

Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

Commission File Number: 001-37780

Randolph Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of incorporation or organization)

81-1844402
(I.R.S. Employer Identification No.)

10 Cabot Place
Stoughton, Massachusetts
(Address of principal executive offices)

02072
(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 large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial 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

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share	RNDB	The NASDAQ Stock Market LLC

As of April 30, 2019 there were 5,893,293 shares of the registrant's common stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2019	December 31, 2018
Assets		
Cash and due from banks	\$ 3,774	\$ 3,451
Interest-bearing deposits	2,494	3,667
Total cash and cash equivalents	6,268	7,118
Certificates of deposit	2,205	2,205
Securities available for sale, at fair value	50,189	50,556
Loans held for sale, at fair value	41,858	38,474
Loans, net of allowance for loan losses of \$4,282 in 2019 and \$4,437 in 2018	481,173	483,846
Federal Home Loan Bank of Boston stock, at cost	3,650	4,700
Accrued interest receivable	1,526	1,504
Mortgage servicing rights, net	8,140	7,786
Premises and equipment, net	6,307	6,368
Bank-owned life insurance	8,301	8,256
Foreclosed real estate	76	65
Other assets	4,655	3,462
Total assets	<u>\$ 614,348</u>	<u>\$ 614,340</u>
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 67,284	\$ 64,229
Interest bearing	316,182	312,321
Brokered	60,355	60,580
Total deposits	443,821	437,130
Federal Home Loan Bank of Boston advances	83,642	89,036
Mortgagors' escrow accounts	1,992	2,129
Post-employment benefit obligations	2,416	2,551
Other liabilities	4,082	5,533
Total liabilities	535,953	536,379
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: 5,893,293 shares at March 31, 2019 and 5,903,793 shares at December 31, 2018	59	60
Additional paid-in capital	55,419	55,608
Retained earnings	28,278	28,329
ESOP-Unearned compensation	(4,085)	(4,132)
Accumulated other comprehensive loss, net of tax	(1,276)	(1,904)
Total stockholders' equity	78,395	77,961
Total liabilities and stockholders' equity	<u>\$ 614,348</u>	<u>\$ 614,340</u>

See accompanying notes to consolidated financial statements.

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest and dividend income:		
Loans	\$ 5,588	\$ 4,295
Securities-taxable	384	338
Securities-tax exempt	16	65
Interest-bearing deposits and certificates of deposit	28	29
Total interest and dividend income	<u>6,016</u>	<u>4,727</u>
Interest expense:		
Deposits	1,160	480
Federal Home Loan Bank of Boston advances	478	265
Total interest expense	<u>1,638</u>	<u>745</u>
Net interest income	4,378	3,982
Provision for loan losses	—	95
Net interest income after provision for loan losses	<u>4,378</u>	<u>3,887</u>
Non-interest income:		
Customer service fees	329	301
Gain on loan origination and sale activities, net	2,588	1,547
Mortgage servicing fees, net	319	334
Gain on sales of securities	—	49
Increase in cash surrender value of life insurance	45	38
Other	132	139
Total non-interest income	<u>3,413</u>	<u>2,408</u>
Non-interest expenses:		
Salaries and employee benefits	5,412	4,436
Occupancy and equipment	656	699
Data processing	194	170
Professional fees	268	252
Marketing	188	303
FDIC insurance	31	40
Other	1,129	1,098
Total non-interest expenses	<u>7,878</u>	<u>6,998</u>
Loss before income taxes	(87)	(703)
Income tax expense (benefit)	(36)	4
Net loss	<u>\$ (51)</u>	<u>\$ (707)</u>
Weighted average common shares outstanding (basic and diluted)		
	<u>5,478,544</u>	<u>5,603,886</u>
Loss per common share (basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>

See accompanying notes to consolidated financial statements.

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net loss	\$ (51)	\$ (707)
Other comprehensive income (loss):		
Securities available for sale:		
Unrealized holding gains (losses)	678	(1,055)
Reclassification adjustment for net gains realized in income ⁽¹⁾	—	(49)
Net unrealized gains (losses)	678	(1,104)
Related tax effects	(38)	—
Net-of-tax amount	640	(1,104)
Supplemental retirement plan:		
Reclassification adjustments ⁽²⁾ :		
Actuarial losses	9	9
Prior service credits	(21)	(21)
	(12)	(12)
Related tax effects	—	—
Net-of-tax amount	(12)	(12)
Total other comprehensive income (loss)	628	(1,116)
Comprehensive income (loss)	<u>\$ 577</u>	<u>\$ (1,823)</u>

- 1) Amount is 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)
Three months ended March 31, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unearned Compensation ESOP	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2017	6,034,276	\$ 61	\$ 56,493	\$ 30,415	\$ (4,319)	\$ (1,167)	\$ 81,483
Net loss	—	—	—	(707)	—	—	(707)
Other comprehensive loss	—	—	—	—	—	(1,116)	(1,116)
Stock repurchased	(4,500)	—	(70)	—	—	—	(70)
Stock-based compensation	—	—	207	—	—	—	207
ESOP shares committed to be released	—	—	27	—	47	—	74
Balance at March 31, 2018	<u>6,029,776</u>	<u>\$ 61</u>	<u>\$ 56,657</u>	<u>\$ 29,708</u>	<u>\$ (4,272)</u>	<u>\$ (2,283)</u>	<u>\$ 79,871</u>
Balance at December 31, 2018	5,903,793	\$ 60	\$ 55,608	\$ 28,329	\$ (4,132)	\$ (1,904)	\$ 77,961
Net loss	—	—	—	(51)	—	—	(51)
Other comprehensive income	—	—	—	—	—	628	628
Stock repurchased	(30,500)	(1)	(428)	—	—	—	(429)
Restricted stock awards granted	20,000	—	—	—	—	—	—
Stock-based compensation	—	—	216	—	—	—	216
ESOP shares committed to be released	—	—	23	—	47	—	70
Balance at March 31, 2019	<u>5,893,293</u>	<u>\$ 59</u>	<u>\$ 55,419</u>	<u>\$ 28,278</u>	<u>\$ (4,085)</u>	<u>\$ (1,276)</u>	<u>\$ 78,395</u>

See accompanying notes to consolidated financial statements.

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net loss	\$ (51)	\$ (707)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for loan losses	—	95
Loans originated for sale	(107,640)	(70,797)
Net gain on sales of mortgage loans	(2,070)	(1,547)
Proceeds from sales of mortgage loans	106,466	75,644
Net amortization of securities	32	53
Net change in deferred loan costs and fees, and purchase premiums	20	(7)
Gain on sales of securities	—	(49)
Depreciation and amortization	209	145
Stock-based compensation	216	207
ESOP expense	70	74
Increase in cash surrender value of life insurance	(45)	(38)
Net increase in mortgage servicing rights	(354)	(202)
Other, net	(3,002)	(1,181)
Net cash (used in) provided by operating activities	<u>(6,149)</u>	<u>1,690</u>
Cash flows from investing activities:		
Redemptions of certificates of deposit	—	245
Securities available for sale:		
Calls/maturities	—	930
Purchases	—	(9,993)
Sales	—	8,958
Principal payments on mortgage-backed securities	1,013	952
Loan originations, net of principal repayments	3,655	(7,036)
Loan purchases	(1,002)	—
Redemptions of Federal Home Loan Bank of Boston stock	1,050	706
Purchases of premises and equipment	(148)	(731)
Net cash provided by (used in) investing activities	<u>4,568</u>	<u>(5,969)</u>
Cash flows from financing activities:		
Net increase in non-brokered deposits	6,916	5,519
Net increase (decrease) in brokered deposits	(225)	23,237
Net decrease in short-term Federal Home Loan Bank of Boston borrowings	(3,827)	(22,904)
Repayments of long-term Federal Home Loan Bank of Boston advances	(1,567)	(2,130)
Net increase (decrease) in mortgagors' escrow accounts	(137)	769
Repurchases of common stock	(429)	(70)
Net cash provided by financing activities	<u>731</u>	<u>4,421</u>
Net change in cash and cash equivalents	(850)	142
Cash and cash equivalents at beginning of period	<u>7,118</u>	<u>8,822</u>
Cash and cash equivalents at end of period	<u>\$ 6,268</u>	<u>\$ 8,964</u>
Supplemental cash flow information:		
Interest paid on deposits and borrowed funds	\$ 1,657	\$ 734
Income taxes paid	\$ 15	\$ 16

See accompanying notes to consolidated financial statements.

