MW Bancorp, Inc.

Consolidated Financial Statements

June 30, 2018 and 2017

MW Bancorp, Inc.

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Audit Committee of the Board of Directors
MW Bancorp, Inc. and Subsidiary
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MW Bancorp, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America. We conducted our audit as of and for the year ended June 30, 2017, in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MW Bancorp, Inc. and Subsidiary as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Charlotte, North Carolina
September 20, 2018

MW Bancorp, Inc.

Consolidated Balance Sheets

June 30, 2018 and 2017

(In thousands, except share data)

	June 30,	
Assets	**2018**	**2017**
Cash and due from banks	$ 494	$ 458
Interest-bearing demand deposits	5,854	7,410
Cash and cash equivalents	6,348	7,868
Interest-bearing deposits in other financial institutions	100	100
Available-for-sale securities	3,849	4,024
Held-to-maturity securities (fair value of $72 and $262 at June 30, 2018 and 2017, respectively)	80	264
Loans held for sale	174	-
Loans, net of allowance for loan losses of $1,643 and $1,640	148,892	121,520
Premises and equipment, net	1,762	1,905
Federal Home Loan Bank stock, at cost	1,238	1,203
Accrued interest receivable	538	399
Bank owned life insurance	3,652	3,562
Other assets	383	297
Deferred federal income taxes	1,264	2,103
Total assets	$ 168,280	$ 143,245
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand and money market	$ 42,574	$ 41,545
Savings	16,477	16,899
Time	50,247	38,753
Total deposits	109,298	97,197
Federal Home Loan Bank advances	41,571	28,255
Other liabilities	646	445
Total liabilities	151,515	125,897
Commitments and Contingent Liabilities (Note 13)		
Shareholders' Equity		
Preferred stock - authorized 1,000,000 shares, $0.01 par value, none issued	-	-
Common stock - authorized 30,000,000 shares, $0.01 par value, 911,209 and 910,709 shares issued in 2018 and 2017, respectively	9	9
Additional paid-in capital	8,159	8,022
Shares acquired by ESOP	(564)	(627)
Unearned compensation - restricted stock awards	(372)	(463)
Retained earnings	9,936	10,715
Accumulated other comprehensive loss	(101)	(6)
Treasury stock, 20,000 shares	(302)	(302)
Total shareholders' equity	16,765	17,348
Total liabilities and shareholders' equity	$ 168,280	$ 143,245

MW Bancorp, Inc.

Consolidated Statements of Operations

Years Ended June 30, 2018 and 2017

(In thousands, except share data)

	Years Ended June 30, 2018	Years Ended June 30, 2017
Interest Income		
Loans, including fees	$ 5,526	$ 4,319
Investment securities	85	71
Interest-bearing deposits	156	118
Total interest income	5,767	4,508
Interest Expense		
Deposits	1,207	818
Federal Home Loan Bank advances	534	383
Total interest expense	1,741	1,201
Net Interest Income	4,026	3,307
Provision (Credit) for Loan Losses	(8)	-
Net Interest Income After Provision (Credit) for Loan Losses	4,034	3,307
Noninterest Income		
Gain on sale of loans	159	346
Income from Bank owned life insurance	90	93
Other	92	38
Total noninterest income	341	477
Noninterest Expense		
Salaries and employee benefits	2,062	2,089
Occupancy and equipment	347	300
Data processing	286	249
Franchise taxes	132	128
FDIC insurance premiums	105	41
Professional services	362	324
Advertising	76	69
Office supplies	74	55
Business entertainment	48	57
Merger-related expenses	415	-
Other	334	276
Total noninterest expense	4,241	3,588
Income Before Federal Income Tax (Benefit)	134	196
Federal Income Tax (Benefit)	862	(1,297)
Net Income (Loss)	$ (728)	$ 1,493
Basic earnings (loss) per share	$ (0.88)	$ 1.81
Diluted earnings (loss) per share	$ (0.88)	$ 1.77
Weighted-average shares outstanding		
Basic	831,653	823,284
Diluted	831,653	841,769

MW Bancorp, Inc.

Consolidated Statements of Comprehensive Income (Loss)

Years Ended June 30, 2018 and 2017

(In thousands)

	Years Ended June 30, 2018	Years Ended June 30, 2017
Net income (loss)	$ (728)	$ 1,493
Other comprehensive income (loss):		
Unrealized holding losses on securities available for sale	(122)	(25)
Reversal of tax effect on unrealized gains and losses recognized during periods of deferred tax asset impairment	-	87
Amortization of net unrealized holding loss on held-to-maturity securities	4	8
Net unrealized gains (losses)	(118)	70
Tax effect	23	3
Total other comprehensive income (loss)	(95)	73
Comprehensive income (loss)	$ (823)	$ 1,566

MW Bancorp, Inc.

