PRUDENTIAL BANCORP, INC.
Form 10-Q
February 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from to

Commission file number: 000-55084

Prudential Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	**46-2935427**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1834 West Oregon Avenue	**19145**
Philadelphia, Pennsylvania	Zip Code
(Address of Principal Executive Offices)	

(215) 755-1500
(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

x Yes ¨ No

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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

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

¨ Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practical date: as of January 31, 2018, 10,819,006 shares were issued and 8,981,316 were outstanding.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

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PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2017	September 30, 2017
	(Dollars in Thousands, except per share data)	
ASSETS		
Cash and amounts due from depository institutions	$ 2,477	$ 2,274
Interest-bearing deposits	14,182	25,629
Total cash and cash equivalents	16,659	27,903
Certificates of deposit	1,604	1,604
Investment and mortgage-backed securities available for sale (amortized cost— December 31, 2017, $217,350; September 30, 2017, $180,087)	214,570	178,402
Investment and mortgage-backed securities held to maturity (fair value—December 31, 2017, $62,156; September 30, 2017, $60,179)	63,377	61,284
Loans receivable—net of allowance for loan losses (December 31, 2017, $4,676; September 30, 2017, $4,466)	579,987	571,343
Accrued interest receivable	3,452	2,825
Real estate owned	363	192
Federal Home Loan Bank stock—at cost	6,859	6,002
Office properties and equipment—net	7,711	7,804
Bank owned life insurance	28,212	28,048
Deferred tax assets-net	2,836	4,091
Goodwill	6,102	6,102
Core deposit intangible	672	709
Prepaid expenses and other assets	1,346	3,231
TOTAL ASSETS	$ 933,750	$ 899,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 11,578	$ 9,375
Interest-bearing	640,454	626,607
Total deposits	652,032	635,982
Advances from Federal Home Loan Bank (short-term)	30,000	20,000

Advances from Federal Home Loan Bank (long-term)	106,916	94,318
Accrued interest payable	641	1,933
Advances from borrowers for taxes and insurance	3,498	2,207
Accounts payable and accrued expenses	7,249	8,921
Total liabilities	800,336	763,361
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value, 40,000,000 shares authorized; 10,819,006 issued and 8,981,755 outstanding at December 31, 2017; 10,819,006 issued and 9,008,125 outstanding at September 30, 2017	108	108
Additional paid-in capital	119,039	118,751
Treasury stock, at cost: 1,837,251 shares at December 31, 2017 and 1,810,881 shares at September 30, 2017	(27,296)	(26,707)
Retained earnings	43,328	44,787
Accumulated other comprehensive loss	(1,765)	(760)
Total stockholders' equity	133,414	136,179
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 933,750	$ 899,540

See notes to unaudited consolidated financial statements.

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PRUDENTIAL bancorp, inc. and subsidiarIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2017	2016
	(Dollars in Thousands, Except Per Share Data)	
INTEREST INCOME:		
Interest on loans	$ 6,107	$ 3,325
Interest on mortgage-backed securities	842	571
Interest and dividends on investments	949	606
Interest on interest-bearing assets	138	3
Total interest income	8,036	4,505
INTEREST EXPENSE:		
Interest on deposits	1,412	691
Interest on advances from Federal Home Loan Bank (short-term)	82	73
Interest on advances from Federal Home Loan Bank (long-term)	406	93
Total interest expense	1,900	857
NET INTEREST INCOME	6,136	3,648
PROVISION FOR LOAN LOSSES	210	185
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,926	3,463
NON-INTEREST INCOME:		
Fees and other service charges	167	124
Gain on sale of loans, net	-	44
Income from bank owned life insurance	164	166
Other	84	24
Total non-interest income	415	358
NON-INTEREST EXPENSE:		
Salaries and employee benefits	1,974	1,569

Data processing		176		112
Professional services		792		319
Office occupancy		271		170
Depreciation		156		82
Director compensation		59		68
Advertising		60		37
Core deposit amortization		37		-
Other		518		363
Total non-interest expense		4,043		2,720
INCOME BEFORE INCOME TAXES		2,298		1,101
INCOME TAXES:				
Current expense		648		470
Deferred tax (benefit)		1,616		(100)
Total income tax expense		2,264		370
NET INCOME	$	34	$	731
BASIC EARNINGS PER SHARE	$	0.004	$	0.100
DILUTED EARNINGS PER SHARE	$	0.004	$	0.100
DIVIDENDS PER SHARE	$	0.20	$	0.03

See notes to unaudited consolidated financial statements.

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PRUDENTIAL bancorp, inc. and subsidiarIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended December 31,	
	2017	2016
	(Dollars in Thousands)	
Net income	$ 34	$ 731
Unrealized holding losses on available-for-sale securities	(1,107)	(3,456)
Tax effect	376	1,177
Unrealized holding gain on interest rate swaps	44	733
Tax effect	(15)	(249)
Total other comprehensive loss	(702)	(1,795)
Comprehensive loss	$ (668)	$ (1,064)

See notes to unaudited consolidated financial statements.

