Magyar Bancorp, Inc.
Form 10-Q
August 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

Commission File Number **000-51726**

Magyar Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-4154978**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
400 Somerset Street, New Brunswick, New Jersey	**08901**
(Address of Principal Executive Office)	(Zip Code)

(732) 342-7600

(Issuer's Telephone Number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 þ No o

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 þ No o

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

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

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. o

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

Yes o No þ

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2018
Common Stock, $0.01 Par Value	5,820,746

MAGYAR BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

PART I. FINANCIAL INFORMATION

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Data)

Assets	June 30, 2018 (Unaudited)	September 30, 2017
Cash	$ 937	$ 871
Interest earning deposits with banks	12,557	21,463
Total cash and cash equivalents	13,494	22,334
Investment securities - available for sale, at fair value	23,111	11,815
Investment securities - held to maturity, at amortized cost (fair value of $32,905 and $51,241 at June 30, 2018 and September 30, 2017, respectively)	34,342	51,368
Federal Home Loan Bank of New York stock, at cost	2,760	2,002
Loans receivable, net of allowance for loan losses of $3,985 and $3,475 at June 30, 2018 and September 30, 2017, respectively	498,818	470,693
Bank owned life insurance	11,768	11,550
Accrued interest receivable	2,014	1,929
Premises and equipment, net	17,198	17,567
Other real estate owned ("OREO")	10,040	11,056
Other assets	2,599	2,730
Total assets	$ 616,144	$ 603,044
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 507,984	$ 515,201
Escrowed funds	2,478	1,937
Federal Home Loan Bank of New York advances	48,764	31,905
Accrued interest payable	160	105
Accounts payable and other liabilities	6,201	4,439
Total liabilities	565,587	553,587
Stockholders' equity		

Preferred stock: $.01 Par Value, 1,000,000 shares authorized; none issued	—	—
Common stock: $.01 Par Value, 8,000,000 shares authorized;		
5,923,742 issued; 5,820,746 shares outstanding		
at June 30, 2018 and September 30, 2017	59	59
Additional paid-in capital	26,305	26,289
Treasury stock: 102,996 shares		
at June 30, 2018 and September 30, 2017, at cost	(1,152)	(1,152)
Unearned Employee Stock Ownership Plan shares	(390)	(492)
Retained earnings	27,269	25,757
Accumulated other comprehensive loss	(1,534)	(1,004)
Total stockholders' equity	50,557	49,457
Total liabilities and stockholders' equity	$ 616,144	$ 603,044

The accompanying notes are an integral part of these consolidated financial statements.

1

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Interest and dividend income				
Loans, including fees	$5,736	$5,042	$16,579	$15,050
Investment securities				
Taxable	399	378	1,236	1,150
Federal Home Loan Bank of New York stock	33	27	97	88
Total interest and dividend income	6,168	5,447	17,912	16,288
Interest expense				
Deposits	981	748	2,746	2,195
Borrowings	185	180	512	558
Total interest expense	1,166	928	3,258	2,753
Net interest and dividend income	5,002	4,519	14,654	13,535
Provision for loan losses	276	315	782	1,048
Net interest and dividend income after provision for loan losses	4,726	4,204	13,872	12,487
Other income				
Service charges	268	279	749	867
Income on bank owned life insurance	73	71	218	214
Other operating income	34	25	101	88
Gains on sales of loans	146	72	362	183
Gains on sales of investment securities	—	—	107	—
Total other income	521	447	1,537	1,352
Other expenses				
Compensation and employee benefits	2,496	2,272	7,297	6,764
Occupancy expenses	718	697	2,190	2,092
Professional fees	284	251	768	770
Data processing expenses	143	129	424	385
OREO expenses	63	169	462	423

FDIC deposit insurance premiums	114	125	319	384
Loan servicing expenses	73	62	231	179
Insurance expense	50	58	152	174
Other expenses	418	390	1,207	1,063
Total other expenses	4,359	4,153	13,050	12,234
Income before income tax expense	888	498	2,359	1,605
Income tax expense	289	210	1,035	670
Net income	$599	$288	$1,324	$935
Net income per share-basic and diluted	$0.10	$0.05	$0.23	$0.16

The accompanying notes are an integral part of these consolidated financial statements.

2

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(In Thousands)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Net income	$599	$288	$1,324	$935
Other comprehensive income (loss)				
Unrealized gain (loss) on securities available for sale	(223)	44	(469)	(237)
Less reclassification adjustments for:				
Net unrealized gains on securities reclassified available for sale	—	—	104	—
Net gains realized on securities available for sale	—	—	(107)	—
Other comprehensive income (loss), before tax	(223)	44	(472)	(237)
Deferred income tax effect	115	(16)	130	86
Total other comprehensive income (loss)	(108)	28	(342)	(151)
Total comprehensive income	$491	$316	$982	$784

The accompanying notes are an integral part of these consolidated financial statements.

