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 December 31, 2017

OR

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

For the transition period from ____________ to _______________

Commission File No. 000-55732

COMMUNITY SAVINGS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland	81-3840964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
425 Main Street Caldwell, Ohio	43724
(Address of principal executive office)	(Zip Code)

(740) 732-5678
(Registrant's telephone number, including area code)

N/A
(Former name or former address, 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by checkmark 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 ☒

As of February 13, 2018, the latest practicable date, 441,290 shares of the registrant's common stock, $0.01 par value, were issued and outstanding.

Community Savings Bancorp, Inc.

Index to Quarterly Report on Form 10-Q

Part I – Financial Information
Item 1. Interim Financial Statements (Unaudited)

Community Savings Bancorp, Inc.

Condensed Consolidated Balance Sheets
December 31, 2017 and June 30, 2017
(In thousands, except share data)

	December 31, 2017 (Unaudited)	June 30, 2017
Assets		
Cash and due from banks	$ 1,647	$ 2,647
Interest-earning demand deposits in other financial institutions	1,434	6,052
Cash and cash equivalents	3,081	8,699
Interest-earning time deposits in other financial institutions	4,594	4,580
Investment securities available-for-sale, at fair value	7,277	8,798
Other investment securities	940	940
Loans	32,790	31,953
Less: allowance for loan losses	(253)	(253)
Loans, net	32,537	31,700
Premises and equipment, net	423	458
Foreclosed assets, net	17	17
Accrued interest receivable	158	152
Bank owned life insurance	757	-
Other assets	199	265
Total assets	$ 49,983	$ 55,609
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	$ 8,948	$ 9,907
Savings and money market	22,468	23,477
Time	8,024	8,135
Total deposits	39,440	41,519
Federal Home Loan Bank advances	1,000	4,500
Payments by borrowers for taxes and insurance	233	88
Other liabilities	159	109
Total liabilities	40,832	46,216
Shareholders' Equity		
Preferred stock - par value $0.01 per share, 5,000,000 shares authorized, none issued	-	-
Common stock - par value $0.01 per share, 50,000,000 shares authorized, 441,290 shares issued and outstanding	4	4
Additional paid in capital	3,258	3,258
Unearned employee stock ownership plan (ESOP) shares	(327)	(327)
Retained earnings	6,241	6,433
Accumulated other comprehensive income (loss)	(25)	25
Total shareholders' equity	9,151	9,393
Total liabilities and shareholders' equity	$ 49,983	$ 55,609

See Notes to Condensed Consolidated Financial Statements

Community Savings Bancorp, Inc.
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended December 31, 2017 and 2016
(In thousands, except share data)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
	(Unaudited)			
Interest Income				
Loans, including fees	$ 371	$ 353	$ 717	$ 709
Taxable securities	33	41	64	74
Tax exempt securities	10	10	20	28
Interest-earning deposits	39	29	78	61
Total interest income	453	433	879	872
Interest Expense				
Deposits	32	32	64	62
Federal Home Loan Bank advances	11	22	26	44
Total interest expense	43	54	90	106
Net Interest Income	410	379	789	766
Provision for Loan Losses	-	-	-	-
Net Interest Income After Provision for Loan Losses	410	379	789	766
Noninterest Income				
Service charges and fees	65	65	130	130
Gain on sale of foreclosed assets, net	-	-	-	29
Increase in cash surrender value-bank owned life insurance	6	-	7	-
Other operating	-	5	-	10
Total noninterest income	71	70	137	169
Noninterest Expense				
Salaries, employee benefits and directors fees	215	205	438	405
Occupancy and equipment	23	25	48	50
Data processing	77	93	163	155
Correspondent bank service charges	57	71	111	118
Franchise taxes	13	9	26	21
FDIC insurance premiums	4	2	7	10
Professional services	117	32	197	92
Advertising	3	5	10	8
Office supplies	26	17	51	35
Other	41	63	80	112
Total noninterest expense	576	522	1,131	1,006
Loss Before Federal Income Tax Expense (Benefit)	(95)	(73)	(205)	(71)
Federal Income Tax Expense (Benefit)	18	(19)	(13)	(21)
Net loss	$ (113)	$ (54)	$ (192)	$ (50)
(Loss) per share - basic and diluted	$ (0.28)	N/A	$ (0.47)	N/A
Weighted-average shares outstanding - basic and diluted	408,602	-	408,602	-

See Notes to Condensed Consolidated Financial Statements

Community Savings Bancorp, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
For the Three and Six Months Ended December 31, 2017 and 2016
(In thousands)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
	(Unaudited)			
Net loss	$ (113)	$ (54)	$ (192)	$ (50)
Other comprehensive income (loss):				
Unrealized holding gains (losses) on securities available for sale	(65)	(237)	(75)	(228)
Tax effect	22	80	25	77
Total other comprehensive loss	(43)	(157)	(50)	(151)
Comprehensive loss	$ (156)	$ (211)	$ (242)	$ (201)

See Notes to Condensed Consolidated Financial Statements

Community Savings Bancorp, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended December 31, 2017 and 2016
(In thousands)

Six Months Ended December 31, 2017

	Preferred Stock	Common Stock	Additional Paid in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			(Unaudited)				
Balance at July 1, 2017	$ -	$ 4	$ 3,258	$ (327)	$ 6,433	$ 25	$ 9,393
Net loss	-	-	-	-	(192)	-	(192)
Other comprehensive loss	-	-	-	-	-	(50)	(50)
Balance at December 31, 2017	$ -	$ 4	$ 3,258	$ (327)	$ 6,241	$ (25)	$ 9,151

Six Months Ended December 31, 2016

	Preferred Stock	Common Stock	Additional Paid in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			(Unaudited)				
Balance at July 1, 2016	$ -	$ -	$ -	$ -	$ 6,567	$ 88	$ 6,655
Net loss	-	-	-	-	(50)	-	(50)
Other comprehensive loss	-	-	-	-	-	(151)	(151)
Balance at December 31, 2016	$ -	$ -	$ -	$ -	$ 6,517	$ (63)	$ 6,454

See Notes to Condensed Consolidated Financial Statements

Community Savings Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2017 and 2016
(In thousands)

	Six Months Ended December 31, 2017	2016
	(Unaudited)	
Cash Flows from Operating Activities		
Net loss	$ (192)	$ (50)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	35	34
Deferred income tax expense	(13)	(21)
Amortization of premiums and discounts on securities, net	64	82
Provision for loan losses	-	-
Gain on sale of foreclosed assets	-	(29)
Impairment of foreclosed real estate	-	2
Net changes in:		
Accrued interest receivable	(6)	6
Bank owned life insurance-cash surrender value	(7)	-
Other assets	104	(688)
Other liabilities	50	207
Net cash provided by (used in) operating activities	35	(457)
Cash Flows from Investing Activities		
Net change in interest-earning time deposits in other financial institutions	(14)	740
Purchase of available for sale securities	-	(1,507)
Proceeds from maturities of available for sale securities	555	1,500
Principal repayments of available for sale mortgage-backed securities	827	841
Net change in loans	(837)	192
Purchase of premises and equipment	-	(36)
Purchase of bank owned life insurance	(750)	-
Proceeds from sale of foreclosed assets	-	40
Net cash provided by (used in) investing activities	(219)	1,770
Cash Flows from Financing Activities		
Net change in deposits	(2,079)	609
Proceeds from Federal Home Loan Bank advances	-	1,750
Repayment of Federal Home Loan Bank advances	(3,500)	(2,800)
Payments by borrowers for taxes and insurance	145	125
Proceeds from stock subscriptions	-	3,572
Net cash provided by (used in) financing activities	(5,434)	3,256
Net Change in Cash and Cash Equivalents	(5,618)	4,569
Beginning Cash and Cash Equivalents	8,699	3,184
Ending Cash and Cash Equivalents	$ 3,081	$ 7,753
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 90	$ 106
Supplemental Disclosure of Noncash Investing Activities		
Transfers from loans to foreclosed assets	$ -	$ -

See Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Presentation

Community Savings Bancorp, Inc. (the "Company"), headquartered in Caldwell, Ohio, was formed to serve as the holding company for Community Savings (the "Bank") following its mutual-to-stock conversion. The conversion was completed effective January 10, 2017. In the conversion and concurrent stock offering, the Company issued 441,290 shares at an offering price of $10.00 per share.

