)	
Nine Months Ended September 30, 2018			
Residential one-to-four family	$ 5,197	$ 168	$ 63
Home equity loans and lines of credit	256	28	28
Commercial real estate	294	12	—
Total	$ 5,747	$ 208	$ 91
Nine Months Ended September 30, 2017			
Residential one-to-four family	$ 4,896	$ 143	$ 62
Home equity loans and lines of credit	276	1	1
Commercial real estate	732	23	—
Total	$ 5,904	$ 167	$ 63
Three Months Ended September 30, 2018			
Residential one-to-four family	$ 5,252	$ 51	$ 24
Home equity loans and lines of credit	243	3	3
Commercial real estate	259	3	—
Total	$ 5,754	$ 57	$ 27
Three Months Ended September 30, 2017			
Residential one-to-four family	$ 5,124	$ 44	$ 16
Home equity loans and lines of credit	276	—	—
Commercial real estate	621	5	—
Total	$ 6,021	$ 49	$ 16

No additional funds are committed to be advanced in connection with impaired loans.

Troubled Debt Restructurings

The Company periodically grants concessions to borrowers experiencing financial difficulties. The Company's troubled debt restructurings consist primarily of interest rate concessions for periods of three months to thirty years for residential real estate loans, and for periods up to one year for commercial real estate loans.

At September 30, 2018, the Company had seventeen residential real estate loans and one commercial real estate loan aggregating $3,721,000 and $54,000, respectively, which were subject to troubled debt restructuring agreements.

At September 30, 2017, the Company had twenty residential real estate loans and two commercial real estate loan aggregating $4,382,000 and $185,000, respectively, which were subject to troubled debt restructuring agreements.

As of September 30, 2018 and 2017, $3,530,000 and $4,567,000, respectively, in troubled debt restructurings were performing in accordance with the terms of the modified loan agreements. Included in such amounts are $369,000 and $1,139,000, respectively, that are being accounted for as non-accrual loans.

For the nine months ended September 30, 2018 the Company entered into one loan modification meeting the criteria of a troubled debt restructuring in which a loan term concession was granted to a borrower. For the nine months ended 2017, the Company did not enter into any loan modifications meeting the criteria of a troubled debt restructuring.

Management performs a discounted cash flow calculation to determine the amount of valuation reserve required on each of the troubled debt restructurings. Any reserve required is recorded as part of the allowance for loan losses. During the three and nine months ended September 30, 2018 and 2017, there were no material changes to the allowance for loan losses as a result of loan modifications made which were considered a troubled debt restructuring.

During the three and nine months ended September 30, 2018 and 2017, there were no troubled debt restructurings that defaulted (over 30 days past due) within twelve months of the restructure date.

Credit Quality Information

The Company utilizes an eight-grade internal loan rating system for commercial real estate, construction and commercial loans, as follows:

Loans rated 1 – 3B are considered "pass" rated loans with low to average risk.

Loans rated 4 are considered "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5 are considered "substandard" and are inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 6 are considered "doubtful" and have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7 are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial real estate, construction and commercial and industrial loans. Annually, the Company engages an independent third party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

The following table presents the Company's loans by risk rating at the dates indicated:

	September 30, 2018			December 31, 2017		
	Commercial Real Estate	Construction	Commercial and Industrial	Commercial Real Estate	Construction	Commercial and Industrial
	(In thousands)					
Loans rated 1 - 3B (Pass rated)	$ 108,622	$ 28,816	$ 18,948	$ 101,556	$ 25,357	$ 21,766
Loans rated 4	—	—	—	—	—	—
Loans rated 5	195	—	—	199	—	—
	$ 108,817	$ 28,816	$ 18,948	$ 101,755	$ 25,357	$ 21,766

Residential mortgages, home equity loans and lines of credit, and consumer loans are monitored for credit quality based primarily on their payment status. When one of these loans becomes more than 90 days delinquent, it is assigned an internal loan rating. At September 30, 2018, $51,000 in consumer loans were rated as doubtful, $699,000 in residential mortgages were rated as substandard, and $2,551,000 in residential mortgages and $243,000 in home equity loans were rated as special mention. At December 31, 2017, $712,000 in residential mortgages were rated as substandard, and $2,512,000 in residential mortgages and $247,000 in home equity loans were rated as special mention.

6. LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of residential mortgage loans serviced for others were $873,933,000 and $771,407,000 at September 30, 2018 and December 31, 2017, respectively.

The following table summarizes the activity relating to mortgage servicing rights for the nine months ended September 30, 2018 and 2017 (in thousands):

	September 30, 2018	September 30, 2017
Mortgage servicing rights:		
Balance at beginning of year	$ 6,487	$ 8,910
Additions through originations	1,726	1,486
Sales	—	(3,126)
Amortization	(891)	(941)
Balance at end of period	$ 7,322	$ 6,329
Valuation allowance:		
Balance at beginning of year	$ 90	$ 424
Provision (credit)	(84)	(134)
Balance at end of period	$ 6	$ 290
Amortized cost, net	$ 7,316	$ 6,039
Fair value	$ 8,028	$ 6,051

During the nine months ended September 30, 2018 and 2017, the Company decreased the valuation allowance for its mortgage servicing rights by $84,000 and $134,000, respectively, due primarily to an increase in fair value caused by lower expected loan prepayments.

7. INCOME TAXES

During the nine months ended September 30, 2018 and 2017, the Company recorded a deferred income tax benefit of $0 and $151,000, respectively, and current state tax expense of $14,000 and $3,000, respectively. The deferred income tax benefit for the 2017 period resulted from, and was limited to, an offsetting tax provision attributable to other comprehensive income, specifically, appreciation in the fair value of available-for-sale securities.

A deferred tax provision of $129,000 was recognized for the three months ended September 30, 2017, while no deferred tax provision or benefit was recognized for the three months ended September 30, 2018. The tax provision for the 2017 period resulted from a limitation in the year-to-date tax benefit included in the results of operations. This provision was fully offset by a tax benefit included in other comprehensive income.

Since 2014, the Company has maintained a valuation allowance for all of its net deferred tax assets based on a determination that it was more likely than not that such assets would not be realized. This determination was based on the Company’s net operating loss (“NOL”) carryforward position, its current period operating results exclusive of non-recurring items and its expectations for the upcoming year. In performing subsequent assessments, management has concluded that no significant changes in the key factors affecting the realizability of the deferred tax asset has occurred and that a valuation allowance for its net deferred tax assets should be maintained. The Company’s NOL carryforward at September 30, 2018 was $13.4 million. The tax valuation allowance at such date totaled $3.2 million.

8. ON-BALANCE SHEET DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Loan Commitments

Mortgage loan commitments qualify as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund residential mortgage loans at specified rates and times in the future, with the intention that these loans will subsequently be sold in the secondary market.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to an increase in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of derivative loan commitments was $34,476,000 and $24,222,000 at September 30, 2018 and December 31, 2017, respectively. The fair value of certain of these commitments was an asset of $419,000 and $363,000 as of September 30, 2018 and December 31, 2017, respectively, and is included in other assets in the consolidated balance sheets while the fair value of the other commitments was a liability of $10,000 at September 30, 2018 and is included in other liabilities in the consolidated balance sheet.

Forward Loan Sale Commitments

The Company utilizes both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a “mandatory delivery” contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a “best efforts” contract, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g. on the same day the lender commits to lend funds to a potential borrower).

The Company expects that these forward loan sale commitments will experience inverse changes in fair value to the change in fair value of derivative loan commitments. The notional amount of forward loan sale commitments was $34,034,000 and $29,613,000 at September 30, 2018 and December 31, 2017, respectively. The fair value of certain of these commitments was an asset of $74,000 and $4,000 at September 30, 2018 and December 31, 2017, respectively, and is included in other assets in the consolidated balance sheets while the fair value of other such commitments was a liability of $62,000 and $19,000 at September 30, 2018 and December 31, 2017, respectively, and is included in other liabilities in the consolidated balance sheets.

9. EMPLOYEE STOCK OWNERSHIP PLAN

The Company maintains an Employee Stock Ownership Plan (“ESOP”), which is a tax-qualified retirement plan providing eligible employees the opportunity to own Bancorp stock. Bancorp made a loan to the ESOP for the purchase of 469,498 shares of its common stock at $10.00 per share. The loan is payable annually over 25 years with interest at the prime rate to be reset each January 1st. The loan is secured by the shares which have not yet been allocated to participants. Loan payments are funded by cash contributions from the Bank. Such contributions are allocated to eligible participants based on their compensation, subject to federal tax limits.

Shares are committed to be released on a monthly basis and allocated as of December 31st of each year. The number of shares to be allocated annually is 18,780 through the year 2040. For the three and nine months ended September 30, 2018, the Company recognized compensation expense for the ESOP of $79,000 and $229,000, respectively, while for the three and nine months ended September 30, 2017, the Company recognized compensation expense for the ESOP of $69,000 and $214,000, respectively. The fair value of the 417,853 unallocated ESOP shares at September 30, 2018 was $6,907,000.

10. SHARE REPURCHASE PROGRAM

In September 2017, the Company’s Board of Directors adopted a share repurchase program under which the Company may repurchase up to 10%, or 586,854 shares of its then outstanding common shares. Repurchases under the program may be made in open market or in privately negotiated transactions and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the SEC. Any repurchased shares will be held by the Company as authorized but unissued shares. The repurchase program may be suspended or terminated at any time without prior notice, and is currently set to expire on September 14, 2019. As of September 30, 2018, the Company had repurchased 47,500 shares at a cost of $748,000 in connection with this program.

11. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share represents net income (loss) divided by the weighted average of common shares outstanding during the period. Unvested restricted shares of common stock having dividend rights are treated as “participating securities” and, accordingly, are considered outstanding in computing basic earnings (loss) per share. Unallocated ESOP shares are not considered to be outstanding for purposes of computing earnings per share. None of the Company’s 325,707 outstanding stock options were included in the computation of diluted earnings (loss) per share for the three and nine months ended September 30, 2018. Due to the net loss for these periods, inclusion of the stock options in the computation would have been anti-dilutive.

The following table sets forth the calculation of the average number of shares outstanding used to calculate the basic and diluted earnings (loss) per share for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Average number of common shares outstanding	5,987,796	5,868,545	6,010,467	5,870,938
Less: Average unallocated ESOP shares	(420,200)	(438,981)	(424,896)	(443,676)
	5,567,596	5,429,564	5,585,571	5,427,262

12. STOCK-BASED COMPENSATION

Under the Randolph Bancorp, Inc. 2017 Stock Option and Incentive Plan (the "Equity Plan"), the Company may grant options, restricted stock, restricted units or performance awards to its directors, officers and employees. Both incentive stock options and nonqualified stock options may be granted under the Equity Plan with 586,872 shares reserved for options. The exercise price of each option equals the market price of the Company's stock on the date of the grant and the maximum term of each options is 10 years. The total number of shares reserved for restricted stock is 234,749. Options and awards generally vest ratably over five years. The fair value of shares awarded is based on the market price at the date of grant.

Stock Options

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

• Volatility is based on peer group volatility because the Company does not have a sufficient trading history.

• Expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term, and the vesting period.

• Expected dividend yield is based on the Company's history and expectation of dividend payouts.

• The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected life of the option.

During the nine months ended September 30, 2018, the Company granted options to purchase 27,000 shares of common stock and used the following assumptions in measuring the fair value of such grants:

Vesting period (years)	3-6.5
Expiration period (years)	9
Expected volatility	29.87%
Expected life (years)	3.9
Expected dividend yield	—
Risk free interest rate	2.68% - 2.77%
Option fair value	$ 3.92

A summary of stock option activity for the nine months ended September 30, 2018 is presented in the table below:

Options	Stock Option Grants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at December 31, 2017	316,009	$ 14.66	9.10	$ 280,423
Granted	27,000	16.15	6.50	—
Forfeited	(17,302)	14.74	—	—
Balance at September 30, 2018 (all non-vested)	325,707	$ 14.78	9.07	$ 570,267
Exercisable at September 30, 2018	—	$ —	—	—
Unrecognized compensation cost	$ 1,218,000			
Weighted average remaining recognition period (years)	3.88			

For the three and nine months ended September 30, 2018, stock-based compensation expense applicable to stock options was $81,000 and $226,000, respectively.

Restricted Stock

Shares issued upon vesting may be either authorized but unissued shares or reacquired shares held by the Company. Any shares not issued because vesting requirements are not met will again be available for issuance under the Equity Plan. The fair market value of shares awarded, based on the market price at the date of grant, is recorded as unearned compensation and amortized over the applicable vesting period. Restricted stock awarded in 2017 was at no cost to the awardee. The following table presents the activity in restricted stock awards under the Equity Plan for the nine months ended September 30, 2018:

	Restricted Stock Awards	Weighted Average Grant Price
Restricted stock awards at December 31, 2017	176,239	$ 14.66
Granted	—	—
Forfeited	(7,042)	14.66
Restricted stock awards at September 30, 2018 (all non-vested)	169,197	$ 14.66
Unrecognized compensation cost	$ 1,987,000	
Weighted average remaining recognition period (years)	3.93	

For the three and nine months ended September 30, 2018, stock-based compensation expense applicable to restricted stock was $129,000 and $371,000, respectively.

13. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of fair value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

The following methods and assumptions were used by the Company in estimating fair value disclosures:

Cash and cash equivalents – The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Certificates of deposit – Certificates of deposit are carried at cost. These assets are measured at fair value in level 2 based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Securities – All fair value measurements are obtained from a third-party pricing service and are not adjusted by management. The securities measured at fair value in Level 1 (none at September 30, 2018 and December 31, 2017) are based on quoted market prices in an active exchange market. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Federal Home Loan Bank of Boston ("FHLBB") stock – It is not practical to determine the fair value of FHLBB stock due to restrictions on its transferability.

Loans held for sale – Fair values are based on commitments in effect from investors or prevailing market prices and include the servicing value of the loans.

Loans – For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using market interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable. Included in loans are certain loans which were transferred from loans held for sale. These loans, which are accounted for using the fair value option, continue to be accounted for subsequent to transfer at fair value.

Mortgage servicing rights – Fair value is based on a valuation model that calculates the present value of estimated future net servicing income, using various assumptions related to fees, discount rates and prepayment speeds.

Deposit liabilities – The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate term certificates are estimated using a discounted cash flow calculation that applies market interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities.

FHLBB advances - The fair values of the Company's FHLBB advances are estimated using discounted cash flow analyses based on the current incremental borrowing rates in the market for similar types of borrowing arrangements.

Accrued interest - The carrying amounts of accrued interest approximate fair value.

On-balance-sheet derivatives - Fair values of forward loan sale commitments and derivative loan commitments are based on fair values of the underlying mortgage loans based on current market prices for similar assets in the secondary market. For derivative loan commitments, fair values also include the value of servicing, deferred origination fees/costs and the probability of such commitments being exercised.

Off-balance sheet credit-related instruments - Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair values of these instruments are not material.

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Level 1	Level 2	Level 3	Total Fair Value
		(In thousands)		
September 30, 2018				
Assets:				
Securities available for sale:				
Debt securities	$ —	$ 53,891	$ —	$ 53,891
Mutual fund	—	513	—	513
Loans held for sale	—	24,120	—	24,120
Loans held for investment	—	—	1,894	1,894
Derivative loan commitments	—	419	—	419
Forward loan sale commitments	—	74	—	74
Liabilities:				
Derivative loan commitments	—	10	—	10
Forward loan sale commitments	—	62	—	62
December 31, 2017				
Assets:				
Securities available for sale:				
Debt securities	$ —	$ 61,043	$ —	$ 61,043
Mutual fund	—	533	—	533
Loans held for sale	—	25,390	—	25,390
Loans held for investment	—	—	6,412	6,412
Derivative loan commitments	—	363	—	363
Forward loan sale commitments	—	4	—	4
Liabilities:				
Forward loan sale commitments	—	19	—	19

Assets measured at fair value on a non-recurring basis

The Company may also be required, from time to time, to measure certain other assets at fair value on a non-recurring basis in accordance with U.S. generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related assets as of September 30, 2018 and December 31, 2017.

	September 30, 2018			Period Ended September 30, 2018
	Level 1	Level 2	Level 3	Total Gains (Losses)
		(In thousands)		
Collateral dependent impaired loans	$ —	$ —	$ 1,248	$ —
Mortgage servicing rights	—	7,316	—	84
Assets held for sale	—	—	2,897	230
Foreclosed real estate	—	—	82	(25)
	$ —	$ 7,316	$ 4,227	$ 289

	December 31, 2017		
	Level 1	Level 2	Level 3
		(In thousands)	
Collateral dependent impaired loans	$ —	$ —	$ 1,630
Mortgage servicing rights	—	6,397	—
Assets held for sale	—	—	828
Foreclosed real estate	—	—	193
	$ —	$ 6,397	$ 2,651

The Company recorded a partial reversal of the valuation allowance for its mortgage servicing rights of $84,000 during the nine months ended September 30, 2018, due to increases in fair value caused by lower expected loan prepayments.

During the nine months ended September 30, 2018, the Company sold properties which had been occupied by its former North Randolph and Stoughton branch offices and which had been classified with assets held for sale. The North Randolph sale was completed at the carrying value of this property and, accordingly, no gain or loss was recognized. The Stoughton sale was completed for above carrying value and a gain of $230,000 was recognized.

During the three months ended September 30, 2018, the Company transferred its Boston branch office having a carrying value of $2,897,000 to assets held for sale. In October 2018, the Company entered into an agreement to sell this building. See Note 16 for additional information.

There were no liabilities measured at fair value on a non-recurring basis at September 30, 2018 and December 31, 2017.

Summary of fair values of financial instruments

The estimated fair values, and related carrying amounts, of the Company's financial instruments are presented below. Certain financial instruments and all non-financial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein do not represent the underlying fair value of the Company. This table excludes financial instruments for which the carrying amount approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, and accrued interest receivable. Financial liabilities for which the fair value approximates carrying value include mortgagors' escrow accounts and accrued interest payable.