PRUDENTIAL bancorp, inc. and subsidiarIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(Dollars in Thousands, Except Per Share Data)						
BALANCE, October 1, 2017	$108	$118,751	$ -	$(26,707)	$44,787	$ (760)	$ 136,179
Net income					34		34
Other comprehensive loss						(702)	(702)
Dividends paid ($0.20 per share)					(1,796)		(1,796)
Purchase of Treasury Stock (48,541 shares)				(898)			(898)
Treasury Stock used for employee benefit plans (22,171 shares)				309			309
Stock option expense		169					169
Recognition and Retention Plan expense		119					119
Reclassification due to change in feceral income tax rate					303	(303)	-
BALANCE, December 31, 2017	$108	$119,039	$ -	$(27,296)	$43,328	$ (1,765)	$ 133,414

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	(Dollars in Thousands, Except Per Share Data)						
BALANCE, Octoober 1, 2016	$95	$ 95,713	$ (4,550)	$(21,098)	$43,044	$ 798	$ 114,002

Net income					731		731
Other comprehensive loss						(1,795)	(1,795)
Dividends paid ($0.03 per share)					(225)		(225)
Stock option expense		130					130
Recognition and Retention Plan expense		134					134
ESOP shares committed to be released (8,879 shares)		45	94				139
BALANCE, December 31, 2016	$95	$ 96,022	$ (4,456)	$ (21,098)	$ 43,550	$ (997)	$ 113,116

See notes to unaudited consolidated financial statements.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 2017	2016
	(Dollars in Thousands)	
OPERATING ACTIVITIES:		
Net income	$ 34	$ 731
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	156	82
Net (accretion) amortization of premiums/discounts	53	(9)
Provision for loan losses	210	185
Net amortization of deferred loan fees and costs	3	46
Share-based compensation expense for stock options and awards	288	264
Income from bank owned life insurance	(164)	(166)
Gain from sale of loans	-	(44)
Proceeds from sale of loans held for sale	-	2,478
Compensation expense of ESOP	-	139
Deferred income tax expense (benefit)	1,616	(100)
Changes in assets and liabilities which used cash:		
Accrued interest receivable	(627)	(147)
Prepaid escrow for the Polonia Merger	-	(18,949)
Accrued interest payable	(1,292)	(1,226)
Net other	24	(1,489)
Net cash provided by (used in) operating activities	301	(18,205)
INVESTING ACTIVITIES:		
Purchase of investment and mortgage-backed securities available for sale	(40,641)	-
Purchase of investment securities held for maturity	(2,458)	(5,061)
Loans originated or acquired	(28,346)	(27,848)
Principal collected on loans	19,475	20,637
Principal payments received on investment and mortgage-backed securities:		
Held-to-maturity	345	295
Available-for-sale	3,332	2,607
Purchase of FHLB stock	(857)	(507)
Purchase of BOLI	-	(10,000)
Purchases of equipment	(63)	(6)
Net cash used in investing activities	(49,213)	(19,883)
FINANCING ACTIVITIES:		
Net decrease in demand deposits, NOW accounts, and savings accounts	(5,691)	(1,105)
Net increase in certificates of deposit	21,741	20,119

Net proceeds from FHLB advances (short-term)	10,000	29,012
Proceeds from FHLB advances (long-term)	26,000	-
Repayment of FHLB advances (long-term)	(13,287)	(14,850)
Increase in advances from borrowers for taxes and insurance	1,290	765
Cash dividends paid	(1,796)	(225)
Treasury stock used for employee benefit plans	309	-
Purchase of treasury stock	(898)	-
Net cash provided by financing activities	37,668	33,716
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,244)	(4,372)
CASH AND CASH EQUIVALENTS—Beginning of period	27,903	12,440
CASH AND CASH EQUIVALENTS—End of period	$ 16,659	$ 8,068
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid on deposits and advances from Federal Home Loan Bank	$ 3,192	$ 2,083
Income taxes paid	$ -	$ 650
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:		
Real estate acquired in settlement of loans	$ 171	$ -

See notes to unaudited consolidated financial statements.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Prudential Bancorp, Inc. (the "Company") is a Pennsylvania corporation and the parent holding company for Prudential Bank (the "Bank"). The Company is a registered bank holding company.

The Bank is a community-oriented Pennsylvania-chartered savings bank headquartered in South Philadelphia. The banking office network currently consists of the headquarters and main office(which includes a branch office), administrative office, and 10 additional full-service branch offices. Nine of the branch offices are located in Philadelphia (Philadelphia County), one is in Drexel Hill, Delaware County, and one is in Huntingdon Valley, Montgomery County (both Pennsylvania counties). The Bank maintains ATMs at all 11 of the banking offices. The Bank also provides on-line and mobile banking services.

The Bank is subject to regulation by the Pennsylvania Department of Banking and Securities (the "Department"), as its chartering authority and primary regulator, and by the Federal Deposit Insurance Corporation (the "FDIC"), which insures the Bank's deposits up to applicable limits. As a bank holding company, the Company is subject to the regulation of the Board of Governors of the Federal Reserve System.

On June 2, 2016, the Company announced the entering into of a definitive merger agreement with Polonia Bancorp, Inc. ("Polonia Bancorp"); effective January 1, 2017, Polonia Bancorp, merged with and into the Company, and Polonia Bank, Polonia's wholly owned subsidiary, merged with and into the Bank.

Basis of presentation – The accompanying unaudited consolidated financial statements were prepared pursuant to the rules and regulations of the U. S. Securities and Exchange Commission ("SEC") for interim information and therefore do not include all the information or footnotes necessary for a complete presentation of financial condition, results of operations, comprehensive income, changes in equity and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). However, all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial statements have been included. The results for the three months ended December 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2018, or any other period. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017. The significant accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis. These policies are presented on pages 84 through 88 of the Form 10K for the year ended September 30, 2017.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The most significant estimates and assumptions in the Company's consolidated financial statements are recorded in the allowance for loan losses, deferred income taxes, other-than-temporary impairment, and the fair value measurement for financial instruments. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (a new revenue recognition standard). The Update's core principle is that a company will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this Update specifies the accounting for certain costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This Update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Since the guidance scopes out revenue associated with financial instruments, including loan receivables and investment securities, we do not expect the adoption of the new standard, or any of the amendments, to result in a material change from our current accounting for revenue because the majority of the Company's revenue is not within the scope of Topic 606. However, we do expect that the standard will result in new disclosure requirements, which are currently being evaluated.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This Update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, this Update (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (g) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. A short-term lease is defined as one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the practical expedients it may elect at adoption, but does not anticipate the amendments will have a significant impact on the financial statements. Based on the Company’s preliminary analysis of its current portfolio, the impact to the Company’s balance sheet is estimated to result in less than a 1 percent increase in assets and liabilities. The Company also anticipates additional disclosures to be provided at adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing diversity in practice. Among these include recognizing cash payments for debt prepayment or debt extinguishment as cash outflows for financing activities; cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage; and cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash inflows from investing activities while the cash payments for premiums on bank-owned policies may be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*, which provides a more robust framework to use in determining when a set of assets and activities (collectively referred to as a “set”) is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. Public business entities should apply the amendments in this Update to annual periods beginning after December 15, 2017, including interim periods within those periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