The Company's condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair presentation of the unaudited financial statements have been included to present fairly the financial position as of December 31, 2017 and the results of operations and cash flows for the three and six months ended December 31, 2017 and 2016. All interim amounts have not been audited and the results of operations for the three and six months ended December 31, 2017, herein are not necessarily indicative of the results of operations to be expected for the entire fiscal year.

The accompanying condensed consolidated balance sheet as of June 30, 2017 has been derived from audited financial statements included in the Company's Form 10-K. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company as of and for the year ended June 30, 2017 included in the Company's Form 10-K.

Principles of Consolidation

The condensed consolidated financial statements as of and for the periods ended December 31, 2017 and at June 30, 2017, include Community Savings Bancorp, Inc. and its wholly-owned subsidiary, Community Savings (the "Bank"), together referred to as the "Company." Intercompany transactions and balances have been eliminated in consolidation. The financial statements for the three and six months ended December 31, 2016 represent the Bank only, as the conversion to stock form, including the formation of Community Savings Bancorp, Inc., was completed on January 10, 2017. References herein to the "Company" for periods prior to the completion of the stock conversion should be deemed to refer to the "Bank."

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, valuation of deferred tax assets, and fair values of financial instruments.

Note 2: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Available-for-sale Securities:				
December 31, 2017				
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 4,783	$ 23	$ (46)	$ 4,760
Collateralized mortgage obligations of government sponsored entities - residential	249	3	(2)	250
State and political subdivisions				
Taxable	822	3	(8)	817
Nontaxable	1,461	7	(18)	1,450
	$ 7,315	$ 36	$ (74)	$ 7,277
June 30, 2017				
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 5,595	$ 44	$ (26)	$ 5,613
Collateralized mortgage obligations of government sponsored entities - residential	307	6	-	313
State and political subdivisions				
Taxable	1,393	8	(8)	1,393
Nontaxable	1,466	16	(3)	1,479
	$ 8,761	$ 74	$ (37)	$ 8,798

The amortized cost and fair value of available-for-sale securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	$ 254	$ 253
One to five years	305	308
Five to ten years	290	289
Beyond ten years	1,434	1,417
	2,283	2,267
Mortgage-backed securities of U.S. government sponsored entities - residential	4,783	4,760
Collateralized mortgage obligations of government sponsored entities - residential	249	250
Totals	$ 7,315	$ 7,277

The Company had no sales of investment securities during the three and six-month periods ended December 31, 2017 and 2016. One security was called in the amount of $555,000 during the 2017 period.

The Company had pledged $2.0 million and $2.6 million of its investment securities at December 31, 2017 and June 30, 2017, respectively, and $885,000 of interest-earning time deposits at December 31, 2017 and June 30, 2017. The Company also had pledged $225,000 of interest-earning demand deposits at December 31, 2017 and June 30, 2017, primarily to secure public deposits.

The Company's other investment securities consists of $915,000 of stock in the FHLB and $25,000 of stock in the Company's data service provider at both December 31, 2017 and June 30, 2017.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and June 30, 2017:

	Less than 12 Months		12 Months or Longer		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
			(In thousands)			
December 31, 2017						
Available-for-sale Securities:						
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 1,846	$ (14)	$ 1,363	$ (32)	$ 3,209	$ (46)
Collateralized mortgage obligations of government sponsored entities - residential	140	(2)	-	-	$ 140	$ (2)
State and political subdivisions						
Taxable	253	(1)	255	(7)	508	(8)
Nontaxable	289	(2)	370	(16)	659	(18)
	$ 2,528	$ (19)	$ 1,988	$ (55)	$ 4,516	$ (74)
June 30, 2017						
Available-for-sale Securities:						
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 2,161	$ (26)	$ -	$ -	$ 2,161	$ (26)
State and political subdivisions						
Taxable	256	(1)	258	(7)	514	(8)
Nontaxable	383	(3)	-	-	383	(3)
	$ 2,800	$ (30)	$ 258	$ (7)	$ 3,058	$ (37)

Other-than-temporary Impairment

At December 31, 2017 and June 30, 2017, the decline in fair value of the Company's investment securities is attributable to changes in interest rates and not credit quality. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before recovery of their amortized cost bases, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2017 and June 30, 2017.

Note 3: Loans and Allowance for Loan Losses

Loans at December 31, 2017 and June 30, 2017 include:

	December 31, 2017	June 30, 2017
	(In thousands)	
Real estate		
One- to four-family residential	$ 25,310	$ 23,600
Home equity lines of credit	2,182	3,059
Commercial and multi-family	2,042	1,683
Consumer and other	3,256	3,611
Total loans	32,790	31,953
Allowance for loan losses	(253)	(253)
Net loans	$ 32,537	$ 31,700

The risk characteristics applicable to each segment of the loan portfolio are described below:

Residential Real Estate and Home Equity Lines of Credit

Residential mortgage loans and home equity lines of credit are secured by one-to four-family residences and are comprised of owner-occupied and non-owner-occupied loans. Construction real estate loans (immaterial for the periods presented) are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. The Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values or residential properties. Risk is mitigated by the fact that loans are of smaller individual amounts and spread over a large number of borrowers.

Multi-family Residential Real Estate

Multi-family real estate loans generally involve a greater degree of credit risk than one-to four- family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family real estate is typically dependent upon the successful operation of the related real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial Real Estate

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk.

Consumer Loans

Consumer loans entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as automobiles. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In particular, amounts realizable on the sale of repossessed automobiles may be significantly reduced based upon the condition of the automobiles and the lack of demand for used automobiles.

The following table presents, by portfolio segment, the activity in the allowance for loan losses for the three and six months ended December 31, 2017 and the recorded investment in loans and impairment method as of December 31, 2017:

	Real Estate					
	1-4 Family Residential	Home Equity Lines of Credit	Commercial and Multi-Family	Consumer and Other	Unallocated	Total
			(In thousands)			
Three Months Ended December 31, 2017						
Allowance for loan losses:						
Balance, October 1, 2017	$ 172	$ 15	$ 9	$ 20	37	$ 253
Provision for loan losses	3	1	1	(3)	(2)	-
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, December 31, 2017	$ 175	$ 16	$ 10	$ 17	$ 35	$ 253
Six Months Ended December 31, 2017 Allowance for loan losses:						
Balance, July 1, 2017	$ 162	$ 21	$ 8	$ 20	$ 42	$ 253
Provision for loan losses	13	(5)	2	(3)	(7)	-
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, December 31, 2017	$ 175	$ 16	$ 10	$ 17	$ 35	$ 253
Allowance for loan losses:						
Ending balance, individually evaluated for impairment	$ 9	$ -	$ -	$ -	$ -	$ 9
Ending balance, collectively evaluated for impairment	$ 166	$ 16	$ 10	$ 17	$ 35	$ 244
Loans:						
Ending balance	$ 25,310	$ 2,182	$ 2,042	$ 3,256		$ 32,790
Ending balance; individually evaluated for impairment	$ 389	$ 6	$ 90	$ 9		$ 494
Ending balance; collectively evaluated for impairment	$ 24,921	$ 2,176	$ 1,952	$ 3,247		$ 32,296

