

PRUDENTIAL BANCORP, INC.
Form 10-Q
February 11, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2018

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

(State or Other Jurisdiction of Incorporation or Organization)

46-2935427

(I.R.S. Employer Identification No.)

1834 West Oregon Avenue

Philadelphia, Pennsylvania

(Address of Principal Executive Offices)

19145

(Zip Code)

(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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

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

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

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, 2019, 10,819,006 shares were issued and 8,897,508 were outstanding.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

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PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	December 31, 2018	September 30, 2018
	(Dollars in Thousands, Except Per Share Data)	
ASSETS		
Cash and amounts due from depository institutions	\$ 2,220	\$ 2,457
Interest-bearing deposits	7,678	45,714
Total cash and cash equivalents	9,898	48,171
Certificates of deposit	1,604	1,604
Investment and mortgage-backed securities available for sale (amortized cost— December 31, 2018, \$400,283; September 30, 2018, \$316,719)	393,152	306,187
Investment and mortgage-backed securities held to maturity (fair value— December 31, 2018, \$54,969; September 30, 2018, \$55,927)	57,605	59,852
Equity securities (amortized cost December 31, 2018, \$6)	28	-
Loans receivable—net of allowance for loan losses (December 31, 2018, \$5,167; September 30, 2018, \$5,167)	588,511	602,932
Accrued interest receivable	4,140	3,825
Real estate owned	1,027	1,026
Restricted Bank stock—at cost	10,081	7,585
Office properties and equipment—net	7,310	7,439
Bank owned life insurance	28,048	28,691
Deferred tax assets-net	4,216	4,655
Goodwill	6,102	6,102
Core deposit intangible	538	571
Prepaid expenses and other assets	2,902	2,530
TOTAL ASSETS	\$ 1,115,162	\$ 1,081,170
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 14,306	\$ 13,677
Interest-bearing	738,057	770,581
Total deposits	752,363	784,258

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Advances from Federal Home Loan Bank (short-term)	68,500		10,000
Advances from Federal Home Loan Bank (long-term)	148,901		144,683
Accrued interest payable	1,557		3,232
Advances from borrowers for taxes and insurance	3,410		2,083
Accounts payable and accrued expenses	9,753		8,505
Total liabilities	984,484		952,761
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 8,892,964 outstanding at December 31, 2018; 10,819,006 issued and 8,987,356 outstanding at September 30, 2018	108		108
Additional paid-in capital	118,621		118,345
Treasury stock, at cost: 1,926,042 shares at December 31, 2018 and 1,831,650 shares at September 30, 2018	(29,399)	)	(27,744)
Retained earnings	47,381		45,854
Accumulated other comprehensive loss	(6,033)	)	(8,154)
Total stockholders' equity	130,678		128,409
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,115,162		\$ 1,081,170

See notes to unaudited consolidated financial statements.

PRUDENTIAL bancorp, inc. and subsidiarIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	December 31,	
	2018	2017
	(Dollars in Thousands, Except Per Share Data)	
INTEREST INCOME:		
Interest on loans	\$ 6,462	\$ 6,107
Interest on mortgage-backed securities	1,755	842
Interest and dividends on investments	1,532	949
Interest on interest-bearing assets	252	138
Total interest income	10,001	8,036
INTEREST EXPENSE:		
Interest on deposits	3,040	1,412
Interest on advances from Federal Home Loan Bank (short-term)	67	82
Interest on advances from Federal Home Loan Bank (long-term)	879	406
Total interest expense	3,986	1,900
NET INTEREST INCOME	6,015	6,136
PROVISION FOR LOAN LOSSES	-	210
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,015	5,926
NON-INTEREST INCOME:		
Fees and other service charges	178	167
Income from bank owned life insurance	154	164
Other	48	84
Total non-interest income	380	415
NON-INTEREST EXPENSE:		
Salaries and employee benefits	2,174	1,974
Data processing	183	176

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Professional services	401	792
Office occupancy	238	271
Depreciation	155	156
Director compensation	65	59
Advertising	81	60
Core deposit amortization	33	37
Other	662	518
Total non-interest expense	3,992	4,043
INCOME BEFORE INCOME TAXES	2,403	2,298
INCOME TAXES:		
Current expense	559	648
Deferred tax (benefit) expense	(130)	) 1,616
Total income tax expense	429	2,264
NET INCOME	\$ 1,974	\$ 34
BASIC EARNINGS PER SHARE	\$ 0.22	\$ 0.004
DILUTED EARNINGS PER SHARE	\$ 0.22	\$ 0.004
DIVIDENDS PER SHARE	\$ 0.05	\$ 0.20

See notes to unaudited consolidated financial statements.