Consolidated Statements of Shareholders' Equity

Years Ended June 30, 2018 and 2017

(In thousands)

	Common Stock	Additional Paid-in Capital	Shares Acquired by ESOP	Unearned Compensation-Restricted Stock Awards	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at July 1, 2016	$ 9	$ 7,835	$ (666)	$ (429)	$ 9,756	$ (79)	$ (302)	$ 16,124
Net income	-	-	-	-	1,493	-	-	1,493
Amortization of ESOP	-	14	39	-	-	-	-	53
Compensation expense related to stock options	-	58	-	-	-	-	-	58
Issuance of restricted stock awards	-	106	-	(106)	-	-	-	-
Distribution of restricted shares	-	9	-	72	-	-	-	81
Dividends paid, $0.60 per share	-	-	-	-	(534)	-	-	(534)
Other comprehensive income	-	-	-	-	-	73	-	73
Balance at June 30, 2017	9	8,022	(627)	(463)	10,715	(6)	(302)	17,348
Net loss	-	-	-	-	(728)	-	-	(728)
Amortization of ESOP	-	60	63	-	-	-	-	123
Compensation expense related to stock options	-	74	-	-	-	-	-	74
Issuance of restricted stock awards	-	3		(3)	-	-	-	-
Distribution of restricted shares	-	-	-	94	9	-	-	103
Dividends paid, $0.11 per share	-	-	-	-	(60)	-	-	(60)
Other comprehensive loss	-	-	-	-	-	(95)	-	(95)
Balance at June 30, 2018	$ 9	$ 8,159	$ (564)	$ (372)	$ 9,936	$ (101)	$ (302)	$ 16,765

MW Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(In thousands)

	Years Ended June 30, 2018	Years Ended June 30, 2017
Cash Flows from Operating Activities		
Net income (loss)	$ (728)	$ 1,493
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	194	158
Amortization of premiums and discounts on securities, net	44	54
Amortization of deferred loan origination costs, net	50	42
Provision (credit) for loan losses	(8)	-
Gain on sale of loans	(159)	(346)
Proceeds from sales of loans	6,773	16,147
Loans originated for sale	(6,851)	(14,150)
Increase in cash surrender value of life insurance	(90)	(93)
Compensation expense related to stock options	74	58
Compensation expense related to restricted stock	103	81
Amortization of ESOP	123	53
Changes in:		
Accrued interest receivable	(139)	(107)
Prepaid expenses and other assets	(10)	66
Other liabilities	201	95
Deferred federal income taxes	862	(1,297)
Net cash from operating activities	439	2,254
Cash Flows from Investing Activities		
Net change in interest-bearing deposits in other financial institutions	-	2,000
Purchases of available-for-sale securities	(1,022)	(1,629)
Proceeds from maturities of available-for-sale securities	20	-
Principal repayments from mortgage-backed securities available-for-sale	1,011	991
Principal repayments from mortgage-backed securities held to maturity	188	727
Net change in loans	(27,427)	(21,616)
Purchase of premises and equipment	(51)	(905)
Purchase of Federal Home Loan Bank stock	(35)	(11)
Net cash from investing activities	(27,316)	(20,443)
Cash Flows from Financing Activities		
Net change in deposits	12,101	19,983
Proceeds from Federal Home Loan Bank advances	24,000	19,000
Repayment of Federal Home Loan Bank advances	(10,684)	(16,064)
Dividends paid	(60)	(534)
Net cash from financing activities	25,357	22,385
Net Change in Cash and Cash Equivalents	(1,520)	4,196
Beginning Cash and Cash Equivalents	7,868	3,672
Ending Cash and Cash Equivalents	$ 6,348	$ 7,868
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest on deposits and borrowings	$ 1,719	$ 1,191
Transfers from loans to real estate acquired through foreclosure	$ 13	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

MW Bancorp, Inc. (the "Company"), headquartered in Cincinnati, Ohio, was formed to serve as the stock holding company for Watch Hill Bank (the "Bank") following its mutual-to-stock conversion. The conversion was completed effective January 29, 2015. The Company issued 876,163 shares at an offering price of $10.00 per share.

The Bank conducts a general banking business in southwestern Ohio which primarily consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and nonresidential purposes. The Bank's profitability is significantly dependent on its net interest income, which is the difference between interest income generated from interest-earning assets (i.e. loans and investments) and the interest expense paid on interest-bearing liabilities (i.e. deposits and borrowed funds). Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on those balances. The level of interest rates paid or received by the Bank can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside management's control.