RANDOLPH BANCORP, INC. AND SUBSIDIARY
Notes to Unaudited Consolidated Financial Statements
March 31, 2019 and 2018

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 months ended March 31, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or any other interim period.

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, 2018, as filed with the SEC.

2. RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2019, the Company early adopted 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. The Company’s revenues relate principally to financial instruments, which are explicitly excluded from the scope of this Update. The impact to the consolidated financial statements upon adopting ASU 2014-09 was not material. See Note 16 – Revenue from Contracts with Customers for additional information.

In January 2016, the Financial Accounting Standards Board (“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 to require use of an exit pricing notion. This ASU is effective for emerging growth companies for annual periods beginning after December 31, 2018, and interim periods beginning after December 31, 2019. The Company intends to adopt this ASU effective December 31, 2019. The impact of adoption of this ASU is limited to disclosure of the fair value of financial instruments.

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. This ASU is effective for emerging growth companies in fiscal years beginning after December 15, 2019, including interim periods therein. The Company’s assets and liabilities will increase based on the present value of remaining lease payments for leases in place at the time of adoption. 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. As we will no longer be treated as an emerging growth company beginning December 31, 2021, we are required to adopt this ASU no later than 2021. Early adoption is permitted in fiscal years beginning after December 31, 2018. The Company is currently evaluating the alternative methodologies available and assessing its data and system needs to implement this ASU.

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 meeting the specific criteria set forth therein 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:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(In thousands)	
Securities available for sale:		
Net unrealized loss	\$ (656)	\$ (1,334)
Tax effect	(351)	(313)
Net-of-tax amount	<u>(1,007)</u>	<u>(1,647)</u>
Supplemental retirement plan		
Unrecognized net actuarial loss	(596)	(605)
Unrecognized net prior service credit	374	395
	<u>(222)</u>	<u>(210)</u>
Tax effect	(47)	(47)
Net-of-tax amount	<u>(269)</u>	<u>(257)</u>
Accumulated other comprehensive loss	<u>\$ (1,276)</u>	<u>\$ (1,904)</u>

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:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	(In thousands)			
March 31, 2019				
Debt securities:				
U.S. Government-sponsored enterprises	\$ 4,000	\$ 15	\$ (21)	\$ 3,994
Corporate	1,521	8	(8)	1,521
Municipal	1,489	14	—	1,503
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	26,217	220	(423)	26,014
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	9,064	—	(307)	8,757
U.S. Government-guaranteed	1,781	—	(24)	1,757
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	1,595	—	(6)	1,589
U.S. Government-guaranteed	4,660	—	(131)	4,529
Total debt securities	<u>50,327</u>	<u>257</u>	<u>(920)</u>	<u>49,664</u>
Mutual fund	<u>518</u>	<u>7</u>	<u>—</u>	<u>525</u>
Total securities available for sale	<u>\$ 50,845</u>	<u>\$ 264</u>	<u>\$ (920)</u>	<u>\$ 50,189</u>
December 31, 2018				
Debt securities:				
U.S. Government-sponsored enterprises	\$ 3,999	\$ 13	\$ (31)	\$ 3,981
Corporate	1,524	6	(18)	1,512
Municipal	1,489	18	—	1,507
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	26,989	71	(754)	26,306
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	9,094	—	(487)	8,607
U.S. Government-guaranteed	1,796	—	(33)	1,763
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	1,642	—	(17)	1,625
U.S. Government-guaranteed	4,839	2	(104)	4,737
Total debt securities	<u>51,372</u>	<u>110</u>	<u>(1,444)</u>	<u>50,038</u>
Mutual fund	<u>518</u>	<u>—</u>	<u>—</u>	<u>518</u>
Total securities available for sale	<u>\$ 51,890</u>	<u>\$ 110</u>	<u>\$ (1,444)</u>	<u>\$ 50,556</u>

For the three months ended March 31, 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. There were no sales of securities during the three months ended March 31, 2019.

The amortized cost and fair value of debt securities by contractual maturity at March 31, 2019 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.

	<u>Amortized Cost</u>	<u>Fair Value</u>
	(In thousands)	
Within 1 year	\$ 1,000	\$ 1,005
After 1 year through 5 years	5,521	5,512
After 5 years through 10 years	489	501
	<u>7,010</u>	<u>7,018</u>
Mortgage-backed securities	43,317	42,646
	<u>\$ 50,327</u>	<u>\$ 49,664</u>

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:

	<u>Less Than Twelve Months</u>		<u>Over Twelve Months</u>	
	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
March 31, 2019	(In thousands)			
Debt securities:				
U.S. Government-sponsored enterprises	\$ —	\$ —	\$ (21)	\$ 1,979
Corporate	—	—	(8)	1,010
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	—	—	(423)	12,781
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	—	—	(307)	8,757
U.S. Government-guaranteed	—	—	(24)	1,757
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	—	—	(6)	1,589
U.S. Government-guaranteed	(16)	1,286	(115)	3,243
Total debt securities	<u>\$ (16)</u>	<u>\$ 1,286</u>	<u>\$ (904)</u>	<u>\$ 31,116</u>
December 31, 2018				
Debt securities:				
U.S. Government-sponsored enterprises	\$ —	\$ —	\$ (31)	\$ 1,969
Corporate	(5)	497	(13)	506
Residential mortgage-backed securities:				
U.S. Government-sponsored enterprises	(6)	7,038	(748)	12,981
Commercial mortgage-backed securities:				
U.S. Government-sponsored enterprises	—	—	(487)	8,607
U.S. Government-guaranteed	—	—	(33)	1,763
Collateralized mortgage obligations:				
U.S. Government-sponsored enterprises	—	—	(17)	1,625
U.S. Government-guaranteed	—	—	(104)	3,879
Total debt securities	<u>\$ (11)</u>	<u>\$ 7,535</u>	<u>\$ (1,433)</u>	<u>\$ 31,330</u>

At March 31, 2019, 32 debt securities have unrealized losses with aggregate depreciation of 2.76% from the Company's amortized cost basis. The unrealized losses at March 31, 2019, which related primarily to securities issued by U.S. government-sponsored enterprises, were due to interest rate increases since the date on which they were purchased. 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 March 31, 2019.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the loan portfolio is as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(In thousands)	
Mortgage loans on real estate:		
Residential:		
One-to-four family	\$ 245,647	\$ 246,756
Home equity loans and lines of credit	43,300	43,545
Commercial	116,288	113,642
Construction	43,711	42,139
	<u>448,946</u>	<u>446,082</u>
Commercial and industrial	17,054	21,285
Consumer	17,966	19,407
	<u>17,966</u>	<u>19,407</u>
Total loans	483,966	486,774
Allowance for loan losses	(4,282)	(4,437)
Net deferred loan costs and fees, and purchase premiums	1,489	1,509
	<u>1,489</u>	<u>1,509</u>
	<u>\$ 481,173</u>	<u>\$ 483,846</u>

The following tables present activity in the allowance for loan losses by loan category for the three months ended March 31, 2019 and 2018, and allocation of the allowance to each category as of March 31, 2019 and December 31, 2018:

	Residential <u>1-4 Family</u>	Second Mortgages and HELOC	Commercial <u>Real Estate</u>	<u>Construction</u>	Commercial and Industrial	Consumer	Total
	(In thousands)						
Three Months Ended March 31, 2019							
Allowance at December 31, 2018	\$ 1,092	\$ 292	\$ 1,648	\$ 765	\$ 265	\$ 375	\$ 4,437
Provision (credit) for loan losses	(12)	—	(6)	38	(17)	(3)	—
Loans charged-off	—	—	—	—	—	(165)	(165)
Recoveries	6	—	—	—	—	4	10
Balance at March 31, 2019	<u>\$ 1,086</u>	<u>\$ 292</u>	<u>\$ 1,642</u>	<u>\$ 803</u>	<u>\$ 248</u>	<u>\$ 211</u>	<u>\$ 4,282</u>
Three Months Ended March 31, 2018							
Allowance at December 31, 2017	\$ 854	\$ 359	\$ 1,620	\$ 351	\$ 335	\$ 218	\$ 3,737
Provision (credit) for loan losses	(3)	6	80	35	(16)	(7)	95
Loans charged-off	—	—	—	—	—	(15)	(15)
Recoveries	25	—	—	—	—	2	27
Balance at March 31, 2018	<u>\$ 876</u>	<u>\$ 365</u>	<u>\$ 1,700</u>	<u>\$ 386</u>	<u>\$ 319</u>	<u>\$ 198</u>	<u>\$ 3,844</u>