The following table presents, by portfolio segment, the activity in the allowance for loan losses for the three and six months ended December 31, 2016:

	Real Estate					
	1-4 Family Residential	Home Equity Lines of Credit	Commercial and Multi-Family	Consumer and Other	Unallocated	Total
	(In thousands)					
Three Months Ended December 31, 2016 Allowance for loan losses:						
Balance, October 1, 2016	$ 161	$ 22	$ 9	$ 23	$ 38	$ 253
Provision for loan losses	4	-	-	(1)	(3)	-
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, December 31, 2016	$ 165	$ 22	$ 9	$ 22	$ 35	$ 253
Six Months Ended December 31, 2016 Allowance for loan losses:						
Balance, July 1, 2016	$ 161	$ 22	$ 10	$ 24	$ 36	$ 253
Provision for loan losses	4	-	(1)	(2)	(1)	-
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, December 31, 2016	$ 165	$ 22	$ 9	$ 22	$ 35	$ 253

The following table presents, by portfolio segment, the allowance for loan losses, the recorded investment in loans and impairment method as of June 30, 2017:

	June 30, 2017					
	Real Estate					
	1-4 Family Residential	Home Equity Lines of Credit	Commercial and Multi-Family	Consumer and Other	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Ending balance, individually evaluated for impairment	$ 9	$ -	$ -	$ -	$ -	$ 9
Ending balance, collectively evaluated for impairment	$ 153	$ 21	$ 8	$ 20	$ 42	$ 244
Loans:						
Ending balance	$ 23,600	$ 3,059	$ 1,683	$ 3,611		$ 31,953
Ending balance; individually evaluated for impairment	$ 411	$ 17	$ 13	$ 2		$ 443
Ending balance; collectively evaluated for impairment	$ 23,189	$ 3,042	$ 1,670	$ 3,609		$ 31,510

Internal Risk Categories

The Company has adopted a standard loan grading system for all loans. Loans are selected for a grading review based on certain characteristics, including credit concentrations, subprime criteria, and delinquency of 90 days or more. Definitions are as follows:

Pass*:* These are higher quality loans that do not fit any of the other categories described below.

Special Mention: The loans identified as special mention have an obvious flaw or a potential weakness that deserves special management attention, but which has not yet impacted collectability. These flaws or weaknesses, if left uncorrected, may result in the deterioration of the prospects of repayment or the deterioration of the Company's credit position.

Substandard: These are loans with a well-defined weakness, where the Company has a serious concern about the borrower's ability to make full repayment if the weaknesses are not corrected. The loan may contain a flaw, which could impact the borrower's ability to repay, or the borrower's continuance as a "going concern." When collateral values are not sufficient to secure the loan and other weaknesses are present, the loan may be rated substandard. A loan will also be rated substandard when full repayment is expected, but it must come from the liquidation of collateral.

One-to-four family residential real estate loans and home equity loans that are past due 90 days or more with loan to value ratios greater than 60 percent are classified as substandard.

Doubtful: These are loans with major defined weaknesses, where future charge-off of a part of the credit is highly likely. The primary repayment source is no longer viable and the viability of the secondary source of repayment is in doubt. The amount of loss is uncertain due to circumstances within the credit that are not yet fully developed and the loan is rated "Doubtful" until the loss can be accurately estimated.

Loss: These are near term charge-offs. Loans classified as loss are considered uncollectible and of such little value that it is not desirable to continue carrying them as assets on the Company's financial statements, even though partial recovery may be possible at some future time.

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of December 31, 2017 and June 30, 2017:

	Real Estate				
	1-4 Family Residential	Home Equity Lines of Credit	Commercial and Multi-Family	Consumer and Other	Total
			(In thousands)		
December 31, 2017					
Pass	$ 24,592	$ 2,116	$ 1,952	$ 3,247	$ 31,907
Special mention	-	-	-	-	-
Substandard	718	66	90	9	883
Doubtful	-	-	-	-	-
Total	$ 25,310	$ 2,182	$ 2,042	$ 3,256	$ 32,790
June 30, 2017					
Pass	$ 22,824	$ 2,989	$ 1,670	$ 3,609	$ 31,092
Special mention	-	-	-	-	-
Substandard	776	70	13	2	861
Doubtful	-	-	-	-	-
Total	$ 23,600	$ 3,059	$ 1,683	$ 3,611	$ 31,953

The Company evaluates the loan risk grading system definitions and allowance for loan losses methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2017 and June 30, 2017:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans Receivable
			(In thousands)			
December 31, 2017						
Real estate						
1-4 family residential	$ 163	$ -	$ 50	$ 213	$ 25,097	$ 25,310
Home equity lines of credit	-	-	-	-	2,182	2,182
Commercial and multi-family	77	-	13	90	1,952	2,042
Consumer and other	-	-	-	-	3,256	3,256
Total	$ 240	$ -	$ 63	$ 303	$ 32,487	$ 32,790
June 30, 2017						
Real estate						
1-4 family residential	$ -	$ 127	$ 65	$ 192	$ 23,408	$ 23,600
Home equity lines of credit	-	11	-	11	3,048	3,059
Commercial and multi-family	-	-	13	13	1,670	1,683
Consumer and other	-	-	-	-	3,611	3,611
Total	$ -	$ 138	$ 78	$ 216	$ 31,737	$ 31,953

A loan is considered impaired when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans, but also include loans modified in troubled debt restructurings.

The following table presents impaired loan information as of and for the three and six months ended December 31, 2017:

	As of December 31, 2017			For the Three Months Ended December 31, 2017		For the Six Months Ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
				(In thousands)			
Loans with no related allowance recorded:							
Real estate							
1-4 family residential	$ 301	$ 301	$ -	$ 311	$ -	$ 313	$ -
Home equity lines of credit	6	6	-	6	-	6	-
Commercial and multi-family	90	90	-	91	-	65	-
Consumer and other	9	9	-	9	-	6	-
Loans with an allowance recorded:							
Real estate							
1-4 family residential	88	90	9	89	1	90	2
Home equity lines of credit	-	-	-	-	-	-	-
Commercial and multi-family	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Totals	$ 494	$ 496	$ 9	$ 506	$ 1	$ 480	$ 2

The following table presents impaired loan information as of June 30, 2017 and for the three and six months ended December 31, 2016:

	As of June 30, 2017			For the Three Months Ended December 31, 2016		For the Six Months Ended December 31, 2016	
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
				(In thousands)			
Loans with no related allowance recorded:							
Real estate							
1-4 family residential	$ 319	$ 319	$ -	$ 301	$ -	302	$ -
Home equity lines of credit	17	17	-	20	-	20	-
Commercial and multi-family	13	13	-	-	-	-	-
Consumer and other	2	2	-	-	-	-	-
Loans with an allowance recorded:							
Real estate							
1-4 family residential	92	94	9	97	1	98	2
Home equity lines of credit	-	-	-	-	-	-	-
Commercial and multi-family	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Totals	$ 443	$ 445	$ 9	$ 418	$ 1	$ 420	$ 2

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs. Interest income recognized on a cash basis was not materially different than interest income recognized.

The following table presents the Company's nonaccrual loans at December 31, 2017 and June 30, 2017. The table excludes performing troubled debt restructurings.