	September 30, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Financial assets:					
Certificates of deposit	$ 2,695	$ 2,681	$ —	$ 2,681	$ —
Securities available for sale	54,405	54,405	—	54,405	—
Loans held for sale	24,120	24,120	—	24,120	—
Loans, net	468,938	457,349	—	—	457,349
Derivative assets	493	493	—	493	—
Financial liabilities:					
Deposits	$ 427,173	$ 425,481	$ —	$ 425,481	$ —
FHLBB advances	77,411	77,197	—	77,197	—
Derivative liabilities	62	62	—	62	—

	December 31, 2017				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Financial assets:					
Certificates of deposit	$ 2,940	$ 2,932	$ —	$ 2,932	$ —
Securities available for sale	61,576	61,576	—	61,576	—
Loans held for sale	25,390	25,390	—	25,390	—
Loans, net	400,373	398,407	—	—	398,407
Derivative assets	367	367	—	367	—
Financial liabilities:					
Deposits	$ 366,836	365,997	$ —	$ 365,997	$ —
FHLBB advances	75,954	75,821	—	75,821	—
Derivative liabilities	19	19	—	19	—

14. COMMITMENTS AND CONTINGENCIES

Loan commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of market, credit and interest rate risk which are not recognized in the consolidated financial statements.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following financial instruments were outstanding, at the dates indicated, whose contract amounts represent credit risk:

	September 30, 2018	December 31, 2017
	(In thousands)	
Commitments to originate loans	$ 48,678	$ 35,549
Unused lines and letters of credit	42,939	39,968
Unadvanced funds on construction loans	11,571	6,967
Overdraft lines of credit	8,615	8,996

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The majority of these financial instruments are collateralized by real estate.

Other contingencies

The Company is not currently a party to any pending legal proceedings that it believes would have a material adverse effect on its financial condition, results of operations or cash flows.

15. SEGMENT INFORMATION

Effective January 1, 2018, management began reporting its activities in one of two business segments, namely Envision Bank ("EB") and Envision Mortgage ("EM"). Comparative information for the 2017 period has been prepared on a basis consistent with the methodology used in 2018. Envision Bank operations primarily consist of accepting deposits from customers within the communities surrounding the Bank's six full service branch offices and investing those funds in residential and commercial real estate loans, home equity lines of credit, construction loans, commercial and industrial loans, and consumer loans. Envision Mortgage's operations primarily consist of the origination and sale of residential mortgage loans and the servicing of loans sold to government-sponsored entities. A portion of the loans originated by Envision Mortgage are held in the loan portfolio of Envision Bank.

Segment information as of and for the three and nine months ended September 30, 2018, follows:

	For the Three Months Ended September 30, 2018		
	Envision Bank	Envision Mortgage	Consolidated Total
		(in thousands)	
Net interest income	$ 4,002	$ 258	$ 4,260
Provision for loan losses	178	—	178
Net interest income after provision for loan losses	3,824	258	4,082
Non-interest income:			
Customer service fees	324	33	357
Gain on loan origination and sale activities, net (1)	—	2,263	2,263
Mortgage servicing fees, net	(81)	391	310
Other	400	185	585
Total non-interest income	643	2,872	3,515
Non-interest expenses:			
Salaries and employee benefits	1,601	3,187	4,788
Occupancy and equipment	317	411	728
Other non-interest expenses	1,117	794	1,911
Total non-interest expenses	3,035	4,392	7,427
Income (loss) before income taxes and elimination of inter-segment profit	$ 1,432	$ (1,262)	170
Elimination of inter-segment profit			(307)
Loss before income taxes			(137)
Income tax expense			5
Net loss			$ (142)
Total assets, September 30, 2018	$ 521,139	$ 68,543	$ 589,682

	For the Nine Months Ended September 30, 2018		
	Envision Bank	Envision Mortgage	Consolidated Total
		(in thousands)	
Net interest income	$ 11,541	$ 735	$ 12,276
Provision for loan losses	183	—	183
Net interest income after provision for loan losses	11,358	735	12,093
Non-interest income:			
Customer service fees	1,035	61	1,096
Gain on loan origination and sale activities, net (1)	—	6,327	6,327
Mortgage servicing fees, net	(222)	1,157	935
Other	648	363	1,011
Total non-interest income	1,461	7,908	9,369
Non-interest expenses:			
Salaries and employee benefits	4,849	9,317	14,166
Occupancy and equipment	1,090	1,067	2,157
Other non-interest expenses	3,355	2,658	6,013
Total non-interest expenses	9,294	13,042	22,336
Income (loss) before income taxes and elimination of inter-segment profit	$ 3,525	$ (4,399)	(874)
Elimination of inter-segment profit			(971)
Loss before income taxes			(1,845)
Income tax expense			14
Net loss			$ (1,859)

(1) Before elimination of inter-segment profit

The information above was derived from the internal management reporting system used by management to measure performance of the segments.

The Company’s internal transfer pricing arrangements determined by management primarily consist of the following:

1. EM’s cost of funds is based on the weighted average rate of overnight advances from the FHLBB for the period.
2. EM is credited with service released premiums and a sales premium totaling 1.50% for new loans transferred to EB’s loans held for investment, and a 1.00% fee for HELOC originations. This income for the three and nine months ended September 30, 2018 totaled $307,000 and $971,000, respectively.
3. Loan servicing fees are charged to EB by EM based on the number of residential mortgage loans held in portfolio at a rate of 0.14% per annum and amounted to $81,000 and $222,000 for the three and nine months ended September 30, 2018, respectively.
4. Certain cost centers provide services to both business segments. The cost centers include Finance, Marketing, IT and Administration. Costs which are common to both business segments are referred to as “indirect costs” and are allocated using relevant benchmarks, e.g. headcount, number of accounts, etc.

Segment information as of and for the three and nine months ended September 30, 2017 follows:

	For the Three Months Ended September 30, 2017		
	Envision Bank	Envision Mortgage	Consolidated Total
		(in thousands)	
Net interest income	$ 3,566	$ 250	$ 3,816
Provision for loan losses	—	—	—
Net interest income after provision for loan losses	3,566	250	3,816
Non-interest income:			
Customer service fees	329	30	359
Gain on loan origination and sale activities, net [1]	—	2,909	2,909
Mortgage servicing fees, net	(67)	266	199
Other	34	274	308
Total non-interest income	296	3,479	3,775
Non-interest expenses:			
Salaries and employee benefits	1,454	3,214	4,668
Occupancy and equipment	336	346	682
Merger and integration costs	—	7	7
Other non-interest expenses	1,001	851	1,852
Total non-interest expenses	2,791	4,418	7,209
Income (loss) before income taxes and elimination of inter-segment profit	$ 1,071	$ (689)	382
Elimination of inter-segment profit			(204)
Income before income taxes			178
Income tax provision			129
Net income			$ 49
Total assets, September 30, 2017	$ 444,372	$ 61,140	$ 505,512

	For the Nine Months Ended September 30, 2017		
	Envision Bank	Envision Mortgage	Consolidated Total
		(in thousands)	
Net interest income	$ 10,215	$ 775	$ 10,990
Provision for loan losses	335	—	335
Net interest income after provision for loan losses	9,880	775	10,655
Non-interest income:			
Customer service fees	1,036	73	1,109
Gain on loan origination and sale activities, net (1)	—	7,902	7,902
Mortgage servicing fees, net	(189)	1,338	1,149
Other	524	369	893
Total non-interest income	1,371	9,682	11,053
Non-interest expenses:			
Salaries and employee benefits	4,690	9,369	14,059
Occupancy and equipment	1,008	949	1,957
Merger and integration costs	19	512	531
Other non-interest expenses	2,758	2,461	5,219
Total non-interest expenses	8,475	13,291	21,766
Income (loss) before income taxes and elimination of inter-segment profit	$ 2,776	$ (2,834)	(58)
Elimination of inter-segment profit			(638)
Loss before income taxes			(696)
Income tax benefit			(148)
Net loss			$ (548)

(1) Before elimination of inter-segment profit

The information above was derived from the internal management reporting system used by management to measure performance of the segments.

The Company’s internal transfer pricing arrangements determined by management primarily consist of the following:

1. EM’s cost of funds is based on the weighted average rate of overnight advances from the FHLBB for the period.
2. EM is credited with service released premiums and a sales premium totaling 1.50% for new loans transferred to EB’s loans held for investment, and a 1.00% fee for HELOC originations. This income for the three and nine months ended September 30, 2017 totaled $204,000 and $638,000, respectively.
3. Loan servicing fees are charged to EB by EM based on the number of residential mortgage loans held in portfolio at a rate of 0.14% per annum and amounted to $67,000 and $189,000 for the three and nine months ended September 30, 2017, respectively.
4. Certain cost centers provide services to both business segments. The cost centers include Finance, Marketing, IT and Administration. Costs which are common to both business segments are referred to as “indirect costs” and are allocated using relevant benchmarks, e.g. headcount, number of accounts, etc.

16. SUBSEQUENT EVENTS

Pending Sale of Boston Branch

During the third quarter of 2018, the Company began to actively market for sale its branch office in Boston and on October 23, 2018 entered into a purchase and sale agreement to sell the property for $5,000,000. Consummation of this transaction is subject to an inspection review by the buyer, removal of asbestos in accordance with an environmental engineering report and certain other customary closing conditions, including receipt of regulatory approval to close the branch. This transaction is expected to close in the fourth quarter of 2018.

The Company reclassified the net book value of this property totaling $2,897,000 from premises and equipment to assets held for sale (included in other assets in the accompanying balance sheet) as of September 30, 2018.