PRUDENTIAL bancorp, inc. and subsidiarIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended December 31,	
	2018	2017
	(Dollars in Thousands)	
Net income	\$ 1,974	\$ 34
Unrealized holding gains (losses) on available-for-sale securities	3,424	(1,107)
Tax effect	(719)	376
Unrealized holding (losses) gains on interest rate swaps	(739)	44
Tax effect	155	(15)
Total other comprehensive income (loss)	2,121	(702)
Comprehensive income (loss)	\$ 4,095	\$ (668)

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	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(Dollars in Thousands, Except Per Share Data)						
BALANCE, October 1, 2018	\$108	\$118,345	\$(27,744)	\$45,854	\$ (8,154)	) \$128,409
Net income				1,974		1,974
Other comprehensive income					2,121	2,121
Dividends paid (\$0.05 per share)				(447)		(447)
Purchase of treasury stock (96,165 shares)			(1,687)			(1,687)
Treasury stock used for employee benefit plans (1,773 shares)		(32)	32			-
Stock option expense		151				151
Restricted shares award expense		157				157
BALANCE, December 31, 2018	\$108	\$118,621	\$(29,399)	\$47,381	\$ (6,033)	) \$130,678

	Common Stock	Additional Paid-In Capital	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)

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Treasury stock used for employee benefit plans (22,171 shares)			309				309
Stock option expense		169					169
Restricted shares award expense		119					119
Reclassification due to change in federal income tax rate				303	(303))	-
BALANCE, December 31, 2017	\$108	\$119,039	\$(27,296)	\$43,328	\$	(1,765)	) \$133,414

See notes to unaudited consolidated financial statements.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December	
	31,	2017
	2018	2017
	(Dollars in Thousands)	
OPERATING ACTIVITIES:		
Net income	\$ 1,974	\$ 34
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	155	156
Net (accretion) amortization of premiums/discounts	(435)	) 53
Provision for loan losses	-	210
Net amortization of deferred loan fees and costs	(7)	) 3
Share-based compensation expense for stock options and awards	308	288
Income from bank owned life insurance	(154)	) (164)
Deferred income tax (benefit) expense	(130)	) 1,616
Changes in assets and liabilities which used cash:		
Accrued interest receivable	(315)	) (627)
Accrued interest payable	(1,675)	) (1,292)
Net other	285	24
Net cash provided by operating activities	6	301
INVESTING ACTIVITIES:		
Purchase of investment and mortgage-backed securities available for sale	(86,650)	) (40,641)
Purchase of investment securities held for maturity	-	) (2,458)
Loans originated or acquired	(30,865)	) (28,346)
Principal collected on loans	45,430	19,475
Principal payments received on investment and mortgage-backed securities:		
Held-to-maturity	2,230	345
Available-for-sale	3,978	3,332
Purchase of FHLB stock	(3,270)	) (857)
Proceeds from redemption of Federal Home Loan Bank stock	774	-
Purchases of equipment	(26)	) (63)
Net cash used in investing activities	(68,399)	) (49,213)
FINANCING ACTIVITIES:		
Net decrease in demand deposits, NOW accounts, and savings accounts	(3,125)	) (5,691)
Net (decrease) increase in certificates of deposit	(28,716)	) 21,741
Net proceeds from FHLB advances (short-term)	58,500	10,000
Proceeds from FHLB advances (long-term)	23,500	26,000
Repayment of FHLB advances (long-term)	(19,232)) (13,287)

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Increase in advances from borrowers for taxes and insurance	1,327		1,290	
Cash dividends paid	(447)	(1,796)
Treasury stock used for employee benefit plans	-		309	
Purchase of treasury stock	(1,687	)	(898)
Net cash provided by financing activities	30,120		37,668	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,273	)	(11,244)
CASH AND CASH EQUIVALENTS—Beginning of period	48,171		27,903	
CASH AND CASH EQUIVALENTS—End of period	\$ 9,898		\$ 16,659	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Interest paid on deposits and advances from Federal Home Loan Bank	\$ 5,661		\$ 3,192	
Income taxes paid	\$ -		\$ -	
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 nine additional full-service branch offices. Eight 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 10 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, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2019, 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, 2018. 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 10-K for the year ended September 30, 2018.