	December 31, 2017	June 30, 2017
	(In thousands)	
Real estate		
1-4 family residential	$ 317	$ 337
Home equity lines of credit	6	17
Commercial and multi-family	90	13
Consumer and other	9	2
Total nonaccrual	$ 422	$ 369

At December 31, 2017 and June 30, 2017, the Company had certain loans that were modified in previous years in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate, or a permanent reduction of the recorded investment in the loan. The Company had loans modified, in previous years, in a troubled debt restructuring totaling $72,000 and $85,000 at December 31, 2017 and June 30, 2017, respectively. Troubled debt restructured loans had specific allowances totaling $7,000 and $6,000 at December 31, 2017 and June 30, 2017, respectively. At December 31, 2017, the Company had no commitments to lend additional funds to borrowers with troubled debt restructured loans.

No loans were modified as troubled debt restructurings during either the three and six months ended December 31, 2017 or 2016.

The Company had no troubled debt restructurings modified during the twelve months ended December 31, 2017 or 2016 that subsequently defaulted during the six-month periods ended December 31, 2017 or 2016. A troubled debt restructured loan is considered to be in payment default once it is 30 days contractually past due under the loan's modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

Note 4: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines 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 classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier I capital, and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of leverage capital to adjusted average total assets (as defined).

Management believes, as of December 31, 2017 and June 30, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

Basel III requires the Bank to maintain minimum amounts and ratios of common equity Tier 1 capital to risk-weighted assets, as defined in the regulation. Under the Basel III rules, in order to avoid limitations on capital distributions, including dividends, the Bank must hold a capital conservation buffer above the adequately capitalized common equity Tier 1 capital to risk-weighted assets ratio. The capital conservation buffer is being phased in from zero percent to 2.50 percent by 2019. Under Basel III, the Bank elected to opt-out of including accumulated other comprehensive income in regulatory capital.

As of December 31, 2017 and June 30, 2017, the most recent notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total capital, Tier I capital, common equity Tier I capital and leverage capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2017						
Total Capital (to Risk-Weighted Assets)						
Company	$ 9,429	39.6%	$ 1,905	8.0%	N/A	N/A
Bank	$ 8,357	35.1%	$ 1,905	8.0%	$ 2,379	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Company	$ 9,176	38.6%	$ 1,429	6.0%	N/A	N/A
Bank	$ 8,104	34.0%	$ 1,429	6.0%	$ 1,903	8.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)						
Company	$ 9,176	38.6%	$ 1,071	4.5%	N/A	N/A
Bank	$ 8,104	34.0%	$ 1,071	4.5%	$ 1,546	6.5%
Leverage Capital (to Adjusted Average Total Assets)						
Company	$ 9,176	18.3%	$ 2,010	4.0%	N/A	N/A
Bank	$ 8,104	16.1%	$ 2,010	4.0%	$ 2,512	5.0%
As of June 30, 2017						
Total Capital (to Risk-Weighted Assets)						
Company	$ 9,621	39.1%	$ 1,970	8.0%	N/A	N/A
Bank	$ 8,560	34.8%	$ 1,970	8.0%	$ 2,463	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Company	$ 9,368	38.0%	$ 1,478	6.0%	N/A	N/A
Bank	$ 8,307	33.7%	$ 1,478	6.0%	$ 1,970	8.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)						
Company	$ 9,368	38.0%	$ 1,108	4.5%	N/A	N/A
Bank	$ 8,307	33.7%	$ 1,108	4.5%	$ 1,601	6.5%
Leverage Capital (to Adjusted Average Total Assets)						
Company	$ 9,368	16.9%	$ 2,211	4.0%	N/A	N/A
Bank	$ 8,307	15.0%	$ 2,211	4.0%	$ 2,764	5.0%

Note 5: Disclosures about Fair Value of Assets and Liabilities

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as 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.

Level 3 Significant unobservable inputs that reflect an entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Recurring Measurements

The following table presents the fair value measurement of assets recognized in the accompanying condensed consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and June 30, 2017:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
December 31, 2017				
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 4,760	$ -	$ 4,760	$ -
Collateralized mortgage obligations of government sponsored entities - residential	250	-	250	-
State and political subdivisions				
Taxable	817	-	817	-
Nontaxable	1,450	-	1,450	-
	$ 7,277	$ -	$ 7,277	$ -
June 30, 2017				
Mortgage-backed securities of U.S. government sponsored entities - residential	$ 5,613	$ -	$ 5,613	$ -
Collateralized mortgage obligations of government sponsored entities - residential	313	-	313	-
State and political subdivisions				
Taxable	1,393	-	1,393	-
Nontaxable	1,479	-	1,479	-
	$ 8,798	$ -	$ 8,798	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying condensed consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There were no assets classified within Level 3 of the fair value hierarchy measured on a recurring basis. There were no transfers between Level 1 and Level 2 during the six-month periods ended December 31, 2017 and 2016.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flow. Such securities are classified within Level 2 of the valuation hierarchy.

Nonrecurring Measurements

The following table presents fair value measurements of assets measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which fair value measurements fall at December 31, 2017 and June 30, 2017:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
December 31, 2017				
Impaired loans				
Real estate				
1-4 family residential	$ 79	$ -	$ -	$ 79
Forclosed assets				
Residential real estate	$ 17	$ -	$ -	$ 17
June 30, 2017				
Impaired loans				
Real estate				
1-4 family residential	$ 83	$ -	$ -	$ 83
Foreclosed assets				
Residential real estate	$ 17	$ -	$ -	$ 17

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying condensed consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent)

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the borrower and borrower's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements:

	Fair Value (In thousands)		Valuation Technique	Unobservable Inputs	Range (Weighted Average)
December 31, 2017					
Impaired loans (collateral dependent) - residential real estate	$	79	Sales comparison approach	Adjustment for differences between the comparable real estate sales	10%
Foreclosed assets - residential real estate	$	17	Sales comparison approach	Adjustment for differences between the comparable real estate sales	10%
June 30, 2017					
Impaired loans (collateral dependent) - residential real estate	$	83	Sales comparison approach	Adjustment for differences between the comparable real estate sales	10%
Foreclosed assets - residential real estate	$	17	Sales comparison approach	Adjustment for differences between the comparable real estate sales	10%

Fair Value of Financial Instruments

The following table presents the carrying amount and estimated fair values of the Company's financial instruments not carried at fair value and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and June 30, 2017.

	Carrying Amount	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
			(In thousands)		
December 31, 2017					
Financial assets					
Cash and cash equivalents	$ 3,081	$ 3,081	$ -	$ -	$ 3,081
Interest-earning time deposits	4,594	4,594	-	-	4,594
Other investment securities	940	-	-	940	940
Loans, net	32,537	-	-	33,469	33,469
Accrued interest receivable	158	-	158	-	158
Bank owned life insurance	757	-	757	-	757
Financial liabilities					
Deposits	39,440	31,416	7,852	-	39,268
Federal Home Loan Bank advances	1,000	-	1,020	-	1,020
Payments by borrowers for taxes and insurance	233	-	233	-	233
June 30, 2017					
Financial assets					
Cash and cash equivalents	$ 8,699	$ 8,699	$ -	$ -	$ 8,699
Interest-earning time deposits	4,580	4,580	-	-	4,580
Other investment securities	940	-	-	940	940
Loans, net	31,700	-	-	32,869	32,869
Accrued interest receivable	152	-	152	-	152
Financial liabilities					
Deposits	41,519	33,384	8,014	-	41,398
Federal Home Loan Bank advances	4,500	-	4,536	-	4,536
Payments by borrowers for taxes and insurance	88	-	88	-	88

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying condensed consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents and Interest-earning Time Deposits

The carrying amount of cash, short-term instruments and time deposits approximate fair value and are classified as Level 1.

Other Investment Securities

Due to restrictions placed on their transferability, the FHLB and COCC stock are carried at cost, which approximates fair value based on redemption provisions resulting in a Level 3 classification.