Pending Acquisition

In June 2018, the Company entered into an agreement whereby all outstanding shares of the Company will be acquired by Forcht Bancorp and the Bank will be merged into Forcht Bank, the wholly-owned subsidiary of Forcht Bancorp. The agreement provides for an acquisition price of up to $30.00 cash per share of Company stock. The acquisition is subject to shareholder and regulatory approval and is expected to be completed by late 2018. The Company had incurred $415,000 of merger-related expenses during the year ended June 30, 2018.

Principles of Consolidation

The consolidated financial statements include MW Bancorp, Inc. and its wholly owned subsidiary, Watch Hill Bank, together referred to as "the Company." Intercompany transactions and balances have been eliminated in consolidation.

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change 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.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash and due from banks and interest-bearing deposits with original terms to maturity of less than ninety days. Net cash flows are reported for customer loan and deposit transactions.

From time to time, the Company's interest-bearing cash accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit of $250,000. Management considers the risk of loss to be low.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity, including equity securities with readily determinable fair values, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are recognized in interest income using the level-yield method over the terms of the securities, without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

For equity securities, when the Company has decided to sell an impaired available-for-sale security and the Company does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Company recognizes an impairment loss when the impairment is deemed other-than-temporary even if a decision to sell has not been made.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment.

For all loan classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash interest payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan.

Concentration of Credit Risk

Most of the Company's business activity is with customers located within Hamilton County, Ohio. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Hamilton County area.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Commercial and commercial real estate loan relationships over $250,000 and the loans related to them, when deemed impaired, are individually evaluated for impairment measurement. If a loan is impaired with a potential loss identified, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the net realizable value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent five years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of depreciable assets is 39 years for buildings, 10 years for building improvements, and three to seven years for furniture, fixtures and equipment. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Maintenance and repairs are expensed and major improvements are capitalized.

Federal Home Loan Bank Stock

Federal Home Loan Bank (“FHLB”) stock is a required investment for institutions that are members of the FHLB system. The required investment in the common stock is based on a predetermined formula, carried at cost classified as a restricted security and evaluated for impairment.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs and reserves after acquisition are expensed.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (Accounting Standards Codification ("ASC") 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment.

With a few exceptions, the Company is no longer subject to tax examinations by tax authorities for fiscal years before 2015. As of June 30, 2018, the Company had no material uncertain tax positions. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Bank Owned Life Insurance

The cash surrender value of Bank owned life insurance policies represents the value of life insurance policies on certain officers of the Company for which the Company is the beneficiary. The Company accounts for these assets using the cash surrender value method in determining the carrying value of the insurance policies.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, including those for which a portion of an other-than-temporary impairment has been recognized in income.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Treasury Stock

Common shares repurchased are recorded at cost.

Stock Options and Restricted Stock Awards

The Company has a share-based compensation plan, which is more fully described in Note 11.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Earnings (Loss) Per Share

Basic earnings (loss) per share excludes dilution and is calculated by dividing net income (loss) applicable to common stock by the weighted-average number of shares of common stock outstanding during the year, less unallocated Employee Stock Ownership Plan ("ESOP") shares. Diluted earnings per share is computed in a manner similar to that of basic earnings per share 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 year, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and restricted stock awards and are determined using the treasury stock method.

Unallocated common shares held by the Company's ESOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the previously reported results of operations or shareholders' equity.

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:				
June 30, 2018				
Municipal bonds	$ 80	$ -	$ (1)	$ 79
Mortgage-backed securities of U.S. government sponsored entities - residential	3,896	-	(126)	3,770
	$ 3,976	$ -	$ (127)	$ 3,849
June 30, 2017				
Municipal bonds	$ 100	$ -	$ (1)	$ 99
Mortgage-backed securities of U.S. government sponsored entities - residential	3,929	12	(16)	3,925
	$ 4,029	$ 12	$ (17)	$ 4,024

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Held-to-maturity Securities:				
June 30, 2018				
Mortgage-backed securities	$ 80	$ -	$ (8)	$ 72
June 30, 2017				
Mortgage-backed securities	$ 264	$ -	$ (2)	$ 262

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at June 30, 2018, 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.

	June 30, 2018			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Municipal bonds				
Due in three-to-five years	$ 80	$ 79	$ -	$ -
Mortgage-backed securities of U.S. government sponsored entities - residential	3,896	3,770	80	72
	$ 3,976	$ 3,849	$ 80	$ 72

There were no sales of securities during the years ended June 30, 2018 and 2017.

The Company has pledged securities with a carrying value of $1.0 million to secure commercial deposits in excess of the FDIC insurance limit as of June 30, 2017. The Company had no pledged securities at June 30, 2018.