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.

Recently Adopted Accounting Pronouncements

Effective October 1, 2018, the Company adopted ASU 2014-09 *Revenue from Contracts with Customers – Topic 606* and all subsequent ASUs that modified ASC 606. The Company has elected to apply the standard utilizing the modified retrospective approach with a cumulative effect of adoption for the impact from uncompleted contracts at the date of adoption. The adoption of this guidance did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustments were recorded.

Management determined that the primary sources of revenue emanating from interest and dividend income on loans and securities along with noninterest revenue resulting from investment security gains, loan servicing, gains on the sale of loans, commitment fees, fees from financial guarantees, certain credit cards fees, and income on bank-owned life insurance are not within the scope of ASC 606. As a result, no changes were made during the period related to these sources of revenue, which cumulatively comprise 98 percent of the total revenue of the Company. Services within the scope of ASC 606 include income from service charges on deposit accounts, other service income, ATM fees and gain on sale of OREO, net. For these accounts, fees are related to specific customer transactions and are attributable to specific performance obligations of the Bank where the revenue is recognized at a defined point in time, completion of the requested service/transaction.

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. The adoption of this Update did not have a significant impact on the Company's financial statements.

Recent Accounting Pronouncements

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 one 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 affected 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 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. 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 June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718)*, which simplified the accounting for nonemployee share-based payment transactions. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this Update improve the following areas of nonemployee share-based payment accounting; (a) the overall measurement objective, (b) the measurement date, (c) awards with performance conditions, (d) classification reassessment of certain equity-classified awards, (e) calculated value (nonpublic entities only), and (f) intrinsic value (nonpublic entities only). The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. 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. 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 August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes the Disclosure Requirements for Fair Value Measurements*. The Update removes the requirement to disclose the amount of and reasons for transfers between Level I and Level II of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level III fair value measurements. The Update requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level III fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level III fair value measurements. This Update is effective for all entities for fiscal years, and interim periods within those fiscal years, 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.

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,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	(Dollars in Thousands, Except Per Share Data)			
Net income	\$1,974	\$1,974	\$34	\$34
Weighted average shares outstanding	8,804,096	8,804,096	8,855,116	8,855,116
Effect of common stock equivalents	-	189,276	-	357,871
Adjusted weighted average shares used in earnings per share computation	8,804,096	8,993,372	8,855,116	9,212,987
Earnings per share - basic and diluted	\$0.22	\$0.22	\$0.004	\$0.004

As of December 31, 2018 and 2017, there were 666,526 and 890,616 shares of common stock, respectively, subject to options with an exercise price less than the then current market and which were included in the computation of diluted earnings per share. At December 31, 2018 and 2017, there were 198,084 and 1,413 shares that had exercise prices greater than the current market value and were considered anti-dilutive at such dates.

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,		
2018	2018	2018	2017	2017	2017

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	Unrealized gain on AFS (a)	Unrealized gain on interest rate swaps (a)	Total accumulated other comprehensive income (loss)	Unrealized gain on AFS (a)	Unrealized gain on interest rate swaps (a)	Total accumulated other comprehensive income (loss)
Beginning balance, October 1	\$(8,320)	\$ 166	\$ (8,154)	\$(1,091)	\$ 331	\$ (760)
Other comprehensive (loss) income before reclassification	2,705	(584)	) 2,121	(731)	29	(702)
Total	(5,615)	(418)	) (6,033)	(1,822)	360	(1,462)
Reclassification due to change in federal income tax rate	-	-	-	(303)	-	(303)
Ending balance, December 31	\$(5,615)	\$ (418)	) \$ (6,033)	\$(2,125)	\$ 360	\$ (1,765)