Loans

Fair values of loans are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values, resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality, resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value of collateral as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Accrued Interest Receivable and Payable

The carrying amounts of accrued interest approximate fair value, resulting in a Level 2 classification.

Bank Owned Life Insurance

The fair value of bank owned life insurance approximates the cash surrender value of the policies, resulting in a level 2 classification.

Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 1 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits, resulting in a Level 2 classification.

Federal Home Loan Bank Advances

The fair values of FHLB advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements, resulting in a Level 2 classification.

Payments by Borrowers for Taxes and Insurance

The fair value of escrow accounts is estimated to approximate the carrying amount resulting in a Level 2 classification.

Off-Balance Sheet Instruments

Fair values of off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties’ credit standing. The fair value of commitments is not material.

Note 6: Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the three and six months ended December 31, 2017 and 2016 are as follows:

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
	(In thousands)	
Balance, October 1	$ 18	$ 94
Other comprehensive income (loss) before tax effect	(65)	(237)
Tax effect	22	80
Net current period other comprehensive income (loss)	(43)	(157)
Balance, December 31	$ (25)	$ (63)

	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
	(In thousands)	
Balance, July 1	$ 25	$ 88
Other comprehensive income (loss) before tax effect	(75)	(228)
Tax effect	25	77
Net current period other comprehensive income (loss)	(50)	(151)
Balance, December 31	$ (25)	$ (63)

There were no material items reclassified from accumulated other comprehensive income (loss) to the condensed consolidated statement of operations for the three and six months ended December 31, 2017 and 2016.

Note 7: Recent Accounting Pronouncements

FASB ASU 2014-09, *Revenue from Contracts with Customers*. In May 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance on revenue recognition from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most contract revenue recognition guidance, including industry-specific guidance. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of promised 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 amended guidance is effective, as to the Company, for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019, and should be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. Early adoption is prohibited. ASU 2014-09 may require the Company to change how it recognizes certain components of noninterest income, but the Company does not believe it will have a material impact on the Company's financial statements or disclosures.

FASB ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. In January 2016, the FASB issued Accounting Standards Update ("ASU") 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. For public business entities, the amendments in this update include the elimination of the requirement to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, the requirement to use the exit price notion when measuring fair value of financial instruments for disclosure purposes, the requirement 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, the requirement for separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or accompanying notes to the financial statements, and the amendments clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of the amendments in this update is not permitted, except that early application by public business entities to financial statements of fiscal years or interim periods that have not yet been issued or, by all other entities, that have not yet been made available for issuance are permitted as of the beginning of the fiscal year of adoption for the following amendment: An entity should 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 if the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. An entity should apply the amendments to this update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company does not believe it will have a material impact on the Company's financial statements or disclosures.

FASB ASU 2016-02, *Leases.* In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*.

The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

The amendments in ASU 2016-02 are effective, as to the Company, for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Management is currently evaluating the impact of adopting this guidance on the Company's financial statements.

FASB ASU 2016-13, *Financial Instruments-Credit Losses.* In June 2016, the FASB issued ASU 2016-13. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective, as to the Company, for annual reporting periods beginning after December 15, 2020 and for interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations.

FASB ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs*. In March 2017, the FASB issued ASU 2017-08. The amendment shortens the amortization period for certain callable debt securities purchased at a premium. Upon adoption of the standard, premiums on these qualifying callable debt securities will be amortized to the earliest call date. Discounts on purchased debt securities will continue to be accreted to maturity. This ASU will become effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. Upon transition, entities should apply the guidance on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption and provide the disclosures required for a change in accounting principle. Management has not determined the expected effect of the adoption of ASU 2017-08 on the Company's financial statements.

Note 8: Loss Per Share

Basic loss per share (“LPS”) is calculated by dividing net loss applicable to common stock by the weighted-average number of shares of common stock outstanding during the period. Unallocated common shares held by the Company’s Employee Stock Ownership Plan (the “ESOP”) are shown as a reduction in stockholders’ equity and are excluded from weighted-average common shares outstanding for basic and diluted LPS calculations until they are committed to be released.

Diluted LPS is computed in a manner similar to that of basic LPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period.

Loss per share for the three and six months ended December 31, 2017 was $(0.28) and $(0.47) respectively, calculated using 441,290 shares issued, less 32,688 unallocated shares held by the ESOP. The Company had no dilutive or potentially dilutive securities at December 31, 2017.

Loss per share disclosures are not applicable to the three and six months ended December 31, 2016, because the Company did not complete the conversion to stock form until January 10, 2017.

Note 9: Employee Stock Ownership Plan (ESOP)

As part of the Company’s stock conversion, shares were purchased by the ESOP with a loan from Community Savings Bancorp, Inc. All employees of the Bank meeting certain tenure requirements are entitled to participate in the ESOP. Compensation expense related to the ESOP was $6,000 and $12,000 for the three and six months ended December 31, 2017.

The stock price at the formation date was $10.00. The aggregate fair value of the 32,688 unallocated shares was $443,000 based on the $13.55 closing price of our common stock on December 31, 2017.

Note 10: Plan of Conversion and Change in Corporate Form

On August 25, 2016, the Board of Directors adopted a Plan of Conversion (the “Plan”) to convert from a federal mutual savings bank to a federal stock savings bank (the “Conversion”). A new Maryland-chartered corporation, Community Savings Bancorp, Inc. (the “Company”), was formed in August 2016, which, upon consummation of the Conversion and offering, became the savings and loan holding company of Community Savings (the “Bank”). The Plan was subject to approval of the members of the Bank, which approval was received at a Special Meeting of Members on December 21, 2016.

Additionally, the Plan was subject to the final approval of the Office of the Comptroller of the Currency ("OCC") and the formation of the Company as the holding company of the Bank, upon consummation of the Conversion, was subject to the approval of the Board of Governors of the Federal Reserve System ("FRB"). As part of the Conversion and offering, the Company filed a registration statement with the U.S. Securities and Exchange Commission. Upon receipt of the final approval of the OCC and the FRB and the consummation of the Conversion and offering, the Bank became the wholly owned subsidiary of the Company, and the Company issued and sold shares of its capital stock to eligible depositors and borrowers of the Bank and the public pursuant to an independent valuation appraisal of the Bank and the Company on a converted basis that has been conducted by an independent appraisal firm that is experienced in appraising financial institutions in connection with mutual to stock conversions. The Conversion was completed on January 10, 2017 and resulted in the issuance of 441,290 common shares by the Company.

The cost of the Conversion and issuing the capital stock totaled $1.15 million and was deducted from the proceeds of the offering.

In accordance with OCC regulations, at the time of the Conversion, the Bank substantially restricted retained earnings by establishing a liquidation account. The liquidation account will be maintained for the benefit of eligible holders who continue to maintain their accounts at the Bank after the Conversion. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Bank, and only in such event, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

Management's discussion and analysis of the financial condition at December 31, 2017 and results of operations for the three and six months ended December 31, 2017 and 2016, is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto, appearing in Part I, Item 1 of this quarterly report on Form 10-Q.

Forward-Looking Statements

This document contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and similar expressions. These forward-looking statements include: statements of goals, intentions and expectations, statements regarding prospects and business strategy, statements regarding asset quality and market risk, and estimates of future costs, benefits and results.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following: (1) general economic conditions, (2) competitive pressure among financial services companies, (3) changes in interest rates, (4) deposit flows, (5) loan demand, (6) changes in legislation or regulation, (7) changes in accounting principles, policies and guidelines and (8) other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. We have no obligation to update or revise any forward-looking statements to reflect any changed assumptions, any unanticipated events or any changes in the future.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with generally accepted accounting principles used in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover inherent, but unconfirmed, credit losses in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of our most critical accounting policies.