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Nine Months Ended June 30, 2018 and 2017

(In Thousands, Except for Share Amounts)

	Common Stock Shares Outstanding	Par Value	Additional Paid-In Capital	Treasury Stock	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(Unaudited)							
Balance, September 30, 2017	5,820,746	$ 59	$ 26,289	$ (1,152)	$ (492)	$ 25,757	$ (1,004)	$ 49,457
Net income	—	—	—	—	—	1,324	—	1,324
Other comprehensive loss	—	—	—	—	—	—	(342)	(342)
Reclassification of the stranded tax effect related to deferred taxes for:								
Defined benefit pension plan[(1)]	—	—	—	—	—	177	(177)	—
Securities available-for-sale[(1)]	—	—	—	—	—	11	(11)	—
ESOP shares allocated	—	—	16	—	102	—	—	118
Balance, June 30, 2018	5,820,746	$ 59	$ 26,305	$ (1,152)	$ (390)	$ 27,269	$ (1,534)	$ 50,557

(1) In January 2018, the Company adopted ASU 2018-02, as a result, the Company made a policy election to release income tax effects, as a result of the Tax Act, from AOCI to retained earnings.

	Common Stock Shares Outstanding	Par Value	Additional Paid-In Capital	Treasury Stock	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(Unaudited)							
Balance, September 30, 2016	5,820,746	$ 59	$ 26,270	$ (1,152)	$ (627)	$ 24,334	$ (1,159)	$ 47,725
Net income	—	—	—	—	—	935	—	935
Other comprehensive loss	—	—	—	—	—	—	(151)	(151)
ESOP shares allocated	—	—	14	—	102	—	—	116
Balance, June 30, 2017	5,820,746	$ 59	$ 26,284	$ (1,152)	$ (525)	$ 25,269	$ (1,310)	$ 48,625

The accompanying notes are an integral part of these consolidated financial statements.

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In Thousands)

	For the Nine Months Ended June 30,	
	2018	2017
	(Unaudited)	
Operating activities		
Net income	$1,324	$935
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation expense	612	606
Premium amortization on investment securities, net	104	143
Provision for loan losses	782	1,048
Provision for loss on other real estate owned	308	218
Originations of loans held for sale	(6,255)	(2,651)
Proceeds from the sales of loans receivable	6,617	2,834
Gains on sale of loans receivable	(362)	(183)
Gains on sales of investment securities	(107)	—
Gains on the sales of other real estate owned	(66)	(5)
ESOP compensation expense	118	116
Deferred income tax expense	638	689
Increase in accrued interest receivable	(85)	(95)
Increase in surrender value bank owned life insurance	(218)	(214)
Increase in other assets	(377)	(121)
Increase in accrued interest payable	55	17
Increase (decrease) in accounts payable and other liabilities	1,762	(1,174)
Net cash provided by operating activities	4,850	2,163
Investing activities		
Net (increase) decrease in loans receivable	(28,166)	371
Purchases of loans receivable	(4,463)	(12,626)
Proceeds from the sale of loans receivable	3,399	—
Purchases of investment securities held to maturity	(3,492)	(3,974)
Purchases of investment securities available for sale	(1,443)	(6,079)
Sales of investment securities held to maturity	3,408	—
Principal repayments on investment securities held to maturity	4,542	5,716
Principal repayments on investment securities available for sale	2,246	809
Purchases of premises and equipment	(243)	(202)
Investment in other real estate owned	(182)	(34)
Proceeds from other real estate owned	1,279	1,225
(Purchases) redemptions of Federal Home Loan Bank stock	(758)	123
Net cash used by investing activities	(23,873)	(14,671)

Financing activities		
Net (decrease) increase in deposits	(7,217)	7,122
Net increase in escrowed funds	541	460
Proceeds from long-term advances	4,059	865
Repayments of long-term advances	(2,000)	(5,000)
Net change in short-term advances	14,800	—
Net cash provided by financing activities	10,183	3,447
Net decrease in cash and cash equivalents	(8,840)	(9,061)
Cash and cash equivalents, beginning of period	22,334	21,806
Cash and cash equivalents, end of period	$13,494	$12,745
Supplemental disclosures of cash flow information		
Cash paid for		
Interest	$3,204	$2,736
Income taxes	$964	$36
Non-cash investing activities		
Real estate acquired in full satisfaction of loans in foreclosure	$—	$1,161
Investment securities transferred from held to maturity to available for sale	$12,619	

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

NOTE A – BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Magyar Bancorp, Inc. (the "Company"), its wholly owned subsidiary, Magyar Bank (the "Bank"), and the Bank's wholly owned subsidiaries Magyar Service Corporation, Hungaria Urban Renewal, LLC, and MagBank Investment Company. All material intercompany transactions and balances have been eliminated. The Company prepares its financial statements on the accrual basis and in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The unaudited information furnished herein reflects all adjustments (consisting of normal recurring accruals) that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented.