	Residential 1-4 Family	Second Mortgages and HELOC	Commercial Real Estate	Construction	Commercial and Industrial	Consumer	Total
March 31, 2019							
Allowance for impaired loans	\$ 102	\$ —	\$ —	\$ —	\$ —	\$ 25	\$ 127
Allowance for non-impaired loans	984	292	1,642	803	248	186	4,155
Total allowance for loan losses	<u>\$ 1,086</u>	<u>\$ 292</u>	<u>\$ 1,642</u>	<u>\$ 803</u>	<u>\$ 248</u>	<u>\$ 211</u>	<u>\$ 4,282</u>
Impaired loans	\$ 5,861	\$ 337	\$ 51	\$ —	\$ —	\$ 49	\$ 6,298
Non-impaired loans	239,786	42,963	116,237	43,711	17,054	17,917	477,668
Total loans	<u>\$ 245,647</u>	<u>\$ 43,300</u>	<u>\$ 116,288</u>	<u>\$ 43,711</u>	<u>\$ 17,054</u>	<u>\$ 17,966</u>	<u>\$ 483,966</u>
December 31, 2018							
Allowance for impaired loans	\$ 108	\$ —	\$ —	\$ —	\$ —	\$ 174	\$ 282
Allowance for non-impaired loans	984	292	1,648	765	265	201	4,155
Total allowance for loan losses	<u>\$ 1,092</u>	<u>\$ 292</u>	<u>\$ 1,648</u>	<u>\$ 765</u>	<u>\$ 265</u>	<u>\$ 375</u>	<u>\$ 4,437</u>
Impaired loans	\$ 6,291	\$ 408	\$ 52	\$ —	\$ —	\$ 199	\$ 6,950
Non-impaired loans	240,465	43,137	113,590	42,139	21,285	19,208	479,824
Total loans	<u>\$ 246,756</u>	<u>\$ 43,545</u>	<u>\$ 113,642</u>	<u>\$ 42,139</u>	<u>\$ 21,285</u>	<u>\$ 19,407</u>	<u>\$ 486,774</u>

The following is a summary of past due and non-accrual loans at March 31, 2019 and December 31, 2018:

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total Past Due	Non-accrual Loans
March 31, 2019					
Residential one-to-four family	\$ 731	\$ —	\$ 206	\$ 937	\$ 2,291
Home equity loans and lines of credit	130	—	—	130	352
Commercial real estate	—	—	—	—	—
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Consumer	139	51	—	190	—
Total	<u>\$ 1,000</u>	<u>\$ 51</u>	<u>\$ 206</u>	<u>\$ 1,257</u>	<u>\$ 2,643</u>
December 31, 2018					
Residential one-to-four family	\$ 655	\$ 207	\$ 635	\$ 1,497	\$ 2,474
Home equity loans and lines of credit	520	—	—	520	407
Commercial real estate	—	—	—	—	—
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Consumer	25	4	—	29	149
Total	<u>\$ 1,200</u>	<u>\$ 211</u>	<u>\$ 635</u>	<u>\$ 2,046</u>	<u>\$ 3,030</u>

The following is a summary of impaired loans at March 31, 2019 and December 31, 2018:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u> (In thousands)	<u>Related Allowance</u>
March 31, 2019			
Impaired loans without a valuation allowance:			
Residential one-to-four family	\$ 4,033	\$ 4,033	
Home equity loans and lines of credit	337	337	
Commercial real estate	<u>51</u>	<u>51</u>	
Total	<u>4,421</u>	<u>4,421</u>	
Impaired loans with a valuation allowance:			
Residential one-to-four family	1,828	1,828	\$ 102
Consumer	49	49	25
	<u>1,877</u>	<u>1,877</u>	<u>127</u>
Total impaired loans	<u>\$ 6,298</u>	<u>\$ 6,298</u>	<u>\$ 127</u>
December 31, 2018			
Impaired loans without a valuation allowance:			
Residential one-to-four family	\$ 4,280	\$ 4,280	
Home equity loans and lines of credit	408	408	
Commercial real estate	<u>52</u>	<u>52</u>	
Total	<u>4,740</u>	<u>4,740</u>	
Impaired loans with a valuation allowance:			
Residential one-to-four family	2,011	2,011	\$ 108
Home equity loans and lines of credit	199	199	174
Total	<u>2,210</u>	<u>2,210</u>	<u>282</u>
Total impaired loans	<u>\$ 6,950</u>	<u>\$ 6,950</u>	<u>\$ 282</u>

Additional information pertaining to impaired loans follows:

	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u> (In thousands)	<u>Cash Basis Interest Recognized</u>
Three Months Ended March 31, 2019			
Residential one-to-four family	\$ 5,841	\$ 77	\$ 32
Home equity loans and lines of credit	437	6	6
Commercial real estate	51	1	—
Consumer	<u>48</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 6,377</u>	<u>\$ 84</u>	<u>\$ 38</u>
Three Months Ended March 31, 2018			
Residential one-to-four family	\$ 5,440	\$ 54	\$ 20
Home equity loans and lines of credit	272	3	21
Commercial real estate	<u>329</u>	<u>5</u>	<u>—</u>
Total	<u>\$ 6,041</u>	<u>\$ 62</u>	<u>\$ 41</u>

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 March 31, 2019, the Company had sixteen residential real estate loans and one commercial real estate loan aggregating \$2,955,000 and \$51,000, respectively, which were subject to troubled debt restructuring agreements.

At March 31, 2018, the Company had nineteen residential real estate loans and two commercial real estate loan aggregating \$3,959,000 and \$120,000, respectively, which were subject to troubled debt restructuring agreements.

As of March 31, 2019 and 2018, \$3,006,000 and \$4,079,000, respectively, in troubled debt restructurings were performing in accordance with the terms of the modified loan agreements. Included in such amounts are \$321,000 and \$1,107,000, respectively, that are being accounted for as non-accrual loans.

For the three months ended March 31, 2019 the Company entered into two loan modification meeting the criteria of a troubled debt restructuring in which a loan term concession was granted to a borrower. For the three months ended March 31, 2018, 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 months ended March 31, 2019 and 2018, 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 months ended March 31, 2019 and 2018, 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:

	March 31, 2019			December 31, 2018		
	Commercial Real Estate	Construction	Commercial and Industrial	Commercial Real Estate	Construction	Commercial and Industrial
	(In thousands)					
Loans rated 1 - 3B (Pass rated)	\$ 116,288	\$ 43,711	\$ 17,054	\$ 113,642	\$ 42,139	\$ 21,285
Loans rated 4	—	—	—	—	—	—
Loans rated 5	—	—	—	—	—	—
	<u>\$ 116,288</u>	<u>\$ 43,711</u>	<u>\$ 17,054</u>	<u>\$ 113,642</u>	<u>\$ 42,139</u>	<u>\$ 21,285</u>

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 March 31, 2019, \$49,000 in consumer loans and \$1,910,000 in residential mortgages were rated as substandard, and \$1,083,000 in residential mortgages and \$337,000 in home equity loans were rated as special mention. At December 31, 2018, one consumer loan for \$149,000 was rated as doubtful, \$2,469,000 in residential mortgages and one consumer loan for \$50,000 were rated as substandard, and \$936,000 in residential mortgages and \$407,000 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 \$974,881,000 and \$929,289,000 at March 31, 2019 and December 31, 2018, respectively.

The following table summarizes the activity relating to mortgage servicing rights for the three months ended March 31, 2019 and 2018 (in thousands):

	March 31, 2019		March 31, 2018	
Mortgage servicing rights:				
Balance at beginning of year	\$	7,794	\$	6,487
Additions through originations		630		390
Amortization		(272)		(245)
Balance at end of period	\$	<u>8,152</u>	\$	<u>6,632</u>
Valuation allowance:				
Balance at beginning of year	\$	8	\$	90
Provision (credit)		4		(57)
Balance at end of period	\$	<u>12</u>	\$	<u>33</u>
Amortized cost, net	\$	<u>8,140</u>	\$	<u>6,599</u>
Fair value	\$	<u>8,562</u>	\$	<u>6,961</u>

During the three months ended March 31, 2019 and 2018, the Company increased (reduced) the valuation allowance for its mortgage servicing rights by \$4,000 and (\$57,000), due primarily to changes in fair value caused by expected loan prepayments.

7. INCOME TAXES

During the three months ended March 31, 2019 and 2018, the Company recorded a deferred income tax benefit of \$38,000 and \$0, respectively, and current state tax expense of \$2,000 and \$4,000, respectively. The deferred income tax benefit for the 2019 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.