The amendments in this Update should be applied prospectively on or after the effective date. This Update is not expected to have a significant impact on the Company’s financial statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. A public business entity that is a U.S. Securities and Exchange Commission (SEC) filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. A public business entity that is not an SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. All other entities, including not-for-profit entities, that are adopting the amendments in this Update should do so for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. This Update is not expected to have a significant impact on the Company's financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20).* The amendments in this Update clarify what constitutes a financial asset within the scope of Subtopic 610-20. The amendments also clarify that entities should identify each distinct nonfinancial asset or in substance nonfinancial asset that is promised to a counterparty and to derecognize each asset when the counterparty obtains control. There is also additional guidance provided for partial sales of a nonfinancial asset and when derecognition, and the related gain or loss, should be recognized. The amendments in this Update are effective at the same time as the amendments in Update 2014-09. Therefore, for public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20).* The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity should apply the amendments in this Update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position and results of operations.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718)*, which affects any entity that changes the terms or conditions of a share-based payment award. This Update amends the definition of modification by qualifying that modification accounting does not apply to changes to outstanding share-based payment awards that do not affect the total fair value, vesting requirements, or equity/liability classification of the awards. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date. This Update is not expected to have a significant impact on the Company’s financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 850)*, the objective of which is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this Update make certain targeted improvements to simplify the application and disclosure of the hedge accounting guidance in current general accepted accounting principles. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early application is permitted in any period after issuance. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this Update. The amended presentation and disclosure guidance is required only prospectively. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842)*, which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date the entity adopts Topic 842; otherwise, an entity should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02 Topic 842. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position and results of operations.

2. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding, net of any treasury shares, during the period. Diluted earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding, net of any treasury shares, after consideration of the potential dilutive effect of common stock equivalents, based upon the treasury stock method using an average market price for the period.

The calculated basic and diluted earnings per share are as follows:

	Three Months Ended December 31,	
	2017	2016

	Basic	Diluted	Basic	Diluted
	(Dollars in Thousands Except Per Share Data)			
Net income	$34	$34	$731	$731
Weighted average shares outstanding	8,855,116	8,855,116	7,333,531	7,333,531
Effect of common stock equivalents	-	357,871	-	320,745
Adjusted weighted average shares used in earnings per share computation	8,855,116	9,212,987	7,333,531	7,654,276
Earnings per share - basic and diluted	$0.004	$0.004	$0.100	$0.096

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All exercisable stock options outstanding as of December 31, 2017 and 2016 had exercise prices below the then current per share market price for the Company's common stock and were considered dilutive for the earnings per share calculation.

3. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in accumulated other comprehensive (loss)income by component net of tax:

	Three Months Ended December 31,			Three Months Ended December 31,		
	2017	2017	2017	2016	2016	2016
	Unrealized gain(loss) on AFS securities (a)	Unrealized gain(loss) on interest rate swaps (a)	Total accumulated other comprehensive income	Unrealized gain(loss) on AFS securities (a)	Unrealized gain(loss) on interest rate swaps (a)	Total accumulated other comprehensive income
Beginning Balance, October 1	$(1,091)	$331	$(760)	$931	$(133)	$798
Other comprehensive (loss)income before reclassification	(731)	29	(702)	(2,279)	484	(1,795)
Total	(1,822)	360	(1,462)	(1,348)	351	(997)
Reclassification due to change in federal income tax rate	(303)	-	(303)	-	-	-
Ending Balance, December 31	$(2,125)	$360	$(1,765)	$(1,348)	$351	$(997)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

4. INVESTMENT AND MORTGAGE-BACKED SECURITIES

The amortized cost and fair value of investment and mortgage-backed securities, with gross unrealized gains and losses, are as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Securities Available for Sale:				
U.S. government and agency obligations	$25,927	$ -	$ (430)	$25,497
Mortgage-backed securities - U.S. government agencies	134,588	175	(2,473)	132,290
Corporate bonds	56,829	226	(339)	56,716
Total debt securities available for sale	217,344	401	(3,242)	214,503
FHLMC preferred stock	6	61	-	67
Total securities available for sale	$217,350	$ 462	$ (3,242)	$214,570
Securities Held to Maturity:				
U.S. government and agency obligations	$33,500	$ 197	$ (1,688)	$32,009
Mortgage-backed securities - U.S. government agencies	6,664	233	(66)	6,831
State and political subdivisions	23,213	195	(92)	23,316
Total securities held to maturity	$63,377	$ 625	$ (1,846)	$62,156

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Securities Available for Sale:				
U.S. government and agency obligations	$26,125	$ 9	$ (335)	$25,799
Mortgage-backed securities - U.S. government agencies	119,456	146	(1,475)	118,127
Corporate debt securities	34,500	185	(285)	34,400
Total debt securities available for sale	180,081	340	(2,095)	178,326
FHLMC preferred stock	6	70	-	76
Total securities available for sale	$180,087	$ 410	$ (2,095)	$178,402
Securities Held to Maturity:				
U.S. government and agency obligations	$33,500	$ 229	$ (1,688)	$32,041
State and political subdivisions	20,781	165	(104)	20,842
Mortgage-backed securities - U.S. government agencies	7,003	304	(11)	7,296

Total securities held to maturity	$61,284	$ 698	$ (1,803)	$60,179

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As of December 31, 2017 the Bank maintained $104.9 million in a safekeeping account at the FHLB of Pittsburgh used for collateral as a convenience. The Bank is not required to maintain any specific collateral for its borrowings; therefore these securities are not restricted and could be sold or transferred if needed.