On August 1, 2013, the Company reclassified its collateralized mortgage obligation portfolio to held-to-maturity from available-for-sale because management intended to hold these securities to maturity. The securities had a total amortized cost of $2.925 million and a corresponding fair value of $2.894 million; therefore, the gross unrealized loss on these securities at the date of transfer was $31,000. The unrealized holding loss at the time of transfer continues to be reported in accumulated other comprehensive loss and is being amortized over the remaining lives of the securities as an adjustment of the yield. The amortization of the remaining holding loss reported in accumulated other comprehensive income (loss) will offset the effect on interest income of the discount for the transferred securities. The remaining unamortized balance of the losses for securities transferred from available-for-sale to held-to-maturity was less than $1,000 at June 30, 2018.

The following tables show 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 June 30, 2018 and 2017:

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
			(In thousands)			
June 30, 2018						
Available-for-sale Securities:						
Municipal bonds	$ 79	$ (1)	$ -	$ -	$ 79	$ (1)
Mortgage-backed securities of U.S. sponsored entities - residential	2,747	(91)	1,023	(35)	3,770	(126)
Held-to-maturity Securities:						
Mortgage-backed securities - of U.S. sponsored entities - residential	-	-	72	(8)	72	(8)
	$ 2,826	$ (92)	$ 1,095	$ (43)	$ 3,921	$ (135)
June 30, 2017						
Available-for-sale Securities:						
Municipal bonds	$ 99	$ (1)	$ -	$ -	$ 99	$ (1)
Mortgage-backed securities of U.S. sponsored entities - residential	466	(3)	926	(13)	1,392	(16)
Held-to-maturity Securities:						
Mortgage-backed securities - of U.S. sponsored entities - residential	-	-	262	(2)	262	(2)
	$ 565	$ (4)	$ 1,188	$ (15)	$ 1,753	$ (19)

Other-than-temporary Impairment

At June 30, 2018 and 2017, all of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Fannie Mae and Ginnie Mae, institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2018 and 2017.

Note 3: Loans and Allowance for Loan Losses

Loans at June 30, 2018 and 2017 include:

	2018	2017
	(In thousands)	
Real estate loans		
One- to four-family residential	$ 73,767	$ 70,622
Multi-family residential	13,186	10,378
Commercial	37,465	30,882
Construction	26,418	16,436
Commercial loans	7,874	3,304
Consumer and other	799	589
Total loans	159,509	132,211
Less:		
Net deferred loan fees (costs)	(138)	(72)
Undisbursed loans in process	9,112	9,123
Allowance for loan losses	1,643	1,640
Net loans	$ 148,892	$ 121,520

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

Residential Real Estate including Construction

Residential mortgage loans are secured by one- to four-family residences and are comprised of owner-occupied and non-owner-occupied loans. Construction real estate loans 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.

Commercial

Commercial loans are viewed primarily as cash flow loans. Commercial lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the business conducted. Commercial loans may be secured by receivables, inventories and/or guarantees of the borrowers and certain of these loans may be unsecured. Commercial loans may be more adversely affected by conditions in the general economy. The characteristics of businesses comprising the Company's commercial portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial loans based on collateral, geography and risk grade criteria.

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.

MW Bancorp, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2018 and 2017

The following tables present by portfolio segment, the activity in the allowance for loan losses for the years ended June 30, 2018 and 2017, and the recorded investment in loans and impairment method as of June 30, 2018 and 2017:

	June 30, 2018						
	1-4 Family Owner Occupied	1-4 Family Non-Owner Occupied	Multi-family	Commercial	Construction	Consumer	Total
				(In thousands)			
Allowance for loan losses:							
Balance, July 1, 2017	$ 812	$ 326	$ 27	$ 359	$ 116	$ -	$ 1,640
Provision (credit) for loan losses	(160)	11	5	19	121	(4)	(8)
Charge-offs	(8)	-	-	-	-	-	(8)
Recoveries	15	-	-	-	-	4	19
Balance, June 30, 2018	$ 659	$ 337	$ 32	$ 378	$ 237	$ -	$ 1,643
Allowance for loan losses:							
Ending balance, individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance, collectively evaluated for impairment	$ 659	$ 337	$ 32	$ 378	$ 237	$ -	$ 1,643
Loans:							
Ending balance	$ 49,866	$ 23,901	$ 13,186	$ 45,339	$ 26,418	$ 799	$ 159,509
Ending balance; individually evaluated for impairment	$ 562	$ 288	$ 95	$ 128	$ -	$ -	$ 1,073
Ending balance; collectively evaluated for impairment	$ 49,304	$ 23,613	$ 13,091	$ 45,211	$ 26,418	$ 799	$ 158,436