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

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, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Securities Available for Sale:				
U.S. government and agency obligations	\$25,280	\$ -	\$ (816)	) \$24,464
State and political subdivisions	22,717	69	(848)	) 21,938
Mortgage-backed securities - U.S. government agencies	272,717	1,029	(4,495)	) 269,251
Corporate bonds	79,569	260	(2,330)	) 77,499
Total debt securities available for sale	400,283	1,358	(8,489)	) 393,152
Total securities available for sale	\$400,283	\$ 1,358	\$ (8,489)	) \$393,152
Securities Held to Maturity:				
U.S. government and agency obligations	\$31,500	\$ 102	\$ (2,507)	) \$29,095
Mortgage-backed securities - U.S. government agencies	5,556	135	(80)	) 5,611
State and political subdivisions	20,549	58	(344)	) 20,263
Total securities held to maturity	\$57,605	\$ 295	\$ (2,931)	) \$54,969

	September 30, 2018			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
	(Dollars in Thousands)			
Securities Available for Sale:				
U.S. government and agency obligations	\$25,562	\$ -	\$ (1,391)	\$24,171
State and political subdivisions	22,078	-	(542)	21,536
Mortgage-backed securities - U.S. government agencies	193,451	77	(6,168)	187,360
Corporate debt securities	75,622	-	(2,539)	73,083
Total debt securities available for sale	316,713	77	(10,640)	306,150
FHLMC preferred stock	6	31	-	37
Total securities available for sale	\$316,719	\$ 108	\$ (10,640)	\$306,187
Securities Held to Maturity:				
U.S. government and agency obligations	\$33,500	\$ 85	\$ (3,311)	\$30,274
State and political subdivisions	20,574	2	(696)	19,880
Mortgage-backed securities - U.S. government agencies	5,778	148	(153)	5,773
Total securities held to maturity	\$59,852	\$ 235	\$ (4,160)	\$55,927

As of December 31, 2018, the Bank maintained \$142.0 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, 2018:

	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	\$-	\$-	\$(816)	\$24,464	\$(816)	\$24,464
Mortgage-backed securities - US government agencies	(638)	65,310	(3,857)	93,540	(4,495)	158,850
State and political subdivisions	(848)	16,552	-	-	(848)	16,552
Corporate bonds	(136)	14,780	(2,194)	44,850	(2,330)	59,630
Total securities available for sale	\$(1,622)	\$96,642	\$(6,867)	\$162,854	\$(8,489)	\$259,496
Securities Held to Maturity:						
U.S. government and agency obligations	\$-	\$-	\$(2,507)	\$27,993	\$(2,507)	\$27,993
Mortgage-backed securities - US government agencies	(80)	2,095	-	-	(80)	2,095
State and political subdivisions	(344)	11,475	-	-	(344)	11,475
Total securities held to maturity	\$(424)	\$13,570	\$(2,507)	\$27,993	\$(2,931)	\$41,563
Total	\$(2,046)	\$110,212	\$(9,374)	\$190,847	\$(11,420)	\$301,059

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, 2018:

	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	\$(89)	\$4,479	\$(1,302)	\$19,692	\$(1,391)	\$24,171
Mortgage-backed securities - US government agencies	(1,821)	92,851	(4,347)	86,268	(6,168)	179,119
State and political subdivisions	(542)	21,536	-	-	(542)	21,536
Corporate bonds	(1,719)	58,753	(820)	14,330	(2,539)	73,083
Total securities available for sale	\$(4,171)	\$177,619	\$(6,469)	\$120,290	\$(10,640)	\$297,909
Securities Held to Maturity:						
U.S. government and agency obligations	\$-	\$-	\$(3,311)	\$27,190	\$(3,311)	\$27,190
Mortgage-backed securities - US government agencies	(106)	2,630	(46)	930	(152)	3,560
State and political subdivisions	(234)	11,238	(463)	6,618	(697)	17,856
Total securities held to maturity	\$(340)	\$13,868	\$(3,820)	\$34,738	\$(4,160)	\$48,606
Total	\$(4,511)	\$191,487	\$(10,289)	\$155,028	\$(14,800)	\$346,515

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, 2018 and 2017, the Company did not record any credit losses on investment securities through earnings.