Since 2014, the Company has maintained a valuation allowance for all of its 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 all deferred tax assets should be

maintained. The Company's NOL carryforward at March 31, 2019 was \$13.6 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 interest rate lock 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 \$92,644,000 and \$36,852,000 at March 31, 2019 and December 31, 2018, respectively. The fair value of such commitments at March 31, 2019 and December 31, 2018 was \$1,431,000 and \$627,000, respectively, and is included in other assets in the consolidated balance sheets.

Forward Loan Sale Commitments

The Company utilizes both "mandatory delivery" and "best efforts" forward loan sale commitments and, effective in the fourth quarter of 2018, To Be Announced ("TBA") securities to mitigate the risk of potential decreases in the value 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 and TBA securities will experience changes in fair value that serve to offset the change in fair value of derivative loan commitments the degree to which depends on the notional amount of such sale commitments. The notional amount of forward loan sale commitments and TBA securities was \$88,321,000 and \$42,021,000 at March 31, 2019 and December 31, 2018, respectively. The fair value of these derivative instruments was \$481,000 and \$253,000 at March 31, 2019 and December 31, 2018, respectively, of which \$516,000 and \$263,000 are included in other liabilities in the consolidated balance sheets and \$35,000 and \$10,000 are included in other assets in the consolidated balance sheets as of March 31, 2019 and December 31, 2018, respectively.

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 months ended March 31, 2019 and 2018, the Company recognized compensation expense for the ESOP of \$70,000 and \$74,000, respectively. The fair value of the 408,463 unallocated ESOP shares at March 31, 2019 was \$6,172,000.

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. In September 2018, this program was extended for an additional year. 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 March 31, 2019, the Company had repurchased 148,377 shares at a cost of \$2,261,000 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 363,500 outstanding stock options were included in the computation of diluted earnings (loss) per share for the three months ended March 31, 2019. 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 loss per share for the periods indicated:

	Three Months Ended March 31,	
	2019	2018
Average number of common shares outstanding	5,889,354	6,033,476
Less: Average unallocated ESOP shares	(410,810)	(429,590)
	5,478,544	5,603,886

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 three to five years. Options awarded to one individual in 2019 vest based on the achievement of specific annual performance goals. 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 three months ended March 31, 2019 and 2018 the Company made the following grants of options to purchase shares of common stock and used the following assumptions in measuring the fair value of such grants:

	2019	2018
Options granted	54,000	20,500
Vesting period (years)	1-5	3-5
Expiration period (years)	10	10
Expected volatility	29.87%	29.87%
Expected life (years)	6.5	4.6
Expected dividend yield	—	—
Risk free interest rate	2.53% - 2.61%	2.68%
Option fair value	\$4.98 - \$5.34	\$5.78

A summary of stock option activity for the three months ended March 31, 2019 is presented in the table below:

Options	Stock Option Grants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at January 1, 2019	312,750	\$ 14.78	8.73	\$ —
Granted	54,000	14.60	8.57	—
Expired	(3,250)	14.66	—	—
Balance at March 31, 2019	363,500	\$ 14.75	8.76	\$ 154,945
Exercisable at March 31, 2019	61,852	\$ 14.78	—	\$ 25,509
Unrecognized compensation cost (inclusive of directors' options)	\$ 1,203,000			
Weighted average remaining recognition period (years)	3.34			

For the three months March 31, 2019 and 2018, stock-based compensation expense applicable to stock options was \$91,000 and \$74,000, 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 to date has been at no cost to the awardee. The following table presents the activity in restricted stock awards under the Equity Plan for the three months ended March 31, 2019:

	Restricted Stock Awards	Weighted Average Grant Price
Restricted stock awards at January 1, 2019	126,694	\$ 14.66
Granted	22,500	15.00
Vested	—	—
Forfeited	(2,500)	15.00
Restricted stock awards at March 31, 2019	146,694	\$ 14.71
Unrecognized compensation cost	\$ 1,914,000	
Weighted average remaining recognition period (years)	3.65	

For the three months ended March 31, 2019 and 2018, stock-based compensation expense applicable to restricted stock was \$125,000 and \$133,000, 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 March 31, 2019 and December 31, 2018) 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 consider the value of servicing, costs to be incurred to close loans 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u> <u>Fair Value</u>
March 31, 2019				
<u>Assets:</u>				
<u>Securities available for sale:</u>				
Debt securities	\$ —	\$ 49,664	\$ —	\$ 49,664
Mutual fund	—	525	—	525
Portfolio loans (fair value option)	—	3,839	—	3,839
Loans held for sale (fair value option)	—	41,858	—	41,858
Derivative loan commitments	—	1,431	—	1,431
Forward loan sale commitments	—	35	—	35
<u>Liabilities:</u>				
Forward loan sale commitments, including TBAs	—	516	—	516
December 31, 2018				
<u>Assets:</u>				
<u>Securities available for sale:</u>				
Debt securities	\$ —	\$ 50,038	\$ —	\$ 50,038
Mutual fund	—	518	—	518
Portfolio loans (fair value option)	—	3,680	—	3,680
Loans held for sale (fair value option)	—	38,474	—	38,474
Derivative loan commitments	—	627	—	627
Forward loan sale commitments	—	10	—	10
<u>Liabilities:</u>				
Forward loan sale commitments, including TBAs	—	263	—	263

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 March 31, 2019 and December 31, 2018.

	March 31, 2019			Period Ended
	Level 1	Level 2	Level 3	March 31, 2019
	(In thousands)			Total Gains
				(Losses)
Collateral dependent				
impaired loans	\$ —	\$ —	\$ 932	\$ —
Mortgage servicing rights	—	8,140	—	(4)
Foreclosed real estate	—	—	76	—
	<u>\$ —</u>	<u>\$ 8,140</u>	<u>\$ 1,008</u>	<u>\$ (4)</u>
	December 31, 2018			
	Level 1	Level 2	Level 3	
	(In thousands)			
Collateral dependent				
impaired loans	\$ —	\$ —	\$ 1,352	
Mortgage servicing rights	—	7,786	—	
Foreclosed real estate	—	—	65	
	<u>\$ —</u>	<u>\$ 7,786</u>	<u>\$ 1,417</u>	

The Company recorded a increase in the valuation allowance for its mortgage servicing rights of \$4,000 during the three months ended March 31, 2019, due to decreases in fair value caused by higher expected loan prepayments.

There were no liabilities measured at fair value on a non-recurring basis at March 31, 2019 and December 31, 2018.

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 mortgageors' escrow accounts and accrued interest payable.

	March 31, 2019				
	Carrying Amount	Fair Value	(In thousands)		
			Level 1	Level 2	Level 3
Financial assets:					
Certificates of deposit	\$ 2,205	\$ 2,199	\$ —	\$ 2,199	\$ —
Securities available for sale	50,189	50,189	—	50,189	—
Loans held for sale	41,858	41,858	—	41,858	—
Loans, net	481,173	478,890	—	—	478,890
Derivative assets	1,466	1,466	—	1,466	—
Financial liabilities:					
Deposits	\$ 443,821	\$ 443,008	\$ —	\$ 443,008	\$ —
FHLBB advances	83,642	83,655	—	83,655	—
Derivative liabilities	516	516	—	516	—

	December 31, 2018				
	Carrying Amount	Fair Value	(In thousands)		
			Level 1	Level 2	Level 3
Financial assets:					
Certificates of deposit	\$ 2,205	\$ 2,196	\$ —	\$ 2,196	\$ —
Securities available for sale	50,556	50,556	—	50,556	—
Loans held for sale	38,474	38,474	—	38,474	—
Loans, net	483,846	473,612	—	—	473,612
Derivative assets	637	637	—	637	—
Financial liabilities:					
Deposits	\$ 437,130	435,964	\$ —	\$ 435,964	\$ —
FHLBB advances	89,036	88,894	—	88,894	—
Derivative liabilities	263	263	—	263	—

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:

	March 31, 2019	December 31, 2018
	(In thousands)	
Commitments to originate loans	\$ 101,070	\$ 38,404
Unused lines and letters of credit	47,826	45,977
Unadvanced funds on construction loans	13,807	14,175
Overdraft lines of credit	8,277	8,475

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

The Company reports its activities in one of two business segments, namely Envision Bank ("EB") and Envision Mortgage ("EM"). Envision Bank operations primarily consist of accepting deposits from customers within the communities surrounding the Bank's five 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 months ended March 31, 2019 follows:

	For the Three Months Ended March 31, 2019		
	Envision Bank	Envision Mortgage	Consolidated Total
	(in thousands)		
Net interest income	\$ 4,181	\$ 197	\$ 4,378
Provision for loan losses	—	—	—
Net interest income after provision for loan losses	<u>4,181</u>	<u>197</u>	<u>4,378</u>
Non-interest income:			
Customer service fees	295	34	329
Gain on loan origination and sale activities, net ⁽¹⁾	—	2,744	2,744
Mortgage servicing fees, net	(88)	407	319
Other	125	52	177
Total non-interest income	<u>332</u>	<u>3,237</u>	<u>3,569</u>
Non-interest expenses:			
Salaries and employee benefits	1,539	3,873	5,412
Occupancy and equipment	400	256	656
Other non-interest expenses	954	856	1,810
Total non-interest expenses	<u>2,893</u>	<u>4,985</u>	<u>7,878</u>
Income (loss) before income taxes and elimination of inter-segment profit	<u>\$ 1,620</u>	<u>\$ (1,551)</u>	69
Elimination of inter-segment profit			<u>(156)</u>
Loss before income taxes			(87)
Income tax benefit			<u>(36)</u>
Net loss			<u>\$ (51)</u>
Total assets, March 31, 2019	<u>\$ 528,956</u>	<u>\$ 85,392</u>	<u>\$ 614,348</u>

(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 months ended March 31, 2019 totaled \$156,000.
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 \$88,000 for the three months ended March 31, 2019.
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 months ended March 31, 2018 follows:

	For the Three Months Ended March 31, 2018		
	Envision Bank	Envision Mortgage	Consolidated Total
	(in thousands)		
Net interest income	\$ 3,740	\$ 242	\$ 3,982
Provision for loan losses	95	—	95
Net interest income after provision for loan losses	3,645	242	3,887
Non-interest income:			
Customer service fees	270	31	301
Gain on loan origination and sale activities, net ⁽¹⁾	—	1,800	1,800
Mortgage servicing fees, net	(68)	402	334
Other	144	82	226
Total non-interest income	346	2,315	2,661
Non-interest expenses:			
Salaries and employee benefits	1,636	2,800	4,436
Occupancy and equipment	400	299	699
Other non-interest expenses	1,069	794	1,863
Total non-interest expenses	3,105	3,893	6,998
Income (loss) before income taxes and elimination of inter-segment profit	\$ 886	\$ (1,336)	(450)
Elimination of inter-segment profit			(253)
Loss before income taxes			(703)
Income tax provision			4
Net loss			\$ (707)
Total assets, March 31, 2018	\$ 473,513	\$ 60,023	\$ 533,536

(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 months ended March 31, 2018 totaled \$253,000.
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 \$68,000 for the three months ended March 31, 2018.
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. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers within the scope of Accounting Standards Codification ("ASC") ("Topic 606") is measured based on the consideration specified in the contract and excludes amounts collected on behalf of third parties. The Company recognizes revenue from contracts with customers when it satisfies its performance obligations. The Company's performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. Unsatisfied performance obligations at the report date are not material to our consolidated financial statements.

In certain cases, other parties are involved with providing services to our customers. If the Company is a principal in the transaction (providing services itself or through a third party on its behalf), revenues are reported based on the gross consideration received from the customer and any related expenses are reported in noninterest expense. If the Company is an agent in the transaction (referring to another party to provide services), the Company reports its net fee or commission retained as revenue.

Accounting Policy Updates

The Company early adopted Topic 606, "Revenue from Contracts with Customers" on January 1, 2019 and has applied the guidance to all contracts within the scope of Topic 606 as of that date. As a result, the Company has modified its accounting policy for revenue recognition as detailed in this Note.

As discussed in Note 1, there were no material changes to our consolidated financial statements at or for the three months ended March 31, 2019, as a result of adopting Topic 606. The Company applied the practical expedient pertaining to contracts with original expected duration of one year or less and does not disclose information about remaining performance obligations on such contracts. The Company also applied the practical expedient pertaining to contracts for which, at contract inception, the period between when the entity transfers the services and when the customer pays for those services will be one year or less. As such, the Company does not adjust the consideration from customers for the effects of a significant financing component.

A substantial portion of the Company's revenue is specifically excluded from the scope of Topic 606. This exclusion is associated with financial instruments, including interest income on loans and investment securities, in addition to loan derivative income and gains on loan and investment sales. For the revenue that is within the scope of Topic 606, the following is a description of principal activities from which the Company generates its revenue from contracts with customers, separated by the timing of revenue recognition.

Revenue Recognized at a Point in Time

The Company recognizes revenue that is transactional in nature and such revenue is earned at a point in time. Revenue that is recognized at a point in time includes card interchange fees (fee income related to debit card transactions), ATM fees, wire transfer fees, overdraft charge fees, and stop-payment and returned check fees. Additionally, revenue is collected from loan fees, such as application fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction.

Revenue Recognized Over Time

The Company recognizes revenue over a period of time, generally monthly, as services are performed and performance obligations are satisfied. Such revenue includes service charges on deposit accounts. Fee revenue from service charges on deposit accounts represent the service charges assessed to customers who hold deposit accounts at the Bank.

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 March 31, 2019 and December 31, 2018, and its results of operations for the three month periods ended March 31, 2019 and 2018. 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 1 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, 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 March 31, 2019 and December 31, 2018

Total Assets. Total assets were unchanged at \$614.3 million at both March 31, 2019 and December 31, 2018 as an increase in loans held for sale of \$3.4 million during the first quarter of 2019 was offset by, among other things, decreases in net loans of \$2.7 million and investment securities of \$367,000.

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 March 31, 2019, loans held for sale, which consist of closed residential first mortgage loans which we intend to sell to investors, totaled \$41.9 million compared to \$38.5 million at December 31, 2018. This increase resulted from a 40% increase in loan production compared to the first quarter of 2018. Loan production capacity has significantly increased over the past year with the addition of new mortgage loan originators and expansion into Central and Western Massachusetts, as well as the MetroWest region of the Boston market. In addition, the decrease in mortgage rates occurring during the first quarter of 2019 favorably impacted loan refinancing activity. With a nearly threefold increase in outstanding customer interest rate lock agreements at March 31, 2019 as compared to March 31, 2018, and an increase in the proportion of loans sold on a “servicing released” basis, which requires us to hold closed loans longer than loans sold on a “servicing retained” basis, the average balance of loans held for sale are expected to increase from recent levels for the foreseeable future.

Net Loans. Net loans decreased \$2.6 million to \$481.2 million at March 31, 2019 from \$483.8 million at December 31, 2018. This reduction occurred principally as a result of a decrease of \$1.2 million in commercial and industrial loans and a decrease of \$1.4 million in consumer loans. Each of these categories of loans are generally originated by other lenders after which we acquire an interest either through outright purchase or loan participation. Loan acquisitions were limited to \$1.0 million in consumer loan purchases during the first quarter of 2019. We anticipate that loan growth in 2019 will be slower than the previous two years and will be concentrated in internally-generated real estate secured loans.

Investment Securities. Investment securities, all of which are classified as available for sale, decreased \$367,000 to \$50.2 million at March 31, 2019 from \$50.6 million at December 31, 2018 due to principal payments on mortgage-backed securities partially offset by an increase in market values attributable to the decline in longer-term interest rates during the first quarter of 2019. At March 31, 2019 and December 31, 2018, investment securities represented 8.2% of total assets. In recent years, the Bank has invested a higher proportion of its overall growth in interest-earning assets in the loan portfolio.

Mortgage Servicing Rights. Mortgage servicing rights (“MSRs”) increased \$354,000 to \$8.1 million at March 31, 2019 from \$7.8 million at December 31, 2018. This increase was principally due to the servicing value of loans sold to Fannie Mae and Freddie Mac on a servicing retained basis, net of amortization. We serviced \$974.9 million in loans for others at March 31, 2019. The fair value of the related MSRs was \$8.6 million. While the decline in mortgage loan rates during the first quarter of 2019 resulted in a reduction of 4 basis points in the average value of MSRs, this reduction had virtually no impact on our operating results during the period.

Deposits. Deposits increased \$6.7 million, or 1.5%, to \$443.8 million at March 31, 2019 from \$437.1 million at December 31, 2018. During this period, brokered deposits, which management considers to be a source of wholesale funding and an alternative to FHLBB advances, decreased \$225,000. Deposit growth was primarily used to repay FHLBB advances during the first quarter of 2019. The increase in non-brokered deposits during the first quarter of 2019 was primarily due to increases in money market accounts and non-interest-bearing custodial accounts.

FHLBB Advances. FHLBB advances, which consist primarily of overnight advances, decreased \$5.4 million to \$83.6 million at March 31, 2019 from \$89.0 million at December 31, 2018. Brokered deposits and FHLBB advances make-up the Bank’s wholesale funding which management targets at a limit of 25% of assets. At March 31, 2019, wholesale funding amounted to \$144.0 million, or 23.4% of total assets.