The following table shows the gross unrealized losses and related fair values of the Company's investment securities, aggregated by investment category and length of time that individual securities had been in a continuous loss position at December 31, 2017:

	Less than 12 months		More than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)					
Securities Available for Sale:						
U.S. government and agency obligations	$(19)	$4,919	$(411)	$20,578	$(430)	$25,497
Mortgage-backed securities - US government agencies	(1,404)	80,664	(1,069)	38,269	(2,473)	118,933
Corporate bonds	(206)	25,331	(133)	3,928	(339)	29,259
Total securities available for sale	$(1,629)	$110,914	$(1,613)	$62,775	$(3,242)	$173,689
Securities Held to Maturity:						
U.S. government and agency obligations	$(114)	$2,886	$(1,574)	$25,927	$(1,688)	$28,813
Mortgage-backed securities - US government agencies	(43)	1,544	(23)	1,132	(66)	2,676
State and political subdivisions	(77)	8,322	(15)	1,798	(92)	10,120
Total securities held to maturity	$(234)	$12,752	$(1,612)	$28,857	$(1,846)	$41,609

The following table shows the gross unrealized losses and related fair values of the Company's investment securities, aggregated by investment category and length of time that individual securities had been in a continuous loss position at September 30, 2017:

	Less than 12 months		More than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)					
Securities Available for Sale:						
U.S. government and agency obligations	$(335)	$20,655	$ -	$ -	$(335)	$20,655
Mortgage-backed securities - U.S. government agencies	(1,135)	77,176	(340)	11,684	(1,475)	88,860
Corporate debt securities	(285)	22,511	-	-	(285)	22,511
Total securities available for sale	$(1,755)	$120,342	$ (340)	$ 11,684	$(2,095)	$132,026
Securities Held to Maturity:						
U.S. government and agency obligations	$(1,688)	$28,813	$ -	$ -	$(1,688)	$28,813
Mortgage-backed securities - U.S. government agencies	(11)	1,176	-	-	(11)	1,176
Corporate debt securities	-	-	-	-	-	-
State and political subdivisions	(104)	7,854	-	-	(104)	7,854
Total securities held to maturity	$(1,803)	$37,843	$ -	$ -	$(1,803)	$37,843
Total	$(3,558)	$158,185	$ (340)	$ 11,684	$(3,898)	$169,869

Management evaluates securities for other-than-temporary impairment (“OTTI”) at least once each quarter, and more frequently when economic or market concerns warrant such evaluation. The evaluation is based upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an OTTI condition. This includes, but is not limited to, an evaluation of the type of security, the length of time and extent to which the fair value of the security has been less than cost, and the near-term prospects of the issuer.

The Company assesses whether a credit loss exists with respect to a security by considering whether (1) the Company has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery has occurred, or (3) it does not expect to recover the entire amortized cost basis of the security. The Company bifurcates the OTTI impact on impaired securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors. The portion of the fair value decline attributable to credit loss must be recognized through a charge to earnings. The credit component is determined by comparing the present value of the cash flows expected to be collected, discounted at the rate in effect before recognizing any OTTI, with the amortized cost basis of the debt security. The Company uses the cash flows expected to be realized from the security, which includes assumptions about interest rates, timing and severity of defaults, estimates of potential recoveries, the cash flow distribution from the security and other factors, then applies a discount rate equal to the effective yield of the security. The difference between the present value of the expected cash flows and the amortized book value is considered a credit loss. The fair value of the security is determined using the same expected cash flows; the discount rate is a rate the Company determines from open market and other sources as appropriate for the particular security. The difference between the fair value and the security's remaining amortized cost is recognized in other comprehensive income (loss).

For both the three months ended December 31, 2017 and 2016, the Company did not record any credit losses on investment securities through earnings.

U.S. Government and Agency Obligations - At December 31, 2017, there were two securities in a gross unrealized loss position for less than 12 months while there were thirteen securities in a gross unrealized loss position for more than 12 months at such date. These securities represent asset-backed issues that are issued or guaranteed by a U.S. Government sponsored agency or carry the full faith and credit of the United States through a government agency and are currently rated AAA by at least one bond credit rating agency. As a result, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2017.

Mortgage-Backed Securities – At December 31, 2017, there were 27 mortgage-backed securities in a gross unrealized loss position for less than 12 months, while there were 31 securities in a gross unrealized loss position for more than 12 months at such date. These securities represent asset-backed issues that are issued or guaranteed by a U.S. Government sponsored agency or carry the full faith and credit of the United States through a government agency and are currently rated AAA by at least one bond credit rating agency. As a result, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2017.

Corporate Debt Securities – At December 31, 2017, there were 21 securities in a gross unrealized loss for less than 12 months, while there were five securities in a gross unrealized loss position for more than 12 months at such date. These securities are backed by publicly traded companies with an investment grade rating by at least one bond credit rating agency. As a result, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2017.

State and political subdivisions – At December 31, 2017, there were six securities in a gross unrealized loss for less than 12 months, while there was one security in a gross unrealized loss position for more than 12 months at such date. These securities are backed by local municipalities/school districts located in the Commonwealth of Pennsylvania with an investment grade rating by at least one bond credit rating agency. As a result, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2017.

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

The maturity table below excludes mortgage-backed securities because the contractual maturities of such securities are not indicative of actual maturities due to significant prepayments.