MW Bancorp, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2018 and 2017

	1-4 Family Owner Occupied	1-4 Family Non-Owner Occupied	Multi-family	Commercial	Construction	Consumer	Total
	June 30, 2017						
				(In thousands)			
Allowance for loan losses:							
Balance, July 1, 2016	$ 1,004	$ 309	$ 39	$ 167	$ 116	$ -	$ 1,635
Provision for loan losses	(196)	17	(12)	192	-	(1)	-
Charge-offs	-	-	-	-	-	(4)	(4)
Recoveries	4	-	-	-	-	5	9
Balance, June 30, 2017	$ 812	$ 326	$ 27	$ 359	$ 116	$ -	$ 1,640
Allowance for loan losses:							
Ending balance, individually evaluated for impairment	$ 20	$ 13	$ -	$ -	$ -	$ -	$ 33
Ending balance, collectively evaluated for impairment	$ 792	$ 313	$ 27	$ 359	$ 116	$ -	$ 1,607
Loans:							
Ending balance	$ 51,629	$ 18,993	$ 10,378	$ 34,186	$ 16,436	$ 589	$ 132,211
Ending balance; individually evaluated for impairment	$ 977	$ 331	$ 103	$ 137	$ -	$ -	$ 1,548
Ending balance; collectively evaluated for impairment	$ 50,652	$ 18,662	$ 10,275	$ 34,049	$ 16,436	$ 589	$ 130,663

Internal Risk Categories

The Company has adopted a standard loan grading system for all loans:

Definitions are as follows:

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

Special Mention: These are loans that examiners might label as "OAEM (other assets especially mentioned)." The loans 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 graded 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 June 30, 2018 and 2017:

	June 30, 2018						
	1-4 Family Owner Occupied	1-4 Family Non-Owner Occupied	Multi-family	Commercial	Construction	Consumer	Total
				(In thousands)			
Pass	$ 49,319	$ 23,613	$ 13,091	$ 45,246	$ 26,418	$ 799	$ 158,486
Special mention	-	-	-	-	-	-	-
Substandard	547	288	95	93	-	-	1,023
Doubtful	-	-	-	-	-	-	-
Total	$ 49,866	$ 23,901	$ 13,186	$ 45,339	$ 26,418	$ 799	$ 159,509

	June 30, 2017						
	1-4 Family Owner Occupied	1-4 Family Non-Owner Occupied	Multi-family	Commercial	Construction	Consumer	Total
				(In thousands)			
Pass	$ 51,016	$ 18,629	$ 10,275	$ 34,090	$ 16,436	$ 589	$ 131,035
Special mention	-	-	-	-	-	-	-
Substandard	613	364	103	96	-	-	1,176
Doubtful	-	-	-	-	-	-	-
Total	$ 51,629	$ 18,993	$ 10,378	$ 34,186	$ 16,436	$ 589	$ 132,211

The Company has a portfolio of loans designated as subprime, defined as those loans made to borrowers with a credit score below 660. These loans are primarily secured by 1-4 family real estate, including both owner-occupied and non-owner occupied properties. Subprime loans totaled $7.6 million and $7.3 million at June 30, 2018 and 2017, respectively.

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 fiscal year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of June 30, 2018 and 2017:

	June 30, 2018						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
	(In thousands)						
1-4 family owner-occupied	$ 209	$ 80	$ -	$ 289	$ 49,577	$ 49,866	$ -
1-4 family non-owner occupied	-	-	-	-	23,901	23,901	-
Multi-family residential	-	-	-	-	13,186	13,186	-
Commercial	-	-	-	-	45,339	45,339	-
Construction	-	-	-	-	26,418	26,418	-
Consumer and other	-	-	-	-	799	799	-
Total	$ 209	$ 80	$ -	$ 289	$ 159,220	$ 159,509	$ -

	June 30, 2017						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
	(In thousands)						
1-4 family owner-occupied	$ 219	$ 274	$ 14	$ 507	$ 51,122	$ 51,629	$ 13
1-4 family non-owner occupied	-	-	-	-	18,993	18,993	-
Multi-family residential	-	-	-	-	10,378	10,378	-
Commercial	149	-	-	149	34,037	34,186	-
Construction	-	-	-	-	16,436	16,436	-
Consumer and other	-	-	-	-	589	589	-
Total	$ 368	$ 274	$ 14	$ 656	$ 131,555	$ 132,211	$ 13

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), 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 multi-family and commercial loans but also include loans modified in troubled debt restructurings.