Stockholders’ Equity. Stockholders’ equity increased \$434,000 to \$78.4 million at March 31, 2019 compared to \$78.0 million at December 31, 2018. This change was due to an increase of \$640,000 in the fair value of securities available for sale and equity adjustments of \$263,000 related to the stock benefit plan and employee stock ownership plan, partially offset by stock repurchases of \$429,000 and the net loss of \$51,000. The increase in the fair value of available for sale securities was due to a decrease in longer-term interest rates during the first quarter of 2019.

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

General. The Company recorded a net loss of \$51,000, or \$0.01 per share, for the three months ended March 31, 2019 compared to a net loss of \$707,000, or \$0.13 per share, for the three months ended March 31, 2018. The improvement in operating results between periods was attributable to the increase in net interest income earned in the Envision Bank business segment and the increase in net gain on loan origination and sale activities in the Envision Mortgage business segment.

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.

(Dollars in thousands)	For the Three Months Ended March 31,					
	2019			2018		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate
Interest-earning assets:						
Loans ⁽¹⁾	\$ 516,454	\$ 5,588	4.33%	\$ 430,078	\$ 4,295	3.99%
Investment securities ^{(2) (3)}	55,155	404	2.93%	61,522	421	2.74%
Interest-earning deposits	4,550	28	2.46%	7,885	29	1.47%
Total interest-earning assets	576,159	6,020	4.18%	499,485	4,745	3.80%
Noninterest-earning assets	25,151			29,336		
Total assets	\$ 601,310			\$ 528,821		
Interest-bearing liabilities:						
Savings accounts	101,976	82	0.32%	104,140	41	0.16%
NOW accounts	40,571	48	0.47%	44,219	54	0.49%
Money market accounts	71,407	228	1.28%	67,714	115	0.68%
Term certificates	163,668	802	1.96%	100,146	270	1.08%
Total interest-bearing deposits	377,622	1,160	1.23%	316,219	480	0.61%
FHLBB advances	76,153	478	2.51%	66,458	265	1.59%
Total interest-bearing liabilities	453,775	1,638	1.44%	382,677	745	0.78%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	61,748			59,094		
Other noninterest-bearing liabilities	7,632			5,758		
Total liabilities	523,155			447,529		
Total stockholders' equity	78,155			81,292		
Total liabilities and stockholders' equity	\$ 601,310			\$ 528,821		
Net interest income		\$ 4,382			\$ 4,000	
Interest rate spread ⁽⁴⁾			2.74%			3.02%
Net interest-earning assets ⁽⁵⁾	\$ 122,384			\$ 116,808		
Net interest margin ⁽⁶⁾			3.04%			3.20%
Ratio of interest-earning assets to interest-bearing liabilities		126.97%			130.52%	

(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 a correspondent bank.

(3) Includes tax equivalent adjustments for municipal securities, based on an effective tax rate of 21% of \$4,000 and \$18,000 for the three months ended March 31, 2019 and 2018, 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.

(In thousands)	Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018		
	Increase (Decrease) Due to Changes in		Total Increase (Decrease)
	Volume	Rate	
Interest-earning assets:			
Loans	\$ 913	\$ 380	\$ 1,293
Investment securities	(45)	28	(17)
Interest-earning deposits	(15)	14	(1)
Total interest-earning assets	853	422	1,275
Interest-bearing liabilities:			
Savings accounts	(1)	42	41
NOW accounts	(4)	(2)	(6)
Money market accounts	7	106	113
Term certificates	232	300	532
Total interest-bearing deposits	234	446	680
FHLBB advances	43	170	213
Total interest-bearing liabilities	277	616	893
Change in net interest income	\$ 576	\$ (194)	\$ 382

Interest and Dividend Income. Interest and dividend income, inclusive of tax equivalent adjustments on municipal securities, increased \$1.3 million, or 26.9%, to \$6.0 million for the three months ended March 31, 2019 compared to \$4.7 million for the three months ended March 31, 2018. This increase was due to an increase in average interest-earning assets between periods of \$76.7 million, or 15.4%, 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 38 basis points to 4.18% in the 2019 quarter from 3.80% in the same quarter of the prior year due principally to the higher proportion of loans to total interest-earning assets and a 34 basis points increase in the yield on loans.

Interest Expense. Interest expense increased \$893,000, or 119.9%, to \$1.6 million for the three months ended March 31, 2019 compared to \$745,000 for the three months ended March 31, 2018. This increase was due to an increase in average interest-bearing liabilities of \$71.1 million combined with a 66 basis points increase in the cost of funds to 1.44%. The increase in cost of funds was due to a 62 basis points increase in the cost of interest-bearing deposits caused principally by the expanded use of brokered deposits during the past twelve months. As a result of the increased utilization of brokered deposits, which have had a lower interest rate than FHLBB advances, the average balance of term certificates, which pay a higher rate of interest than other deposit instruments, as a percentage of average interest-bearing deposits increased from 31.7% during the three months ended March 31, 2018 to 43.3% during the three months ended March 31, 2019. In addition, the cost of funds was adversely affected by the higher cost of FHLBB advances, which increased 92 basis points between periods, reflecting the impact of the series of increases in the federal funds rate initiated by the Federal Reserve during 2018.

Net Interest Income. Net interest income, inclusive of tax equivalent adjustments on municipal securities, increased \$382,000, or 9.6%, to \$4.4 million for the three months ended March 31, 2019 compared to \$4.0 million for the three months ended March 31, 2018. This improvement resulted principally from loan growth. The net interest margin decreased 16 basis points from 3.20% in the first quarter of 2018 to 3.04% in the first quarter of 2019 due to a decrease in the ratio of interest-earning assets to

interest-bearing liabilities from 130.5% in the 2018 quarter to 127.0% in the 2019 quarter. In addition, the net interest margin was adversely affected by an increase in the federal funds rate from 1.50% to 2.50% over the past twelve months and a flattening yield curve wherein short-term rates have increased while long-term rates have been generally flat.

Provision for Loan Losses. Based on the application of our loan loss methodology, we recorded no provision or credit for loan losses for the three months ended March 31, 2019 compared to a provision of \$95,000 for the three months ended March 31, 2018. The provision in 2018 was in the general component of the allowance for loan losses and was directly attributable to growth in the residential and commercial real estate loan portfolios. Because of the lack of loan growth as well as stability in the level of classified and nonaccrual loan balances during the period, no provision or credit for loan losses was recognized in the first quarter of 2019. While regional and local economic data, including housing prices, continued their positive trend of the past several years, it appears that this trend has stabilized. The allowance for loan losses was 0.88% of total loans at March 31, 2019 compared to 0.91% at December 31, 2018, and was 150.3% of non-performing loans at March 31, 2019 compared to 121.1% at December 31, 2018.

Net Gain on Loan Origination and Sale Activities. The net gain on loan origination and sale activities increased \$1.0 million, or 67.3%, to \$2.6 million for the three months ended March 31, 2019 compared to \$1.5 million for the three months ended March 31, 2018. Our loan origination capacity has significantly increased over the past year with the addition of new loan originators and expansion into Central and Western Massachusetts as well as the MetroWest region of the Boston market. In addition, the decrease in mortgage rates occurring during the first quarter of 2019 favorably impacted loan refinancing activity. Together, these factors resulted in a 40% increase in closed loan production and a threefold increase in outstanding interest rate locks with customers.

Other Non-interest Income. Non-interest income, excluding the net gain on loan origination and sale activities, decreased \$36,000, or 4.2%, to \$825,000 during the three months ended March 31, 2019 compared to \$861,000 during the three months ended March 31, 2018. This decrease was primarily due to a gain of \$49,000 on the sale of securities and a \$57,000 partial reversal of the MSR valuation allowance in the prior year period. Partially offsetting these items were volume-related increases in customer service fees and mortgage servicing fees totaling \$74,000 in the current quarter.

Non-interest Expenses. Non-interest expenses increased \$880,000, or 12.6%, from \$7.0 million for the three months ended March 31, 2018 to \$7.9 million for the three months ended March 31, 2019. This increase was entirely attributable to an increase of \$1.0 million in salaries and employee benefits, while other non-interest expenses decreased, in the aggregate, by \$96,000.