Management performs a quarterly evaluation of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change.

The analysis has two components, specific and general allowances. The specific percentage allowance is for unconfirmed losses related to loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral, adjusted for market conditions and selling expenses. If the fair value of the loan is less than the loan's carrying value, a charge is recorded for the difference. The general allowance, which is for loans reviewed collectively, is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes historical loss percentages and qualitative factors that are applied to the loan groups to determine the amount of the allowance for loan losses necessary for loans that are reviewed collectively. The qualitative component is critical in determining the allowance for loan losses as certain trends may indicate the need for changes to the allowance for loan losses based on factors beyond the historical loss history. Not incorporating a qualitative component could misstate the allowance for loan losses. Actual loan losses may be significantly more than the allowances we have established which could result in a material negative effect on our financial results.

Deferred Tax Assets. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Determining the proper valuation allowance for deferred taxes is critical in properly valuing the deferred tax asset and the related recognition of income tax expense or benefit. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

Fair Value Measurements. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company estimates the fair value of a financial instrument and any related asset impairment using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, the Company estimates fair value. These estimates are subjective in nature and imprecision in estimating these factors can impact the amount of gain or loss recorded. A more detailed description of the fair values measured at each level of the fair value hierarchy and the methodology utilized by the Company can be found in Note 14 of the Financial Statements "– Disclosures About Fair Value of Assets and Liabilities," included in the Company's Form 10-K.

Comparison of Financial Condition at December 31, 2017 and June 30, 2017

Total Assets. Total assets decreased $5.6 million, or 10.1%, to $50.0 million at December 31, 2017 from $55.6 million at June 30, 2017. The decrease was due primarily to a decrease in cash and cash equivalents of $5.6 million and a decrease in investment securities available-for-sale of $1.5 million, which were partially offset by a $757,000 increase in bank-owned life insurance and an increase in net loans of $837,000.

Cash and Cash Equivalents. Cash and cash equivalents decreased $5.6 million, or 64.6%, to $3.1 million at December 31, 2017 from $8.7 million at June 30, 2017. The decrease in cash and cash equivalents was due primarily to the repayment of $3.5 million in FHLB advances, a $2.1 million decrease in deposits.

Investment Securities available-for-sale. Investment securities available-for-sale decreased $1.5 million, or 17.3%, to $7.3 million at December 31, 2017 from $8.8 million at June 30, 2017. The decrease in investment securities available-for-sale was primarily due to principal repayments on mortgage-backed securities totaling $827,000 and the call of a municipal bond in the amount of $555,000.

Net Loans. Net loans increased $837,000, or 2.6%, to $32.5 million at December 31, 2017 compared to June 30, 2017. The increase in net loans was due primarily to an increase of $1.7 million, or 7.2%, in one-to four-family mortgages to $25.3 million from $23.6 million at June 30, 2017. This was partially offset by a decrease of $877,000 in home equity loans to $2.2 million at December 31, 2017 from $3.1 million at June 30, 2017. Loans originated during the six months ended December 31, 2017 totaled $3.6 million, of which $3.0 million were loans secured by one-to four-family residential real estate.

Deposits. Deposits decreased $2.1 million, or 5.0%, to $39.4 million at December 31, 2017 from $41.5 million at June 30, 2017. The decrease resulted primarily from a drop in demand deposits of $959,000, or 9.7%, and savings and money market accounts of $1.0 million, or 4.3%.

FHLB Advances. FHLB advances decreased $3.5 million, or 77.8%, to $1.0 million at December 31, 2017 from $4.5 million at June 30, 2017, as we utilized cash and cash equivalents to repay certain FHLB advances.

Shareholders' Equity. Shareholders' equity decreased $242,000, or 2.6%, to $9.2 million at December 31, 2017 from $9.4 million at June 30, 2017. The decrease was due primarily to a net loss of $192,000 and a decrease in accumulated other comprehensive income of $50,000 during the period.

Comparison of Operating Results for the Three-Month Periods Ended December 31, 2017 and 2016

General. For the three months ended December 31, 2017, we had a net loss of $113,000 compared to a net loss of $54,000 for the three months ended December 31, 2016, an increased loss of $59,000. The net loss resulted primarily from an increase in noninterest expense of $54,000, and in increase of $37,000 in federal income tax expense, which were partially offset by an increase of $31,000 in net interest income.

Average Balance Sheets. The following table sets forth average balance sheets, average yields and costs, and certain other information for the three-month periods ended December 31, 2017 and 2016. All average balances are daily average balances. Nonaccrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of net deferred costs, discounts and premiums that are accreted to interest income.

	For the Three Months Ended December 31,					
	2017			2016		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans	$ 32,756	$ 371	4.53%	$ 32,506	$ 353	4.34%
Investment securities	7,976	43	2.16%	10,223	51	2.00%
Other interest-earning assets (1)	7,671	39	2.03%	7,799	29	1.49%
Total interest-earning assets	48,403	453	3.74%	50,528	433	3.43%
Noninterest-earning assets	2,140			3,918		
Allowance for loan losses	(253)			(253)		
Total assets	$ 50,290			$ 54,193		
Interest-bearing liabilities:						
Demand accounts	$ 2,209	1	0.18%	$ 2,481	1	0.16%
Savings and money market accounts	22,444	16	0.29%	23,322	17	0.29%
Certificates of deposit	8,135	15	0.74%	7,824	14	0.72%
Total deposits	32,788	32	0.39%	33,627	32	0.38%
FHLB advances	1,073	11	4.10%	6,200	22	1.42%
Total interest-bearing liabilities	33,861	43	0.51%	39,827	54	0.54%
Noninterest-bearing liabilities	7,176			7,777		
Total liabilities	41,037			47,604		
Equity	9,253			6,589		
Total liabilities and equity	$ 50,290			$ 54,193		
Net interest income		$ 410			$ 379	
Net interest rate spread (2)			3.24%			2.89%
Net interest-earning assets (3)	$ 14,542			$ 10,701		
Net interest margin (4)			3.39%			3.00%
Average interest-earning assets to interest-bearing liabilities	142.95%			126.87%		

(1) Consists of stock in the FHLB and interest-bearing deposits in other banks.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Interest Income. Interest income increased $20,000, or 4.6%, to $453,000 for the three months ended December 31, 2017 from $433,000 for the three months ended December 31, 2016. The increase resulted primarily from an $18,000 increase in loan interest income, an increase of $10,000 in interest on other interest earning assets, and a decrease of $8,000 in interest on investment securities. The average balance of loans receivable increased $250,000, or 0.8%, to $32.8 million during the three months ended December 31, 2017 from $32.5 million during the three months ended December 31, 2016, while the average yield on loans increased 19 basis points to 4.53% during the three months ended December 31, 2017 from 4.34% during the year earlier period, reflecting higher market interest rates. The average balance of investment securities decreased $2.2 million, or 22.0%, to $8.0 million during the three months ended December 31, 2017 from $10.2 million during the three months ended December 31, 2016, which was partially offset by an increase in the average yield on investment securities of 16 basis points to 2.16% for the 2017 period from 2.00% for the 2016 period.

Interest Expense. Interest expense decreased $11,000, or 20.4%, to $43,000 for the three months ended December 31, 2017 from $54,000 for the three months ended December 31, 2016. Interest expense on deposits remained unchanged at $32,000 period-to-period. The average cost of deposits increased one basis point to 0.39% from 0.38% for the three months ended December 31, 2017 and 2016, respectively. There was a decrease in average total deposits of $839,000, or 2.5%, to $32.8 million for the three months ended December 31, 2017, compared to $33.6 million for the three months ended December 31, 2016. Interest expense on borrowings decreased $11,000, or 50.0%, to $11,000 for the three months ended December 31, 2017 from $22,000 for the three months ended December 31, 2016. The average balance of FHLB advances decreased $5.1 million to $1.1 million for the three months ended December 31, 2017 from $6.2 million for the three months ended December 31, 2016 while the average cost of these advances increased 268 basis points to 4.10% from 1.42% period-to-period.

