Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 March 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 _____ to _____

Commission file number: 001-37981

HV BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	46-4351868
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3501 Masons Mill Road Suite 401 Huntingdon Valley, Pennsylvania 19006
(Address of Principal Executive Offices and Zip Code)

(267) 280-4000
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer	☐	Accelerated filer	☐
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 ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 10, 2018, there were 2,182,125 outstanding shares of the issuer's common stock.

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PART I – FINANCIAL INFORMATION

Item 1 – Consolidated Financial Statements – Unaudited

HV BANCORP, INC. AND SUBSIDIARY

Unaudited Consolidated Statements of Financial Condition as of March 31, 2018 and June 30, 2017 (Dollars in thousands, except share amounts)

	At March 31, 2018	At June 30, 2017
Assets		
Cash and due from banks	**$ 1,374**	$ 1,514
Interest-earning deposits with banks	**13,568**	27,063
Cash and cash equivalents	**14,942**	28,577
Investment securities available-for-sale, at fair value	**32,835**	42,820
Investment securities held-to-maturity (fair value of $13,758 at March 31, 2018 and $11,896 at June 30, 2017)	**13,913**	11,809
Loans held for sale, at fair value	**8,225**	12,784
Loans receivable, net of allowance for loan losses of $759 at March 31, 2018 and $593 at June 30, 2017	**182,639**	111,811
Bank-owned life insurance	**5,976**	4,005
Restricted investment in bank stock	**743**	643
Premises and equipment, net	**1,832**	1,835
Accrued interest receivable	**854**	620
Prepaid income taxes	**208**	171
Deferred income taxes, net	**512**	257
Prepaid expenses	**317**	272
Mortgage banking derivatives	**752**	1,001
Other assets	**96**	160
Total Assets	**$ 263,844**	$ 216,765
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	**$ 214,794**	$ 170,481
Advances from the Federal Home Loan Bank	**12,000**	9,000
Securities sold under agreements to repurchase	**3,296**	2,883
Advances from borrowers for taxes and insurance	**1,643**	1,402
Deferred gain on sale - leaseback of building	**298**	310
Other liabilities	**1,305**	1,248
Total Liabilities	**233,336**	185,324
Shareholders' Equity		
Preferred Stock, $0.01 par value, 2,000,000 shares authorized; no shares issued and outstanding as of March 31, 2018 and June 30, 2017	**—**	—
Common Stock, $0.01 par value, 20,000,000 shares authorized; 2,182,125 shares issued and outstanding as of March 31, 2018 and June 30, 2017	**22**	22
Additional paid in capital	**20,369**	20,369
Retained earnings	**13,054**	13,547
Accumulated other comprehensive loss	**(618)**	(111)
Unearned Employee Stock Option Plan	**(2,319)**	(2,386)
Total Shareholders' Equity	**30,508**	31,441
Total Liabilities and Shareholders' Equity	**$ 263,844**	$ 216,765

See Notes to the Unaudited Consolidated Financial Statements

HV BANCORP, INC. AND SUBSIDIARY

Unaudited Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2018 and 2017; (Dollars in thousands, except per share data)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2018	2017	**2018**	2017
Interest Income				
Interest and fees on loans	**$ 1,667**	$ 1,114	**$ 4,534**	$ 3,452
Interest and dividends on investments:				
Taxable	**96**	101	**305**	232
Nontaxable	**75**	50	**205**	133
Interest on mortgage-backed securities and collateralized mortgage obligations	**104**	71	**283**	182
Interest on interest-earning deposits	**84**	155	**286**	238
Total Interest Income	**2,026**	1,491	**5,613**	4,237
Interest Expense				
Interest on deposits	**243**	206	**690**	535
Interest on advances from the Federal Home Loan Bank	**60**	32	**135**	119
Interest on securities sold under agreements to repurchase	**1**	1	**3**	2
Total Interest Expense	**304**	239	**828**	656
Net interest income	**1,722**	1,252	**4,785**	3,581
Provision (Credit) for Loan Losses	**76**	(12)	**155**	123
Net interest income after provision (credit) for loan losses	**1,646**	1,264	**4,630**	3,458
Non-Interest Income				
Fees for customer services	**227**	51	**457**	156
Increase in cash surrender value of bank-owned life insurance	**39**	26	**114**	83
Gain on sale of loans, net	**620**	744	**2,765**	4,449
Gain on sale of available-for-sale securities	**1**	—	**35**	11
Gain (Loss) from derivative instruments	**185**	469	**(279)**	(469)
Change in fair value of loans held-for-sale	**(22)**	(2)	**(117)**	(697)
Other	**5**	5	**8**	7
Total Non-Interest Income	**1,055**	1,293	**2,983**	3,540
Non-Interest Expense				
Salaries and employee benefits	**1,470**	1,443	**3,927**	3,741
Occupancy	**282**	255	**807**	754
Federal deposit insurance premiums	**28**	42	**84**	113
Data processing related operations	**157**	145	**434**	430
Loss on sale of other real estate owned	**—**	—	**3**	12
Real estate owned expense	**2**	3	**29**	19
Professional fees	**147**	178	**432**	447
Other expenses	**469**	352	**1,154**	972
Total Non-Interest Expense	**2,555**	2,418	**6,870**	6,488
Income before income taxes	**146**	139	**743**	510
Income Tax Expense	**14**	41	**196**	120
Net Income	**$ 132**	$ 98	**$ 547**	$ 390
Net Income per share:				
Basic	**$ 0.07**	$ 0.05	**$ 0.27**	$ 0.62
Diluted	**$ 0.07**	$ 0.05	**$ 0.27**	$ 0.62
Dividends declared per share	**$ 0.50**	$ N/A	**$ 0.50**	$ N/A

See Notes to the Unaudited Consolidated Financial Statements

HV BANCORP, INC. AND SUBSIDIARY

Unaudited Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended March 31, 2018 and 2017 (Dollars in thousands)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2018	2017	2018	2017
Comprehensive Income, Net of Taxes				
Net Income	**$ 132**	$ 98	**$ 547**	$ 390
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities (pre-tax ($377) and $61; $(616) and $(476), respectively)	**(265)**	41	**(431)**	(268)
Less: Reclassification for gains included in income (pre-tax $1 and $0; $35 and $11, respectively) (1)	**1**	—	**25**	7
Other comprehensive income (loss)	**(266)**	41	**(456)**	(275)
Comprehensive Income (Loss)	**$ (134)**	$ 139	**$ 91**	$ 115

(1) Amounts are included in gain on sale of available-for-sale securities on the Consolidated Statements of Income as a separate element within non-interest income. Income tax expense is included in the Consolidated Statements of Income.

See Notes to the Unaudited Consolidated Financial Statements

HV BANCORP, INC. AND SUBSIDIARY

Unaudited Consolidated Statements of Shareholders' Equity for the Nine Months Ended March 31, 2018 and 2017 (Dollars in thousands, except per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unearned ESOP Shares	Total
Balance, July 1, 2017	**2,182,125**	**$ 22**	**$ 20,369**	**$ 13,547**	**$ (111)**	**$ (2,386)**	**$ 31,441**
Special dividend declared on common stock ($0.50)	**—**	**—**	**—**	**(1,091)**	**—**	**—**	**(1,091)**
ESOP shares committed to be released	**—**	**—**	**—**	**—**	**—**	**67**	**67**
Net income	**—**	**—**	**—**	**547**	**—**	**—**	**547**
Reclassification of certain income tax effects from accumulated other comprehensive income	**—**	**—**	**—**	**51**	**(51)**	**—**	**—**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(456)**	**—**	**(456)**
Balance, March 31, 2018	**2,182,125**	**$ 22**	**$ 20,369**	**$ 13,054**	**$ (618)**	**$ (2,319)**	**$ 30,508**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unearned ESOP Shares	Total
Balance, July 1, 2016	—	$ —	$ —	$ 12,978	$ (7)	$ —	$ 12,971
Proceeds from issuance of common stock, net of $1,426 in offering costs	2,182,125	22	20,374	—	—	—	20,396
Purchase of ESOP Shares	—	—	—	—	—	(2,430)	(2,430)
ESOP share to be committed to be released	—	—	—	—	—	21	21
Net income	—	—	—	390	—	—	390
Other comprehensive loss	—	—	—	—	(275)	—	(275)
Balance, March 31, 2017	2,182,125	$ 22	$ 20,374	$ 13,368	$ (282)	$ (2,409)	$ 31,073

See Notes to the Unaudited Consolidated Financial Statements

HV BANCORP, INC. AND SUBSIDIARY
Unaudited Consolidated Statements of Cash Flows (Dollars in thousands)

Nine Months Ended March 31,	2018	2017
Cash Flows from Operating Activities		
Net income	$ 547	$ 390
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	167	149
Impairment of real estate owned, net	14	—
Amortization of net deferred loan costs	111	7
Amortization of net securities premiums	104	147
Loss on sale of real estate owned	3	12
Gain on sale of available-for-sale securities	(35)	(11)
Loss from hedging instruments	279	447
Provision for loan losses	155	123
Deferred income tax benefit	(95)	(179)
Amortization of deferred gain on sale-leaseback transaction	(12)	(12)
Earnings on bank owned life insurance	(114)	(83)
ESOP compensation expense	67	21
Loans held for sale:		
Originations, net of prepayments	(102,300)	(117,261)
Proceeds from sales	109,507	139,639
Gain on sales	(2,765)	(4,449)
Change in fair value of loans held for sale	117	697
(Increase) decrease in:		
Accrued interest receivable	(234)	(27)
Prepaid federal income taxes	(37)	(49)
Prepaid and other assets	19	(230)
Other liabilities	27	(321)
Net cash provided by operating activities	5,525	19,010
Cash Flows from Investing Activities		
Net Increase in loans receivable	(71,235)	(5,333)
Activity in available-for-sale securities:		
Proceeds from sales	11,659	2,554
Maturities and repayments	2,237	1,164
Purchases	(4,596)	(17,572)
Activity in held-to-maturity securities:		
Maturities and repayments	19	1,887
Purchases	(2,123)	(5,115)
Purchases of restricted investment in bank stock	(1,031)	—
Redemption of restricted investment in bank stock	931	458
Purchases of bank-owned life insurance	(1,857)	—
Proceeds from sales of real estate owned	124	168
Purchases of premises and equipment	(164)	(285)
Net cash used in investing activities	(66,036)	(22,074)
Cash Flows from Financing Activities		
Cash dividend paid to shareholders	(1,091)	—
Net increase in deposits	44,313	30,031
Net increase (decrease) in advances from borrowers for taxes and insurance	241	(287)
Net increase (decrease) in securities sold under agreements to repurchase	413	(1,521)
Proceeds from borrowings from Federal Home Loan Bank	23,000	—
Repayment of borrowings from Federal Home Loan Bank	(20,000)	(11,000)
Proceeds from issuance of common stock, net	—	20,396
Purchase of shares for ESOP	—	(2,430)
Net cash provided by financing activities	46,876	35,189
(Decrease) increase in Cash and Cash Equivalents	(13,635)	32,125
Cash and Cash Equivalents, beginning of year	28,577	15,427
Cash and Cash Equivalents, end of year	$ 14,942	$ 47,552
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year of interest	$ 829	$ 659
Cash paid during the year for income taxes	$ 305	$ 415
Supplementary Schedule of Noncash Investing Activities		
Transfer of loans to real estate owned	$ 127	$ 65

See Notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

1. Organization, Basis of Presentation and Recent Accounting Pronouncements

Organization

HV Bancorp, Inc., a Pennsylvania Corporation (the “Company”) is the holding company of Huntingdon Valley Bank (the “Bank”) and was formed in connection with the conversion of the Bank from the mutual to the stock form of organization. On January 11, 2017, the mutual to stock conversion of the Bank was completed and the Company became the parent holding company for the Bank. A total of 2,182,125 shares of common stock were sold to depositors at $10.00 per share through which the Company received gross offering proceeds of approximately $21.8 million. Offering costs from the sale of the common stock totaled $1.4 million, resulting in net proceeds of $20.4 million. Shares of the Company began trading on the Nasdaq Capital Market on January 12, 2017. The Company is subject to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve Bank”).

The Bank is a stock savings bank organized under the laws of the Commonwealth of Pennsylvania and is subject to comprehensive regulation and examination by the Federal Deposit Insurance Corporation (“FDIC”) and the Pennsylvania Department of Banking (“PADOB”). The Bank was organized in 1871, and currently provides residential and commercial loans to its general service area (Montgomery, Bucks and Philadelphia Counties of Pennsylvania) as well as offering a wide variety of savings, checking and certificate of deposit accounts to its retail and business customers.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) for interim information and with the instructions to the Quarterly Report on Form 10-Q, as applicable to a smaller reporting company. Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements.

The financial statements are unaudited; but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation thereof. The balances as of June 30, 2017 have been derived from the audited consolidated financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto contained in the Annual Report on Form 10-K filed by the Company with the U.S. Securities and Exchange Commission on September 28, 2017. The results of operations for the three and nine months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending June 30, 2018 or any other period.

The Company has evaluated subsequent events through the date of issuance of the financial statements included herein.

Principles of Consolidation

The unaudited interim consolidated financial statements include accounts of the Company and its wholly-owned subsidiary, the Bank. In January 2017, the mutual to stock conversion of the Bank was completed and the Company became the parent holding company for the Bank. Prior to January 11, 2017, all financial information reflects the Bank’s transactions and balances only. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Statement of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, other-than-temporary impairments of securities (“OTTI”), interest rate lock commitments (“IRLCs”), mandatory sales commitments, the valuation of mortgage loans held-for-sale, other real estate owned, and the valuation of deferred tax assets.