	December 31, 2017	
	Held to Maturity	Available for Sale

	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
Due after one through five years	$6,057	$6,112	$6,053	$6,044
Due after five through ten years	23,846	23,613	50,776	50,672
Due after ten years	26,810	25,600	25,927	25,497
Total	$56,713	$55,325	$82,756	$82,213

During the three month periods ended December 31, 2017 and 2016, the Company did not sell any securities.

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5. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2017	September 30, 2017
	(Dollars in Thousands)	
One-to-four family residential	$ 355,327	$ 351,298
Multi-family residential	16,825	21,508
Commercial real estate	115,233	127,644
Construction and land development	151,830	145,486
Commercial business	3,333	488
Leases	3,617	4,240
Consumer	1,903	1,943
Total loans	648,068	652,607
Undisbursed portion of loans-in-process	(60,566)	(73,858)
Deferred loan fees	(2,839)	(2,940)
Allowance for loan losses	(4,676)	(4,466)
Net loans	$ 579,987	$ 571,343

The following table summarizes by loan segment the balance in the allowance for loan losses and the loans individually and collectively evaluated for impairment by loan segment at December 31, 2017:

	One- to-four family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Leases	Consumer	Unallocated	Total
	(Dollars in Thousands)								
Allowance for Loan Losses:									
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,270	158	1,064	1,621	26	20	24	493	4,676
Total ending allowance	$ 1,270	$ 158	$ 1,064	$ 1,621	$ 26	$ 20	$ 24	$ 493	$ 4,676

balance

Loans:								
Individually evaluated for impairment	$11,102	$ 312	$ 3,765	$ 8,734	$ -	$-	$ 10	$23,923
Collectively evaluated for impairment	344,225	16,513	111,468	143,096	3,333	3,617	1,893	624,145
Total loans	$355,327	$ 16,825	$ 115,233	$ 151,830	$ 3,333	$3,617	$ 1,903	$648,068

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The following table summarizes by loan segment the balance in the allowance for loan losses and the loans individually and collectively evaluated for impairment by loan segment at September 30, 2017:

	One- to-four family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Leases	Consumer	Unallocated	Total
	(Dollars in Thousands)								
Allowance for Loan Losses:									
Individually evaluated for impairment	$-	$ -	$ -	$ -	$ -	$-	$ -	$ -	$-
Collectively evaluated for impairment	1,241	205	1,201	1,358	4	23	24	410	4,466
Total ending allowance balance	$1,241	$ 205	$ 1,201	$ 1,358	$ 4	$23	$ 24	$ 410	$4,466
Loans:									
Individually evaluated for impairment	$8,277	$ 317	$ 2,337	$ 8,724	$ -	$-	$ 10		$19,665
Collectively evaluated for impairment	343,021	21,191	125,307	136,762	488	4,240	1,933		632,942
Total loans	$351,298	$ 21,508	$ 127,644	$ 145,486	$ 488	$4,240	$ 1,943		$652,607

The loan portfolio is segmented at a level that allows management to monitor both risk and performance. Management evaluates for potential impairment all construction, multi-family, commercial real estate, commercial business loans, and all leases and all loans and leases more than 90 days delinquent as to principal and/or interest. Loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect in full the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

Once the determination is made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is generally measured by comparing the recorded investment in the loan to the fair value of the loan using one of the following three methods: (a) the present value of the expected future cash flows discounted at the loan's effective interest rate; (b) the loan's observable market price; or (c) the fair value of the collateral less selling costs. Management primarily utilizes the fair value of collateral method as a practically expedient alternative. On collateral method evaluations, any portion of the loan deemed uncollectible is charged-off against the loan loss allowance.

The following table presents impaired loans by class as of December 31, 2017, segregated by those for which a specific allowance was required and those for which a specific allowance was not required.

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	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	(Dollars in Thousands)				
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
One-to-four family residential	$-	$ -	$ 11,102	$ 11,102	$ 11,421
Multi-family residential	-	-	312	312	312
Commercial real estate	-	-	3,765	3,765	3,848
Construction and land development	-	-	8,734	8,734	11,115
Consumer	-	-	10	10	10
Total loans	$-	$ -	$ 23,923	$ 23,923	$ 26,706

The following table presents impaired loans by class as of September 30, 2017, segregated by those for which a specific allowance was required and those for which a specific allowance was not required.

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	(Dollars in Thousands)				
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
One-to-four family residential	$-	$ -	$ 8,277	$ 8,277	$ 9,245
Multi-family	-	-	317	317	317
Commercial real estate	-	-	2,337	2,337	2,449
Construction and land development	-	-	8,724	8,724	11,105
Consumer	-	-	10	10	10
Total loans	$-	$ -	$ 19,665	$ 19,665	$ 23,126

The following tables present the average recorded investment in impaired loans and related interest income recognized for the periods indicated:

	Three Months Ended December 31, 2017		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
One-to-four family residential	$ 9,690	$ 34	$ 4
Multi-family residential	315	6	-
Commercial real estate	3,051	29	-
Construction and land development	8,729	-	-
Consumer	10	-	-
Total loans	$ 21,795	$ 69	$ 4

	Three Months Ended December 31, 2016		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
One-to-four family residential	$ 5,522	$ 17	$ 24
Multi-family residential	332	6	-
Commercial real estate	2,938	17	11
Construction and land development	10,399	-	-
Total loans	$ 19,191	$ 40	$ 35

Federal regulations and our loan policy require that the Company utilize an internal asset classification system as a means of reporting problem and potential problem assets. The Company has incorporated an internal asset classification system, consistent with Federal banking regulations, as a part of its credit monitoring system. Management currently classifies problem and potential problem assets as “special mention”, “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated “special mention.”