Net Interest Income. Net interest income increased $31,000, or 8.2%, to $410,000 for the three months ended December 31, 2017 from $379,000 for the three months ended December 31, 2016. Our net interest rate spread increased to 3.24% for the three months ended December 31, 2017 from 2.89% for the three months ended December 31, 2016, and our net interest margin increased to 3.39% for the three months ended December 31, 2017 from 3.00% for the comparable three-month period in 2016.

Provision for Loan Losses. Based on our analysis of the factors described in "Critical Accounting Policies – Allowance for Loan Losses," we did not record a provision for loan losses for either of the three months ended December 31, 2017 or 2016. The allowance for loan losses was $253,000, or 0.77% of total loans at December 31, 2017, compared to $253,000, or 0.77% of total loans at December 31, 2016. Total nonperforming loans were $422,000 at December 31, 2017, compared to $339,000 at December 31, 2016. Classified (substandard, doubtful and loss) loans were $883,000 at December 31, 2017, compared to $1.0 million at December 31, 2016, and total loans past due greater than 30 days were $303,000 and $343,000 at December 31, 2017 and 2016, respectively. The Bank had no net charge-offs during either of the three months ended December 31, 2017 and 2016. As a percentage of nonperforming loans, the allowance for loan losses was 60.0% at December 31, 2017 compared to 74.6% at December 31, 2016.

The allowance for loan losses reflects the estimate we believe to be appropriate to cover incurred probable losses which were inherent in the loan portfolio at December 31, 2017 and 2016. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, the actual amount of future provisions may exceed the amount of past provisions, and the increase in future provisions that may be required may adversely impact our financial condition and results of operations.

Noninterest Income. Noninterest income increased $1,000, or 1.4%, to $71,000 for the three months ended December 31, 2017 from $70,000 for the three months ended December 31, 2016. The increase in other income was due to a $6,000 increase in income from our new bank-owned life insurance policy, partially offset by $5,000 decrease in other operating income period to period.

Noninterest Expense. Noninterest expense increased $54,000, or 10.3%, to $576,000 for the three months ended December 31, 2017 compared to $522,000 for the three months ended December 31, 2016. Salaries and benefits increased $10,000, or 4.9%, due primarily to the addition of ESOP expenses, which were not in the 2016 quarter. Professional services increased $85,000, or 265.6%, because of costs associated with operating as a public company. Also, office supplies increased $9,000, or 52.9%. Data processing decreased by $16,000, or 17.2% due primarily to a decrease in compliance cost, due to nonrecurring costs with regards to cyber-security protection in the 2016 quarter, and correspondent bank service charges decreased $14,000, or 19.7% due to decreased costs associated with our debit card program. Other expenses decreased $22,000 or 34.9%, to $41,000 from $63,000 during the three months ended December 31, 2017, due to nonrecurring customer debit card fraud claims incurred in the 2016 quarter.

We intend to withdraw from our multiple-employer defined benefit plan and expect to incur a one-time charge of approximately $1.6 million in connection with this withdrawal.

Federal Income Taxes. We recognized a federal income tax expense of $18,000 for the three months ended December 31, 2017, compared to a tax benefit of $19,000 recognized during the three months ended December 31, 2016, an increase of $37,000. The increase in federal income taxes was due primarily to a write-down of the Company's deferred tax assets, which was attributable to the change in federal income tax rates pursuant to the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017. The new Tax Act had the effect of changing the corporate tax rate to 21%, and accordingly, the Company adjusted the carrying value of the deferred tax assets to reflect the new rate.

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2017 and 2016

General. For the six months ended December 31, 2017, we had a net loss of $192,000 compared to net loss of $50,000 for the six months ended December 31, 2016, an increased loss of $142,000. The net loss resulted primarily from an increase in noninterest expense of $125,000, an increase of $8,000 in federal income tax expense and a decrease in noninterest income of $32,000, which were partially offset by an increase of $23,000 in net interest income.

Average Balance Sheets. The following table sets forth average balance sheets, average yields and costs, and certain other information for the six-month periods ended December 31, 2017 and 2016. All average balances are daily average balances. Nonaccrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of net deferred costs, discounts and premiums that are accreted to interest income.

	For the Six Months Ended December 31,					
	2017			2016		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans	$ 32,516	$ 717	4.41%	$ 32,599	$ 709	4.35%
Investment securities	8,271	84	2.03%	10,468	102	1.95%
Other interest-earning assets (1)	8,169	78	1.91%	7,571	61	1.61%
Total interest-earning assets	48,956	879	3.59%	50,638	872	3.44%
Noninterest-earning assets	2,603			3,484		
Allowance for loan losses	(253)			(253)		
Total assets	$ 51,306			$ 53,869		
Interest-bearing liabilities:						
Demand accounts	$ 2,219	2	0.18%	$ 2,564	2	0.16%
Savings and money market accounts	22,651	31	0.27%	22,722	32	0.28%
Certificates of deposit	8,169	31	0.76%	7,849	28	0.71%
Total deposits	33,039	64	0.39%	33,135	62	0.37%
FHLB advances	1,607	26	3.24%	6,371	44	1.38%
Total interest-bearing liabilities	34,646	90	0.52%	39,506	106	0.54%
Noninterest-bearing liabilities	7,344			7,731		
Total liabilities	41,990			47,237		
Equity	9,316			6,632		
Total liabilities and equity	$ 51,306			$ 53,869		
Net interest income		$ 789			$ 766	
Net interest rate spread (2)			3.07%			2.90%
Net interest-earning assets (3)	$ 14,310			$ 11,132		
Net interest margin (4)			3.22%			3.03%
Average interest-earning assets to interest-bearing liabilities	141.30%			128.18%		

(1) Consists of stock in the FHLB and interest-bearing deposits in other banks.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Interest Income. Interest income increased $7,000, or 0.8%, to $879,000 for the six months ended December 31, 2017 from $872,000 for the six months ended December 31, 2016. The increase resulted primarily from a $17,000 increase in interest on other interest earning assets and an $8,000 increase in interest on loans receivable, offset by an $18,000 decrease in interest on investment securities. The increase in interest on other interest earning assets was due to a $598,000, or 7.9%, increase in the average balance outstanding and a 30 basis point increase in average yield, to 1.91% for the six months ended December 31, 2017. The increase in interest income on loans was due to an increase in the average yield on loans, which increased six basis points to 4.41% during the six months ended December 31, 2017 from 4.35% during the year earlier period, reflecting higher market interest rates, partially offset by a decrease in the average balance of loans receivable of $83,000, or 0.3%, to $32.5 million during the six months ended December 31, 2017 from $32.6 million during the six months ended December 31, 2016. The average balance of investment securities decreased $2.2 million, or 21.0%, to $8.3 million during the six months ended December 31, 2017 from $10.5 million during the six months ended December 31, 2016, and the average yield on investment securities increased eight basis points to 2.03% for the 2017 period from 1.95% for the 2016 period.