Recent Accounting Pronouncements

The Company qualifies under the Jumpstart Our Business Startups Act (the “JOBS Act”) as an emerging growth company. As an emerging growth company, the Company has elected to use the extended transition period to delay adoption of new or revised accounting pronouncements until such pronouncements are made applicable to private companies.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU establishes a comprehensive revenue recognition standard for virtually all industries following U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate and construction industries. The revenue standard’s core principal is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) identify the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. Three basic transition methods are available - full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the cumulative effect alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*. The guidance in this ASU is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net*). While the ASU does not change the core provisions of Topic 606, it clarifies the implementation guidance on principal versus agent considerations. Namely, the ASU clarifies and offers guidance to help determine when the reporting entity is providing goods or services to a customer itself (i.e., the entity is a principal), or merely arranging for that good or service to be provided by the other party (i.e., the reporting entity is an agent). If the entity is a principal, it recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When the reporting entity is an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. The guidance includes indicators to assist in determining whether the control criteria are met. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*. This ASU clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The ASU includes targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. The ASU seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. The amendments in this ASU affect the guidance in ASU 2014-

09, *Revenue from Contracts with Customers*, which will be effective for fiscal years beginning after December 31, 2017 for public entities. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. This ASU clarifies certain aspects of Topic 606 guidance as follows:

- The objective of the collectability assessment is to determine whether the contract is valid and represents a substantive transaction on the basis of whether a customer has the ability and intention to pay the promised consideration in exchange for the goods or services transferred.
- An entity can recognize revenue in the amount of consideration received when it has transferred control of the goods or services, has no additional obligation to transfer goods or services, and the consideration received is nonrefundable.
- A reporting entity is permitted to make the accounting policy election to exclude amounts collected from customers for all sales taxes from the transaction price.
- The measurement date is specified as being the contract inception, and variable consideration guidance applies only to variability resulting from reasons other than the form of the consideration.
- As a practical expedient, a reporting entity is permitted to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented in accordance with Topic 606 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- The ASU clarifies that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application. Accounting for elements of a contract that do not affect revenue under legacy GAAP are irrelevant to the assessment of whether a contract is complete. In addition, the amendments in this ASU permit an entity to apply the modified retrospective transition method either to all contracts or only to contracts that are not completed contracts.

The amendments in this ASU clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. However, an entity is still required to disclose the effect of the changes on any prior periods retrospectively adjusted.

The guidance in the revenue recognition ASUs listed above is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of the various revenue recognition ASUs. The guidance does not apply to revenue associated with financial instruments, including loans and securities. The Company evaluated its non-interest revenue sources and the adoption of these ASUs will not have a material impact on its financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments – Overall (Topic 825-10): “Recognition and Measurement of Financial Assets and Financial Liabilities.” ASU 2016-01 amends the guidance on the classification and measurement of financial instruments. Some of the amendments in ASU 2016-01 include the following: 1) 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; 2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; 3) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; and 4) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value; among others. ASU 2016-01 also clarifies that an entity should assess the need for a valuation allowance on a deferred tax asset related to unrealized losses of investments in debt instruments recognized in OCI in combination with the entity's other deferred tax assets. Prior to this guidance, the alternative approach used in practice evaluated the need for a valuation allowance for a deferred tax asset related to unrealized losses on debt instruments recognized in other comprehensive income separately from other deferred tax assets. This alternative approach will no longer be acceptable. For public business entities, the amendments of ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As of March 31, 2018 we do not hold material equity investments for which fair value is accounted through other comprehensive income. We are analyzing ASU 2016-01 and do not believe that it will have a material effect on our financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases. The new leases standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification.

The new leases standard requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606.

Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The new leases standard addresses other considerations including identification of a lease, separating lease and non-lease components of a contract, sale and leaseback transactions, modifications, combining contracts, reassessment of the lease term, and re-measurement of lease payments. It also contains comprehensive implementation guidance with practical examples.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The amendments are effective for all other entities (including emerging growth entities as further described above) for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. Specific transition requirements apply. The Company's leases are operating leases and ASU 2016-02 will require us to add them to our balance sheet. The Company's operating leases are predominantly related to real estate.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument (considering estimated prepayments, but not expected extensions or modifications unless reasonable expectation of a troubled debt restructuring exists) from the date of initial recognition of that instrument.

The ASU also replaces the current accounting model for purchased credit impaired loans and debt securities. The allowance for credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination ("PCD assets"), should be determined in a similar manner to other financial assets measured on an amortized cost basis. However, upon initial recognition, the allowance for credit losses is added to the purchase price ("gross up approach") to determine the initial amortized cost basis. The subsequent accounting for PCD financial assets is the same expected loss model described above.

Further, the ASU made certain targeted amendments to the existing impairment model for available-for-sale ("AFS") debt securities. For an AFS debt security for which there is neither the intent nor a more-likely-than-not requirement to sell, an entity will record credit losses as an allowance rather than a write-down of the amortized cost basis.

The ASU is effective for public business entities for fiscal years after December 15, 2019, including interim periods within those fiscal years. The amendments are effective for all other entities (including emerging growth companies as further described above for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. In anticipation of the ASU, the Company has entered into a contract with a third party, compiled data for the modeling and is working on developing an estimate using historically and qualitative data based on the requirements of ASU 2016-13.

Adoption of New Accounting Standards

In March 2017, the FASB issued Accounting Standards Update (ASU) 2017-08, *Premium Amortization on Purchased Callable Debt Securities*. ASU 2017-08 shortens the amortization for premiums on purchased callable debt securities to the earliest call date (i.e. yield-to-earliest call amortization), rather than amortizing over the full contractual term. The ASU does not change the accounting for securities held at a discount.

The amendments apply to callable debt securities with explicit, noncontingent call features that are callable at fixed prices and on preset dates. If a security may be prepaid based on prepayments of the underlying loans, not because the issuer has exercised a date specific call option, it is excluded from the scope of the new standard. However, for instruments with contingent call features, once the contingency is resolved and the security is callable at a fixed price and preset date, the security is within the scope of the amendment. Further, the amendments apply to all premiums on callable debt securities, regardless of how they were generated.

The amendments require companies to reset the effective yield using the payment terms of the debt security if the call option is not exercised on the earliest call date. If the security has additional call dates, any excess of the amortized cost basis over the amount repayable by the issuer at the next call date should be amortized to the next call date.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those years. For all other entities, including emerging growth entities as further described above, the amendments are effective for fiscal periods beginning after December 15, 2019, and interim periods within fiscal periods 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. The Company adopted this standard on July 1, 2017 with no material impact on our consolidated financial statements.

On February 14, 2018, the Financial Accounting Standards Board finalized ASU 2018-02 - *Income Statement-Reporting Comprehensive Income (Topic 220)*. This accounting standard allows Companies to reclassify the "stranded" tax effect in accumulated other comprehensive income that resulted from the Tax Cuts and Jobs Act which was enacted in December 2017 and requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws.

The Company has elected to early-adopt this accounting standard, which provides a benefit to the financial statements by more accurately aligning the impacts of the items carried in accumulated other comprehensive income with the associate tax effect. The adoption resulted in a one-time cumulative effect adjustment of $51,000 between Retained Earnings and Accumulated Other Comprehensive Income on the Consolidated Statement of Financial Condition. The adjustment had no impact on net income or any other financial metrics in any prior periods presented.

2. Investment Securities

Investment securities available-for-sale was comprised of the following:

	March 31, 2018			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Governmental securities	**$ 1,359**	**$ 6**	**$ (25)**	**$ 1,340**
Corporate notes	**5,807**	**6**	**(94)**	**5,719**
Collateralized mortgage obligations - agency residential	**14,814**	**—**	**(454)**	**14,360**
Mortgage-backed securities - agency residential	**4,102**	—	**(161)**	**3,941**
Municipal securities	**2,066**	**—**	**(23)**	**2,043**
Bank CDs	**5,492**	**—**	**(60)**	**5,432**
	$ 33,640	**$ 12**	**$ (817)**	**$ 32,835**

Investment securities held-to-maturity was comprised of the following:

	March 31, 2018			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate notes	**$ 2,521**	**$ —**	**$ (5)**	**$ 2,516**
Municipal securities	**11,392**	**32**	**(182)**	**11,242**
	$ 13,913	**$ 32**	**$ (187)**	**$ 13,758**

Investment securities available-for-sale was comprised of the following:

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Governmental securities	$ 4,330	$ 26	$ (16)	$ 4,340
Corporate notes	11,231	59	(64)	11,226
Collateralized mortgage obligations - agency residential	12,668	59	(160)	12,567
Mortgage-backed securities - agency residential	4,520	—	(85)	4,435
Municipal securities	3,517	1	(11)	3,507
Bank CDs	6,742	23	(20)	6,745
	$ 43,008	$ 168	$ (356)	$ 42,820

Investment securities held-to-maturity was comprised of the following:

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate notes	$ 2,000	$ 12	$ —	$ 2,012
Municipal securities	9,809	88	(13)	9,884
	$ 11,809	$ 100	$ (13)	$ 11,896

The scheduled maturities of securities available-for-sale and held-to-maturity at March 31, 2018 were as follows:

	March 31, 2018			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	**$ 2,748**	**$ 2,738**	**$ 605**	**$ 604**
Due from one to five years	**7,870**	**7,758**	**3,048**	**3,023**
Due from after five to ten years	**3,083**	**3,040**	**6,993**	**6,913**
Due after ten years	**19,939**	**19,299**	**3,267**	**3,218**
	$ 33,640	**$ 32,835**	**$ 13,913**	**$ 13,758**

Securities with a fair value of $6.1 million and $8.2 million at March 31, 2018 and June 30, 2017, respectively, were pledged to secure public deposits and for other purposes as required by law.

Proceeds from the sale of available-for-sale securities for the three months and the nine months ended March 31, 2018 were $0.5 million and $11.7 million, respectively. Gross realized gains on such sales were approximately $1,000 and gross realized losses were $0 for the three months ended March 31, 2018. Gross realized gains on such sales were approximately $40,000 and gross realized losses were $5,000 for the nine months ended March 31, 2018.

Proceeds from the sale of available-for-sale securities for the three months and nine months ended March 31, 2017 were $0.5 million and $2.6 million, respectively. There were no gains or losses for the three months ended March 31, 2017. Gross realized gains on such sales were approximately $11,000 and gross realized losses on such sales were $0 for the nine months ended March 31, 2017.

The following tables summarize the unrealized loss positions of securities available-for-sale and held-to-maturity as of March 31, 2018 and June 30, 2017:

	March 31, 2018					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. Governmental securities	**$ —**	**$ —**	**$ 1,002**	**$ (25)**	**$ 1,002**	**$ (25)**
Corporate notes	**888**	**(14)**	**4,325**	**(80)**	**5,213**	**(94)**
Collateralized mortgage obligations	**6,670**	**(133)**	**7,690**	**(321)**	**14,360**	**(454)**
Mortgage-backed securities	**—**	**—**	**3,938**	**(161)**	**3,938**	**(161)**
Municipal securities	**598**	**(3)**	**1,445**	**(20)**	**2,043**	**(23)**
Bank CDs	**4,446**	**(51)**	**736**	**(9)**	**5,182**	**(60)**
	$ 12,602	**$ (201)**	**$ 19,136**	**$ (616)**	**$ 31,738**	**$ (817)**
Held-to-maturity:						
Corporate notes	**$ 516**	**$ (5)**	**$ —**	**$ —**	**$ 516**	**$ (5)**
Municipal securities	**5,287**	**(103)**	**3,890**	**(79)**	**9,177**	**(182)**
	$ 5,803	**$ (108)**	**$ 3,890**	**$ (79)**	**$ 9,693**	**$ (187)**
	$ 18,405	**$ (309)**	**$ 23,026**	**$ (695)**	**$ 41,431**	**$ (1,004)**

	June 30, 2017					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. Governmental securities	$ 1,115	$ (16)	$ —	$ —	$ 1,115	$ (16)
Corporate notes	2,045	(6)	2,492	(58)	4,537	(64)
Collateralized mortgage obligations	2,218	(40)	4,278	(120)	6,496	(160)
Mortgage-backed securities	3,297	(46)	1,133	(39)	4,430	(85)
Municipal securities	2,214	(9)	238	(2)	2,452	(11)
Bank CDs	2,736	(13)	243	(7)	2,979	(20)
	$ 13,625	$ (130)	$ 8,384	$ (226)	$ 22,009	$ (356)
Held-to-maturity:						
Municipal securities	$ 3,227	$ (11)	$ 501	$ (2)	$ 3,728	$ (13)
	$ 16,852	$ (141)	$ 8,885	$ (228)	$ 25,737	$ (369)

At March 31, 2018 and June 30, 2017, the investment portfolio included five and ten U.S. Government securities, respectively, with total fair values of $1.3 million and $4.3 million, respectively. Of these securities, three were in an unrealized loss position as of March 31, 2018 and June 30, 2017, respectively. These securities are zero risk weighted for capital purposes and are guaranteed for repayment of principal and interest. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the U.S. Governmental securities in an unrealized loss position held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than not, will not be required to sell the securities before a recovery of the cost has occurred.

At March 31, 2018 and June 30, 2017, the investment portfolio included 15 and 24 corporate notes with total fair values of $8.2 million and $13.2 million, respectively. Of these securities, 12 and nine were in an unrealized loss position as of March 31, 2018 and June 30, 2017. At the time of purchase and as of March 31, 2018 and June 30, 2017, these bonds continue to maintain investment grade ratings. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the corporate notes held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than will not, will not be required to sell the securities before a recovery of the cost has occurred.