Salaries and employee benefits increased \$1.0 million, or 22.0%, from \$4.4 million in the first quarter of 2018 to \$5.4 million in the first quarter of 2019. This increase was primarily due to: 1) additional commissions of \$374,000 associated with the 40% increase in loan production; 2) transition payments to new loan originators of \$300,000; 3) higher employment-related taxes of \$160,000, and 4) an increase of \$113,000 in health insurance costs. Included in the increase in employment-related taxes is \$95,000 of state unemployment taxes triggered by employee layoffs. The number of full-time equivalent employees increased from 180 at March 31, 2018 to 196 at March 31, 2019 as a result of the hiring of additional loan originators.

Occupancy and equipment expenses decreased \$43,000, or 6.2%, from \$699,000 in the first quarter of 2018 to \$656,000 in the first quarter of 2019. This decrease is due to the reduction in rent expense and depreciation associated with contraction in our use of the former Andover loan operations center and elimination of occupancy costs associated with our former Boston branch which was sold in December 2018. The Company continues to seek a sub-tenant for 8,600 square feet of unused space in Andover. These savings were partially offset by costs associated with our Braintree branch which opened in April 2018 as well as four new loan production offices opened since the first quarter of 2018.

Data processing costs increased \$24,000, or 14.1%, from \$170,000 in the first quarter of 2018 to \$194,000 in the first quarter of 2019 due to volume-related deposit account activities.

Professional fees increased \$16,000, or 6.3%, from \$252,000 in the first quarter of 2018 to \$268,000 in the first quarter of 2019 due to higher legal fees.

Marketing expenses decreased \$115,000, or 38.0%, from \$303,000 in the first quarter of 2018 to \$188,000 in the first quarter of 2019. The Bank changed its name to Envision Bank in March 2018 and in connection therewith increased its use of advertising and related activities to promote its new brand during the first half of 2018.

Other non-interest expenses increased \$31,000, or 2.8%, in the first quarter of 2019 compared to the first quarter of 2018. Expense in both periods was approximately \$1.0 million. This increase is primarily due to additional mortgage banking related operating and technology costs.

Income Tax Expense (Benefit). A federal tax benefit of \$38,000 was recognized for the three months ended March 31, 2019, while no federal tax benefit was recognized for the three months ended March 31, 2018. The 2019 tax benefit resulted from, and was limited to, an offsetting tax provision included in other comprehensive income caused by appreciation in the fair value of available for sale securities during the first quarter of 2019. The Company has a net operating loss (“NOL”) carryforward at March 31, 2019 of \$13.6 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 March 31, 2019. Management evaluates this position on a quarterly basis and has concluded, based on recent operating results, to maintain the full valuation allowance.

Segments. The Company has two reportable segments: Envision Bank and Envision Mortgage. Revenue from Envision Bank consists primarily of interest earned on loans and investment securities and customer service fees on deposit accounts. Revenue from Envision Mortgage consists primarily of gains on loan origination and sales activities, loan servicing income and interest income on loans held for sale and residential construction loans. Also included in Envision Mortgage’s revenues is income on loan originations that are retained in Envision Bank’s loan portfolio and loan servicing fees on these loans. This inter-segment profit is eliminated in consolidation. The following table presents a comparison of the results of operations for each segment before incomes taxes and elimination of inter-segment profit, and the changes in those results, for the three months ended March 31, 2019 and 2018.

	Envision Bank				Envision Mortgage			
	Three Months Ended March 31,		Increase (Decrease)		Three Months Ended March 31,		Increase (Decrease)	
	2019	2018	Dollars	Percent	2019	2018	Dollars	Percent
	(in thousands)							
Net interest income	\$ 4,181	\$ 3,740	\$ 441	11.8%	\$ 197	\$ 242	\$ (45)	-18.6%
Provision for loan losses	—	95	(95)	(100.0)	—	—	—	—
Net interest income after provision for loan losses	4,181	3,645	536	14.7	197	242	(45)	(18.6)
Non-interest income:								
Customer service fees	295	270	25	9.3	34	31	3	9.7
Gain on loan origination and sale activities, net ⁽¹⁾	—	—	—	—	2,744	1,800	944	52.4
Mortgage servicing fees, net	(88)	(68)	(20)	(29.4)	407	402	5	1.2
Other	125	144	(19)	(13.2)	52	82	(30)	(36.6)
Total non-interest income	332	346	(14)	(4.0)	3,237	2,315	922	39.8
Non-interest expenses:								
Salaries and employee benefits	1,539	1,636	(97)	(5.9)	3,873	2,800	1,073	38.3
Occupancy and equipment	400	400	—	-	256	299	(43)	(14.4)
Other non-interest expenses	954	1,069	(115)	(10.8)	856	794	62	7.8
Total non-interest expenses	2,893	3,105	(212)	(6.8)	4,985	3,893	1,092	28.1
Income (loss) before income taxes and elimination of inter-segment profit	\$ 1,620	\$ 886	\$ 734	82.8%	\$ (1,551)	\$ (1,336)	\$ (215)	(16.1)%
Total Assets at March 31, 2019	\$ 528,956				\$ 85,392			
Total Assets at December 31, 2018	526,871				87,469			
Increase (decrease)	\$ 2,085				\$ (2,077)			

Envision Bank Segment

The Envision Bank segment had income before income taxes and elimination of inter-segment profit of \$1.6 million for the three months ended March 31, 2019 compared to \$886,000 for the three months ended March 31, 2018. The improvement in operating results between periods of \$734,000 was driven by an increase in net interest income, a lower provision for loan losses and lower non-interest expenses.

The improvement in Envision Bank’s operating results in the first quarter of 2019 compared to the prior year period was driven by an increase in net interest income of \$441,000, or 11.8%, due to loan portfolio growth of \$74.3 million during the past twelve months. The impact of this growth has been adversely affected by a flattening yield curve which has resulted in a decrease in the consolidated net interest margin from 3.20% in the first quarter of 2018 to 3.04% in the first quarter of 2019. Because the loan

portfolio was largely unchanged as to size, mix and performance during the first quarter, no provision or credit for loan losses was recognized for the three months ended March 31, 2019. The provision in the 2018 period was due to residential and commercial real estate loan growth. Also contributing to Envision Bank's improved earnings in the 2019 period was a decrease of \$212,000, or 6.8%, in non-interest expenses. This decrease was principally due to: 1) lower salaries and benefits due primarily to certain unfilled positions, including a senior vice president position; 2) lower marketing costs as the prior year period included spending to promote the new Envision Bank brand; 3) lower discretionary spending in such areas as seminars, meetings and periodicals and subscriptions, and 4) a favorable adjustment associated with \$3.8 million of residential mortgage loans in portfolio accounted for under the fair value option.

Total assets attributable to the Envision Bank segment increased \$2.1 million, or 0.4%, to \$529.0 million at March 31, 2019 from \$526.9 million at December 31, 2018.

Envision Mortgage Segment

The Envision Mortgage segment incurred a loss before income taxes and elimination of inter-segment profit of \$1.6 million for the three months ended March 31, 2019 compared to \$1.3 million for the three months ended March 31, 2018. This decline occurred despite an increase of \$944,000, or 52.4%, in net gains on loan origination and sale activities. Offsetting this increase was lower net interest income due to a drop in the average balance of loans held for sale and residential construction loans during the period of \$6.2 million, higher salaries and employee benefits associated with a 40% increase in closed loan production and the addition of new loan originators, and higher operating and technology costs associated with a higher volume of loan activity. In addition, the allocation of indirect costs to Envision Mortgage has increased based on its increased headcount.

The net gain on loan origination and sale activities, the principal source of revenue for Envision Mortgage, increased \$944,000 to \$2.7 million in the first quarter of 2019 from \$1.8 million in the first quarter of 2018. Excluding income recognized by Envision Mortgage on the placement of loans in the Envision Bank loan portfolio, the net gain on loan origination and sale activities increased \$1.0 million, or 67.3%, to \$2.6 million in the 2019 period from \$1.5 million in the 2018 period. Our loan origination capacity has significantly increased over the past year with the addition of new loan originators and expansion into Central and Western Massachusetts as well as the MetroWest region of the Boston market. In addition, the decrease in mortgage rates occurring during the first quarter of 2019 favorably impacted loan refinancing activity. Together, these factors resulted in a 40% increase in closed loan production and a threefold increase in outstanding interest rate locks with customers.

Net interest income decreased \$45,000, or 18.6%, to \$197,000 in the first quarter of 2019 compared to \$242,000 in the first quarter of 2018. This was primarily due to a decrease in the average balance of loans held for sale and residential construction loans of \$6.2 million in the 2019 period. Also contributing to the increase in the 2019 loss was a reduction in non-interest income, exclusive of the net gain on loan origination and sale activities, of \$56,000 in 2019. This reduction is principally due to a decrease of \$32,000 in real estate closing service fees and a partial reversal of \$57,000 in the MSR valuation allowance in the prior year period.