Interest Expense. Interest expense decreased $16,000, or 15.1%, to $90,000 for the six months ended December 31, 2017 from $106,000 for the six months ended December 31, 2016. Interest expense on deposits increased $2,000, or 3.2%, to $64,000 for the six months ended December 31, 2017 from $62,000 for the six months ended December 31, 2016. The increase was primarily due to a two basis point increase in the average yield on deposits to 0.39% for the six months ended December 31, 2017, from 0.37% for the six months ended December 31, 2016, which was partially offset by a decrease of $96,000, or 0.3%, in the average balance of interest-bearing deposits to $33.0 million for the six month period ended December 31, 2017 from $33.1 million for the comparable period in 2016. Interest expense on borrowings decreased $18,000 to $26,000 for the six months ended December 31, 2017 from $44,000 for the six months ended December 31, 2016. The average balance of FHLB advances decreased $4.8 million to $1.6 million for the six months ended December 31, 2017 from $6.4 million for the six months ended December 31, 2016, while the average cost of these advances increased 186 basis points to 3.24% from 1.38% period-to-period.

Net Interest Income. Net interest income increased $23,000, or 3.0%, to $789,000 for the six months ended December 31, 2017 from $766,000 for the six months ended December 31, 2016. Our net interest rate spread increased to 3.07% for the six months ended December 31, 2017 from 2.90% for the six months ended December 31, 2016, and our net interest margin increased to 3.22% for the six months ended December 31, 2017 from 3.03% for the comparable six-month period in 2016.

Provision for Loan Losses. Based on our analysis of the factors described in "Critical Accounting Policies – Allowance for Loan Losses," we did not record a provision for loan losses for either of the six months ended December 31, 2017 or 2016. The allowance for loan losses was $253,000, or 0.77% of total loans, at December 31, 2017, compared to $253,000, or 0.77% of total loans, at December 31, 2016. Total nonperforming loans were $422,000 at December 31, 2017, compared to $339,000 at December 31, 2016. Classified (substandard, doubtful and loss) loans were $883,000 at December 31, 2017, compared to $1.0 million at December 31, 2016, and total loans past due greater than 30 days were $303,000 and $343,000 at December 31, 2017 and 2016, respectively. The Bank had no net charge-offs during the six months ended December 31, 2017 or 2016. As a percentage of nonperforming loans, the allowance for loan losses was 60.0% at December 31, 2017 compared to 74.6% at December 31, 2016.

The allowance for loan losses reflects the estimate we believe to be appropriate to cover incurred probable losses which were inherent in the loan portfolio at December 31, 2017 and 2016. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, the actual amount of future provisions may exceed the amount of past provisions, and the increase in future provisions that may be required may adversely impact our financial condition and results of operations.

Noninterest Income. Noninterest income decreased $32,000, or 18.9%, to $137,000 for the six months ended December 31, 2017 from $169,000 for the six months ended December 31, 2016. This was due to a nonrecurring gain on the sale of foreclosed assets of $29,000 realized during the 2016 period. Service charges and fees remained steady at $130,000 during the six months ended December 31, 2017 and 2016. Income from the increase in cash surrender value of bank owned life insurance increased $7,000 and other operating income decreased $10,000 in the six months ended December 31, 2017, compared to the 2016 period.

Noninterest Expense. Noninterest expense increased $125,000, or 12.4%, to $1.1 million for the six months ended December 31, 2017 compared to $1.0 million for the six months ended December 31, 2016. Professional services increased $105,000, 114.1%, to $197,000 for the six months ended December 31, 2017 from $92,000 for the six months ended December 31, 2016, due primarily to costs associated with operating as a public company. Salaries and benefits increased $33,000, or 8.1%, due primarily to the addition of a new loan officer and expense associated with the employee stock ownership plan. Our office supplies increased by $16,000, or 45.7%, however, other expenses decreased by $32,000, or 28.6%, primarily due to nonrecurring customer debit card fraud claims in the 2016 period.

We intend to withdraw from our multiple-employer defined benefit plan and expect to incur a one-time charge of approximately $1.6 million in connection with this withdrawal.

Federal Income Taxes. We recognized a federal income tax benefit of $13,000 for the six months ended December 31, 2017, compared to a $21,000 federal income tax benefit during the six months ended December 31, 2016. The decrease in federal income tax benefits was due primarily to a write-down of the Company's deferred tax assets, which was attributable to the change in federal income tax rates pursuant to the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017. The new Tax Act had the effect of changing the corporate tax rate to 21%, and accordingly, the Company adjusted the carrying value of the deferred tax assets to reflect the new rate.

Liquidity and Capital Resources

Our primary sources of funds are deposits, principal and interest payments on loans, and advances from the FHLB-Cincinnati. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-earning demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by (used in) operating activities was $35,000 and $(457,000) for the six months ended December 31, 2017 and 2016, respectively. Net cash provided by (used in) investing activities was $(219,000) and $1.8 million for the six months ended December 31, 2017 and 2016, respectively. Net cash provided by (used in) financing activities was $(5.4) million and $3.3 million in the six months ended December 31, 2017 and 2016, respectively.

Community Savings 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 December 31, 2017, Community Savings exceeded all regulatory capital requirements and was categorized as "well-capitalized" under regulatory guidelines.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. At December 31, 2017, we had $70,000 in outstanding commitments to originate loans, we had commitments under undisbursed construction loans of $276,000 and commitments under home equity lines of credit of $1.9 million. We anticipate that we will have sufficient funds available to meet our current loan origination commitments.

Certificates of deposit that are scheduled to mature in less than one year from December 31, 2017 totaled $3.8 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 FHLB-Cincinnati 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, and agreements with respect to borrowed funds and deposit liabilities.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. Controls and Procedures

(a) **Evaluation of disclosure controls and procedures.**

Under the supervision and with the participation of the Registrant's management, including our Chief Executive Officer and Principal Financial Officer, the Registrant evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures were effective.

(b) **Changes in internal controls.**

There has been no change made in the Registrant's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Community Savings Bancorp, Inc.
Part II
Other Information

ITEM 1. Legal Proceedings

We are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. At December 31, 2017, we were not involved in any legal proceedings the outcome of which would be material to our financial condition or results of operations.

ITEM 1A. Risk Factors

Not applicable.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this report.

(b) Not applicable.

(c) There were no issuer repurchases of securities during the period covered by this report.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of Community Savings Bancorp, Inc. (incorporated by reference to Registrant’s Form S-1 filed on September 9, 2016, Exhibit 3.1 (File No. 333-213561))
3.2	Bylaws of Community Savings Bancorp, Inc. (incorporated by reference to Registrant’s Form S-1 filed on September 9, 2016, Exhibit 3.2 (File No. 333-213561))
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Community Savings 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.

			Community Savings Bancorp, Inc.
Date:	February 14, 2018	By:	/s/Alvin B. Parmiter Alvin B. Parmiter President and Chief Executive Officer
Date:	February 14, 2018	By:	/s/Sherman E. Crum Sherman E. Crum Controller and Principal Financial Officer

EXHIBIT 31.1
CERTIFICATION

I, Alvin B. Parmiter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community Savings 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 of 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

February 14, 2018	/s/Alvin B. Parmiter
Date	Alvin B. Parmiter President and Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION

I, Sherman E. Crum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community Savings 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 of 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

February 14, 2018
Date

/s/Sherman E. Crum
Sherman E. Crum
Controller and Principal Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Alvin B. Parmiter, President and Chief Executive Officer, and Sherman E. Crum, Controller and Principal Financial Officer, of Community Savings Bancorp, Inc. (the "Registrant"), each hereby certify, in their capacity as an officer of the Registrant that he has reviewed the quarterly report of the Registrant on Form 10-Q for the quarter ended December 31, 2017 (the "Report"), and that to the best of his knowledge:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

February 14, 2018	/s/Alvin B. Parmiter
Date	Alvin B. Parmiter President and Chief Executive Officer
February 14, 2018	/s/Sherman E. Crum
Date	Sherman E. Crum Controller and Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the SEC or its staff upon request.