At March 31, 2018 and June 30, 2017, the investment portfolio included 41 and 35 collateralized mortgage obligations ("CMOs") with total fair values of $14.4 million and $12.6 million, respectively. Of these securities, 41 and 28 were in an unrealized loss position as of March 31, 2018 and June 30, 2017, respectively. The CMO portfolio is comprised of 100% agency (FHLMC, FNMA and GNMA) investment grade bonds. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the CMOs held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than not, will not be required to sell the securities before a recovery of the cost has occurred.

At March 31, 2018 and June 30, 2017, the investment portfolio included 15 mortgage backed securities ("MBS") with a total fair value of $3.9 million and $4.4 million, respectively. Of these securities, 12 were in an unrealized loss position as of March 31, 2018 and June 30, 2017, respectively. The MBS portfolio is comprised of 100% agency (FHLMC, FNMA and GNMA) investment grade bonds. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the MBS held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than not, will not be required to sell the securities before a recovery of the cost has occurred.

At March 31, 2018 and June 30, 2017, the investment portfolio included 29 and 30 municipal securities with a total fair value of $13.3 million and $13.4 million, respectively. Of these securities, 24 and 13 were in an unrealized loss position as of March 31, 2018 and June 30, 2017, respectively. The Company's municipal portfolio issuers are located in Pennsylvania and at the time of purchase, and as of March 31, 2018 and June 30, 2017, continue to maintain investment grade ratings. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the municipal securities held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than not, will not be required to sell the securities before a recovery of the cost has occurred.

At March 31, 2018 and June 30, 2017, the investment portfolio included 22 and 26 Bank Certificate of Deposits ("CDs") with a total fair value of $5.4 million and $6.7 million, respectively. Of these securities, 21 and 12 were in an unrealized loss position as of March 31, 2018 and June 30, 2017, respectively. The Bank CDs are fully insured by the FDIC. As of March 31, 2018 and June 30, 2017, management found no evidence of OTTI on any of the Bank CDs held in the investment securities portfolio. The Company has the ability to hold to maturity and more likely than not, will not be required to sell the securities before a recovery of the cost has occurred.

3. Loans Receivable

Loans receivable were comprised of the following:

(Dollars in thousands)	**March 31, 2018**	June 30, 2017
Residential:		
One-to-four family	**$ 148,493**	$ 88,578
Home equity and HELOCs	**4,698**	5,466
Commercial:		
Commercial real estate	**12,533**	12,191
Commercial business	**3,664**	3,801
Construction	**5,507**	2,004
Consumer:		
Medical education	**7,237**	—
Other	**3**	5
	182,135	112,045
Less:		
Unearned discounts, origination and commitment fees and costs	**1,263**	359
Allowance for loan losses	**(759)**	(593)
	$ 182,639	$ 111,811

In November 2017, the Bank entered into a loan purchase agreement with a broker to purchase a portfolio of private education loans made to American citizens attending American Medical Association ("AMA") approved medical schools in Caribbean Nations. The broker serves as a lender, holder, program designer and developer, administrator, and secondary market for the loan portfolios they generate. At March 31, 2018, the balance of the private education loans was $7.2 million. The private student loans are made following a proven credit criteria and were underwritten in accordance with the Bank's policies. Recourse includes a fully paid insurance wrap for the life of the loan provided by an insurance company who is required to repurchase loans delinquent over 180 days.

Overdraft deposits are reclassified as other consumer and commercial business loans and are included in the total loans on the statements of financial condition. Overdrafts were $4,000 and $5,000 at March 31, 2018 and June 30, 2017, respectively.

The following table summarizes the activity in the allowance for loan losses by loan class for the three months ended March 31, 2018 and 2017.

Allowance for Loan Losses	For the three months ended March 31, 2018						
(Dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	(Credit) Provisions	Ending Balance	Ending Balance: Individually Evaluated for Impairment	E B Co E Imp
Residential:							
One-to-four family	$ 472	$ —	$ 1	$ 76	$ 549	$ —	$
Home equity and HELOCs	38	—	—	(1)	37	—	
Commercial:							
Commercial real estate	86	(1)	—	(5)	80	—	
Commercial business	58	—	—	4	62	14	
Construction	10	—	—	3	13	—	
Consumer:							
Medical education	19	—	—	(1)	18	—	
Other	—	—	—	—	—	—	
	$ 683	$ (1)	$ 1	$ 76	$ 759	$ 14	$

Allowance for Loan Losses	For the three months ended March 31, 2017						
(Dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	(Credit) Provisions	Ending Balance	Ending Balance: Individually Evaluated for Impairment	I
Residential:							
One-to-four family	$ 362	$ —	$ 2	$ (20)	$ 344	$ —	$
Home equity and HELOCs	114	(125)	—	25	14	—	
Commercial:							
Commercial real estate	118	—	25	(27)	116	14	
Commercial business	20	—	—	18	38	15	
Construction	1	—	—	1	2	—	
Consumer:							
Other	—	(3)	1	2	—	—	
Unallocated reserve	11	—	—	(11)	—	—	
	$ 626	$ (128)	$ 28	$ (12)	$ 514	$ 29	$

The following tables summarize the activity in the allowance for loan losses by loan class for the nine months ended March 31, 2018 and 2017.

Allowance for Loan Losses	**For the nine months ended March 31, 2018**						
(Dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**(Credit) Provisions**	**Ending Balance**	**Ending Balance: Individually Evaluated for Impairment**	**Ending Balance: Collectively Evaluated for Impairments**
Residential:							
One-to-four family	**$ 399**	**$ (12)**	**$ 45**	**$ 117**	**$ 549**	**$ —**	**$ 549**
Home equity and HELOCs	**38**	**—**	**—**	**(1)**	**37**	**—**	**37**
Commercial:							
Commercial real estate	**89**	**(23)**	**—**	**14**	**80**	**—**	**80**
Commercial business	**58**	**—**	**—**	**4**	**62**	**14**	**48**
Construction	**9**	**—**	**—**	**4**	**13**	**—**	**13**
Consumer:							
Medical education	**—**	**—**	**—**	**18**	**18**	**—**	**18**
Other	**—**	**—**	**1**	**(1)**	**—**	**—**	**—**
	$ 593	**$ (35)**	**$ 46**	**$ 155**	**$ 759**	**$ 14**	**$ 745**

Allowance for Loan Losses	**For the nine months ended March 31, 2017**						
(Dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**(Credit) Provisions**	**Ending Balance**	**Ending Balance: Individually Evaluated for Impairment**	**Ending Balance: Collectively Evaluated for Impairments**
Residential:							
One-to-four family	$ 314	$ —	$ 7	$ 23	$ 344	$ —	$ 344
Home equity and HELOCs	18	(125)	—	121	14	—	14
Commercial:							
Commercial real estate	131	—	25	(40)	116	14	102
Commercial business	23	—	—	15	38	15	23
Construction	1	—	—	1	2	—	2
Consumer:							
Other	—	(5)	2	3	—	—	—
	$ 487	$ (130)	$ 34	$ 123	$ 514	$ 29	$ 485

The following tables summarize information in regards to the recorded investment in loans receivable by loan class as of March 31, 2018 and June 30, 2017:

March 31, 2018

Loans Receivable			
(Dollars in thousands)	**Ending Balance**	**Ending Balance: Individually Evaluated for Impairment**	**Ending Balance: Collectively Evaluated for Impairment**
Residential			
One-to-four family	**$ 148,493**	**$ 1,886**	**$ 146,607**
Home equity and HELOCs	**4,698**	**105**	**4,593**
Commercial			
Commercial real estate	**12,533**	**402**	**12,131**
Commercial business	**3,664**	**158**	**3,506**
Construction	**5,507**	**—**	**5,507**
Consumer:			
Medical education	**7,237**	**—**	**7,237**
Other	**3**	**—**	**3**
	$ 182,135	**$ 2,551**	**$ 179,584**

June 30, 2017

Loans Receivable			
(Dollars in thousands)	**Ending Balance**	**Ending Balance: Individually Evaluated for Impairment**	**Ending Balance: Collectively Evaluated for Impairment**
Residential			
One-to-four family	$ 88,578	$ 1,198	$ 87,380
Home equity and HELOCs	5,466	196	5,270
Commercial			
Commercial real estate	12,191	514	11,684
Commercial business	3,801	173	3,628
Construction	2,004	—	2,004
Consumer:			
Other	5	—	5
	$ 112,045	$ 2,081	$ 109,971

The following table summarizes information in regard to impaired loans by loan portfolio class as of March 31, 2018 and June 30, 2017:

	March 31, 2018			June 30, 2017		
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded						
Residential:						
One-to-four family	**$ 1,886**	**$ 1,886**	**$ —**	$ 1,198	$ 1,198	$ —
Home equity and HELOCs	**105**	**105**	**—**	196	196	—
Commercial:						
Commercial real estate	**402**	**402**	**—**	514	514	—
	2,393	**2,393**	**—**	1,908	1,908	—
With an allowance recorded						
Commercial:						
Commercial business	**158**	**158**	**14**	173	173	15
	158	**158**	**14**	173	173	15
	$ 2,551	**$ 2,551**	**$ 14**	$ 2,081	$ 2,081	$ 15

The following table presents additional information regarding the impaired loans for the three months ended March 31, 2018 and March 31, 2017:

	Three Months Ended March 31,			
	2018		2017	
(Dollars in thousands)	Average Record Investment	Interest Income Recognized	Average Record Investment	Interest Income Recognized
With no related allowance recorded				
Residential:				
One-to-four family	**$ 1,562**	**$ 6**	$ 1,082	$ 2
Home equity and HELOCs	**105**	**—**	253	—
Commercial:				
Commercial real estate	**404**	**7**	548	8
	2,071	**13**	1,883	10
With an allowance recorded				
Residential:				
Home equity and HELOCs	**—**	**—**	—	—
Commercial:				
Commercial real estate	**—**	**—**	199	4
Commercial business	**160**	**2**	181	2
	160	**2**	380	6
	$ 2,231	**$ 15**	$ 2,263	$ 16

If these loans were performing under the original contractual rate, interest income on such loans would have increased approximately $19,000 and $20,000 for the three months ended March 31, 2018 and 2017, respectively.

The following table presents additional information regarding the impaired loans for the nine months ended March 31, 2018 and March 31, 2017:

	Nine Months Ended March 31,			
	2018		2017	
(Dollars in thousands)	Average Record Investment	Interest Income Recognized	Average Record Investment	Interest Income Recognized
With no related allowance recorded				
Residential:				
One-to-four family	$ 1,429	$ 9	$ 946	$ 5
Home equity and HELOCs	106	—	152	—
Commercial:				
Commercial real estate	408	21	552	24
	1,943	30	1,650	29
With an allowance recorded				
Residential:				
Home equity and HELOCs	—	—	—	—
Commercial:				
Commercial real estate	—	—	200	12
Commercial business	165	7	186	8
	165	7	386	20
	$ 2,108	$ 37	$ 2,036	$ 49

If these loans were performing under the original contractual rate, interest income on such loans would have increased approximately $59,000 and $65,000 for the nine months ended March 31, 2018 and 2017, respectively.

The following table presents nonaccrual loans by classes of the loan portfolio as of March 31, 2018 and June 30, 2017:

(Dollars in thousands)	March 31, 2018	June 30, 2017
Residential:		
One-to-four family	$ 1,326	$ 1,198
Home equity and HELOCs	105	110
Commercial:		
Commercial real estate	—	100
Commercial business	—	—
Construction	—	—
Consumer:		
Medical education	—	—
Other	—	—
	$ 1,431	$ 1,408

Credit quality risk ratings include regulatory classifications of Special Mention, Substandard, Doubtful and Loss. Loans classified as Special Mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of prospects for repayment. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

The following tables summarize the aggregate Pass and criticized categories of Special Mention, Substandard and Doubtful within the Company's internal risk rating system as of March 31, 2018 and June 30, 2017:

	March 31, 2018				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Residential:					
One-to-four family	**$ 146,607**	**$ —**	**$ 1,886**	**$ —**	**$ 148,493**
Home equity and HELOCs	**4,593**	**—**	**105**	**—**	**4,698**
Commercial:					
Commercial real estate	**11,913**	**218**	**402**	**—**	**12,533**
Commercial business	**3,506**	**—**	**158**	**—**	**3,664**
Construction	**5,507**	**—**	**—**	**—**	**5,507**
Consumer:					
Medical education	**7,237**	**—**	**—**	**—**	**7,237**
Other	**3**	**—**	**—**	**—**	**3**
	$ 179,366	**$ 218**	**$ 2,551**	**$ —**	**$ 182,135**

	June 30, 2017				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Residential:					
One-to-four family	$ 87,099	$ —	$ 1,479	$ —	$ 88,578
Home equity and HELOCs	5,270	—	196	—	5,466
Commercial:					
Commercial real estate	11,283	552	356	—	12,191
Commercial business	3,628	—	173	—	3,801
Construction	2,004	—	—	—	2,004
Consumer:					
Other	5	—	—	—	5
	$ 109,289	$ 552	$ 2,204	$ —	$ 112,045

The following tables present the segments of the loan portfolio summarized by aging categories as of March 31, 2018 and June 30, 2017:

	March 31, 2018						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Rec D A
Residential:							
One-to-four family	**$ 757**	**$ 409**	**$ 747**	**$ 1,913**	**$ 146,580**	**$ 148,493**	**$**
Home equity and HELOCs	**—**	**—**	**105**	**105**	**4,593**	**4,698**	
Commercial:							
Commercial real estate	**—**	**—**	**—**	**—**	**12,533**	**12,533**	
Commercial business	**—**	**—**	**—**	**—**	**3,664**	**3,664**	
Construction	**—**	**—**	**—**	**—**	**5,507**	**5,507**	
Consumer:							
Medical education	**48**	**61**	**—**	**109**	**7,128**	**7,237**	
Other	**—**	**—**	**—**	**—**	**3**	**3**	
	$ 805	**$ 470**	**$ 852**	**$ 2,127**	**$ 180,008**	**$ 182,135**	**$**

	June 30, 2017						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Rec D A
Residential:							
One-to-four family	$ 554	$ 381	$ 950	$ 1,885	$ 86,693	$ 88,578	$
Home equity and HELOCs	—	—	110	110	5,356	5,466	
Commercial:							
Commercial real estate	—	—	100	100	12,091	12,191	
Commercial business	—	—	—	—	3,801	3,801	
Construction	—	—	—	—	2,004	2,004	
Consumer:							
Other	—	—	—	—	5	5	
	$ 554	$ 381	$ 1,160	$ 2,095	$ 109,950	$ 112,045	$

The Company may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider resulting in a modified loan that is then identified as a troubled debt restructuring ("TDR"). The Company may modify loans through rate reductions, extensions of maturity, interest only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating the Company's allowance for loan losses. TDRs are restored to accrual status when the obligation is brought current, has performed in accordance with the modified contractual terms for a reasonable period of time, generally six months, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Company may identify loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions and negative trends may result in a payment default in the near future.