Non-interest expenses of Envision Mortgage increased \$1.1 million, or 28.1%, to \$5.0 million in the first quarter of 2019 from \$3.9 million in the first quarter of 2018. This increase is entirely due to an increase of \$1.1 million, or 38.3%, in employee salaries and benefits.

The increase in salaries and employee benefits was principally due to: 1) additional commissions of \$374,000 associated with the 40% increase in loan production; 2) transition payments to new loan originators of \$300,000; 3) higher employment-related taxes of \$139,000, and 4) an increase of \$109,000 in health insurance costs. Included in the increase in employment-related taxes is \$95,000 of state unemployment taxes due to a rate increase triggered by employee layoffs at Envision Mortgage. The number of full-time equivalent employees increased from 104 (including 39 loan originators) at March 31, 2018 to 125 (including 57 loan originators) at March 31, 2019.

The decrease of \$43,000, or 14.4%, in occupancy and equipment costs in the first quarter of 2019 compared to the prior year period was caused by a reduction in rent expense and depreciation associated with contraction in our use of the former Andover loan operations center. Throughout 2018, Envision Mortgage gradually reduced its utilization of this location to approximately 25% of the leased space. Of the remaining space, approximately 35% is being subleased and the remainder is being marketed. This savings was partially offset by costs associated with four new loan production offices.

Other non-interest expenses increased \$62,000, or 7.8%, to \$856,000 in the first quarter of 2019 from \$794,000 in the first quarter of 2018. This increase is primarily due to greater use of technology tools and other volume-related cost increases due to higher residential mortgage loan production.

Total assets attributable to the Envision Mortgage segment decreased \$2.1 million, or 2.4%, from \$87.5 million at December 31, 2018 to \$85.4 million at March 31, 2019. This decrease was principally due to a decrease in mortgage escrows and decrease in residential constructions loans, partially offset by an increase in loans held for sale of \$3.4 million. The increase in loans held for sale

resulted principally from increased first quarter loan production compared to the fourth quarter of 2018. The decrease in residential construction loans is primarily due to the timing of completion of projects.

Asset Quality

Nonperforming Assets. The following table provides information with respect to our nonperforming assets, including troubled debt restructurings, at the dates indicated.

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(In thousands)	
Nonaccrual loans:		
Real estate loans:		
One- to four-family residential	\$ 2,291	\$ 2,474
Commercial	—	—
Home equity loans and lines of credit	352	407
Construction	—	—
Commercial and industrial loans	—	—
Consumer loans	—	149
Total nonaccrual loans	<u>2,643</u>	<u>3,030</u>
Delinquent loans (>90 days) accruing interest	<u>206</u>	<u>635</u>
Total non-performing loans	<u>2,849</u>	<u>3,665</u>
Other real estate owned	<u>76</u>	<u>65</u>
Total nonperforming assets	<u>\$ 2,925</u>	<u>\$ 3,730</u>
Performing troubled debt restructurings	<u>3,530</u>	<u>3,027</u>
Total nonperforming assets and performing troubled debt restructurings	<u>\$ 6,455</u>	<u>\$ 6,757</u>
Total nonperforming loans to total loans ⁽¹⁾	0.59%	0.75%
Total nonperforming assets and performing troubled debt restructurings to total assets	1.05%	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 months ended March 31, 2019 had nonaccruing loans been current according to their original terms amounted to \$50,000. Income related to nonaccrual loans included in interest income for the three months ended March 31, 2019 amounted to \$32,000.

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(In thousands)	
Classified assets:		
Substandard	\$ 1,959	\$ 2,519
Doubtful	—	149
Loss	—	—
Total classified assets	<u>\$ 1,959</u>	<u>\$ 2,668</u>
Special mention	<u>\$ 1,420</u>	<u>\$ 1,343</u>

None of the special mention loans at March 31, 2019 and December 31, 2018 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)	March 31, 2019			December 31, 2018		
	Amount	% of Allowance Amount to Total	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total	% of Loans in Category to Total Loans
Real estate loans:						
One- to four-family residential	\$ 1,086	25.36%	50.76%	\$ 1,092	24.61%	50.69%
Commercial	1,642	38.35%	24.03%	1,648	37.14%	23.35%
Home equity loans and lines of credit	292	6.82%	8.95%	292	6.58%	8.95%
Construction	803	18.75%	9.03%	765	17.24%	8.66%
Commercial and industrial loans	248	5.79%	3.52%	265	5.97%	4.37%
Consumer loans	211	4.93%	3.71%	375	8.46%	3.98%
Total	\$ 4,282	100.00%	100.00%	\$ 4,437	100.00%	100.00%

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

	March 31,	
	2019	2018
	(In thousands)	
Allowance at beginning of period	\$ 4,437	\$ 3,737
Provision for loan losses	—	95
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 ⁽¹⁾	(165)	(15)
Total charge-offs	(165)	(15)
Recoveries:		
Real estate loans:		
One- to four-family residential	6	25
Commercial	—	—
Home equity loans and lines of credit	—	—
Construction	—	—
Commercial and industrial loans	—	—
Consumer loans	4	2
Total recoveries	10	27
Net charge-offs	(155)	12
Allowance at end of period	\$ 4,282	\$ 3,844
Total loans outstanding ⁽²⁾	\$ 485,455	\$ 409,694
Average loans outstanding	\$ 496,109	\$ 407,061
Allowance for loan losses as a percent of total loans outstanding ⁽²⁾	0.88%	0.94%
Net loans charged off as a percent of average loans outstanding ⁽³⁾	0.12%	0.01%
Allowance for loan losses to nonperforming loans	150.30%	171.99%

(1) Charge-offs in 2019 include one loan for \$149,000 that had been classified as doubtful at December 31, 2018 and for which we had allocated a 100% valuation allowance as of such date.

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

(3) Annualized.

Liquidity and Capital Resources

At March 31, 2019, we had \$83.6 million of FHLBB advances outstanding. At that date, we had the ability to borrow up to an additional \$92.3 million from the FHLBB, \$10.0 million under a line of credit with the Federal Reserve Bank of Boston 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 March 31, 2019, cash and cash equivalents totaled \$6.3 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. Deposits increased \$6.7 million, or 1.5%, to \$443.8 million at March 31, 2019 from \$437.1 million at December 31, 2018. During this period, brokered deposits, which management considers to be a source of wholesale funding and an alternative to FHLBB advances, decreased \$225,000. FHLBB advances, which consist primarily of overnight advances, decreased \$5.4 million to \$83.6 million at March 31, 2019 from \$89.0 million at December 31, 2018. Brokered deposits and FHLBB advances make-up the Bank's wholesale funding which management targets at a limit of 25% of assets. At March 31, 2019, wholesale funding amounted to \$144.0 million, or 23.4% of total assets.

At March 31, 2019, we had \$101.1 million in loan commitments outstanding, including \$92.6 million related to loans to be sold in the secondary mortgage market. In addition to commitments to originate loans, we had \$47.8 million in unused lines of credit to borrowers and letters of credit and \$13.8 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 March 31, 2019 totaled \$107.8 million, including \$35.6 million of brokered deposits. Management expects, based on historical experience, that a substantial portion of the maturing certificates of deposit will be renewed.

The Bank is subject to various regulatory capital requirements, including a risk-based capital measure. At March 31, 2019, the Bank's Tier 1 capital to average assets ratio was 11.34%. The Bank exceeded all regulatory capital requirements and was considered "well capitalized" under regulatory guidelines.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is not required to disclose quantitative and qualitative information about market risk as it qualifies as a smaller reporting company.

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 March 31, 2019. 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 March 31, 2019, 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:

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid Per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Appropriate Dollar Value) of Shares (Or Units) that May be Purchased Under the Plans or Programs</u>
January 1, 2019 - January 31, 2019	23,500	13.95	23,500	445,477
February 1, 2019 - February 28, 2019	4,000	13.95	4,000	441,477
March 1, 2019 - March 31, 2019	3,000	14.95	3,000	438,477
	<u>30,500</u>	<u>14.05</u>	<u>30,500</u>	<u>438,477</u>

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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 March 31, 2019 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018, (ii) Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2019 and 2018, (iv) Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2019 and 2018, Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 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: May 8, 2019

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

Date: May 8, 2019

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

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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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (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: May 8, 2019

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

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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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: May 8, 2019

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

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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 March 31, 2019 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: May 8, 2019

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

Date: May 8, 2019

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

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