U.S. Government and Agency Obligations - At December 31, 2018, there were no securities in a gross unrealized loss position for less than 12 months while there were 14 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, 2018.

Mortgage-Backed Securities – At December 31, 2018, there were 23 mortgage-backed securities in a gross unrealized loss position for less than 12 months, while there were 56 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, 2018.

Corporate Debt Securities – At December 31, 2018, there were four securities in a gross unrealized loss for less than 12 months, while there were twenty-eight securities in a gross unrealized loss position for more than 12 months at such date. These securities were issued 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, 2018.

State and political subdivisions – At December 31, 2018, there were five securities in a gross unrealized loss for less than 12 months, while there were eight securities in a gross unrealized loss position for more than 12 months at such date. These securities were issued 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, 2018.

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, 2018			
	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
Due after one through five years	\$ 1,703	\$ 1,702	\$ 8,527	\$ 8,334
Due after five through ten years	23,759	23,130	95,221	92,642
Due after ten years	26,587	24,526	23,818	22,925
Total	\$ 52,049	\$ 49,358	\$ 127,566	\$ 123,901

During the three month periods ended December 31, 2018 and 2017, the Company did not sell any securities.

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2018	September 30, 2018
	(Dollars in Thousands)	
One-to-four family residential	\$ 322,525	\$ 324,865
Multi-family residential	34,556	34,355
Commercial real estate	113,145	119,511
Construction and land development	147,669	160,228
Loans to financial institutions	6,000	6,000
Commercial business	17,474	17,792
Leases	1,472	1,687
Consumer	898	953
Total loans	643,739	665,391
Undisbursed portion of loans-in-process	(47,190)	(54,474)
Deferred loan fees	(2,871)	(2,818)
Allowance for loan losses	(5,167)	(5,167)

Net loans	\$ 588,511	\$ 602,932
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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 December 31, 2018:

	One- to four - family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Loans to financial institutions	Leases	Consumer	Unallocated	Total
(Dollars in Thousands)										
Allowance for Loan Losses:										
Individually evaluated for impairment	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Collectively evaluated for impairment	1,427	372	1,147	1,445	193	67	16	13	487	5,167
Total ending allowance balance	\$1,427	\$372	\$1,147	\$1,445	\$193	\$67	\$16	\$13	\$487	\$5,167
Loans:										
Individually evaluated for impairment	\$5,234	\$293	\$2,208	\$8,753	\$-	\$-	\$-	\$10		\$16,498
Collectively evaluated for impairment	317,291	34,263	110,937	138,916	17,474	6,000	1,472	888		627,241
Total loans	\$322,525	\$34,556	\$113,145	\$147,669	\$17,474	\$6,000	\$1,472	\$898		\$643,739

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, 2018:

	One- to four - family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Loans to financial institutions	Leases	Consumer	Unallocated	Total
(Dollars in Thousands)										
Allowance for Loan Losses:										
	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Individually evaluated for impairment										
Collectively evaluated for impairment	1,343	347	1,154	1,554	187	64	18	18	482	5,167
Total ending allowance balance	\$1,343	\$347	\$1,154	\$1,554	\$187	\$64	\$18	\$18	\$482	\$5,167
Loans:										
Individually evaluated for impairment	\$5,081	\$298	\$1,919	\$8,750	\$-	\$-	\$-	\$-		\$16,048
Collectively evaluated for impairment	319,784	34,057	117,592	151,478	17,792	6,000	1,687	953		649,343
Total loans	\$324,865	\$34,355	\$119,511	\$160,228	\$17,792	\$6,000	\$1,687	\$953		\$665,391

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, 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, 2018, 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	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
One-to-four family residential	\$-	\$ -	\$ 5,234	\$ 5,234	\$ 5,591
Multi-family residential	-	-	293	293	293
Commercial real estate	-	-	2,208	2,208	2,367
Construction and land development	-	-	8,753	8,753	11,134
Consumer	-	-	10	10	10
Total loans	\$-	\$ -	\$ 16,498	\$ 16,498	\$ 19,395