The following tables present the classes of the loan portfolio in which a formal risk weighting system is utilized summarized by the aggregate “Pass” and the criticized category of “special mention”, and the classified categories of “substandard”, “doubtful” and “loss” within the Company’s risk rating system as applied to the loan portfolio. The Company had no loans classified as “doubtful” or “loss” at either of the dates presented.

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	December 31, 2017			
	Pass	Special Mention	Substandard	Total Loans
	(Dollars in Thousands)			
One-to-four family residential	$-	$ 3,336	$ 4,217	$7,553
Multi-family residential	16,513	-	312	16,825
Commercial real estate	111,468	1,966	1,799	115,233
Construction and land development	143,096	-	8,734	151,830
Commercial business	3,333	-	-	3,333
Total loans	$274,410	$ 5,302	$ 15,062	$294,774

	September 30, 2017			
	Pass	Special Mention	Substandard	Total Loans
	(Dollars in Thousands)			
One-to-four family residential	$-	$ 1,635	$ 3,878	$5,513
Multi-family residential	21,191	-	317	21,508
Commercial real estate	125,307	1,449	888	127,644
Construction and land development	136,763	-	8,723	145,486
Commercial business	488	-	-	488
Total loans	$283,749	$ 3,084	$ 13,806	$300,639

The Company evaluates the classification of one-to-four family residential and consumer loans primarily on a pooled basis. If the Company becomes aware that adverse or distressed conditions exist that may affect a particular single-family residential loan, the loan is downgraded following the above definitions of special mention, substandard, doubtful and loss.

The following tables represent loans in which a formal risk rating system is not utilized, but loans are segregated between performing and non-performing based primarily on delinquency status. Non-performing loans that would be included in the table are those loans greater than 90 days past due as to principal and/or interest that do not have a designated risk rating.

	December 31, 2017		
	Performing	Non-Performing	Total Loans
	(Dollars in Thousands)		
One-to-four family residential	$344,225	$ 3,549	$347,774
Leases	3,617	-	3,617
Consumer	1,903	-	1,903
Total loans	$349,745	$ 3,549	$353,294

	September 30, 2017		
	Performing	Non-Performing	Total Loans
	(Dollars in Thousands)		
One-to-four family residential	$343,021	$ 2,764	$345,785
Leases	$4,240	-	$4,240
Consumer	1,943	-	1,943
Total loans	$349,204	$ 2,764	$351,968

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is due or overdue, as the case may be. The following table presents the loan categories of the loan portfolio summarized by the aging categories of performing and delinquent loans and nonaccrual loans:

	December 31, 2017						
	Current	30-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non-Accrual	90 Days+ Past Due and Accruing
	(Dollars in Thousands)						
One-to-four family residential	$348,012	$ 3,238	$ 4,077	$7,315	$355,327	$5,892	$ -
Multi-family residential	16,825	-	-	-	16,825	-	-
Commercial real estate	113,747	-	1,486	1,486	115,233	1,563	-
Construction and land development	142,921	175	8,734	8,909	151,830	8,734	-
Commercial business	3,333	-	-	-	3,333	-	-
Leases	3,617	-	-	-	3,617	-	-
Consumer	1,903	-	-	-	1,903	-	-
Total loans	$630,358	$ 3,413	$ 14,297	$17,710	$648,068	$16,189	$ -

	September 30, 2017						
	Current	30-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non-Accrual	90 Days+ Past Due and Accruing
	(Dollars in Thousands)						
One-to-four family residential	$346,877	$ 1,746	$ 2,675	$4,421	$351,298	$5,107	$ -
Multi-family residential	21,508	-	-	-	21,508	-	-
Commercial real estate	125,157	1,000	1,487	2,487	127,644	1,566	-
Construction and land development	136,762	-	8,724	8,724	145,486	8,724	-
Commercial business	488	-	-	-	488	-	-
Leases	4,240	-	-	-	4,240	-	-
Consumer	1,874	69	-	69	1,943	-	-
Total loans	$636,906	$ 2,815	$ 12,886	$ 15,701	$652,607	$15,397	$ -

The allowance for loan losses is established through a provision for loan losses charged to expense. The Company maintains the allowance at a level believed to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate at each reporting date. Management reviews the allowance for loan losses no less than quarterly in order to identify these inherent losses and to assess the overall collection probability for the loan portfolio in view of these inherent losses. For each primary type of loan, a loss factor is established reflecting an estimate of the known and inherent losses in such loan type contained in the portfolio using both a quantitative analysis as well as consideration of qualitative factors. The evaluation process includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of the Company's loans, the value of collateral securing the loans, the borrowers' ability to repay and repayment performance, the number of loans requiring heightened management oversight, local economic conditions and industry experience.

Commercial real estate loans entail significant additional credit risks compared to owner-occupied one-to-four family residential mortgage loans, as they generally involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and/or business operation of the borrower who is, in some cases, also the primary occupant, and thus may be subject to a greater extent to the effects of adverse conditions in the real estate market and in the economy in general. Commercial business loans typically involve a higher risk of default than residential loans of like duration since their repayment is generally dependent on the successful operation of the borrower's business and the sufficiency of collateral, if any. Land acquisition, development and construction lending exposes the Company to greater credit risk than permanent mortgage financing. The repayment of land acquisition, development and construction loans depends upon the sale of the property to third parties or the availability of permanent financing upon completion of all improvements. These events may adversely affect the sale of the properties, potentially reducing both the borrowers' ability to make required payments as well as reducing the value of the collateral property. Such lending is additionally subject to the risk that if the estimate of construction cost proves to be inaccurate, the Company potentially will be compelled to advance additional funds to allow completion of the project. In addition, if the estimate of value proves to be inaccurate, the Company may be confronted with a project, when completed, having less value than the loan amount. If the Company is forced to foreclose on a project prior to completion, there is no assurance that the Company would be able to recover the entire unpaid portion of the loan.