As of March 31, 2018 and June 30, 2017, the Company had two loans identified as TDRs totaling $311,000 and $331,000, respectively. At March 31, 2018 and June 30, 2017, both of the TDRs were performing in compliance with their restructured terms and on accrual status. There were no modifications to loans classified as TDRs during the nine months ended March 31, 2018 and 2017. No additional loan commitments were outstanding to these borrowers at March 31, 2018 and June 30, 2017. At March 31, 2018 and June 30, 2017, there was a specific reserve of $14,000 and $15,000 related to one TDR.

The following table details the Company's TDRs that are on accrual status and non-accrual status at March 31, 2018:

	As of March 31, 2018			
(Dollars in thousands)	Number Of Loans	Accrual Status	Non-Accrual Status	Total TDRs
Commercial real estate	**2**	**$ 311**	**$ —**	**$ 311**
Total	**2**	**$ 311**	**$ —**	**$ 311**

The following table details the Company's TDRs that are on accrual status and non-accrual status at June 30, 2017:

	As of June 30, 2017			
(Dollars in thousands)	Number Of Loans	Accrual Status	Non-Accrual Status	Total TDRs
Commercial real estate	2	$ 331	$ —	$ 331
Total	2	$ 331	$ —	$ 331

The carrying amount of residential mortgage loans in the process of foreclosure was $652,000 and $946,000 at March 31, 2018 and June 30, 2017, respectively.

4. Derivatives and Risk Management Activities

The Company did not have any derivative instruments designated as hedging instruments or subject to master netting and collateral agreements as of March 31, 2018 and June 30, 2017 and for the nine months ended March 31, 2018 and 2017. The following tables summarize the amounts recorded in the Company's consolidated statements of financial condition for derivatives not designated as hedging instruments as of March 31, 2018 and June 30, 2017 (in thousands):

March 31, 2018

Asset Derivatives

	Balance Sheet Presentation	Fair Value	Notional Amount
Interest rate lock commitments	Mortgage banking derivatives	**$ 610**	**$ 21,103**
Forward loan sales commitments	Mortgage banking derivatives	**142**	**3,646**
To Be Announced securities	Mortgage banking derivatives	**—**	**—**

Liability Derivatives

	Balance Sheet Presentation	Fair Value	Notional Amount
Interest rate lock commitments	Other liabilities	**$ 39**	**$ 4,000**
Forward loan sales commitments	Other liabilities	**9**	**300**
To Be Announced securities	Other liabilities	**46**	**14,750**

June 30, 2017

Asset Derivatives

	Balance Sheet Presentation	Fair Value	Notional Amount
Interest rate lock commitments	Mortgage banking derivatives	$ 786	$ 21,389
Forward loan sales commitments	Mortgage banking derivatives	179	10,864
To Be Announced securities	Mortgage banking derivatives	36	14,750

Liability Derivatives

	Balance Sheet Presentation	Fair Value	Notional Amount
Interest rate lock commitments	Other liabilities	$ 19	$ 4,089
Forward loan sales commitments	Other liabilities	37	3,713
To Be Announced securities	Other liabilities	8	2,750

The following table summarizes the amounts recorded in the Company's consolidated statements of income for derivative instruments not designated as hedging instruments for the three and nine months ended March 31, 2018 and March 31, 2017 (in thousands):

		Gain/(Loss) Three Months Ended	
	Consolidated Statements of Income Presentation	March 31, 2018	March 31, 2017
Interest rate lock commitments	Gain from derivative instruments	**$ 346**	$ 140
Forward loan sales commitments	(Loss) gain from derivative instruments	**(132)**	332
To Be Announced securities	Loss from derivative instruments	**(29)**	(3)
	Total gain from derivative instruments	**$ 185**	$ 469

	Consolidated Statements of Income Presentation	Gain/(Loss) Nine Months Ended March 31, 2018	March 31, 2017
Interest rate lock commitments	Loss from derivative instruments	**$ (196)**	$ (128)
Forward loan sales commitments	Loss from derivative instruments	**(9)**	(596)
To Be Announced securities	(Loss) gain from derivative instruments	**(74)**	255
	Total loss from derivative instruments	**$ (279)**	$ (469)

5. Fair Value of Financial Instruments

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

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is determined at a reasonable point within the range that is most representative of fair value under current market conditions. Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends, and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Assets measured at fair value on a recurring basis at March 31, 2018 and June 30, 2017 are summarized below:

	March 31, 2018			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
U.S. governmental securities	**$ —**	**$ 1,340**	**$ —**	**$ 1,340**
Corporate notes	**—**	**5,226**	**493**	**5,719**
Collateralized mortgage obligations - agency residential	**—**	**14,360**	**—**	**14,360**
Mortgage-backed securities - agency residential	**—**	**3,941**	**—**	**3,941**
Municipal securities	**—**	**2,043**	**—**	**2,043**
Bank CDs	**—**	**5,189**	**243**	**5,432**
Loans held for sale	**—**	**8,225**	**—**	**8,225**
Interest rate lock commitments	**—**	**—**	**610**	**610**
Forward loan sales commitments	**—**	**142**	**—**	**142**

	June 30, 2017			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
U.S. governmental securities	$ —	$ 4,340	$ —	$ 4,340
Corporate notes	—	10,258	968	11,226
Collateralized mortgage obligations - agency residential	—	12,567	—	12,567
Mortgage-backed securities - agency residential	—	4,435	—	4,435
Municipal securities	—	3,507	—	3,507
Bank CDs	—	6,502	243	6,745
Loans held for sale	—	12,784	—	12,784
Interest rate lock commitments	—	—	786	786
Forward loan sales commitments	—	179	—	179
To Be Announced securities	—	36	—	36

Liabilities measured at fair value on a recurring basis at March 31, 2018 are summarized below.

	March 31, 2018			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Interest rate lock commitments	**$ —**	**$ —**	**$ 39**	**$ 39**
Forward loan sales commitments	**—**	**9**	**—**	**9**
To Be Announced securities	**—**	**46**	**—**	**46**

Liabilities measured at fair value on a recurring basis at June 30, 2017 are summarized below.

	June 30, 2017			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Interest rate lock commitments	$ —	$ —	$ 19	$ 19
Forward loan sales commitments	—	37	—	37
To Be Announced securities	—	8	—	8

The following tables represent the change in the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended March 31, 2018 and 2017:

	Level 3			
(Dollars in thousands)	Bank CDs	Corporate notes	IRLC- Asset	IRLC- Liability
Beginning Balance:January 1, 2018	**$ 243**	**$ 988**	**$ 251**	**$ (26)**
Total gains (unrealized):				
Included in other comprehensive income	**—**	**4**	**—**	**—**
Total (losses) or gains included in earnings and held at reporting date	**—**	**1**	**359**	**(13)**
Purchases, sales and settlements		**(500)**		
Transfers in and/or out of Level 3	**—**	**—**	**—**	**—**
Ending Balance: March 31, 2018	**$ 243**	**$ 493**	**$ 610**	**$ (39)**

	Level 3			
(Dollars in thousands)	Bank CDs	Corporate notes	IRLC- Asset	IRLC- Liability
Beginning Balance: January 1, 2017	$ —	$ —	$ 315	$ (4)
Total gains (unrealized):				
Included in other comprehensive income	—	—	—	—
Total (losses) or gains included in earnings and held at reporting date	—	—	524	(37)
Transfers in and/or out of Level 3	—	—	—	—
Ending Balance: March 31, 2017	$ —	$ —	$ 839	$ (41)

	Level 3			
(Dollars in thousands)	Bank CDs	Corporate notes	IRLC- Asset	IRLC- Liability
Beginning Balance: July 1, 2017	**$ 243**	**$ 968**	**$ 786**	**$ (19)**
Total gains (unrealized):				
Included in other comprehensive income	**—**	**24**	**—**	**—**
Total (losses) or gains included in earnings and held at reporting date	**—**	**1**	**(176)**	**(20)**
Purchases, sales and settlements		**(500)**		
Transfers in and/or out of Level 3	**—**	**—**	**—**	**—**
Ending Balance: March 31, 2018	**$ 243**	**$ 493**	**$ 610**	**$ (39)**

(Dollars in thousands)	Level 3 Bank CDs		Corporate notes		IRLC- Asset		IRLC- Liability	
Beginning Balance: July 1, 2016	$	—	$	—	$	1,084	$	(32)
Total losses (unrealized):								
Included in other comprehensive income		—		—		—		—
Total (losses) or gains included in earnings and held at reporting date		—		—		(245)		(9)
Transfers in and/or out of Level 3						—		—
Ending Balance: March 31, 2017	$	—	$	—	$	839	$	(41)

There were no assets measured at fair value on a nonrecurring basis at March 31, 2018.

The estimated fair values of the Company's financial instruments at March 31, 2018 and June 30, 2017 are as follows:

March 31, 2018 (Dollars in thousands)		Carrying Amount		Estimated Fair Value		Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3
Assets:										
Cash and cash equivalents	$	14,942	$	14,942	$	14,942	$	—	$	—
Investment securities held-to-maturity		13,913		13,758		—		11,758		2,000
Loans receivable, net		182,639		175,465		—		—		175,465
Restricted investment in bank stock		743		743		—		—		743
Accrued interest receivable		854		854		854		—		—
Liabilities:										
Deposits	$	214,794	$	212,370	$	29,625	$	—	$	182,745
Advances from the FHLB		12,000		11,789		—		—		11,789
Securities sold under agreements to repurchase		3,296		3,296		—		—		3,296
Advances from borrowers for taxes and insurance		1,643		1,643		1,643		—		—
Accrued interest payable		19		19		19		—		—

June 30, 2017 *(Dollars in thousands)*	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:					
Cash and cash equivalents	$ 28,577	$ 28,577	$ 28,577	$ —	$ —
Investment securities held-to-maturity	11,809	11,896	—	9,884	2,012
Loans receivable, net	111,811	107,510	—	—	107,510
Restricted investment in bank stock	643	643	—	—	643
Accrued interest receivable	620	620	—	620	—
Liabilities:					
Deposits	$ 170,481	$ 160,764	$ —	$ 160,764	$ —
Advances from the FHLB	9,000	8,958	—	8,958	—
Securities sold under agreements to repurchase	2,883	2,883	—	2,883	—
Accrued interest payable	20	20	—	20	—

The above information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. There were no changes in methodologies or transfers between levels at March 31, 2018 and June 30, 2017.

The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at March 31, 2018 and June 30, 2017:

Cash and Cash Equivalents

These short-term assets are valued at their face value, which approximate fair value.

Investments (Available- for- Sale and Held- to- Maturity)

Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain Mortgage Backed Securities (MBS), Collateralized Mortgage Obligations (CMO), Corporate notes, and Municipal and U.S government securities. In cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. Investment securities classified within Level 3 include certain equity securities that do not have readily available market prices, certain corporate notes, certain Bank CDS and other less liquid investment securities. If observable market-based inputs are not available, we use unobservable inputs to determine appropriate valuation adjustments by reviewing valuation reports provided by a third-party (Level 3).

Loans Held for Sale at Fair Value

All mortgage loans held for sale are carried at fair value which is determined on a recurring basis by utilizing quoted prices from dealers in such loans.

The Company's mortgage loans held for sale are generally classified within Level 2 of the valuation hierarchy.

The following table reflects the difference between the carrying amount of mortgage loans held for sale, measured at fair value and the aggregate unpaid principal amount that the Company is contractually entitled to receive at maturity as of March 31, 2018 and June 30, 2017 (in thousands):

Loans held for sale	Carrying Amount	Aggregated Unpaid Principal Balance	Excess Carrying Amount Over Aggregate Unpaid Principal Balance
March 31, 2018	**$ 8,225**	**$ 8,093**	**$ 132**
June 30, 2017	$ 12,784	$ 12,534	$ 250

The Company did not have any mortgage loans held for sale recorded at fair value that were 90 or more days past due and on non-accrual at March 31, 2018, or June 30, 2017.

Interest Rate Lock Commitments ("IRLC")

The fair value of the Company's IRLC instruments are based upon the underlying mortgage loan adjusted for the probability of such commitments being exercised and estimated costs to complete and originate the loan. The Company's IRLCs are classified within Level 3 of the valuation hierarchy as a result of unobservable market data inputs.

Forward Loan Sale Commitments

Fair values for forward loan sales commitments are based on forward prices with dealers in such securities. Due to the observable inputs used by the Company, the Company's forward loan sales commitments are classified within Level 2 of the valuation hierarchy.