In August 2018, this property experienced significant water damage from a leaking pipe which resulted in the temporary closure of the branch. The property has undergone a clean-up of the damage, including the removal of the building contents and asbestos on the affected floors. The Company has recognized an insurance recovery of $90,000 for personal property which was damaged but has not yet reached a settlement with the insurer on its claim for real property damage. Settlement of the claim is expected to occur in the fourth quarter of 2018.

While the property has undergone a clean-up from the water damage, re-construction of the affected areas is not being undertaken by the Company due to the pending sale of the property. Additional insurance proceeds received will be used to reduce the carrying value of the property. Based on a range of likely insurance settlements, management estimates that the Company would recognize a gain of from $2,000,000 to $2,150,000 on the sale of this building based on the selling price set forth in the pending purchase and sale agreement.

Consolidation of Mortgage Banking Operations

In October 2018, the Company's Board of Directors approved a plan to consolidate mortgage banking operations in the Company's North Attleboro loan operations center. As a result, the Company eliminated fifteen administrative positions supporting the origination of residential mortgages in its Andover loan operations center and will add eight similar positions in its North Attleboro location. Approximately twenty-five employees, including loan originators, remain in the Andover location.

Terminated employees were given a severance package based on their length of service with the Company. In addition, retention bonuses were offered to certain employees. The estimated total cost is $235,000 and is expected to be paid in 2018.

As previously disclosed, the Company entered into a sublease agreement in July 2018 for 27% of the space in its Andover location. This sublease commenced on October 1, 2018 and runs co-terminus with the Company's lease which expires in March 2023. At September 30, 2018, the Company's remaining minimum lease obligation, net of sublease payments, amounted to $1,223,000.

The Company intends to vacate all but approximately 3,000 square feet of its remaining leased space in the Andover location in 2018 and is currently attempting to sublease this space. Management expects to complete its analysis of the expected future cash flows for this property and to record a liability at fair value once the Company ceases the use of all or a portion of its remaining leased space.

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

This section is intended to help investors understand the financial performance of Randolph Bancorp, Inc. and its subsidiary through a discussion of the factors affecting its financial condition at September 30, 2018 and December 31, 2017, and its results of operations for the three and nine month periods ended September 30, 2018 and 2017. This section should be read in conjunction with the consolidated financial statements of Randolph Bancorp, Inc. and notes thereto that appear elsewhere in this Quarterly Report. For the purpose of this Quarterly Report, the terms the "Company" "we," "our," and "us" refer to Randolph Bancorp, Inc. and its subsidiary unless the context indicates another meaning.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on certain current assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions. These statements include, among others, statements regarding our strategy, goals and expectations; evaluations of future interest rate trends and liquidity; expectations as to growth in assets, deposits and results of operations, future operations, market position and financial position; and prospects, plans and objectives of management. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond our control.

Forward-looking statements are based on the current assumptions and beliefs of management and are only expectations of future results. Our actual results could differ materially from those projected in the forward-looking statements as a result of, among others, factors referenced herein under the section captioned "Risk Factors"; adverse conditions in the capital and debt markets and the impact of such conditions on our business activities; changes in interest rates; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which we operate, including changes that adversely affect borrowers' ability to service and repay our loans; changes in the value of securities in our investment portfolio; changes in loan default and charge-off rates; fluctuations in real estate values; the adequacy of loan loss reserves; decreases in deposit levels necessitating increased borrowing to fund loans and investments; operational risks including, but not limited to, cybersecurity and natural disasters; changes in government regulation; changes in accounting standards and practices; the risk that intangible assets recorded in our financial statements will become impaired; demand for loans in our market area; our ability to attract and maintain deposits; risks related to the implementation of acquisitions, dispositions, and restructurings; the risk that we may not be successful in the implementation of our business strategy; and changes in assumptions used in making such forward-looking statements. Forward-looking statements speak only as of the date on which they are made. We do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

Overview

Our results of operations depend primarily on net interest income and net gains on loan origination and sale activities. Net interest income is the difference between the interest income we earn on our interest-earning assets and the interest we pay on interest-bearing liabilities. Our interest-earning assets consist primarily of residential mortgage loans, commercial real estate loans, commercial and industrial loans, home equity loans and lines of credit, construction loans, consumer loans and investment securities. Interest-bearing liabilities consist primarily of deposit accounts and borrowings from the Federal Home Loan Bank of Boston ("FHLBB"). Net gains on loan origination and sale activities result from the origination and sale of such loans to investors including Fannie Mae, Freddie Mac and other financial institutions. The amount of these gains is dependent on the volume of our loan originations, profit margins earned upon sale and the prevailing fair value of mortgage servicing rights.

Critical Accounting Policies

Certain of our accounting policies are important to the presentation of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. Our significant accounting policies are discussed in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission.

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Comparison of Financial Condition at September 30, 2018 and December 31, 2017

Total Assets. Total assets increased $57.8 million, or 10.9%, to $589.7 million at September 30, 2018 from $531.9 million at December 31, 2017. Growth was concentrated in loans held in portfolio, which increased $68.6 million. This increase was partially offset by a decrease of $7.2 million in securities available for sale. Asset growth was funded by an increase in deposits of $60.3 million, including $45.6 million in brokered deposits.

Loans Held for Sale. We are actively involved in the secondary mortgage market and designate a significant majority of our residential first mortgage loan production for sale. At September 30, 2018, loans held for sale, which consist of closed residential first mortgage loans which we intend to sell to investors, totaled $24.1 million compared to $25.4 million at December 31, 2017. This decrease occurred despite an increase of 13% in residential mortgage production during the first nine months of 2018 compared to the prior year period as a higher percentage of production in 2018 was invested in the loan portfolio. The Company added to its loan origination capabilities with the addition of ten experienced loan originators in 2018, which caused the increase in production despite a slowdown in loan refinancing activity resulting from increasing mortgage interest rates.

Net Loans. Net loans increased $68.6 million, or 17.1%, to $468.9 million at September 30, 2018 from $400.4 million at December 31, 2017. This net growth occurred entirely in real estate secured loans led by residential mortgage loan growth of $55.8 million, or 28.1%, and commercial mortgage loan growth of $7.1 million, or 6.9%, in both cases due to organic growth. Residential loan growth resulted primarily from the placement in portfolio of a higher proportion of loan originations in 2018 as compared to recent years as the Company originated more jumbo mortgages in 2018. These loans are not readily saleable in the secondary mortgage market. The growth in commercial real estate lending reflects continuing strong market conditions in our lending area aided by the favorable interest rate environment that prevailed throughout the period. Consumer loans and commercial and industrial loans, which consist primarily of loan participations and purchased loans, decreased, in aggregate, by $1.1 million during the first nine months of 2018 as loan repayments exceeded loan purchases during the period.

Investment Securities. Investment securities, all of which are classified as available for sale, decreased $7.2 million to $54.4 million at September 30, 2018 from $61.6 million at December 31, 2017 due primarily to principal payments on mortgage-backed securities and, to a lesser extent, a decline in market values attributable to the rise in interest rates during 2018. At September 30, 2018, investment securities represented 9.2% of total assets compared to 11.6% at December 31, 2017. This decrease continues a trend in recent years and is a consequence of our strategic shift to investing a higher proportion of interest-earning assets in loans.

Mortgage Servicing Rights. Mortgage servicing rights ("MSRs") increased $919,000 to $7.3 million at September 30, 2018 from $6.4 million at December 31, 2017. This increase was due to the MSR value of loans sold to Fannie Mae and Freddie Mac on a servicing retained basis, net of amortization, of $835,000 during the first nine months of 2018 and an $84,000 partial reversal of the valuation allowance. This reversal resulted from an increase in the fair value of MSRs due primarily to slower projected loan prepayment speeds. We serviced $873.9 million in loans for others at September 30, 2018. The fair value of the related MSRs was $8.0 million.

Deposits. Deposits increased $60.3 million, or 16.4%, to $427.2 million at September 30, 2018 from $366.8 million at December 31, 2017. Included in this increase was $45.6 million in brokered deposits and $14.7 million in non-brokered deposits. Management considers brokered deposits to be a source of wholesale funding and an alternative to FHLBB advances. Because of the lower interest rates available on brokered deposits compared to FHLBB advances across all maturity levels, the Company has increased its utilization of this funding source in 2018. The increase in non-brokered deposits during the first nine months of 2018 is primarily due to increases in money market accounts and term certificates, both product types where rates paid to depositors have been increased to meet competition.

FHLBB Advances. FHLBB advances, which consist primarily of overnight advances, increased $1.5 million to $77.4 million at September 30, 2018 from $76.0 million at December 31, 2017. This increase was limited by the greater utilization of brokered deposits as a wholesale funding source during the first nine months of 2018.

Stockholders' Equity. Stockholders' equity was $78.1 million at September 30, 2018 compared to $81.5 million at December 31, 2017. The decrease of $3.4 million during the first nine months of 2018 was due to the net loss from operations of $1.9 million, a reduction in the fair value of available-for sale securities of $1.7 million and stock purchases of $631,000. These items were partially offset by equity adjustments of $826,000 related to the stock benefit plan and the employee stock ownership plan.

Comparison of Operating Results for the Three Months Ended September 30, 2018 and 2017

General. The Company recorded a net loss of $142,000, or $0.03 per share, for the three months ended September 30, 2018 compared to a net income of $49,000, or $0.01 per share, for the three months ended September 30, 2017. Included in the 2018 net loss were gains of $320,000 from the sale of a former branch office and an insurance recovery. Excluding these non-recurring gains, the net loss would have been $462,000, or $0.08 per share, for the three months ended September 30, 2018. These non-core items and their financial impact are summarized in the table presented on page 37 under the caption "Non- GAAP Measures."