The following tables present impaired loans as of and for the years ended June 30, 2018 and 2017:

	As of and for the year ended June 30, 2018				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
1-4 family owner-occupied	$ 562	$ 862	$ -	$ 648	$ 19
1-4 family non-owner occupied	288	377	-	306	-
Multi-family residential	95	105	-	102	-
Commercial	128	143	-	132	9
Construction	-	-	-	-	-
Consumer and other	-	-	-	-	-
Loans with an allowance recorded:					
1-4 family owner-occupied	-	-	-	-	-
1-4 family non-owner occupied	-	-	-	-	-
Multi-family residential	-	-	-	-	-
Commercial	-	-	-	-	-
Construction	-	-	-	-	-
Consumer and other	-	-	-	-	-
Totals	$ 1,073	$ 1,487	$ -	$ 1,188	$ 28

	As of and for the year ended June 30, 2017				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
1-4 family owner-occupied	$ 589	$ 805	$ -	$ 618	$ 20
1-4 family non-owner occupied	202	243	-	211	-
Multi-family residential	103	108	-	107	-
Commercial	137	152	-	141	11
Construction	-	-	-	-	-
Consumer and other	-	-	-	-	-
Loans with an allowance recorded:					
1-4 family owner-occupied	388	439	20	398	-
1-4 family non-owner occupied	129	175	13	136	-
Multi-family residential	-	-	-	-	-
Commercial	-	-	-	-	-
Construction	-	-	-	-	-
Consumer and other	-	-	-	-	-
Totals	$ 1,548	$ 1,922	$ 33	$ 1,611	$ 31

The recorded investment in loans excludes accrued interest receivable and net loan origination fees and costs, 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 June 30, 2018 and 2017. The table excludes performing troubled debt restructurings.

	2018	2017
	(In thousands)	
1-4 family owner-occupied	$ 353	$ 422
1-4 family non-owner occupied	288	331
Multi-family residential	95	103
Commercial	-	-
Construction	-	-
Consumer and other	-	-
Total nonaccrual	$ 736	$ 856

At June 30, 2018 and 2017, the Company had certain loans that were modified 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 a troubled debt restructuring totaling $685,000 and $961,000 at June 30, 2018 and 2017, respectively. There were no specific allowances on troubled debt restructured loans at June 30, 2018. Troubled debt restructured loans had specific allowances totaling $28,000 at June 30, 2017. At June 30, 2018, performing troubled debt restructured loans totaled $337,000 while those on nonaccrual totaled $348,000. At June 30, 2017, performing troubled debt restructured loans totaled $494,000 while those on nonaccrual totaled $467,000. The Company had no commitments to lend additional funds on troubled debt restructured loans at June 30, 2018 and 2017. The Company had no loans modified under a troubled debt restructuring during the years ended June 30, 2018 and 2017.

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.

During the years ended June 30, 2018 and 2017, the Company originated for sale and sold $6.5 million and $14.2 million, respectively, of mortgage loans, realizing a gain on sale of $159,000 and $346,000 in those respective years. Loans are sold on a servicing retained and servicing released basis. The Company had loans held for sale totaling $174,000 at June 30, 2018. The Company had no loans held for sale at June 30, 2017.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	June 30, 2018	June 30, 2017
	(In thousands)	
Buildings and improvements	$ 1,579	$ 1,574
Furniture and equipment	1,209	1,163
	2,788	2,737
Less accumulated depreciation	1,026	832
Net premises and equipment	$ 1,762	$ 1,905

Note 5: Time Deposits

Time deposits in denominations of more than $100,000 were $28.2 million and $19.3 million at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, time deposits in denominations of more than $250,000 were $8.1 million and $5.8 million, respectively.

At June 30, 2018, the scheduled maturities of time deposits were as follows:

	June 30, 2018
	(In thousands)
One year or less	$ 24,286
Over one year to two years	20,282
Over two years to three years	2,050
Over three years to four years	2,919
Over four years to five years	710
Thereafter	-
	$ 50,247

The Company had brokered deposits of $4.5 million at both June 30, 2018 and 2017.

Note 6: Federal Home Loan Bank Advances

Federal Home Loan Bank advances consisted of the following components at June 30, 2018 and 2017:

Interest rate	Maturing	June 30, 2018	June 30, 2017
		(In thousands)	
0.92% - 2.03%	One year or less	$ 16,500	$ 5,000
1.22% - 2.09%	Over one year to two years	8,222	6,500
1.22% - 2.64%	Over two years to three years	5,000	6,924
1.93% - 2.78%	Over three years to four years	4,500	3,000
1.13% - 2.88%	Over four years to five years	2,803	500
1.13% - 1.50%	Over five years to six years	1,587	402
1.18% - 1.70%	Thereafter	2,959	5,929
		$ 41,571	$ 28,255

	June 30, 2018
	(In thousands)
Payments due in years ending June 30,	
2019	$ 18,115
2020	8,885
2021	5,701
2022	5,054
2023	2,934
Thereafter	882
	$ 41,571

The Federal Home Loan Bank advances are secured by a blanket pledge of the Company's eligible mortgage loans and the investment in Federal Home Loan Bank stock. The advances are subject to restrictions or penalties in the event of prepayment.