To Be Announced Securities ("TBAs")

TBAs are valued based on forward dealer marks from the Company's approved counterparties. The Company utilizes a third party market pricing service which compiles current prices for instruments from market sources, and those prices represent the current executable price. Due to the observable inputs used by the Company, the Company's TBAs are classified within Level 2 of the valuation hierarchy.

Loan Receivable, Net

Fair values are estimated for portfolios of loans with similar financial characteristics. For loans that reprice frequently, the carrying value approximates fair value. The fair value of other type of loans is estimated by discounting expected cash flows using the current rates at which similar loans would be made to borrowers with comparable credit ratings and for similar remaining maturities.

Restricted Investment in Bank Stock

The stock is carried at cost; which approximates fair value and considers the limited marketability of such securities.

Accrued Interest Receivable and Accrued Interest Payable

The carrying amount of accrued interest receivable and payable approximates their respective fair values.

Deposits

The fair value of demand deposits, savings accounts, and money market deposits is estimated by discounting expected cash flow, net of expected servicing costs, using the current rates and anticipated maturities of each deposit category. As these deposits do not have stated maturity dates, the average lives of these deposits are estimated when calculating the discounted cash flow. The fair value of certificates of deposit is estimated discounting the contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with comparable remaining maturities.

Advances from the FHLB

The fair value of advances is estimated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for borrowings with comparable terms, credit, and remaining maturities.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are carried at the amounts at which the securities will be subsequently repurchased as specified in the agreements and the carrying amount is a reasonable estimate of the fair value. The Company values the collateral on a daily basis and obtains additional collateral, if necessary, to protect the Company in the event of default by the counterparties.

Commitments to Extend Credit

The majority of the Company's commitments to extend credit carry current market interest rates if converted to loans. Because commitments to extend credit are generally unassignable by either the Company or the borrower, they only have value to the Company and the borrower. The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties and is not considered material for disclosure.

6. CHANGES IN AND RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present the changes in the balances of each component of accumulated other comprehensive income ("AOCI") for the three and nine months ended March 31, 2018 and March 31, 2017. All amounts are presented net of tax.

Net unrealized holding gains on available-for-sales securities (1):

(Dollars in thousands)	Three Months Ended March 31, 2018	Nine Months Ended March 31, 2018
Balance at beginning period	**$ (301)**	**$ (111)**
Unrealized holding losses on available-for-sale securities before reclassification	**(265)**	**(431)**
Amount reclassified for investment securities gains included in net income	**(1)**	**(25)**
Net current-period other comprehensive loss	**(266)**	**(456)**
Reclassification of certain income tax effects from accumulated other comprehensive income	**(51)**	**(51)**
Balance at ending period	**$ (618)**	**$ (618)**

(1) All amounts are net of tax. Related income tax expense or benefit is calculated using an income tax rate approximately 29.7% and 32.8% for the three months end March 31, 2018 and 2017 and 30.0% and 43.4% for the nine months end March 31, 2018 and 2017.

(Dollars in thousands)	Three Months Ended March 31, 2017		Nine Months Ended March 31, 2017	
Balance at beginning period	$	(323)	$	(7)
Unrealized holding losses on available-for-sale securities before reclassification		41		(268)
Amount reclassified for investment securities gains included in net income		—		(7)
Net current-period other comprehensive loss		41		(275)
Balance at ending period	$	(282)	$	(282)

(1)All amounts are net of tax. Related income tax expense or benefit is calculated using an income tax rate approximately 29.7% and 32.8% for the three months end March 31, 2018 and 2017 and 30.0% and 43.4% for the nine months end March 31, 2018 and 2017.

The following tables present reclassifications out of AOCI by component for the three and nine months ended March 31, 2018 and March 31, 2017.

	For the three months ended March 31, 2018		For the nine months ended March 31, 2018		
(Dollars in thousands)	Amount reclassified from accumulated other comprehensive income (2)		Amount reclassified from accumulated other comprehensive income (2)		Affected Line item in the consolidated statement of income
Net unrealized gain on available-for securities (1)	$	1	$	35	Net gain on sale of investment securities
		—		(10)	Income taxes
	$	1	$	25	

(Dollars in thousands)	For the three months ended March 31, 2017		For the nine months ended	March 31, 2017	
	Amount reclassified from accumulated other comprehensive income (2)		Amount reclassified from accumulated other comprehensive income (2)		Affected Line item in the consolidated statement of income
Net unrealized gain on investment securities (1)	$	—	$	11	Net gain o sale of investmen securities
		—		(4)	Income taxes
	$	—	$	7	

(1) For additional details related to unrealized gains on investment securities and related amounts reclassified from accumulated other comprehensive loss, see Note 2, "Investment securities."

(2) Amounts in parenthesis indicate debits.

7. Earnings per Share

Earnings per share ("EPS") consist of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for each period presented. The diluted EPS calculation reflects the EPS if all outstanding instruments convertible to common stock were exercised. For the three and nine months ended March 31, 2018 and 2017, there were no stock options or other convertible instruments outstanding. Therefore, there is no effect of dilution on the Company’s earnings per share.

The calculation of EPS for the three and nine months ended March 31, 2018 and 2017 is as follows (in thousands, except per share data):

	For the Three Months Ended March 31		For the Nine Months Ended March 31	
	2018	**2017**	**2018**	**2017**
Net income (basic and diluted)	**$ 132**	$ 98	**$ 547**	$ 390
Weighted average number of shares issued	**2,182,125**	1,915,421	**2,182,125**	629,153
Less weighted average number of unearned ESOP shares	**$ (164,411)**	—	**$ (166,611)**	—
Weighted average shares outstanding	**2,017,714**	1,915,421	**2,015,514**	629,153
Net income per share – basic and diluted	**$ 0.07**	$ 0.05	**$ 0.27**	$ 0.62

8. Employee Stock Ownership Plan

The Company adopted the Huntingdon Valley Bank Employee Stock Ownership Plan (the "ESOP") for eligible employees. Eligible employees who have attained age 21 may participate in the ESOP on the later of the effective date of the ESOP or upon the first entry date commencing on or after the eligible employee's completion of 1,000 hours of service during a continuous 12-month period.

During the nine months ended March 31, 2018, the ESOP made a loan payment of approximately $91,000 to HV Bancorp and released 8,729 shares from the suspense account. The balance of the loan as of March 31, 2018 is $2.3 million compared to $2.4 million at June 30, 2017.

Dividend declared on common stock held by the ESOP which has not been allocated to the account of a participant can be used to repay the loan. During the nine months ended March 31, 2018, the ESOP received approximately $87,000 related to the special dividend declared of $0.50 per share and intends to use the dividend towards the future loan payment.

During the nine months ended March 31, 2018, ESOP shares committed to be released were 6,546 with a value of approximately $67,000. There were no shares purchased by the ESOP during the nine months ended March 31, 2018.

9. Related Party Transactions

In November 2017, the Company engaged a third party to provide services for certain customers with large deposit balances, by offering both a competitive rate of return and FDIC insurance. Related party balances in this program totaled $103.7 million at March 31, 2018 for which we received approximately $43,000 and $126,000 in fees for customer services which is included in the three month and nine months ended March 31, 2018.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements and information relating to the Company within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on the beliefs of management as well as assumptions made by and information currently available to management. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "should," "could," or "may" and similar expressions or the negative thereof. Certain factors that could cause actual results to differ materially from expected results include, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business of the Company, and changes in the securities markets. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. We caution readers not to place undue reliance on forward-looking statements. The Company disclaims any obligation to revise or update any forward-looking statements contained in this Form 10-Q to reflect future events or developments.

Overview

The Bank provides financial services to individuals and businesses from our main office in Huntingdon Valley, Pennsylvania, and from our three additional full-service banking offices located in Plumsteadville, Warrington and Huntingdon Valley, Pennsylvania. We also operate a limited service branch in Philadelphia, Pennsylvania. We have a loan production office located in Warminster, Pennsylvania and a loan origination office in Montgomeryville, Pennsylvania. Our primary market area includes Montgomery, Bucks and Philadelphia Counties in Pennsylvania. Our principal business consists of attracting retail deposits from the general public in our market area and investing those deposits, together with funds generated from operations and borrowings, primarily in one- to four-family residential mortgage loans, commercial real estate loans (including multi-family loans), home equity loans and lines of credit and, to a lesser extent, consumer and construction loans. We retain our loans in portfolio depending on market conditions, but we primarily sell our fixed-rate one- to four-family residential mortgage loans in the secondary market. We also invest in various investment securities. Our revenue is derived principally from interest on loans and investments and loan sales. Our primary sources of funds are deposits, Federal Home Loan Bank advances and principal and interest payments on loans and securities.

Our results of operations depend primarily on our net interest income which is the difference between the interest income we earn on our interest-earning assets and the interest we pay on our interest-bearing liabilities. Our results of operations also are affected by our provision for loan losses, non-interest income and non-interest expense. Non-interest income consists primarily of gains recognized from the sale of residential mortgage loans in the secondary market, fees and service charges on deposit accounts, gain (loss) from hedging instruments and change in fair value of loans held for sale. Non-interest expense primarily consists of expenses related to salaries and employee benefits, occupancy, data processing related operations, professional fees, and other expenses.

Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Critical Accounting Policies

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. Critical accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the current period or in future periods.

Our critical accounting policies involving significant judgments and assumptions used in the preparation of the Financial Statements as of March 31, 2018 have remained unchanged from the disclosures presented in our Annual Report on Form 10-K, for the year ended June 30, 2017.

The Jumpstart Our Business Startups Act ("JOBS Act") contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards. As of March 31, 2018 and June 30, 2017, there is not a significant difference in the presentation of our financial statements as compared to other public companies as a result of this transition guidance. The complete list of Critical Accounting Policies are described in the Annual Report on Form 10-K, for the year ended June 30, 2017.

Comparison of Statements of Financial Condition at March 31, 2018 and at June 30, 2017

Total Assets

Total assets increased $47.0 million, or 21.7%, to $263.8 million at March 31, 2018 from $216.8 million at June 30, 2017. The increase was primarily the result of increases of $70.8 million in loans receivable, and $2.0 million in bank owned life insurance, partially offset by decreases in cash and cash equivalents of $13.7 million, $7.9 million in investment securities and $4.6 million in loans held for sale.

Cash and cash equivalents

Cash and cash equivalents decreased $13.7 million, or 47.9%, to $14.9 million at March 31, 2018 from $28.6 million at June 30, 2017, primarily as a result of funding loans as our continued strategic emphasis is growing our adjustable-rate jumbo one- to four-family residential real estate loan portfolio. We originated approximately $51.1 million in adjustable-rate jumbo one- to four-family residential real estate loans for the nine months ended March 31, 2018.

Investment Securities

Investment securities decreased by $7.9 million or 14.5%, to $46.7 million at March 31, 2018 from $54.6 million at June 30, 2017. The decrease was primarily due to sales and principal repayments of $13.9 million partially offset by purchases of $6.7 million. At March 31, 2018, our held-to-maturity portion of the securities portfolio, at amortized cost, was $13.9 million, and our available-for-sale portion of the securities portfolio, at fair value, was $32.8 million compared to our held-to-maturity portion of the securities portfolio of $11.8 million and our available-for-sale portion of the securities portfolio of $42.8 million at June 30, 2017.

Net Loans

Net loans increased $70.8 million, or 63.3%, to $182.6 million at March 31, 2018 from $111.8 million at June 30, 2017. One- to four-family residential real estate loans increased $59.9 million, or 67.6%, to $148.5 million at March 31, 2018 from $88.6 million at June 30, 2017 as a result of our continued strategic emphasis on growing our adjustable-rate jumbo one- to four-family residential real estate loan portfolio. In addition, during the nine months ended March 31, 2018, there was a purchase of a portfolio of private medical education loans with a balance of $7.2 million. Commercial real estate loans increased by $342,000 from $12.2 million at June 30, 2017 to $12.5 million at March 31, 2018. Commercial business loans decreased by $137,000 from $3.8 million at June 30, 2017 to $3.7 million at March 31, 2018.

Construction loans increased $3.5 million to $5.5 million at March 31, 2018 from $2.0 million at June 30, 2017 primarily as a result of the origination of two new residential construction loans totaling $2.3 million offset by a $585,000 construction loan that was converted to a permanent mortgage loan during the nine months ended March 31, 2018. Home equity and HELOC loans decreased by $768,000 from $5.5 million at June 30, 2017 to $4.7 million at March 31, 2018 primarily as a result of a payoff of one loan.

In November 2017, the Bank entered into a loan purchase agreement with a broker to purchase a portfolio of private education loans made to American citizens attending American Medical Association ("AMA") approved medical schools in Caribbean Nations. The broker serves as a lender, holder, program designer and developer, administrator, and secondary market for the loan portfolios they generate. At March 31, 2018, the balance of the private education loans was $7.2 million. The private student loans are made following a proven credit criteria and were underwritten in accordance with the Bank's policies. Recourse includes a fully paid insurance wrap for the life of the loan provided by an insurance company that is required to repurchase delinquent loans over 180 days.

Loans Held For Sale

Loans held for sale decreased $4.6 million, or 35.9%, to $8.2 million at March 31, 2018 from $12.8 million at June 30, 2017 as the pipeline of one- to four-family residential real estate loans decreased during the nine months ended March 31, 2018 due to lower demand.

Deposits

Deposits increased $44.3 million, or 26.0%, to $214.8 million at March 31, 2018 from $170.5 million at June 30, 2017. Our core deposits (consisting of demand deposits, money market, pass book and statement and checking accounts) increased $40.2 million, or 28.2%, to $182.8 million at March 31, 2018 from $142.6 million at June 30, 2017. This increase during the nine months ended March 31, 2018 was primarily a result of organic core deposit growth totaling $17.0 million and $23.2 million of core deposits were obtained through a deposit placement network on a reciprocal basis, such that amounts are under the standard FDIC insurance maximum of $250,000 making the deposits eligible for FDIC insurance. In addition, certificates of deposit increased $4.1 million, or 14.7%, to $32.0 million at March 31, 2018 from $27.9 million at June 30, 2017. Included in the balance of certificates of deposit at March 31, 2018, is approximately $2.0 million of certificates of deposit issued through a broker during the third quarter.