The decline in operating results between periods was attributable to the Envision Mortgage business segment which experienced lower revenues in 2018 due principally to a reduction in the profit margin realized upon the sale of mortgage loans and higher expenses associated with an increase in loan production and the hiring of ten loan originators.

Analysis of Net Interest Income

Net interest income represents the difference between income we earn on our interest-earning assets and the expense we pay on interest-bearing liabilities. Net interest income depends on the volume of interest-earning assets and interest-bearing liabilities and the interest rates earned on such assets and paid on such liabilities.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. The yields set forth below include the effect of acquisition accounting adjustments as well as deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Three Months Ended September 30,					
	2018			2017		
(Dollars in thousands)	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Loans (1)	$ 481,732	$ 5,036	4.18%	$ 398,499	$ 3,936	3.95%
Investment securities (2) (3)	58,864	410	2.79%	69,153	472	2.73%
Interest-earning deposits	5,201	27	2.08%	9,221	27	1.17%
Total interest-earning assets	545,797	5,473	4.01%	476,873	4,435	3.72%
Noninterest-earning assets	27,994			28,058		
Total assets	$ 573,791			$ 504,931		
Interest-bearing liabilities:						
Savings accounts	102,712	46	0.18%	103,938	42	0.16%
NOW accounts	42,312	52	0.49%	46,098	57	0.49%
Money market accounts	61,384	190	1.24%	57,272	76	0.53%
Term certificates	153,239	577	1.51%	91,226	231	1.01%
Total interest-bearing deposits	359,647	865	0.96%	298,534	406	0.54%
FHLBB advances	65,247	343	2.10%	53,610	167	1.25%
Total interest-bearing liabilities	424,894	1,208	1.14%	352,144	573	0.65%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	63,396			62,210		
Other noninterest-bearing liabilities	6,231			6,084		
Total liabilities	494,521			420,438		
Total stockholders' equity	79,270			84,493		
Total liabilities and stockholders' equity	$ 573,791			$ 504,931		
Net interest income		$ 4,265			$ 3,862	
Interest rate spread(4)			2.87%			3.07%
Net interest-earning assets(5)	$ 120,903			$ 124,729		
Net interest margin(6)			3.13%			3.24%
Ratio of interest-earning assets to interest-bearing liabilities	128.45%			135.42%		

(1) Includes nonaccruing loan balances and interest received on such loans as well as loans held for sale.

(2) Includes carrying value of securities classified as available for sale, FHLBB stock and investment in the Depositors Insurance Fund.

(3) Includes tax equivalent adjustments for municipal securities, based on effective tax rates of 21% and 34%, of $5,000 and $45,000 for the three months ended September 30, 2018 and 2017, respectively.

(4) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

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

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

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income, presented on a tax equivalent basis, for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017		
	Increase (Decrease) Due to Changes in		Total Increase (Decrease)
(In thousands)	Volume	Rate	
Interest-earning assets:			
Loans	$ 860	$ 240	$ 1,100
Investment securities	(71)	9	(62)
Interest-earning deposits	(15)	15	—
Total interest-earning assets	774	264	1,038
Interest-bearing liabilities:			
Savings accounts	(1)	5	4
NOW accounts	(5)	—	(5)
Money market accounts	6	108	114
Term certificates	202	144	346
Total interest-bearing deposits	202	257	459
FHLBB advances	42	134	176
Total interest-bearing liabilities	244	391	635
Change in net interest income	$ 530	$ (127)	$ 403

Interest and Dividend Income. Interest and dividend income, inclusive of tax equivalent adjustments on municipal securities, increased $1,038,000, or 23.4%, to $5,473,000 for the three months ended September 30, 2018 compared to $4,435,000 for the three months ended September 30, 2017. This increase was due to an increase in average interest-earning assets between periods of $68.9 million, or 14.4%, as the Company continued to leverage the capital raised in its 2016 initial public offering. This increase all occurred in loans. The yield on interest-earning assets increased 29 basis points to 4.01% in the 2018 quarter from 3.72% in the same quarter of the prior year due principally to the higher proportion of loans to total interest-earning assets and a 23 basis points increase in the yield on loans.

Interest Expense. Interest expense increased $635,000, or 110.8%, to $1,208,000 for the three months ended September 30, 2018 compared to $573,000 for the three months ended September 30, 2017. This increase was due to an increase in average interest-bearing liabilities of $72.8 million combined with a 49 basis points increase in the cost of funds to 1.14%. The increase in cost of funds was due to a 42 basis point increase in the cost of interest-bearing deposits caused by a growth in higher yielding money market accounts and term certificates, including brokered deposits, and an 85 basis points increase in the cost of FHLBB advances. These increases are attributable to the increase in the federal funds rate from 1.25% to 2.25% during the past fifteen months. The cost of deposits has risen at a slower rate than the cost of FHLBB advances as the interest rates paid on certain core deposit products such as savings and NOW accounts have largely remained unchanged between periods.

Net Interest Income. Net interest income increased $403,000, or 10.5%, to $4,266,000 for the three months ended September 30, 2018 compared to $3,862,000 for the three months ended September 30, 2017. This improvement resulted principally from loan growth. The net interest margin decreased 11 basis points from 3.24% in the third quarter of 2017 to 3.13% in the third quarter of 2018 due to a decrease in the ratio of interest-earning assets to interest-bearing liabilities from 135.4% in the 2017 quarter to 128.5% in the 2018 quarter. In addition, the net interest margin was adversely affected by an increase in the federal funds rate from 1.25% to 2.25% over the past fifteen months and a flattening yield curve wherein short-term rates have increased more than long-term rates.

Provision for Loan Losses. Based on the application of our loan loss methodology, we recorded a provision for loan losses of $178,000 for the three months ended September 30, 2018 while no provision was recorded for the three months ended September 30, 2017. The provision in 2018 was directly attributable to growth in the residential loan portfolio. Classified and nonaccrual loan balances were stable during the third quarter. Regional and local economic data, including housing prices, continued their positive trend of the past several years. The allowance for loan losses was 0.82% of total loans at September 30, 2018 compared to 0.92% at December 31, 2017, and was 193.7% of non-performing loans at September 30, 2018 compared to 165.9% at December 31, 2017.

Net Gain on Loan Origination and Sale Activities. The net gain on loan origination and sale activities decreased $749,000, or 27.7%, to $1,956,000 for the three months ended September 30, 2018 compared to $2,705,000 for the three months ended September 30, 2017, while the volume of loan sales was essentially flat between periods at approximately $110 million. Net gains on loan sales in 2018 were adversely affected by a declining profit margin caused by competitive pressures as banks and other lenders competed based on rate to maintain market share, lower demand for FHA loans which historically have had a higher profit margin than conforming conventional mortgage loans and a softening in pricing for mortgage-backed securities used to package conventional mortgages sold in the secondary market.

Other Non-interest Income. Non-interest income, excluding the net gain on loan origination and sale activities, increased $386,000 to $1,252,000 during the three months ended September 30, 2018 compared to $866,000 during the three months ended September 30, 2017. Included in non-interest income in the 2018 period were non-recurring gains totaling $320,000 due to the sale of of a former branch office and an insurance recovery. Excluding these non-recurring gains, other non-interest income would have increased by $66,000. This improvement was due to an increase in net mortgage servicing fee income of $111,000 attributable primarily to growth in the balance of loans serviced for others.

Non-interest Expenses. Non-interest expenses increased $218,000, or 3.0%, from $7,209,000 for the three months ended September 30, 2017 to $7,427,000 for the three months ended September 30, 2018.

Salaries and employee benefits increased $120,000, or 2.6%, from $4,668,000 in the third quarter of 2017 to $4,788,000 in the third quarter of 2018 despite a reduction in full-time equivalent employees from 201 at June 30, 2017 to 183 at September 30, 2018. This decrease in headcount occurred within the Company’s Envision Mortgage business segment. The increase in salaries and employee benefits is primarily due to stock-based compensation of $128,000, transition payments to new loan originators of $77,000, increased commissions of $66,000 due to a 23% increase in residential mortgage loan originations, and salary increases averaging 2.5%, or $65,000.

Occupancy and equipment expenses increased $46,000, or 6.7%, from $682,000 in the third quarter of 2017 to $728,000 in the third quarter of 2018. This increase is due to additional rent expense and depreciation associated with the lease of the Andover loan operations center, as well as the relocation of two existing branches to new locations (Stoughton in September 2017 and Braintree in April 2018).

Professional fees decreased $96,000, or 27.6%, from $348,000 in the third quarter of 2017 to $252,000 in the third quarter of 2018. This decrease reflected lower spending for legal, consulting and auditing services.

Marketing expenses decreased $72,000, or 26.0%, from $277,000 in the third quarter of 2017 to $205,000 in the third quarter of 2018. Spending on marketing had been higher in the first half of 2018 due primarily to advertising costs associated with the re-branding to Envision Bank but has since been reduced.

Other non-interest expenses increased $204,000, or 19.8%, from $1,030,000 in the third quarter of 2017 to $1,234,000 in the third quarter of 2018. This increase is due to additional mortgage banking related operating costs of $145,000 associated with the 23% increase in production volume, higher software maintenance costs of $40,000 and director stock-based compensation costs of $80,000.