Operating results for the three and nine months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending September 30, 2018. The September 30, 2017 information has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete consolidated financial statements.

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income 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, the valuation of other real estate owned, and the assessment of realizability of deferred income tax assets.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2018 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

NOTE B- RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year. The new guidance is effective for public companies for periods beginning after December 15, 2017. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods.

Based on our evaluation under the current guidance, we estimated that substantially all of our interest income and non-interest income will not be impacted by the adoption of ASU 2014-09 because either the revenue from those contracts with customers is covered by other guidance in US GAAP or the revenue recognition outcomes anticipated with the adoption of ASU 2014-09 will likely be similar to our current revenue recognition practices. The Company evaluated certain noninterest revenue streams, including, deposit related fees, service and interchange fees, and merchant income to determine the potential impact of the guidance on the Company's consolidated financial statements. The Company expects additional financial statement disclosures of non-interest income revenue streams with the adoption of this ASU. In addition, we are reviewing our business processes, systems and controls to support recognition and disclosures under the new standard. The Company is expected to use the modified retrospective method for transition in which the cumulative effect will be recognized at the date of adoption with no restatement of comparative periods presented. The adoption of the ASU is not expected to have a material effect on the Company's consolidated financial statements.

Table of Contents

In January 2016, FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income; (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (v) 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 in accordance with the fair value option for financial instruments; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; and (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. In addition, the amendments in this ASU require an entity to disclose the fair value of its financial instruments using the exit price notion. Exit price 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. For public entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company has updated the fair value disclosure on Note G Fair Value Disclosures in this report to reflect adoption of this standard, to include using the exit price notion in the fair value disclosure of financial instruments. The Company`s adoption of the ASU did not have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Topic 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of income. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new guidance will be effective for years beginning after December 15, 2018 for public companies. Once effective, the standard will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Company is currently assessing the impacts this new standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 requires entities to report “expected” credit losses on financial instruments and other commitments to extend credit rather than the current “incurred loss” model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. For public business entities that are U.S. Securities and Exchange Commission filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements.

In August 2017, the FASB issued the ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The purpose of this guidance is to better align a company's financial reporting for hedging relationships with the company's risk management activities by expanding strategies that qualify for hedge accounting, modifying the presentation of certain hedging relationships in the financial statements and simplifying the application of hedge accounting in certain situations. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted in any interim or annual period before the effective date. ASU 2017-12 will be applied using a modified retrospective approach through a cumulative-effect adjustment related to the elimination of the separate measurement of ineffectiveness to the balance of accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year in which the amendments in this update are adopted. The amended presentation and disclosure guidance is required only prospectively. Upon adoption, the ASU allows for the reclassification of debt securities eligible to be hedged under the ASU from held-to-maturity to available-for-sale. The Company adopted ASU 2017-12 during the quarter ended December 31, 2017 and reclassified ten mortgage-backed securities totaling $12.6 million from the held-to-maturity portfolio to the available-for-sale portfolio.

Table of Contents

In February 2018, the FASB issued ASU 2018-02, *Income Statement- Reporting Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* The amendments in this update affect any entity that is required to apply the provisions of Topic 220, Income Statement- Reporting Comprehensive Income. Deferred tax assets ("DTAs") related to defined pension benefit plans and securities available for sale that were revalued as of December 31, 2017 created "stranded tax effects" in Accumulated Other Comprehensive Income ("AOCI") due to the enactment of the Tax Cuts and Jobs Act (the "Tax Act"). Existing GAAP required recognition of the tax rate change effects on the DTA revaluation as an adjustment to income tax expense. As a result the AOCI contained the stranded amounts from prior periods at the previous tax rate. ASU 2018-12 permits the reclassification of the stranded amounts from AOCI to retained earnings resulting from the Tax Act. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying GAAP guidance that requires the effect of a change in tax laws or rates to be included in income from continuing operations is not affected. The amendments in this update are optional and are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in any interim period.

The Company adopted the provisions of ASU 2018-02 effective June 30, 2018 and elected to record a reclassification adjustment of $188,000 from AOCI to retained earnings in the consolidated statements of stockholders' equity for stranded tax effects resulting from enactment of the Tax Act.