Note 7: Income Taxes

Income tax expense (benefit) for the years ended June 30, 2018 and 2017, was as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2017
	(In thousands)	
Federal-current	$ -	$ -
Federal-deferred	862	142
Change in valuation allowance	-	(1,439)
Total	$ 862	$ (1,297)

A reconciliation of the federal income tax expense at the statutory rate to the Company's actual income tax expense (benefit) is shown below:

	Year Ended June 30, 2018	Year Ended June 30, 2017
	(In thousands)	
Computed at statutory rate	$ 28	$ 67
Increase (decrease) resulting from:		
Bank-owned life insurance	(19)	(32)
Deferred tax asset valuation allowance	-	(1,439)
Effect of Tax Act rate change on deferred tax assets	805	-
Nondeductible expenses	42	10
Other	6	97
Actual income tax (benefit)	$ 862	$ (1,297)

The composition of the Company's net deferred tax asset at June 30, 2018 and 2017, is as follows:

	June 30, 2018	June 30, 2017
	(In thousands)	
Deferred tax assets		
Allowance for loan losses	$ 345	$ 558
Capital loss carryforward	44	71
Net operating loss carry forward	1,168	1,947
Unrealized losses on available-for-sale securities	26	3
Stock compensation	30	24
Other	11	10
Deferred tax assets	1,624	2,613
Deferred tax liabilities		
Federal Home Loan Bank stock dividends	(181)	(293)
Book/tax depreciation differences	(7)	(22)
Deferred loan orgination costs	(29)	(25)
Cash versus accrual basis of accounting	(101)	(119)
Other	(42)	(51)
Deferred tax liabilities	(360)	(510)
Net deferred tax asset before valuation allowance	1,264	2,103
Valuation allowance		
Beginning balance	-	(1,439)
Decrease during year	-	1,439
Ending balance	-	-
Net deferred tax asset	$ 1,264	$ 2,103

Management maintained a valuation allowance against the net deferred tax asset at June 30, 2016, based on consideration of, but not limited to, its cumulative pre-tax losses in prior years, the composition of recurring and non-recurring income from operations over those prior years and the magnitude of recent taxable income as compared to net operating loss carryforwards. When determining the amount of deferred tax assets that are more likely than not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. During the year ended June 30, 2017, based on a review of the analysis, primarily including recent profitable operating results and projected operating results, management determined that a reversal of the valuation allowance was appropriate and, as a result, recorded a $1.4 million reduction to the valuation allowance, crediting the federal income tax provision. At June 30, 2018, the Company had $5.8 million in net operating loss carryforwards, which begin to expire in the year ending in 2031.

Retained earnings at both June 30, 2018 and 2017 includes approximately $2.0 million, respectively, for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liability on the preceding amount that would have been recorded if it was expected to reverse into taxable income in the foreseeable future was approximately $420,000 at June 30, 2018.

As of June 30, 2018 and 2017, the Company had no unrecognized tax benefits or accrued interest and penalties recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. The Company will record interest and penalties as a component of income tax expense.

The Company is subject to U.S. federal income tax and Ohio franchise tax. The Company is subject to tax in Ohio based on its net worth. The Company is no longer subject to examination by taxing authorities for fiscal years prior to 2015.

The Tax Cuts and Jobs Act (“Tax Act”) was enacted on December 22, 2017. Among other changes, the Tax Act reduced the US Federal corporate income tax rate from 34% to 21%. Deferred tax assets and liabilities amounts were re-measured based on the income tax rates expected to be in effect at the time the deferred items reverse in the future, which is now 21%. As a result, the Company recorded an increase in federal income tax expense of $805,000 for the fiscal year ended June 30, 2018.

Note 8: Regulatory Matters

The Company 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company’s regulators could require adjustments to regulatory capital not reflected in these financial statements. Quantitative measures established by regulation to ensure capital adequacy requires the Company to maintain minimum amounts and ratios as set forth in the table below. Management believes that, as of June 30, 2017 and 2016, the Company met all capital adequacy requirements to which it was subject.