Income Tax Expense. No federal tax benefit was recognized for the three months ended September 30, 2018, while a federal tax provision of $129,000 was recognized for the three months ended September 30, 2017. The 2017 tax provision resulted from, and was limited to, an offsetting tax benefit included in other comprehensive income caused by appreciation in the far value of available for sale securities during 2017. The Company has a net operating loss ("NOL") carryforward at September 30, 2018 of $13.4 million. Since 2014, the NOL carryforward as well as other net deferred tax assets have been subject to a full valuation allowance, which totaled $3.2 million at September 30, 2018. Management evaluates this position on a quarterly basis and has concluded, based on recent operating results, to maintain the full valuation allowance.

Comparison of Operating Results for the Nine Months Ended September 30, 2018 and 2017

General. The Company incurred a net loss of $1,859,000, or $0.33 per share, for the nine months ended September 30, 2018 compared to a net loss of $548,000, or $0.10 per share, for the nine months ended September 30, 2017. The net loss in the 2018 period included gains of $320,000 from the sale of a former branch office and an insurance recovery. Excluding these non-recurring items, the net loss in the 2018 period would have been $2,179,000, or $0.39 per share. The net loss in the 2017 period included merger and integration costs related to the July 2016 acquisition of First Eastern Bankshares Corporation ("First Eastern"), which amounted to $531,000. Excluding this non-recurring item and the related tax effect, the net loss in the 2017 period would have been $101,000, or $0.02 per share. These non-core items and their financial impact are summarized in the table presented on page 37 under the caption "Non- GAAP Measures."

The increase in the net loss between periods was attributable to the Envision Mortgage business segment which experienced lower revenues in 2018 due principally to a reduction in the profit margin realized upon the sale of mortgage loans and higher expenses associated with an increase in loan production.

Analysis of Net Interest Income

Net interest income represents the difference between income we earn on our interest-earning assets and the expense we pay on interest-bearing liabilities. Net interest income depends on the volume of interest-earning assets and interest-bearing liabilities and the interest rates earned on such assets and paid on such liabilities.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Nine Months Ended September 30,					
	2018			2017		
(Dollars in thousands)	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Loans[1]	$ 453,290	$ 13,917	4.09%	$ 379,910	$ 11,049	3.88%
Investment securities [2] [3]	60,225	1,254	2.78%	69,831	1,465	2.80%
Interest-earning deposits	7,442	91	1.63%	8,469	70	1.10%
Total interest-earning assets	520,957	15,262	3.91%	458,210	12,584	3.66%
Noninterest-earning assets	28,997			29,796		
Total assets	$ 549,954			$ 488,006		
Interest-bearing liabilities:						
Savings accounts	103,774	133	0.17%	104,125	122	0.16%
NOW accounts	43,215	166	0.51%	46,660	161	0.46%
Money market accounts	66,241	461	0.93%	54,860	188	0.46%
Term certificates	126,452	1,314	1.39%	89,990	652	0.97%
Total interest-bearing deposits	339,682	2,074	0.81%	295,635	1,123	0.51%
FHLBB advances	63,089	884	1.87%	39,124	335	1.14%
Total interest-bearing liabilities	402,771	2,958	0.98%	334,759	1,458	0.58%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	61,005			62,785		
Other noninterest-bearing liabilities	6,110			6,211		
Total liabilities	469,886			403,755		
Total stockholders' equity	80,068			84,251		
Total liabilities and stockholders' equity	$ 549,954			$ 488,006		
Net interest income		$ 12,304			$ 11,126	
Interest rate spread [4]			2.93%			3.08%
Net interest-earning assets [5]	$ 118,186			$ 123,451		
Net interest margin [6]			3.15%			3.24%
Ratio of interest-earning assets to interest-bearing liabilities	129.34%			136.88%		

(1) Includes nonaccruing loan balances and interest received on such loans as well as loans held for sale.

(2) Includes carrying value of securities classified as available-for-sale, FHLBB stock and investment in the Depositors Insurance Fund.

(3) Includes tax equivalent adjustments for municipal securities, based on effective tax rates of 21% and 34%, of $28,000 and $136,000 for the nine months ended September 30, 2018 and 2017, respectively.

(4) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

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

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

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income, presented on a tax equivalent basis, for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017		
	Increase (Decrease) Due to Changes in		Total Increase
(In thousands)	Volume	Rate	(Decrease)
Interest-earning assets:			
Loans	$ 2,226	$ 642	$ 2,868
Investment securities	(200)	(11)	(211)
Interest-earning deposits	(5)	26	21
Total interest-earning assets	2,021	657	2,678
Interest-bearing liabilities:			
Savings accounts	—	11	11
NOW accounts	(8)	13	5
Money market accounts	46	227	273
Term certificates	320	342	662
Total interest-bearing deposits	358	593	951
FHLBB advances	269	280	549
Total interest-bearing liabilities	627	873	1,500
Change in net interest income	$ 1,394	$ (216)	$ 1,178

Interest and Dividend Income. Interest and dividend income, inclusive of tax equivalent adjustments on municipal securities, increased $2,678,000, or 21.3%, to $15,262,000 for the nine months ended September 30, 2018 compared to $12,584,000 for the nine months ended September 30, 2017. This increase was due to an increase in average interest-earning assets between periods of $62.7 million, or 13.7%, as the Company continued to leverage the capital raised in its 2016 initial public offering. This increase all occurred in loans. The yield on interest-earning assets increased 25 basis points to 3.91% in the first nine months of 2018 from 3.66% in the first nine months of 2017 due principally to the higher proportion of loans to total interest-earning assets and a 21 basis points increase in the yield on loans.

Interest Expense. Interest expense increased $1,500,000, or 102.9%, to $2,958,000 for the nine months ended September 30, 2018 compared to $1,458,000 for the nine months ended September 30, 2017. This increase principally reflects growth in the average balance of interest-bearing liabilities of $68.0 million and a 40 basis points increase to 0.98% in the cost of funds. The increase in cost of funds was due to a 30 basis points increase in the cost of interest-bearing deposits caused by a growth in higher yielding money market accounts and term certificates, including brokered deposits, and a 73 basis points increase in the cost of FHLBB advances. These increases are attributable to the increase in the federal funds rate from 1.25% to 2.25% during the past fifteen months. The cost of deposits has risen at a slower rate than the cost of FHLBB advances as the interest rates paid on certain core deposit products such as savings and NOW accounts have largely remained unchanged between periods.

Net Interest Income. Net interest income increased $1,178,000, or 10.6%, to $12,304,000 for the nine months ended September 30, 2018 compared to $11,126,000 for the nine months ended September 30, 2017. This improvement resulted principally from loan growth. The net interest margin in the first nine months of 2018 decreased 9 basis points from 3.24% in 2017 to 3.15% in 2018 due to a decrease in the ratio of interest-earning assets to interest-bearing liabilities from 136.9% in the first nine months of 2017 to 129.3% in the first nine months of 2018. In addition, the net interest margin was adversely affected by the increase in the federal funds rate from 1.25% to 2.25% over the past fifteen months and a flattening yield curve wherein short-term rates have increased more than long-term rates.

Provision for Loan Losses. Based on the application of our loan loss methodology, we recorded a provision for loan losses of $183,000 for the nine months ended September 30, 2018 compared to a provision of $335,000 for the nine months ended September 30, 2017. The provision in both 2018 and 2017 was primarily attributable to growth in the loan portfolio. Based on the quarterly assessment of internal and external performance factors affecting credit risk in June 2018, reductions were made in the qualitative portion of the allowance for loan losses ("ALLL") for both commercial real estate loans and home equity loans during the second quarter of 2018. The qualitative portion of the ALLL for consumer loans was increased slightly as part of this analysis. Together these changes reduced the amount that would have been provided based on loan growth by $265,000. Classified and nonaccrual loan balances were stable during the first nine months of 2018. Regional and local economic data, including housing prices, continuing their positive trend of the past several years.

Net Gain on Loan Origination and Sale Activities. The net gain on loan origination and sale activities decreased $1,907,000, or 26.3%, to $5,356,000 for the nine months ended September 30, 2018 compared to $7,263,000 for the nine months ended September 30, 2017. During the first nine months of 2017, we sold $308.2 million of residential mortgage loans compared to $278.7 million of such loans in the first nine months of 2018 despite an overall increase in residential loan originations of 13% principally due to an increase in the origination of jumbo mortgages that are not readily saleable. Also contributing to the decrease in the net gain on loan origination and sale activities in 2018 was a decrease in the profit margin experienced in the current year. The reduced profit margin was due to competitive pressures as banks and other lenders compete based on rate to maintain market share, lower demand for FHA loans which have a higher profit margin than conforming conventional loans and a softening in pricing for mortgage-backed securities used to package conventional mortgages sold in the secondary market.