The following tables summarize the primary segments of the allowance for loan losses. Activity in the allowance is presented for the three month periods ended December 31, 2017 and 2016:

	Three Months Ended December 31, 2017								
	One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Leases	Consumer	Unallocated	Total
	(Dollars in Thousands)								
ALLL balance at September 30, 2017	$1,241	$ 205	$ 1,201	$ 1,358	$ 4	$ 23	$ 24	$ 410	$4,466
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision	29	(47)	(137)	263	22	(3)	-	83	210
ALLL balance at December 31, 2017	$1,270	$ 158	$ 1,064	$ 1,621	$ 26	$ 20	$ 24	$ 493	$4,676

	Three Months Ended December 31, 2016								
	One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Leases	Consumer	Unallocated	Total
	(Dollars in Thousands)								
ALLL balance at September 30, 2016	$1,627	$ 137	$ 859	$ 316	$ 1	$ 21	$ 10	$ 298	$3,269
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision	(63)	(2)	104	99	(1)	7	25	16	185
ALLL balance at December 31, 2016	$1,471	$ 58	$ 359	$ 757	$ -	$ 8	$ 8	$ 266	$3,454

The Company recorded a provision for loan losses in the amount of $210,000 for the three months period ended December 31, 2017, compared to $185,000 for the same period in 2016.

At December 31, 2017, the Company had eleven loans aggregating $7.6 million that were classified as troubled debt restructurings (“TDRs”). Seven of such loans aggregating $1.2 million as of December 31, 2017 were performing in accordance with the restructured terms and accruing interest. Three of the TDRs which are classified as non-accrual totaling $4.9 million are a part of a troubled lending relationship totaling $10.7 million (after taking into account the previously disclosed $1.9 million write-down recognized during the quarter ending March 31, 2017 related to this borrowing relationship). The remaining TDR is also on non-accrual and consists of a $1.5 million loan secured by various commercial and residential properties. No TDRs defaulted during the three month period ending December 31, 2017.

The Company restructured one loan, with a balance of $77,000, during the three month period ended December 31, 2017, while no loans were restructured during the same period in 2016. The restructure entailed extending the loan maturity date to February 2018.

(Dollars in thousands)	As of and for the Three months Ended December 31, 2017		
	Number of Loans	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
One-to-four family residential	1	$ 77	$ 77
	1	$ 77	$ 77

No TDRs defaulted during the three month period ending December 31, 2017.

6. DEPOSITS

Deposits consist of the following major classifications:

	December 31, 2017		September 30, 2017	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Money market deposit accounts	$71,484	11.0 %	$76,272	12.0 %
Interest-bearing checking accounts	46,758	7.2 %	54,267	8.5 %
Non interest-bearing checking accounts	11,578	1.8 %	9,375	1.5 %
Passbook, club and statement savings	106,146	16.3 %	101,743	16.0 %
Certificates maturing in six months or less	158,204	24.3 %	154,750	24.3 %
Certificates maturing in more than six months	257,862	39.4 %	239,575	37.7 %
Total	$652,032	100.0 %	$635,982	100.0 %

Certificates of $250,000 and over totaled $47.9 million as of December 31, 2017 and $28.9 million as of September 30, 2017.

7. ADVANCES FROM FEDERAL HOME LOAN BANK – SHORT TERM

The periods ended December 31, 2017 and September 30, 2017 outstanding balances and related information of short-term borrowings from the FHLB are summarized follows:

Type	Maturity Date	Coupon		Call Date	December 31, 2017 Amount	September 30, 2017 Amount
					(Dollars in Thousands)	
Fixed Rate - Amortizing	6-Oct-17	1.30	%	Not Applicable		$ 10,000
Fixed Rate - Amortizing	13-Oct-17	1.31	%	Not Applicable		10,000
Weighted average rate		1.31	%			
Fixed Rate - Amortizing	3-Jan-18	1.54	%	Not Applicable	$ 10,000	
Fixed Rate - Amortizing	5-Jan-18	1.53	%	Not Applicable	10,000	
Fixed Rate - Amortizing	12-Jan-18	1.57	%	Not Applicable	10,000	
Weighted average rate		1.55	%		$ 30,000	$ 20,000

As of December 31, 2017 and September 30, 2017, $20.0 million consists of two $10.0 million 30 day FHLB advances associated with an interest rate swap contract with a weighted average effective cost of 125 basis points and 117 bps respectively. The additional $10.0 million at December 31, 2017 consisted of a one week borrowing to provide additional liquidity.

8. ADVANCES FROM FEDERAL HOME LOAN BANK – LONG TERM

Pursuant to collateral agreements with the FHLB of Pittsburgh, advances are secured by a blanket collateral of loans held by the Company and qualifying fixed-income securities and FHLB stock. The long-term advances outstanding as of December 31, 2017 are as follows:

Type	Maturity Date	Coupon		Call Date	December 31, 2017 Amount	September 30, 2017 Amount
					(Dollars in Thousands)	
Fixed Rate - Amortizing	1-Dec-17	1.16	%	Not Applicable	$ -	$ 505
Fixed Rate - Amortizing	18-Nov-19	1.53	%	Not Applicable	2,677	3,044
Fixed Rate - Amortizing	26-Oct-20	1.94	%	Not Applicable	3,784	-
Fixed Rate - Amortizing	12-Oct-21	1.99	%	Not Applicable	2,880	-
Fixed Rate - Amortizing	15-Aug-23	1.94	%	Not Applicable	1,895	1,974
		1.86	%	(a)	11,236	5,523
Fixed Rate - Advances	17-Nov-17	1.20	%	Not Applicable	-	10,000
Fixed Rate - Advances	4-Dec-17	1.15	%	Not Applicable	-	2,000
Fixed Rate - Advances	19-Mar-18	2.53	%	Not Applicable	5,013	5,029
Fixed Rate - Advances	19-Mar-18	2.13	%	Not Applicable	5,009	5,041
Fixed Rate - Advances	20-Jun-18	1.86	%	Not Applicable	3,007	3,011
Fixed Rate - Advances	25-Jun-18	2.09	%	Not Applicable	3,011	3,016
Fixed Rate - Advances	27-Aug-18	4.15	%	Not Applicable	7,126	7,174
Fixed Rate - Advances	15-Nov-18	1.89	%	Not Applicable	3,011	3,014
Fixed Rate - Advances	16-Nov-18	1.40	%	Not Applicable	7,500	7,500
Fixed Rate - Advances	26-Nov-18	1.81	%	Not Applicable	2,006	2,008
Fixed Rate - Advances	3-Dec-18	1.54	%	Not Applicable	3,000	3,000
Fixed Rate - Advances	16-Aug-19	2.66	%	Not Applicable	3,048	3,056
Fixed Rate - Advances	9-Oct-19	2.54	%	Not Applicable	2,029	2,034
Fixed Rate - Advances	26-Nov-19	2.35	%	Not Applicable	3,040	3,062
Fixed Rate - Advances	22-Jun-20	2.60	%	Not Applicable	3,056	3,000
Fixed Rate - Advances	24-Jun-20	2.85	%	Not Applicable	2,049	2,054
Fixed Rate - Advances	27-Jul-20	1.38	%	Not Applicable	249	249
Fixed Rate - Advances	17-Aug-20	3.06	%	Not Applicable	2,062	2,068
Fixed Rate - Advances	9-Oct-20	2.92	%	Not Applicable	2,056	2,061
Fixed Rate - Advances	27-Jul-21	1.52	%	Not Applicable	249	249
Fixed Rate - Advances	28-Jul-21	1.48	%	Not Applicable	249	249
Fixed Rate - Advances	29-Jul-21	1.42	%	Not Applicable	249	249
Fixed Rate - Advances	19-Aug-21	1.55	%	Not Applicable	249	249
Fixed Rate - Advances	7-Oct-21	3.19	%	Not Applicable	2,084	2,089
Fixed Rate - Advances	12-Oct-21	3.23	%	Not Applicable	2,079	2,084
Fixed Rate - Advances	20-Oct-21	2.12	%	Not Applicable	4,000	-
Fixed Rate - Advances	6-Jun-22	2.05	%	Not Applicable	10,000	10,000
Fixed Rate - Advances	6-Sep-22	1.94	%	Not Applicable	249	249
Fixed Rate - Advances	22-Sep-22	2.11	%	Not Applicable	5,000	5,000
Fixed Rate - Advances	12-Oct-22	2.22	%	Not Applicable	3,000	-
Fixed Rate - Advances	17-Oct-22	2.18	%	Not Applicable	3,000	-
Fixed Rate - Advances	26-Oct-22	2.29	%	Not Applicable	3,000	-
Fixed Rate - Advances	31-Oct-22	2.30	%	Not Applicable	2,000	-
Fixed Rate - Advances	13-Dec-22	2.44	%	Not Applicable	4,000	-
		2.36	%	(a)	95,680	88,795

(a) Weighted average coupon rate	Total	$ 106,916	$ 94,318

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9. DERIVATIVES

The Company has contracted with a third party to participate in interest rate swap contracts. Two of the swaps are cash flow hedges associated with $20.0 million of FHLB advances at December 31, 2017 and September 30, 2017. These interest rate swaps involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed payments. During the quarter ended December 31, 2017, $42,000 of income was recognized as ineffectiveness through earnings, while $-0- was recognized as ineffectiveness through earnings during the comparable period in 2016. There was one Interest rate swap designated as a fair value hedge involving the receipt of variable rate payments from a counterparty in exchange for Prudential making fixed rate payments over the life of the agreements applicable to a $1.1 million commercial loan as of December 31, 2017 and September 30, 2017. For derivatives that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. During the quarter ended December 31, 2017, $13,000 of income was recognized through earnings, while $-0- was recognized through earnings during the comparable period in 2016.

Below is a summary of the interest rate swap agreements and the terms as of December 31, 2017.

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Unrealized Gain
			(Dollars in thousands)		
Interest rate swap contract	$ 10,000	1.15 %	1 Month Libor	6-Apr-21	$ 267
Interest rate swap contract	10,000	1.18 %	1 Month Libor	13-Jun-21	279
Interest rate swap contract	1,100	4.10 %	1 Month Libor +276 bp	1-Aug-26	-
					$ 546

Below is a summary of the interest rate swap agreements and the terms as of September 30, 2017.

	Notinal Amount	Pay Rate	Receive Rate	Maturity Date	Unrealized Gain
			(Dollar in thousands)		
Interest rate swap contract	$ 10,000	1.15 %	1 Mth Libor	6-Apr-21	$ 217
Interest rate swap contract	10,000	1.18 %	1 Mth Libor	13-Jun-21	223
Interest rate swap contract	1,100	4.10 %	1 Mth Libor +276 bp	1-Aug-26	62
					$ 502

All three interest swaps are carried at fair value in accordance with FASB ASC 815 “Derivatives and Hedging.”

10. INCOME TAXES

Items that gave rise to significant portions of deferred income taxes are as follows:

	December 31, 2017	September 30, 2017
	(Dollars in Thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 1,344	$ 1,675
Nonaccrual interest	249	349
Accrued vacation	7	12
Capital loss carryforward	300	476
Split dollar life insurance	10	15
Post-retirement benefits	60	98
Unrealized losses on available for sale securities	584	569
Deferred compensation	912	1,439
Goodwill	89	148
Purchse accounting adjustments	198	731
Other	50	254
Employee benefit plans		