NOTE C - CONTINGENCIES

The Company, from time to time, is a party to routine litigation that arises in the normal course of business. In the opinion of management, the resolution of this litigation, if any, would not have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE D - EARNINGS PER SHARE

Basic and diluted earnings per share for the three and nine months ended June 30, 2018 and 2017 were calculated by dividing net income by the weighted-average number of shares outstanding for the period considering the effect of dilutive equity options and stock awards for the diluted earnings per share calculations.

	For the Three Months	For the Nine Months

	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
	(In thousands except for per share data)			
Income applicable to common shares	$599	$288	$1,324	$935
Weighted average number of common shares outstanding - basic	5,821	5,821	5,821	5,821
Stock options and restricted stock	—	—	—	—
Weighted average number of common shares and common share equivalents - diluted	5,821	5,821	5,821	5,821
Basic earnings per share	$0.10	$0.05	$0.23	$0.16
Diluted earnings per share	$0.10	$0.05	$0.23	$0.16

There were no outstanding options to purchase common stock at June 30, 2018 and 2017.

NOTE E – STOCK-BASED COMPENSATION AND STOCK REPURCHASE PROGRAM

The Company follows FASB Accounting Standards Codification ("ASC") Section 718, Compensation-Stock Compensation, which covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. ASC 718 requires that compensation cost relating to share-based payment transactions be recognized in consolidated financial statements. The cost is measured based on the fair value of the equity or liability instruments issued.

Table of Contents

Stock options generally vest over a five-year service period and expire ten years from issuance. The fair values of all option grants were estimated using the Black-Scholes option-pricing model. Management recognizes compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the vesting period of the awards. Once vested, these awards are irrevocable.

There was no activity for the Company’s stock option plan for the months ended June 30, 2018.

The following is a summary of the status of the Company’s stock option activity and related information for its option plan for the nine months ended June 30, 2017.

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Balance at September 30, 2016	188,276	$ 14.61	0.4 years	
Granted	—	—		
Exercised	—	—		
Expired	(188,276)	14.61		
Forfeited	—	—		
Balance at June 30, 2017	—	$ —	—	$ —
Exercisable at June 30, 2017	—	$ —	—	$ —

There were no grants, vested shares or forfeitures of non-vested restricted stock awards as of or during the nine months ended June 30, 2018 and 2017.

There were no stock option and stock award expenses included with compensation expense for the nine months ended June 30, 2018 and 2017.

The Company announced in November 2007 its second stock repurchase program of up to 5% of its publicly-held outstanding shares of common stock, or 129,924 shares. Through June 30, 2018, the Company had repurchased a total of 81,000 shares of its common stock at an average cost of $8.33 per share under this program. No shares were repurchased during the nine months ended June 30, 2018 and 2017, respectively. Under the stock repurchase program, 48,924 shares of the 129,924 shares authorized remained available for repurchase as of June 30, 2018. The Company’s intended use of the repurchased shares is for general corporate purposes. The Company held 102,996 total treasury stock shares at June 30, 2018, of which 81,000 were from repurchases under this program.

The Company has an Employee Stock Ownership Plan ("ESOP") for the benefit of employees of the Company and the Bank who meet the eligibility requirements as defined in the plan. The ESOP trust purchased 217,863 shares of common stock in the open market using proceeds of a loan from the Company. The total cost of shares purchased by the ESOP trust was $2.3 million, reflecting an average cost per share of $10.58. The Bank will make cash contributions to the ESOP on an annual basis sufficient to enable the ESOP to make the required loan payments to the Company. The loan bears a variable interest rate that adjusts annually every January 1st to the then published Prime Rate (4.50% at January 1, 2018) with principal and interest payable annually in equal installments over thirty years. The loan is secured by shares of the Company’s stock.

As the debt is repaid, shares are released as collateral and allocated to qualified employees. Accordingly, the shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Balance Sheets. As shares are released from collateral, the Company reports compensation expense equal to the then current market price of the shares, and the shares become outstanding for earnings per share computations.

At June 30, 2018, shares allocated to participants totaled 165,771. Unallocated ESOP shares held in suspense totaled 52,092 at June 30, 2018 and had a fair market value of $670,945. The Company's contribution expense for the ESOP was $118,000 and $116,000 for the nine months ended June 30, 2018 and 2017, respectively.

NOTE F – OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) and the related income tax effects are as follows:

9

Table of Contents

	Three Months Ended June 30,					
	2018			2017		
	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
	(Dollars in thousands)					
Unrealized holding gain (loss) arising during period on:						
Available-for-sale investments	$(223)	$ 115	$ (108)	$44	$ (16)	$ 28
Other comprehensive (loss) income, net	$(223)	$ 115	$ (108)	$44	$ (16)	$ 28