Other Non-interest Income. Non-interest income, excluding the net gain on loan origination and sale activities, decreased $110,000 to $3,042,000 for the nine months ended September 30, 2018 from $3,152,000 during the same period of the prior year. Included in other non-interest income in 2018 were gains of $320,000 from the sale of a former branch office and an insurance recovery. Excluding these gains, other non-interest income would have decreased $430,000 between periods. This decrease was due to a decrease in net mortgage servicing fees of $214,000 and a gain in 2017 of $150,000 on the sale of MSRs. The decrease in net mortgage servicing fees is due to a reduction in the average balance of serviced loans in the 2018 period caused by the sale of servicing rights to $379.0 million in serviced loans during the third quarter of 2017, and by a reduction between periods of $50,000 in favorable adjustments to the valuation allowance for MSRs due to increases in their fair values attributable to slower expected loan prepayment speeds. Also contributing to the decrease in other non-interest income in 2018 was lower loan closing service revenue of $73,000 and a $46,000 reduction related to a state training grant.

Non-interest Expenses. Non-interest expenses increased $570,000 to $22,336,000 for the nine months ended September 30, 2018 compared to $21,766,000 for the nine months ended September 30, 2017. Included in the 2017 period were merger and integration costs of $531,000 associated with the First Eastern acquisition. Excluding this non-recurring item, non-interest expenses would have increased $1,101,000, or 5.2%, in the first nine months of 2018 compared to the 2017 period.

Salaries and employee benefits increased $107,000, or 0.8%, to $14,166,000 for the nine months ended September 30, 2018 compared to $14,059,000 in the prior year period despite a reduction in full-time equivalent employees from 220 at December 31, 2016 to 183 at September 30, 2018. The decrease in headcount occurred within the Company's Envision Mortgage business segment. Offsetting the savings from the reduction in headcount were stock-based compensation of $380,000, transition payments to new loan originators of $304,000, increased commissions of $189,000 due to a 13% increase in residential mortgage loan originations, and salary increases averaging 2.5%, or $195,000.

Occupancy and equipment expenses increased $200,000, or 10.2%, in the first nine months of 2018 compared to the same period in the prior year. This increase is due to additional rent expense and depreciation associated with the new lease of the Andover loan operations center, as well as the relocation of two existing branches to new locations (Stoughton in September 2017 and Braintree in April 2018). Also included in expenses in the first nine months of 2018 is an accrual of $93,000 associated with a sub-lease of approximately 27% of the space in the Andover facility.

Marketing expenses increased $243,000, or 38.9%, from $624,000 in the first nine months of 2017 to $867,000 in the first nine months of 2018 due primarily to advertising costs and other promotional materials associated with the re-branding to Envision Bank.

Professional fees decreased $195,000, or 14.8%, from $1,019,000 in the first nine months of 2017 compared to $824,000 in the first nine months of 2018 due to a reduction in spending for legal, consulting and audit services.

Other non-interest expenses increased $751,000, or 25.6%, in the first nine months of 2018 compared to the first nine months of 2017. This increase is primarily due to additional mortgage banking related operating costs of $282,000 associated with the increase in production volume, director stock-based compensation costs of $217,000 as well as smaller expense increases attributable to the re-branding to Envision Bank and higher interchange fees.

Income Tax Expense (Benefit). A federal tax benefit of $151,000 was recognized for the nine months ended September 30, 2017 while no federal tax benefit was recognized for the nine months ended September 30, 2018. The 2017 tax benefit resulted from, and was limited to, an offsetting tax provision attributable to other comprehensive income relating to appreciation in the fair value of available for sale securities.

Non-GAAP Measures

Management assesses the Company's financial performance for purposes of making day-to-day and strategic decisions, it does so based upon the performance of its core banking business which is derived from the combination of net interest income and non-interest income reduced by the provision for loan losses and non-interest expenses and the impact of income taxes, if any, all as adjusted for any non-core items. The Company's financial reporting is determined in accordance with GAAP, which sometimes includes items that management believes are unrelated to its core banking business and are not expected to have a material financial impact on operating results in future periods, such as merger and integration costs and other items. Management computes the Company's non-GAAP operating earnings, non-interest income as a percentage of total income and the efficiency ratio on an operating basis, which excludes these items, in order to measure the performance of the Company's core banking business.

Non-GAAP measures should not be viewed as a substitute for operating results determined in accordance with GAAP. An item that management determines to be non-core and excludes when computing these non-core measures can be of substantial importance to the Company's results for any particular reporting period. The Company's non-GAAP performance measures are not necessarily comparable to such measures that may be used by other companies.

The following table summarizes the impact of non-core items recorded for the reporting periods indicated below and reconciles them in accordance with GAAP (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) - GAAP basis	$ (142)	$ 49	$ (1,859)	$ (548)
Non-interest income adjustments:				
Gain on sale of building	(230)	—	(230)	—
Gain on insurance recovery	(90)	—	(90)	—
Non-interest expense adjustments:				
Merger and integration costs	—	7	—	531
Related tax effects	—	59	—	(84)
Net income (loss) - Non-GAAP basis	$ (462)	$ 115	$ (2,179)	$ (101)

Asset Quality

Nonperforming Assets. The following table provides information with respect to our nonperforming assets, including troubled debt restructurings, at the dates indicated. We did not have any accruing loans past due 90 days or more at the dates presented.

	September 30, 2018	December 31, 2017
Nonaccrual loans:	(In thousands)	
Real estate loans:		
One- to four-family residential	$ 1,765	$ 1,976
Commercial	—	—
Home equity loans and lines of credit	243	276
Construction	—	—
Commercial and industrial loans	—	—
Consumer loans	—	—
Total nonaccrual loans	2,008	2,252
Other real estate owned	82	193
Total nonperforming assets	2,090	2,445
Performing troubled debt restructurings	3,530	3,383
Total nonperforming assets and performing troubled debt restructurings	$ 5,620	$ 5,828
Total nonperforming loans to total loans[1]	0.42%	0.56%
Total nonperforming assets and performing troubled debt restructurings to total assets	0.95%	1.10%

(1) Total loans exclude loans held for sale but include net deferred loan costs and fees.

Interest income that would have been recorded for the three and nine months ended September 30, 2018 had nonaccruing loans been current according to their original terms amounted to $57,000 and $208,000, respectively. Income related to nonaccrual loans included in interest income for the three and nine months ended September 30, 2018 amounted to $27,000 and $91,000, respectively.

Classified Loans. The following table shows the aggregate amounts of our regulatory classified loans at the dates indicated.

	September 30, 2018	December 31, 2017
	(In thousands)	
Classified assets:		
Substandard	$ 892	$ 911
Doubtful	51	—
Loss	—	—
Total classified assets	$ 943	$ 911
Special mention	$ 3,074	$ 2,512

None of the special mention loans at September 30, 2018 and December 31, 2017 were on nonaccrual.

Other than as disclosed in the above tables, there are no other loans where management has information indicating that there is serious doubt about the ability of the borrowers to comply with the present loan repayment terms.

Allowance for Loan Losses. The following table sets the breakdown for loan losses by loan category at the dates indicated.

(Dollars in thousands)	September 30, 2018 Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	December 31, 2017 Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans
Real estate loans:						
One- to four-family residential	$ 1,118	28.74%	53.95%	$ 854	22.85%	49.29%
Commercial	1,517	39.00%	23.09%	1,620	43.35%	25.27%
Home equity loans and lines of credit	291	7.48%	9.00%	359	9.61%	9.68%
Construction	460	11.83%	6.11%	351	9.39%	6.30%
Commercial and industrial loans	272	6.99%	4.02%	335	8.96%	5.41%
Consumer loans	232	5.96%	3.83%	218	5.84%	4.05%
Total	$ 3,890	100.00%	100.00%	$ 3,737	100.00%	100.00%

The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(In thousands)	
Allowance at beginning of period	$ 3,737	$ 3,271
Provision for loan losses	183	335
Charge offs:		
Real estate loans:		
One- to four-family residential	—	—
Commercial	—	—
Home equity loans and lines of credit	—	—
Construction	—	—
Commercial and industrial loans	—	—
Consumer loans	(80)	(134)
Total charge-offs	(80)	(134)
Recoveries:		
Real estate loans:		
One- to four-family residential	37	19
Commercial	—	—
Home equity loans and lines of credit	—	—
Construction	—	—
Commercial and industrial loans	—	35
Consumer loans	13	19
Total recoveries	50	73
Net charge-offs	(30)	(61)
Allowance at end of period	$ 3,890	$ 3,545
Total loans outstanding(1)	$ 472,828	$ 376,322
Average loans outstanding	$ 453,290	$ 379,910
Allowance for loan losses as a percent of total loans outstanding(1)	0.82%	0.94%
Net loans charged off as a percent of average loans outstanding(2)	0.01%	0.02%
Allowance for loan losses to nonperforming loans	193.73%	162.54%

(1) Total loans exclude loans held for sale but include net deferred loan costs and fees.

(2) Annualized.

Liquidity and Capital Resources

At September 30, 2018, we had $77.4 million of FHLBB advances outstanding. At that date, we had the ability to borrow up to an additional $97.8 million from the FHLBB and $7.5 million under an unsecured line of credit with a correspondent bank.

Our most liquid assets are cash and cash equivalents. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At September 30, 2018, cash and cash equivalents totaled $5.9 million.

Financing activities consist primarily of activity in deposit accounts and borrowings. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors. We experienced a net increase in deposits of $60.3 million during the nine months ended September 30, 2018, including $45.6 million in brokered deposits. The greater utilization of brokered deposits as a wholesale funding source in 2018 is primarily due to the more favorable interest cost of such funding compared to FHLBB advances having a similar maturity. In addition, brokered deposits are unsecured and therefore serve to preserve our borrowing capacity at the FHLBB.