The following table presents impaired loans by class as of September 30, 2018, 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	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
One-to-four family residential	\$-	\$ -	\$ 5,081	\$ 5,081	\$ 5,432
Multi-family	-	-	298	298	298
Commercial real estate	-	-	1,919	1,919	2,057
Construction and land development	-	-	8,750	8,750	11,131
Total loans	\$-	\$ -	\$ 16,048	\$ 16,048	\$ 18,918

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, 2018		
	Average Recorded Investment (Dollars in Thousands)	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
One-to-four family residential	\$ 5,158	\$ 15	\$ 5
Multi-family residential	296	5	-
Commercial real estate	2,064	10	1
Construction and land development	8,752	-	-
Consumer	5	-	-
Total loans	\$ 16,274	\$ 30	\$ 6

	Three Months Ended December 31, 2017		
	Average Recorded Investment (Dollars in Thousands)	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
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

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.

	December 31, 2018			Total Loans
	Pass	Special Mention	Substandard	
	(Dollars in Thousands)			
One-to-four family residential	\$315,040	\$ 2,251	\$ 5,234	\$322,525
Multi-family residential	33,935	328	293	34,556
Commercial real estate	106,805	4,132	2,208	113,145
Construction and land development	138,916	-	8,753	147,669
Loans to financial institutions	6,000	-	-	6,000
Commercial business	17,474	-	-	17,474
Total loans	\$618,170	\$ 6,711	\$ 16,488	\$641,369

	September 30, 2018			Total Loans
	Pass	Special Mention	Substandard	
	(Dollars in Thousands)			
One-to-four family residential	\$317,033	\$ 2,751	\$ 5,081	\$324,865
Multi-family residential	34,057	-	298	34,355
Commercial real estate	115,670	1,922	1,919	119,511
Construction and land development	151,478	-	8,750	160,228
Loans to financial institutions	6,000	-	-	6,000
Commercial business	17,792	-	-	17,792
Total loans	\$642,030	\$ 4,673	\$ 16,048	\$662,751

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, 2018		
	Non-		Total
	Performing	Performing	Loans
	(Dollars in Thousands)		
One-to-four family residential	\$319,088	\$ 3,437	\$322,525
Leases	1,472	-	1,472
Consumer	898	-	898
Total loans	\$321,458	\$ 3,437	\$324,895

	September 30, 2018		
	Non-		Total
	Performing	Performing	Loans
	(Dollars in Thousands)		
One-to-four family residential	\$321,853	\$ 3,012	\$324,865
Leases	1,687	-	1,687
Consumer	953	-	953
Total loans	\$324,493	\$ 3,012	\$327,505

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, 2018				Total Loans	Non- Accrual	90 Days+ Past Due and Accruing
	30-89 Days		90 Days +	Total			
	Current	Past Due	Past Due	Past Due			
	(Dollars in Thousands)						
One-to-four family residential	\$317,547	\$ 2,514	\$ 2,464	\$ 4,978	\$322,525	\$3,437	\$ -
Multi-family residential	34,395	161	-	161	34,556	-	-
Commercial real estate	111,727	88	1,330	1,418	113,145	1,478	-
Construction and land development	138,916	-	8,753	8,753	147,669	8,753	-
Commercial business	17,474	-	-	-	17,474	-	-

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Loans to financial institutions	6,000	-	-	-	6,000	-	-
Leases	1,472	-	-	-	1,472	-	-
Consumer	841	57	-	57	898	-	-
Total loans	\$628,372	\$ 2,820	\$ 12,547	\$ 15,367	\$643,739	\$13,668	\$ -

	September 30, 2018						90 Days+ Past Due and Accruing
	Current	30-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non- Accrual	
	(Dollars in Thousands)						
One-to-four family residential	\$321,749	\$ 1,037	\$ 2,079	\$ 3,116	\$324,865	\$3,012	\$ -
Multi-family residential	34,355	-	-	-	34,355	-	-
Commercial real estate	117,335	722	1,454	2,176	119,511	1,627	-
Construction and land development	151,478	-	8,750	8,750	160,228	8,750	-
Commercial business	17,792	-	-	-	17,792	-	-
Loans to financial institutions	6,000	-	-	-	6,000	-	-
Leases	1,687	-	-	-	1,687	-	-
Consumer	837	116	-	116	953	-	-
Total loans	\$651,233	\$ 1,875	\$ 12,283	\$ 14,158	\$665,391	\$13,389	\$ -