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank increased by $3.0 million, or 33.3%, from $9.0 million at June 30, 2017 to $12.0 million at March 31, 2018 primarily to fund our loan growth.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase increased approximately $413,000, or 14.3%, to $3.3 million at March 31, 2018 from $2.9 million at June 30, 2017 as a result of an increase in the underlying deposit balances, which are primarily held by title companies.

Total Shareholders' Equity

Total shareholders' equity decreased $933,000 to $30.5 million at March 31, 2018 compared to $31.4 million at June 30, 2017 primarily as a result of a special cash dividend paid of $1.1 million, other comprehensive losses of $456,000 due to the fair value adjustments, net of deferred tax, on the investment securities available-for-sale portfolio during the nine months ended March 31, 2018, ESOP shares committed to be released of $67,000 partially offset by net income for the nine months ended March 31, 2018 of $547,000.

Comparison of Statements of Income for the Three Months Ended March 31, 2018 and 2017

General

Net income increased $34,000 to $132,000 for the three months ended March 31, 2018 from $98,000 for the three months ended March 31, 2017. The increase in net income for the three months ended March 31, 2018 was primarily due to an increase of $470,000 in net interest income and a decrease of $27,000 in income tax expense partially offset by a decrease in non-interest income of $238,000 and an increase of $137,000 in non-interest income expense and $88,000 in provision for loan losses compared to the same period in 2017.

Interest Income

Total interest income increased $535,000, or 35.9%, to $2.0 million for the three months ended March 31, 2018 from $1.5 million for the three months ended March 31, 2017. The increase was primarily the result of increases in interest and fees on loans of $553,000, interest on mortgage-backed securities and collateralized mortgage obligations of $33,000 and interest and dividends on investments of $20,000 partially offset by a decrease in interest on interest-earning deposits with banks of $71,000. Total average interest-earning assets increased $29.8 million to $237.9 million for the three months ended March 31, 2018 from $208.1 million for the same period in 2017 primarily as a result of increases in the average balance of loans of $72.1 million and the average balance of investment securities of $3.4 million offset by a $45.8 million decrease in the average balance of interest-earning deposits with banks. The average yield on our interest-earning assets increased 54 basis points to 3.41% for the three months ended March 31, 2018 as compared to 2.87% for the three months ended March 31, 2017 primarily as a result of a higher average yield on investment securities and on interest-earning deposits with banks.

Interest and fees on loans increased $553,000 to $1.7 million for the three months ended March 31, 2018 from $1.1 million for the same period in 2017. This increase was primarily due to an increase in average loans outstanding of $72.1 million, which increased to $174.6 million for the three months ended March 31, 2018 from $102.5 million for the three months ended March 31, 2017 as a result of the Company's continued efforts to increase originations of jumbo adjustable rate one-to-four family residential loans. The benefit from the higher loan volume was partially offset by a reduction in the average yield of loans of 53 basis points, which decreased to 3.82% for the three months ended March 31, 2018 from 4.35% for the three months ended March 31, 2017, as lower yielding jumbo one-to-four family adjustable rate mortgages were originated. We originated $10.4 million of jumbo one-to-four family adjustable rate mortgages during the three months ended March 31, 2018.

Interest income on interest-earning deposits decreased by $71,000 to $84,000 for the three months ended March 31, 2018, from $155,000 for the three months ended March 31, 2017. The decrease was primarily due to a decrease in the average balance of interest-earning deposits of $45.8 million to $16.0 million for the three months ended March 31, 2018 from $61.8 million for the three months ended March 31, 2017, primarily as the result of the initial funds received of $57.5 million during the quarter ended March 31, 2017 which were held by the Bank before returning approximately $35.7 million received in excess proceeds of the approved maximum as well as a deployment of liquidity into loans and investment securities. Offsetting this decrease, was an increase in the average yield on interest-earning deposits with banks which increased 110 basis points, to 2.10% for the three months ended March 31, 2018 from 1.00% for the three months ended March 31, 2017. The increase was primarily due to rate increases in the Federal funds rate by the Federal Reserve during 2017 and 2018 as well as investments in higher yielding cash equivalents, which had yields ranging from 2%-4%.

Interest on investment securities increased by $53,000, or 25.2% to $263,000 for the three months ended March 31, 2018, from $210,000 for three months ended March 31, 2017. The increase was primarily the result of an increase in interest income on mortgage backed securities and collateral mortgage obligation securities which increased by $33,000 or 46.5%, to $104,000 for the three months ended March 31, 2018, from $71,000 for the three months ended March 31, 2017. In addition, interest income on U.S. Government Agency securities, corporate bonds and municipal securities increased $25,000 or 50.0% to

$75,000 for the three months ended March 31, 2018, from $50,000 for the three months ended March 31, 2017. The increase in interest income from mortgage backed securities and collateral mortgage obligation securities was due primarily to an increase in the average balances from $14.6 million for the quarter ended March 31, 2017 to $18.2 million for the quarter ended March 31, 2018. The average yield on total securities increased 31 basis points to 2.26% for the three months ended March 31, 2018 from 1.95% for the same period in 2017, as market rates increased, resulting in higher yielding investments. The average balance of investment securities to increase by $3.4 million to $46.5 million for the three months ended March 31, 2018, from $43.1 million for the three months ended March 31, 2017.

Interest Expense

Total interest expense increased $65,000 or 27.2%, to $304,000 for the three months ended March 31, 2018 from $239,000 for the three months ended March 31, 2017, primarily due to a $37,000 increase in interest expense on deposits and a $28,000 increase in interest expense on advances from the Federal Home Loan Bank.

Interest expense on deposits increased $37,000, or 18.0%, to $243,000 for the three months ended March 31, 2018 from $206,000 for the three months ended March 31, 2017 primarily as a result of an increase in average interest bearing deposits of $15.1 million to $185.6 million during the three months ended March 31, 2018 as compared to $170.5 million for the three months ended March 31, 2017. The increase in the average balance of interest bearing deposits was primarily as a result of a $19.5 million increase in the average balance of our core deposit accounts, which was partially offset by a $4.4 million decrease in the average balance of our certificates of deposit. The increase in the average balance of our core deposits was primarily a result of organic core deposit growth as well as core deposits obtained through a deposit placement network on a reciprocal basis, such that amounts are under the standard FDIC insurance maximum of $250,000 making the deposits eligible for FDIC insurance. The average rates paid on demand deposit accounts increased by two basis points to 0.42% for the three months ended March 31, 2018 from 0.40% for the three months ended March 31, 2017, respectively. This product can pay up to 1.00% of interest per annum. The money market deposit average rates increased by five basis points to 0.44% for the three months ended March 31, 2018 from 0.39% for the three months ended March 31, 2017. The average cost of checking deposits for municipals was 0.36% during the three months ended March 31, 2018 compared to 0.34% during the three months ended March 31, 2017. The average cost of certificates of deposit increased by 28 basis points to 1.24% for the three months ended March 31, 2018 as compared to 96 basis points for the three months ended March 31, 2017. The increase in the average cost of certificates of deposit for the three months end March 31, 2018 is the result of increasing our product rates in line with increases in short term market interest rates as compared to the three months ended March 31, 2017.

Interest expense on advances from the Federal Home Loan Bank increased $28,000 to $60,000 for the three months ended March 31, 2018 from $32,000 for the three months ended March 31, 2017 as a result of an increase in the average balance of the Federal Home Loan Bank advances as well as the average rate on the Federal Home Loan Bank advances. The average balance of the Federal Home Loan Bank advances increased $3.6 million to $12.6 million for the three months ended March 31, 2018 from $9.0 million for the three months ended March 31, 2017 primarily due to an increase in loan funding requirements. In addition, the average rate on the Federal Home Loan Bank advances increased to 1.91% for the three months ended March 31, 2018 from 1.42% for the three months ended March 31, 2017 due to increased market rates on advances.

Net Interest Income

Net interest income increased approximately $470,000 or 37.5%, to $1.7 million for the three months ended March 31, 2018 from $1.3 million for the three months ended March 31, 2017 as a result of our net interest-earning assets increasing $10.9 million to $37.8 million for the three months ended March 31, 2018 from $26.9 million for the three months ended March 31, 2017. Our interest rate spread increased by 46 basis points to 2.80% for the three months ended March 31, 2018 from 2.34% for the three months ended March 31, 2017. Our net interest margin increased by 49 basis points from 2.41% for the three months ended March 31, 2017 to 2.90% for the three months ended March 31, 2018.

Average Balances, Net Interest Income, Yields Earned and Rates Paid

The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. All average balances are based on daily balances.

	For the Three Months Ended March 31,					
	2018			2017		
	Average Balance	Interest Income/ Expense	Yield/ Cost (5)	Average Balance	Interest Income/ Expense	Yield/ Cost (5)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 174,607	$ 1,667	3.82%	$ 102,548	$ 1,114	4.35%
Interest-earning deposits with banks	15,998	84	2.10%	61,797	155	1.00%
Investment securities	46,533	263	2.26%	43,064	210	1.95%
Restricted investment in bank stock	784	12	6.12%	654	12	7.34%
Total interest-earning assets	237,922	2,026	3.41%	208,063	1,491	2.87%
Non-interest-earning assets	9,837			9,244		
Total assets	$ 247,759			$ 217,307		
Interest-bearing liabilities:						
Demand deposits	$ 80,503	85	0.42%	$ 68,420	68	0.40%
Money market deposit accounts	33,040	36	0.44%	27,586	27	0.39%
Passbook and statement savings accounts	37,459	27	0.29%	35,222	26	0.30%
Checking accounts-Municipal	5,623	5	0.36%	5,873	5	0.34%
Certificates of deposit	28,985	90	1.24%	33,359	80	0.96%
Total deposits	185,610	243	0.52%	170,460	206	0.48%
Federal Home Loan Bank advances	12,589	60	1.91%	9,000	32	1.42%
Securities sold under agreements to repurchase	1,952	1	0.20%	1,720	1	0.23%
Total interest-bearing liabilities	200,151	304	0.61%	181,180	239	0.53%
Non-interest-bearing liabilities:						
Checking	13,887			8,365		
Other	2,687			719		
Total liabilities	216,725			190,264		
Shareholders' Equity	31,034			27,043		
Total liabilities and Shareholders' equity	$ 247,759			$ 217,307		
Net interest income		$ 1,722			$ 1,252	
Interest rate spread (2)			2.80%			2.34%
Net interest-earning assets (3)	$ 37,771			$ 26,883		
Net interest margin (4)			2.90%			2.41%
Average interest-earning assets to average interest-bearing liabilities	118.87%			114.84%		

(1) Includes loans held for sale.
(2) Interest rate spread represents the difference between the average yield on average interest–earning assets and the average cost of average interest-bearing liabilities.
(3) Net interest earning assets represent total average interest–earning assets less total interest–bearing liabilities.
(4) Net interest margin represents net interest income divided by total average interest-earning assets.
(5) Annualized.

Rate/ Volume Analysis

The following table presents the effects of changing rates and volumes on net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns.

For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	For the Three Months Ended March 31, 2018 vs 2017		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	$ 968	$ (415)	$ 553
Interest-earning deposits with banks	(206)	135	(71)
Investment securities	6	47	53
Restricted investment in bank stock	4	(4)	—
Total interest-earning assets	772	(237)	535
Interest-bearing liabilities:			
Demand deposits	8	9	17
Money market deposit accounts	2	7	9
Passbook and statement savings accounts	3	(2)	1
Checking accounts-Municipal	—	—	—
Certificates of deposit	(18)	28	10
Total deposits	(5)	42	37
Federal Home Loan Bank advances	6	22	28
Securities sold under agreements to repurchase	—	—	—
Total interest-bearing liabilities	1	64	65
Change in net interest income	$ 771	$ (301)	$ 470

Provision for Loan Losses

We establish a provision for loan losses, which is charged to operations, in order to maintain the allowance for loan losses at a level we consider necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimated at the balance sheet date. In determining the level of the allowance for loan losses, we consider past and current loss experience, evaluations of real estate collateral, current economic conditions, volume and type of lending, adverse situations that may affect a borrower’s ability to repay a loan and the levels of non-performing loans. The amount of the allowance is based on estimates, and actual losses may vary from such estimates as more information becomes available or economic conditions change.

This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as circumstances change as more information becomes available. The allowance for loan losses is assessed on a quarterly basis and provisions are made for loan losses as required in order to maintain the allowance.

Provision for loan losses increased by $88,000 to $76,000 for the three months ended March 31, 2018, from a credit of $12,000 for the three months ended March 31, 2017 primarily as a result of an increase in the general reserve due to an increase in loans outstanding. During the three months ended March 31, 2018, there were no net charge-offs recorded. During the three months ended March 31, 2017, total net charge-offs of $100,000 were recorded.

Non-Interest Income

Non-interest income decreased $238,000, or 18.4%, to $1.1 million for the three months ended March 31, 2018 from $1.3 million for the three months ended March 31, 2017. The decrease in non-interest income was primarily due to a decrease of $284,000 in gain from hedging instruments to $185,000 for the three months ended March 31, 2018 from a gain from hedging of $469,000 for the three months ended March 31, 2017 associated with a decrease in the volume of locked loans associated with hedging. In addition, the gain on sales of loans decreased $124,000 to $620,000 for the three months ended March 31, 2018 from $744,000 for the three months ended March 31, 2017. This was primarily due to lower sales of loans of $30.1 million and reduced margin on loans sold for the three months ended March 31, 2018 when compared to $139.6 million for the same period in 2017. Offsetting these decreases was an increase in fees for customer services of $176,000 to $227,000 for the three months ended March 31, 2018 from $51,000 for the three months ended March 31, 2017 primarily as a result of fees received in exchange for customer's deposits with a balance of $23.2 million at March 31, 2018 sourced in the deposit placement network.