At September 30, 2018, we had $48.7 million in loan commitments outstanding, including $34.5 million related to loans to be sold in the secondary mortgage market and for which the Company had $25.6 million in forward loan sale commitments from investors. In addition to commitments to originate loans, we had $42.9 million in unused lines of credit to borrowers and letters of credit and $11.6 million in undisbursed construction loans. We anticipate that we will have sufficient funds available to meet our current loan origination commitments. Certificates of deposit that are scheduled to mature in less than one year from September 30, 2018 totaled $78.4 million. Management expects, based on historical experience, that a substantial portion of the maturing certificates of deposit will be renewed.

We are subject to various regulatory capital requirements, including a risk-based capital measure. At September 30, 2018, our Tier 1 capital to average assets ratio was 14.72%. We exceeded all regulatory capital requirements and were considered “well capitalized” under regulatory guidelines.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Net Interest Income Analysis. We analyze our sensitivity to changes in interest rates through our net interest income simulation model which is provided to us by an independent third party. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be over specified time horizons based on current interest rates. We then calculate what the net interest income would be for the same period under different interest rate assumptions. The comparative scenarios assume immediate parallel shifts in the yield curve in increments of 100 basis point (bp) rate movements. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3.0% to 4.0% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below. The following table shows the estimated impact on net interest income for the one-year period beginning September 30, 2018 resulting from potential changes in interest rates. The model is run quarterly and currently is showing shocks from +300bp to -200bp. These estimates require certain assumptions to be made, including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain. As a result, no simulation model can precisely predict the impact of changes in interest rates on our net interest income. Although the net interest income table below provides an indication of our interest rate risk exposure at a particular point in time, such estimates 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.

Change in Interest Rates (basis points)[1]	Net Interest Income Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+300	$ 17,065	(7.4)%
+200	17,528	(4.9)%
+100	18,017	(2.2)%
Level	18,430	—
-100	18,345	(0.5)%
-200	17,973	(2.5)%

(1) The calculated changes assume an immediate shock of the static yield curve.

Economic Value of Equity Analysis. In order to monitor and manage interest rate risk, we also use the net present value of equity at risk, or NPV, methodology. This methodology calculates the difference between the present value of expected cash flows from assets and liabilities and provides a longer-term view of the Company's interest rate risk positions by estimating longer-term repricing risk embedded in the balance sheet. As with the net interest income analysis discussed above, the model is run at least quarterly showing shocks ranging from +300bp to -200bp.

The table below sets forth, as of September 30, 2018, the estimated changes in the Company's net present value of equity that would result from the designated changes in the United States Treasury yield curve under an instantaneous parallel shift. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

		Estimated Increase (Decrease) in EVE		EVE as Percentage of Economic Value of Assets(3)	
Changes in Interest Rates (basis points)(1)	**Estimated EVE(2)**	**Amount**	**Percent**	**EVE Ratio**	**Changes in Basis Points**
		(Dollars in thousands)			
+300	$ 85,641	$ (7,372)	(7.9)%	15.9%	(17)
+200	88,258	(4,755)	(5.1)%	16.0%	(6)
+100	91,219	(1,794)	(1.9)%	16.1%	7
Level	93,013	—	—	16.1%	—
-100	90,512	(2,501)	(2.7)%	15.3%	(77)
-200	81,771	(11,242)	(12.1)%	13.6%	(243)

(1) Assumes instantaneous parallel changes in interest rates.

(2) EVE, or Economic Value of Equity at Risk, measures the exposure of the Company's equity to changes in a forecast interest rate environment.

(3) EVE Ratio represents EVE divided by the economic value of assets.

The table above indicates that at September 30, 2018, in the event of an instantaneous parallel 200 basis points decrease in interest rates, we would experience a 12.1% decrease in the Economic Value of Equity at Risk. In the event of an instantaneous 300 basis point increase in interest rates, we would experience a 7.9% decrease in Economic Value of Equity at Risk. In all scenarios presented above, the calculated variances are within policy guidelines.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value requires 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 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. The table also does not measure the changes in credit and liquidity risk that may occur as a result of changes in general interest rates. Accordingly, although the 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 economic value of equity and will differ from actual results.

Item 4. Controls and Procedures.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2018. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended September 30, 2018, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not involved in any material pending litigation.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the Company's Annual Report on Form 10-K as filed with the SEC under the heading "Risk Factors." The Company's evaluation of its risk factors has not changed materially since those discussed in the Annual Report on Form 10-K.

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

In September 2017, the Company's Board of Directors adopted a stock repurchase program pursuant to which the Company would purchase up to 10%, or 586,854 shares, of its then outstanding common shares. This program may be suspended or terminated at any time without prior notice and it is currently set to expire on September 14, 2019. Repurchased shares are returned to the status of authorized but unissued shares. The following table sets forth information with respect to any purchases made by or on behalf of the Company during the indicated periods under the repurchase plan:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Pubicly Announced Plans or Programs	Maximum Number (or Appropriate Dollar Value) of Shares (Or Units) that May be Purchased Under the Plans or Programs
July 1, 2018 - July 31, 2018	—	—	—	539,354
August 1, 2018 - August 31, 2018	—	—	—	539,354
September 1, 2018 - September 30, 2018	—	—	—	539,354
	—	—	—	539,354

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Pending Sale of Boston Branch

During the third quarter of 2018, the Company began to actively market for sale its branch office in Boston and on October 23, 2018 entered into a purchase and sale agreement to sell the property for $5,000,000. Consummation of this transaction is subject to an inspection review by the buyer, removal of asbestos in accordance with an environmental engineering report and certain other customary closing conditions, including receipt of regulatory approval to close the branch. This transaction is expected to close in the fourth quarter of 2018.

The Company reclassified the net book value of this property totaling $2,897,000 from premises and equipment to assets held for sale (included in other assets in the accompanying balance sheet) as of September 30, 2018.

In August 2018, this property experienced significant water damage from a leaking pipe which resulted in the temporary closure of the branch. The property has undergone a clean-up of the damage, including the removal of the building contents and asbestos on the affected floors. The Company has recognized an insurance recovery of $90,000 for personal property which was damaged but has not yet reached a settlement with the insurer on its claim for real property damage. Settlement of the claim is expected to occur in the fourth quarter of 2018.

While the property has undergone a clean-up from the water damage, re-construction of the affected areas is not being undertaken by the Company due to the pending sale of the property. Additional insurance proceeds received will be used to reduce the carrying value of the property. Based on a range of likely insurance settlements, management estimates that the Company would recognize a gain of from $2,000,000 to $2,150,000 on the sale of this building based on the selling price set forth in the pending purchase and sale agreement.

Consolidation of Mortgage Banking Operations

In October 2018, the Company's Board of Directors approved a plan to consolidate mortgage banking operations in the Company's North Attleboro loan operations center. As a result, the Company eliminated fifteen administrative positions supporting the origination of residential mortgages in its Andover loan operations center and will add eight similar positions in its North Attleboro location. Approximately twenty-five employees, including loan originators, remain in the Andover location.

Terminated employees were given a severance package based on their length of service with the Company. In addition, retention bonuses were offered to certain employees. The estimated total cost is $235,000 and is expected to be paid in 2018.

As previously disclosed, the Company entered into a sublease agreement in July 2018 for 27% of the space in its Andover location. This sublease commenced on October 1, 2018 and runs co-terminus with the Company's lease which expires in March 2023. At September 30, 2018, the Company's remaining minimum lease obligation, net of sublease payments, amounted to $1,223,000.

The Company intends to vacate all but approximately 3,000 square feet of its remaining leased space in the Andover location in 2018 and is currently attempting to sublease this space. Management expects to complete its analysis of the expected future cash flows for this property and to record a liability at fair value once the Company ceases the use of all or a portion of its remaining leased space.

The annual savings in both employee and property related costs resulting from the consolidation of mortgage banking operations is estimated to be $360,000.

Item 6. Exhibits.

The exhibits listed in the Exhibit Index (following the signatures section of this report) are included in, or incorporated by reference into, this Quarterly Report on Form 10-Q.

31.1 Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act

31.2 Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act

32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following materials from Randolph Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017, (ii) Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2018 and 2017, (iv) Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2018 and 2017, Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 and (v) Notes to Unaudited Consolidated Financial Statements.

SIGNATURE

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.

Randolph Bancorp, Inc.

Date: November 6, 2018	By: /s/ James P. McDonough James P. McDonough President and Chief Executive Officer *(Principal Executive Officer)*
Date: November 6, 2018	By: /s/ Michael K. Devlin Michael K. Devlin Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*

(Back To Top)

Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AND RULE 15d-14(a)

I, James P. McDonough, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Randolph Bancorp, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

(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 (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the 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: November 6, 2018

By: /s/ James P. McDonough
James P. McDonough
President and Chief Executive Officer
(Principal Executive Officer)

(Back To Top)

Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AND RULE 15d-14(a)

I, Michael K. Devlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Randolph Bancorp, Inc.;

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

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

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

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

(b) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

(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(s) 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 (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the 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: November 6, 2018

By: /s/ Michael K. Devlin
Michael K. Devlin
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

(Back To Top)

Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Randolph Bancorp, Inc. (the “Company”) for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2018

By: /s/ James P. McDonough
James P. McDonough
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2018

By: /s/ Michael K. Devlin
Michael K. Devlin
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

(Back To Top)