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, 2018 and 2017:

	Three Months Ended December 31, 2018									
	One- four- residential	to family residential	Multi- family residential	Commercial real estate	Construction and land development	Commercial business	Loans to financial institutions	Leases	Consumer	Unallocated	Total
ALLL balance at September 30, 2018	\$ 1,343	\$ 347	\$ 1,154	\$ 1,554	\$ 187	\$ 64	\$ 18	\$ 18	\$ 482	\$ 5,167
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision	84	25	(7)	(109)	6	3	(2)	(5)	5	-
ALLL balance at December 31, 2018	\$ 1,427	\$ 372	\$ 1,147	\$ 1,445	\$ 193	\$ 67	\$ 16	\$ 13	\$ 487	\$ 5,167

	Three Months Ended December 31, 2017									
	One- to four- residential	family residential	Multi- family residential	Commercial real estate	Construction and land development	Commercial business	Loans to financial institutions	Leases	Consumer	Unallocated	Total
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

The Company recorded no provision for loan losses in the three months period ended December 31, 2018, compared to \$210,000 for the same period in 2017.

At December 31, 2018, the Company had nine loans aggregating \$6.0 million that were classified as troubled debt restructurings (“TDRs”). Five of such loans aggregating \$644,000 as of December 31, 2018 were performing in accordance with the restructured terms and accruing interest. Three of the TDRs, totaling \$4.9 million, which are classified as non-accrual are a part of a troubled lending relationship totaling \$10.6 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 \$445,000 loan secured by various commercial and residential properties.

The Company did not restructure any loans during the three months ended December 31, 2018, while one loan was restructured with a balance of \$77,000, during the three month period ended December 31, 2017. The restructuring entailed extending the loan maturity date to February 2018, at which time the loan was paid off.

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

No TDRs defaulted during the three month periods ending December 31, 2018 and 2017.

6. DEPOSITS

Deposits consist of the following major classifications:

	December 31, 2018		September 30, 2018	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Money market deposit accounts	\$65,752	8.7 %	\$66,120	8.4 %
Interest-bearing checking accounts	49,273	6.6 %	49,209	6.3 %
Non interest-bearing checking accounts	14,306	1.9 %	13,620	1.7 %
Passbook, club and statement savings	87,975	11.7 %	91,489	11.7 %
Certificates maturing in six months or less	287,001	38.1 %	301,184	38.4 %
Certificates maturing in more than six months	248,056	33.0 %	262,636	33.5 %
Total	\$752,363	100.0 %	\$784,258	100.0 %

Certificates of \$250,000 and over totaled \$50.9 million as of December 31, 2018 and \$81.9 million as of September 30, 2018.

7. ADVANCES FROM FEDERAL HOME LOAN BANK – SHORT TERM

The periods ended December 31, 2018 and September 30, 2018 outstanding balances and related information of short-term borrowings from the FHLB are summarized follows:

Type	Maturity Date	Coupon	Call Date	December 31, 2018 Amount (Dollars in Thousands)	September 30, 2018 Amount
Fixed Rate - Repo Plus	12-Oct-18	2.31 %	Not Applicable	\$ -	\$ 10,000
Weighted average rate		2.31 %			
Fixed Rate - Repo Plus	2-Jan-19	2.62 %	Not Applicable	\$ 58,500	\$ -
Fixed Rate - Repo Plus	14-Jan-19	2.64 %	Not Applicable	10,000	-
Weighted average rate		2.62 %		\$ 68,500	\$ 10,000

As of December 31, 2018 and September 30, 2018, included a \$10.0 million 30 day FHLB advance associated with an interest rate swap contract with a weighted average effective cost of 270 basis points. The additional \$58.5 million at December 31, 2018 consisted of an overnight borrowing to provide additional short-term 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, 2018 and September 30, 2018 are as follows:

Long-term FHLB advances:	Maturity range		Weighted average interest rate	Stated interest rate range			December 31, 2018	September 30, 2018
Description	from	to	rate	from	to		(Dollars in Thousands)	
Fixed Rate - Amortizing	1-Oct-18	30-Sep-19	1.53	% 1.53	% 1.53	% \$ 1,290	\$ 1,639	
Fixed Rate - Amortizing	1-Oct-20	30-Sep-21	2.68	% 1.94	% 2.83	% 21,077	23,288	
Fixed Rate - Amortizing	1-Oct-21	30-Sep-22	2.80	% 1.99	% 3.05	% 11,076	11,848	

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Fixed Rate - Amortizing	1-Oct-22	30-Sep-23	2.88	%	1.94	%	3.11	%	8,150	8,550
Total			2.72	%					\$ 41,593	\$ 45,325
Fixed Rate - Advances	1-Oct-18	30-Sep-19	2.66	%	1.40	%	2.66	%	\$ 3,018	\$ 18,528
Fixed Rate - Advances	1-Oct-19	30-Sep-20	2.62	%	1.38	%	3.06	%	12,389	12,413
Fixed Rate - Advances	1-Oct-20	30-Sep-21	2.45	%	1.42	%	2.92	%	3,032	3,037
Fixed Rate - Advances	1-Oct-21	30-Sep-22	2.28	%	1.94	%	3.23	%	23,369	23,380
Fixed Rate - Advances	1-Oct-22	30-Sep-23	2.70	%	2.18	%	3.15	%	37,000	37,000
Fixed Rate - Advances	1-Oct-23	30-Sep-24	3.13	%	2.98	%	3.20	%	28,500	5,000
Total			2.71	%					\$ 107,308	\$ 99,358
			2.71	%			Total		\$ 148,901	\$ 144,683

9.

DERIVATIVES

The Company has contracted with a third party to participate in interest rate swap contracts. One of the swaps is a cash flow hedge associated with \$10.0 million of FHLB advances at both December 31, 2018 and September 30, 2018, while there are two additional cash flow hedges tied to 90 day wholesale funding at December 31, 2018. These interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed rate payments. During the quarter ended December 31, 2018, \$3,000 of expense was recognized as ineffectiveness through earnings, while \$42,000 of income was recognized as ineffectiveness through earnings during the comparable period in 2017. There were nine interest rate swaps designated as fair value hedges involving the receipt of variable-rate payments from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements that were applicable to two loans and seven investment securities as of both December 31, 2018 and September 30, 2018. The fair value is recorded in the other assets section of the statement of financial condition.

Below is a summary of the interest rate swap agreements and their terms as of December 31, 2018.

	Hedged Item	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Unrealized Loss
(Dollars in thousands)						
Interest rate swap contract	FHLB Advance	\$10,000	2.70%	1 Mth Libor	10-Apr-25	\$ (144)
Interest rate swap contract	State and political subdivision	1,705	3.06%	3 Mth Libor	15-Feb-27	(51)
Interest rate swap contract	State and political subdivision	2,825	3.06%	3 Mth Libor	1-Apr-27	(85)
Interest rate swap contract	State and political subdivision	5,000	3.07%	3 Mth Libor	1-Jan-28	(154)
Interest rate swap contract	State and political subdivision	1,235	3.07%	3 Mth Libor	1-Mar-28	(38)
Interest rate swap contract	State and political subdivision	4,500	3.07%	3 Mth Libor	1-May-28	(139)
Interest rate swap contract	State and political subdivision	3,305	3.05%	3 Mth Libor	1-Feb-27	(93)
Interest rate swap contract	State and political subdivision	3,000	3.06%	3 Mth Libor	15-Oct-27	(90)
Interest rate swap contract	Commercial loan	8,300	5.74%	1 Mth Libor +250 bp	13-Jun-25	-
Interest rate swap contract	Commercial loan	1,100	4.10%	1 Mth Libor +276 bp	1-Aug-26	-
Interest rate swap contract	90 Day wholesale funding	20,000	2.78%	3 Mth Libor	11-Jan-24	(234)

Interest rate swap
contract

90 Day wholesale funding 15,000