Non-Interest Expense

Non-interest expense increased $137,000, or 5.7% to $1.5 million for the three months ended March 31, 2018 from $1.4 million March 31, 2017 primarily as a result of an increase in other expenses in connection with two indemnification agreements executed with the U.S. Department of Housing and Urban Development ("HUD"). The agreements required the Bank to indemnify HUD for any losses incurred by HUD in connection with federally guaranteed loans previously sold to third parties. The losses incurred on the two indemnity agreements total approximately $147,000. We have two additional outstanding indemnity agreements with HUD on loans sold to third parties with current balances of $316,000 as of March 31, 2018. Management is in the process of analyzing these indemnity agreements to limit or eliminate any potential future losses resulting from these two indemnity agreements.

Income Tax Expense

Income tax expense was $14,000 for the three months ended March 31, 2018 as compared to $41,000 for the three months ended March 31, 2017. Federal income taxes included in total taxes for the three months ended March 31, 2018 were $3,000 with an effective tax rate of 2.2% as compared to $19,000 with an effective federal tax rate of 13.7% for the three months ended March 31, 2017. The decrease in the effective tax rate for the three months ended March 31, 2018 compared to the same period a year ago is primarily due to the passage of H.R. 1 (Tax Cuts and Jobs Act), which was enacted on December 22, 2017 and lowered the federal corporate tax rate to 21% from 35%. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended statutory rate for the year is 28.6%.

Pennsylvania state tax expense decreased $11,000 to $11,000 for the three months ended March 31, 2018 from $22,000 for the three months ended March 31, 2017 with effective rates of 7.5% and 15.8%, respectively.

Comparison of Statements of Income for the Nine Months Ended March 31, 2018 and 2017

General

Net income increased $157,000, or 40.3%, to $547,000 for the nine months ended March 31, 2018 from $390,000 for the nine months ended March 31, 2017. The increase in net income for the nine months ended March 31, 2018 was primarily due to an increase in net interest income of $1.2 million partially offset by a decrease in non-interest income of $557,000 and increases in non-interest expense of $382,000, income tax expense of $76,000 and provision for loan losses of $32,000 as compared to the same period in 2017.

Interest Income

Total interest income increased $1.4 million or 32.5%, to $5.6 million for the nine months ended March 31, 2018 from $4.2 million for the nine months ended March 31, 2017. The increase was primarily the result of a $1.1 million increase in interest and fees on loans, a $252,000 increase in interest on investment securities, and a $48,000 increase in interest-earning deposits with banks. The average balance of our interest-earning assets increased by $33.7 million to $221.9 million for the nine months ended March 31, 2018 as compared to $188.2 million for the nine months ended March 31, 2017 primarily due to growth in residential loan originations as our loans (including loans held for sale) increased by $45.2 million for the nine months ended March 31, 2017 to $155.8 million for the nine months ended March 31, 2018 from $110.6 million for the nine months ended March 31, 2017. The average yield on our interest-earning assets increased 37 basis points to 3.37% for the nine months ended March 31, 2018 as compared to 3.00% for the nine months ended March 31, 2017 primarily as a result of a higher average yield on investment securities and on interest-earning deposits with banks.

Interest and fees on loans increased $1.1 million, or 31.3%, to $4.5 million for the nine months ended March 31, 2018 from $3.5 million for the nine months ended March 31, 2017. This increase resulted from a $45.2 million increase in the average balance of loans to $155.8 million for the nine months ended March 31, 2018 from $110.6 million for the nine months ended March 31, 2017, primarily due to our continued focus on increasing our portfolio of adjustable-rate jumbo one- to four-family residential mortgages. We originated approximately $51.1 million in adjustable-rate jumbo one- to four-family residential real estate loans for the nine months ended March 31, 2018. However, the increase in interest and fees on loans was partially offset by a 28 basis points decrease in the average yield on loans to 3.88% for the nine months ended March 31, 2018 from 4.16% for the nine months ended March 31, 2017, due to pay-offs of higher-yielding existing loans during the current low interest rate environment and lower yields earned on new loan originations.

Interest and dividends on investments, mortgage-backed securities and collateralized mortgage obligations increased $252,000, or 49.0%, to $766,000 for the nine months ended March 31, 2018 from $514,000 for the nine months ended March 31, 2017. The increase was primarily the result of an increase in interest income on U.S. Government Agency securities, corporate bonds and municipal securities, which increased $151,000 or 45.5% to $483,000 from $332,000 for the nine months ended March 31, 2017. In addition, interest income on mortgage backed securities and collateral mortgage obligation securities increased by $101,000, or 55.5%, to $283,000 for the nine months ended March 31, 2018, from $182,000 for the nine months ended March 31, 2017. The increase in mortgage backed securities and collateral mortgage obligation securities was due primarily to an increase in the average balances from $14.7 million for the quarter ended March 31, 2017 to $17.4 million for the quarter ended March 31, 2018. The average yield on investment securities increased 43 basis points to 2.18% for the nine months ended March 31, 2018 from 1.75% for the nine months ended March 31, 2017, as market rates increased reflecting higher yielding investments. The average balance of investment securities to increase by $7.7 million to $46.9 million for the nine months ended March 31, 2018, from $39.2 million for the nine months ended March 31, 2017.

Interest on interest-earning deposits increased $48,000 or 20.2% to $286,000 for the nine months ended March 31, 2018 from $238,000 for the nine months ended March 31, 2017 due to an increase in the average yield on interest-earning deposits of 122 basis points to 2.07% for the nine months ended March 31, 2018 from 0.85% for the nine months ended March 31, 2017 as short-term market interest rates have increased since the end of the last year. Offsetting the increase in the average yield on interest-earning deposits, was a decrease in the average balance of interest-earning deposits of $19.0 million to $18.5 million for the nine months ended March 31, 2018 from $37.5 million for the nine months ended March 31, 2017, primarily as the result of the deployment of liquidity into loans and investment securities.

Interest Expense

Total interest expense increased $172,000, or 26.2%, to $828,000 for the nine months ended March 31, 2018 from $656,000 for the nine months ended March 31, 2017, due primarily to an $155,000 increase in interest on deposits, and a $16,000 increase in interest on advances from the Federal Home Loan Bank.

Interest on deposits increased $155,000, or 29.0%, to $690,000 for the nine months ended March 31, 2018 from $535,000 for the nine months ended March 31, 2017 as a result of an increase in average interest bearing deposits of $20.2 million to $171.7 million during the nine months ended March 31, 2018 as compared to $151.5 million for the nine months ended March 31, 2017. The increase in the average balance of interest bearing deposits was primarily as a result of a $27.0 million increase in the average balance of our core deposit accounts, which was partially offset by a $6.8 million decrease in the average balance of our certificates of deposit. The increase in the average balance of core deposits was primarily the result of organic core deposit growth as well as core deposits obtained through a deposit placement network on a reciprocal basis with such amounts are under the standard FDIC insurance maximum of $250,000 making the deposits eligible for FDIC insurance. The average cost of deposits increased by seven basis points to 0.54% for the nine months ended March 31, 2018 from 0.47% for the nine months ended March 31, 2017. Demand deposit accounts were 0.45% for the nine months ended March 31, 2018 compared to 0.30% for the nine months ended March 31, 2017. This product can pay up to 1.00% of interest per annum. The average rates paid on the money market deposits increased by 11 basis points to 0.45% for the nine months ended March 31, 2018 from 0.34% for the nine months ended March 31, 2017. The average cost of municipal checking deposits remained flat at 33 basis points for the nine months ended March 31, 2018 and 2017. The average cost of certificates of deposit increased by 18 basis points to 1.19% for the nine months ended March 31, 2018 as compared to 1.01% for the nine months ended March 31, 2017. The increase in the average cost of certificates of deposit for the nine months end March 31, 2018 is the result of increasing our product rates in line with increases in short term market interest rates as compared to the nine months ended March 31, 2017.

Interest on advances from the Federal Home Loan Bank increased $16,000 to $135,000 for the nine months ended March 31, 2018 from $119,000 for the nine months ended March 31, 2017 as a result of an increase in the average rate of Federal Home Loan Bank advances partially offset by a decrease in the average balance of Federal Home Loan Bank advances. The average rate of Federal Home Loan Bank advances increased by 60 basis points to 1.59% for the nine months ended March 31, 2018 from 0.99% for the nine months ended March 31, 2017, primarily due to increases in advance rates. This increase was partially offset by the average balance of Federal Home Loan Bank advances which decreased by $4.8 million to $11.3 million during the nine months ended March 31, 2018 as compared to $16.1 million for the nine months ended March 31, 2017 primarily due to the increase in liquidity from lower cost of funding from core deposit.

Net Interest Income

Net interest income increased $1.2 million, or 33.3%, to $4.8 million for the nine months ended March 31, 2018 from $3.6 million for the nine months ended March 31, 2017 as we increased our interest income at a greater rate than our interest expense. Our net interest-earning assets increased to $36.8 million for the nine months ended March 31, 2018 from $18.8 million for the nine months ended March 31, 2017. Our interest rate spread increased by 29 basis points to 2.77% for the nine months ended March 31, 2018 from 2.48% for the nine months ended March 31, 2017. Our net interest margin increased by 34 basis points to 2.88% for the nine months ended March 31, 2018 from 2.54% for the nine months ended March 31, 2017.

Average Balances, Net Interest Income, Yields Earned and Rates Paid

The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. All average balances are based on daily balances.

	For the Nine Months Ended March 31,					
	2018			2017		
	Average Balance	Interest Income/ Expense	Yield/ Cost (5)	Average Balance	Interest Income/ Expense	Yield/ Cost (5)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 155,835	$ 4,534	3.88%	$ 110,571	$ 3,452	4.16%
Interest-earning deposits with banks	18,453	286	2.07%	37,464	238	0.85%
Investment securities	46,889	766	2.18%	39,237	514	1.75%
Restricted investment in bank stock	734	27	4.90%	948	33	4.64%
Total interest-earning assets	221,911	5,613	3.37%	188,220	4,237	3.00%
Non-interest-earning assets	9,872			8,723		
Total assets	$ 231,783			$ 196,943		
Interest-bearing liabilities:						
Demand deposits	$ 70,434	238	0.45%	$ 49,055	109	0.30%
Money market deposit accounts	32,701	111	0.45%	25,831	65	0.34%
Passbook and statement savings accounts	34,209	71	0.28%	34,982	78	0.30%
Checking accounts-Municipal	5,647	14	0.33%	6,072	15	0.33%
Certificates of deposit	28,700	256	1.19%	35,512	268	1.01%
Total deposits	171,691	690	0.54%	151,452	535	0.47%
Federal Home Loan Bank advances	11,326	135	1.59%	16,088	119	0.99%
Securities sold under agreements to repurchase	2,124	3	0.19%	1,878	2	0.14%
Total interest-bearing liabilities	185,141	828	0.60%	169,418	656	0.52%
Non-interest-bearing liabilities:						
Checking	13,194			8,181		
Other	2,107			1,757		
Total liabilities	200,442			179,356		
Shareholders' Equity	31,341			17,587		
Total liabilities and Shareholders' equity	$ 231,783			$ 196,943		
Net interest income		$ 4,785			$ 3,581	
Interest rate spread (2)			2.77%			2.48%
Net interest-earning assets (3)	$ 36,770			$ 18,802		
Net interest margin (4)			2.88%			2.54%
Average interest-earning assets to average interest-bearing liabilities	119.86%			111.10%		

(1) Includes loans held for sale.
(2) Interest rate spread represents the difference between the average yield on average interest–earning assets and the average cost of average interest-bearing liabilities.
(3) Net interest earning assets represent total average interest–earning assets less total interest–bearing liabilities.
(4) Net interest margin represents net interest income divided by total average interest-earning assets.
(5) Annualized.

Rate/ Volume Analysis

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

	For the Nine Months Ended March 31, 2018 vs 2017		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
		(In thousands)	
Interest-earning assets:			
Loans	$ 1,280	$ (198)	$ 1,082
Interest-earning deposits with banks	(130)	178	48
Investment securities	72	180	252
Restricted investment in bank stock	(7)	1	(6)
Total interest-earning assets	1,215	161	1,376
Interest-bearing liabilities:			
Demand deposits	39	90	129
Money market deposit accounts	13	33	46
Passbook and statement savings accounts	(1)	(6)	(7)
Checking accounts-Municipal	(1)	—	(1)
Certificates of deposit	(49)	37	(12)
Total deposits	1	154	155
Federal Home Loan Bank advances	(38)	54	16
Securities sold under agreements to repurchase	—	1	1
Total interest-bearing liabilities	(37)	209	172
Change in net interest income	$ 1,252	$ (48)	$ 1,204

Provision for Loan Losses

Provision for loan losses increased by $32,000 to $155,000 for the nine months ended March 31, 2018, from $123,000 for the nine months ended March 31, 2017 primarily as the result increased provision expense due to loan volume growth during the nine months ended March 31, 2018 compared to March 31, 2017. Included in the nine months ended March 31, 2017 was a specific loan loss reserve of $125,000 on one HELOC loan. Non-performing loans remained flat at March 31, 2018 and June 30, 2017 at $1.4 million. During the nine months ended March 31, 2018, total net recoveries of $11,000 were recorded. During the nine months ended March 31, 2017, total net charge-offs of $96,000 were recorded.

Non-Interest Income

Non-interest income decreased $557,000, or 15.7%, to $3.0 million for the nine months ended March 31, 2018 from $3.5 million for nine months ended March 31, 2017. The decrease in non-interest income was primarily due to a decrease in gain on sales of loans, which decreased $1.6 million, or 37.9%, to $2.8 million for the nine months ended March 31, 2018 from $4.4 million for the nine months ended March 31, 2017. This was due to lower sales of loans and reduced margin on loans sold when compared to the same period of 2017. These decreases in non-interest income were partially offset by an increase in the change in fair value of loans held for sale which increased by $580,000 to ($117,000) for the nine months ended March 31, 2018, from ($697,000) for the nine months ended March 31, 2017, and loss from hedging instruments decreased $190,000 to ($279,000) for the nine months ended March 31, 2018 from $(469,000) for the nine months ended March 31, 2017 due to decreased volume of locked loans associated with hedging. In addition, fees for customer services increased $301,000 to $457,000 for the nine months ended March 31, 2018 from $156,000 for the same period in 2017 primarily as a result of income received in exchange for customer's deposits sourced in the deposit placement network with a balance of $23.2 million at March 31, 2018. Gain on sale of available-for-sale securities increased $24,000 to $35,000 for the nine months ended March 31, 2018 from an $11,000 gain on sale of available-for-sale securities for the nine months ended March 31, 2017.

Non-Interest Expense

Non-interest expense increased $382,000 to $6.9 million for the nine months ended March 31, 2018 from $6.5 million for the nine months ended March 31, 2017. The increase primarily reflected a $186,000 increase in salaries and employee benefits and a $182,000 increase in other expenses. Salary and employee benefits expense increased by $186,000 to $3.9 million for the nine months ended March 31, 2018 from $3.7 million for the nine months ended March 31, 2017 as full time equivalents increased to 71 as of March 31, 2018, from 70 as of March 31, 2017, primarily as a result of the expansion in our administration department to support our operations. Other expenses increased $182,000 to $1.1 million for the nine months ended March 31, 2018 from $972,000 for the nine months ended March 31, 2017 primarily as a result of the losses incurred of $147,000 for the two indemnity agreements executed with HUD. The agreements required the Bank to indemnify HUD for any losses incurred by HUD in connection with federally guaranteed loans previously sold to third parties. We have two additional outstanding indemnity agreements with HUD on loans sold to third parties with current balances of $316,000 as of March 31, 2018. Management is in the process of analyzing these indemnity agreements to limit or eliminate any potential future losses resulting from these two indemnity agreements.

Income Tax Expense

Income tax expense was $196,000 for the nine months ended March 31, 2018 as compared to an income tax expense of $120,000 for the nine months ended March 31, 2017. Income tax expense increased due to the increase income before income taxes for the nine months ended March 31, 2018 as compared to the prior year period. Federal income taxes included in total taxes for the nine months ended March 31, 2018 and 2017 were $147,000 and $100,000, with effective federal tax rates of 21.2% and 18.5%, respectively. During the nine months ended March 31, 2018, the Company revised its estimated annual effective tax rate to reflect a change in the federal statutory rate from 34% to 21%, resulting from legislation that was enacted on December 22, 2017. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended statutory rate for the year is 28.6%.

In addition, we recognized a tax expense in our tax provision for the nine months ended March 31, 2018 related to adjusting our deferred tax balance to reflect the new corporate tax rate. As a result, income tax expense reported for the first nine months was adjusted to reflect the effects of the change in the tax law and resulted in an increase in income tax expense of $47,000 during the nine months ended March 31, 2018.

Pennsylvania state tax expense increased $29,000 to $49,000 for the nine months ended March 31, 2018 from $20,000 for the nine months ended March 31, 2017 with effective rates of 6.6% and 3.9%, respectively.

Non-Performing Assets We define non-performing loans as loans that are either non-accruing or accruing whose payments are 90 days or more past due and non-accruing troubled debt restructurings. Non-performing assets, including non-performing loans and other real estate owned, totaled $1.4 million, or 0.54% of total assets, at March 31, 2018. The following table sets forth the amounts and categories of our non-performing assets at the dates indicated. We had no accruing loans past due 90 days or more at March 31, 2018 or June 30, 2017.

	At March 31, 2018	At June 30, 2017
	(Dollars in thousands)	
Non-accrual loans:		
Residential:		
One- to four-family	$ 1,326	$ 1,198
Home equity & HELOCs	$ 105	110
Commercial real estate	—	100
Commercial business	—	—
Construction	—	—
Consumer	—	—
Total non-accrual loans	1,431	1,408
Total non-performing loans	1,431	1,408
Real estate owned	—	—
Other non-performing assets	—	—
Total non-performing assets	$ 1,431	$ 1,408
Ratios:		
Total non-performing loans to total loans receivable	0.78%	1.26%
Total non-performing loans to total assets	0.54%	0.65%
Total non-performing assets to total assets	0.54%	0.65%

Allowance for Loan Losses

The following table sets forth activity in our allowance for loan losses for the periods indicated.

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017	For the Nine Months Ended March 31, 2018	For the Nine Months Ended March 31, 2017
	(Dollars in thousands)			
Balance at beginning of year	$ 683	$ 626	$ 593	$ 487
Charge-offs:				
Residential:				
One- to four-family	—	—	(12)	—
Home equity & HELOCs	—	(125)	—	(125)
Commercial real estate	(1)	—	(23)	—
Commercial business	—	—	—	—
Construction	—	—	—	—
Consumer	—	(3)	—	(5)
Total charge-offs	(1)	(128)	(35)	(130)
Recoveries:				
Residential:				
One- to four-family	1	2	45	7
Home equity & HELOCs	—	—	—	—
Commercial real estate	—	25	—	25
Commercial business	—	—	—	—
Construction	—	—	—	—
Consumer	—	1	1	2
Total recoveries	1	28	46	34
Net recoveries (Charge-offs)	—	(100)	11	(96)
Provision for loan losses	76	(12)	155	123
Balance at end of period	$ 759	$ 514	$ 759	$ 514
Ratios:				
Net recoveries to average loans outstanding	0%	(0.09)%	0%	(0.09)%
Allowance for loan losses to non-performing loans at end of period	53.04%	49.42%	53.04%	49.42%
Allowance for loan losses to total loans at end of period	0.42%	0.52%	0.42%	0.52%

Liquidity and Capital Resources

Liquidity Management. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from sales of loans and securities, and matured loans and securities. We also have the ability to borrow from the Federal Home Loan Bank of Pittsburgh. Huntingdon Valley Bank had Federal Home Loan Bank of Pittsburgh advances of $12.0 million outstanding with unused borrowing capacity of $93.8 million as of March 31,

2018. Additionally, at March 31, 2018, we had the ability to borrow $3.0 million from the Atlantic Community Bankers Bank and we maintained a line of credit equal to 95% of the fair value of collateral held by the Federal Reserve Bank, which was $2.0 million at March 31, 2018. We have not borrowed against the credit lines with the Atlantic Community Bankers Bank and the Federal Reserve Bank during the nine months ended March 31, 2018 and 2017.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short and long-term liquidity needs as of March 31, 2018.

We monitor and adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand; (2) expected deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits and short-and intermediate-term securities.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents, which include federal funds sold and interest-earning deposits in other banks. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At March 31, 2018, cash and cash equivalents totaled $14.9 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $32.8 million at March 31, 2018.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $5.5 million and $19.0 million for the nine months ended March 31, 2018 and March 31, 2017, respectively. Net cash used in investing activities, which consists primarily of disbursements for loan originations and the purchase of securities, offset by principal collections on loans and proceeds from maturing securities, was $66.0 million and $22.1 million for the nine months ended March 31, 2018 and March 31, 2017, respectively. During the nine months ended March 31, 2018 and March 31, 2017, we sold $11.7 million and $2.6 million, respectively, in securities available-for-sale. Net cash provided by financing activities, consisting primarily of increases in deposits, was $46.9 million for the nine months ended March 31, 2018 and $35.2 million for the nine months ended March 31, 2017.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of March 31, 2018, totaled $13.5 million of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other deposits and Federal Home Loan Bank advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital Management. Huntingdon Valley Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At March 31, 2018, Huntingdon Valley Bank exceeded all regulatory capital requirements and was considered "well capitalized" under regulatory guidelines.

Regulatory Capital

Information presented for March 31, 2018 and June 30, 2017, reflects the Basel III capital requirements that became effective January 1, 2015 for the Bank. Under these capital requirements and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk-weightings and other factors.

Federal bank regulators require the Bank maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity Tier 1 capital to risk-weighted assets of 4.5%, Tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. At March 31, 2018, the Bank met all the capital adequacy requirements to which it was subject. At March 31, 2018, the Bank was "well capitalized" under the regulatory framework for prompt corrective action. To be "well capitalized," the Bank must maintain minimum leverage, common equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. Management believes that no conditions or events have occurred since March 31, 2018 that would materially adversely change the Bank's capital classifications.

The Bank's actual capital amounts and ratios are presented in the table (dollars in thousands):

	Actual		Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provision	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of March 31, 2018						
Total risk-based capital (to risk-weighted assets)	**$ 24,695**	**17.2%**	**>$11,480**	**≥ 8.0%**	**>$14,350**	**≥10.0%**
Tier 1 capital (to risk-weighted assets)	**23,936**	**16.7**	**≥8,610**	**≥ 6.0%**	**≥11,480**	**≥ 8.0%**
Tier 1 capital (to average assets)	**23,936**	**10.0**	**≥9,616**	**≥ 4.0%**	**≥12,020**	**≥ 5.0%**
Tier 1 common equity (to risk-weighted assets)	**23,936**	**16.7**	**≥6,458**	**≥ 4.5%**	**≥9,328**	**≥ 6.5%**
As of June 30, 2017						
Total risk-based capital (to risk-weighted assets)	$ 24,113	21.8%	$ ≥8,870	≥ 8.0%	$ ≥11,087	≥10.0%
Tier 1 capital (to risk-weighted assets)	23,520	21.2	≥6,652	≥ 6.0%	≥8,870	≥ 8.0%
Tier 1 capital (to average assets)	23,520	11.2	≥8,377	≥ 4.0%	≥10,471	≥ 5.0%
Tier 1 common equity (to risk-weighted assets)	23,520	21.2	≥4,989	≥ 4.5%	≥7,207	≥ 6.5%

As a licensed mortgagee, the Bank is subject to the rules and regulations of the Department of Housing and Urban Development ("HUD"), Federal Housing Authority ("FHA") and state regulatory authorities with respect to originating, processing and selling loans. Those rules and regulations, among other things, require the maintenance of minimum net worth levels (which vary based on the portfolio of FHA loans originated by the Bank). Failure to meet the net worth requirements could adversely impact the ability of the Bank to originate loans and access secondary markets. As of March 31, 2018 and June 30, 2017, the Bank maintained the minimum required net worth levels.

The Bank must hold a capital conservation buffer, subject to a phase-in from January 1, 2016 through December 31, 2019, above its minimum risk-based capital requirements. As of March 31, 2018, the Bank is required to maintain a capital conservation buffer of 1.25%. At March 31, 2018, the Bank met the capital conservation buffer requirements. Failure to maintain the full amount of the buffer will result in restrictions on the Bank's ability to make capital distributions and to pay discretionary bonuses to executive officers. The phase-in requires the Bank to increase its capital conservation buffer from 0.625% as of June 30, 2016 to 2.50% as of June 30, 2019 and thereafter.

Off-Balance Sheet Arrangements and Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At March 31, 2018, we had outstanding commitments to originate loans of $22.8 million, unused lines of credit totaling $12.9 million and no stand-by letters of credit outstanding. We anticipate that we will have sufficient funds available to meet our current lending commitments. Certificates of deposit that are scheduled to mature in less than one year from March 31, 2018 totaled $13.5 million. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for equipment, agreements with respect to borrowed funds and deposit liabilities.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies

Item 4 – Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of March 31, 2018. Based on their evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and regulations are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) occurred during the third fiscal quarter of 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

At March 31, 2018, the Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, which involve amounts in the aggregate believed by management to be immaterial to the financial condition and operating results of the Company.

Item 1A – Risk Factors

Not required for smaller reporting companies

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

(a) Not applicable

(b) Not applicable

(c) Not Applicable

Item 3 – Defaults upon Senior Securities

Not Applicable

Item 4 – Mine Safety Disclosures

Not Applicable

Item 5 – Other Information

None

Item 6 – Exhibits

31.1	Rule 13a-14(a) Certification of the Chief Executive Officer *
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer *
32.0	Section 1350 Certification *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith

SIGNATURES

HV BANCORP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HV BANCORP, INC.

Date: May 14, 2018 By: /s/ Travis J. Thompson
Travis J. Thompson
President and Chief Executive Officer
(Duly Authorized Officer)

Date: May 14, 2018 By: /s/ Joseph C. O'Neill, Jr.
Joseph C. O'Neill, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Travis J. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HV Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2018 /s/Travis J. Thompson
Travis J. Thompson
President and Chief Executive Officer
(principal executive officer)

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Joseph C. O'Neill, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HV Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements

made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2018

/s/Joseph C. O'Neill, Jr.
Joseph C. O'Neill, Jr.
Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

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Section 4: EX-32 (EX-32)

Exhibit 32

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officers of HV Bancorp, Inc. (the "Company") hereby certify that the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2018

/s/Travis J. Thompson
Travis J. Thompson
President and Chief Executive Officer
(principal executive officer)

/s/Joseph C. O'Neill, Jr.
Joseph C. O'Neill, Jr.
Executive Vice President and Chief Financial Officer
(principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

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