Effective January 1, 2015, the Bank is subject to the new capital requirements set forth by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The Bank has chosen to exclude unrealized gains and losses from capital. The rule limits the Bank's capital distributions and certain discretionary bonus payments if the Bank does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement will be phased in through January 1, 2019, when the full capital conservation buffer requirement will be effective.

To be categorized as well capitalized under the regulatory framework for prompt corrective action, the Bank must maintain minimum capital ratios as set forth in the below table. Management believes its capital still meets the requirements to be deemed well-capitalized as of the date of this report.

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 June 30, 2018						
Total Capital (to Risk-Weighted Assets)	$ 17,102	13.0%	$ 10,542	8.0%	$ 13,177	10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 15,459	11.7%	$ 7,906	6.0%	$ 10,542	8.0%
Common Equity (to Risk-Weighted Assets)	$ 15,459	11.7%	$ 5,930	4.5%	$ 8,565	6.5%
Tier I Capital (to Average Assets)	$ 15,459	9.5%	$ 6,486	4.0%	$ 8,108	5.0%
As of June 30, 2017						
Total Capital (to Risk-Weighted Assets)	$ 16,266	15.4%	$ 8,431	8.0%	$ 10,538	10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 14,941	14.2%	$ 6,323	6.0%	$ 8,431	8.0%
Common Equity (to Risk-Weighted Assets)	$ 14,941	14.2%	$ 4,742	4.5%	$ 6,850	6.5%
Tier I Capital (to Average Assets)	$ 14,941	10.7%	$ 5,574	4.0%	$ 6,968	5.0%

Note 9: Related Party Transactions

At June 30, 2018 and 2017, the Company had loans outstanding to executive officers, directors and their affiliates (related parties), in the amount of approximately $1.1 million and $1.4 million, respectively.

In management's opinion, such loans and other extensions of credit are consistent with sound lending practices and are within applicable regulatory lending limitations. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

At June 30, 2018 and 2017, the Company had deposits from certain officers, directors and other related interests totaling approximately $410,000 and $605,000, respectively.

Note 10: Employee Benefits

The Company has a 401(k) plan for its full-time employees. All full-time employees are eligible and receive matching contributions at a predetermined rate. Expense recognized in connection with the plan totaled approximately $37,000 and $36,000 for the years ended June 30, 2018 and 2017, respectively.

On January 29, 2015, the Bank announced the formation of the Mt. Washington Savings Bank Employee Stock Ownership Plan ("ESOP"), a non-contributory plan for its employees. As part of the Company's stock conversion, shares were purchased with a loan from MW 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 $124,000 and $84,000 for the years ended June 30, 2018 and 2017, respectively.

A summary of the unallocated share activity of the Bank's ESOP is as follows for the years ended June 30, 2018 and 2017:

	2018		2017	
	Shares	Amount	Shares	Amount
	(Dollars in thousands)			
Balance at beginning of year	62,661	$ 627	66,589	$ 666
Shares allocated to participants	(6,233)	(63)	(3,928)	(39)
Balance at end of year	56,428	$ 564	62,661	$ 627

The stock price at the formation date was $10.00. The aggregate fair value of the 56,428 and 62,661 unallocated shares was $1.6 million and $1.3 million based on the $29.17 and $20.00 closing price of the Company's common stock on June 30, 2018 and 2017, respectively.

Note 11: Equity Incentive Plan

In April 2016, the Company's stockholders authorized the adoption of the MW Bancorp, Inc. 2016 Equity Incentive Plan (the "2016 Plan"). No more than 122,662 shares of the Company's common stock may be issued under the 2016 Plan, of which a maximum of 87,616 may be issued pursuant to the exercise of stock options and 35,046 may be issued pursuant to awards of restricted stock, restricted stock units and unrestricted shares. Stock options awarded to employees may be incentive stock options or non-qualified stock options. The shares that may be issued may be authorized but unissued shares or treasury shares. The 2016 Plan permits the grant of incentive awards in the form of options, stock appreciation rights, restricted share and share unit awards, and performance share awards. The 2016 Plan contains annual and lifetime limits on certain types of awards to individual participants.

Awards may vest or become exercisable only upon the achievement of performance measures or based solely on the passage of time after award. Stock options and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the 2016 Plan).

In July 2017, the Company granted stock options for 2,000 shares to certain members of management. Each option has an exercise price of $20.18 as determined on the grant date and expires 10 years from the grant date. The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model, which resulted in a per share fair value of $6.50. The fair value was calculated for stock options using the following assumptions: expected volatility of 18.11%, a risk-free interest rate of 2.35%, an expected term of ten years and an expected dividend yield of 0.50%.

In January 2017, the Company granted stock options for 25,466 shares to certain members of management. Each option has an exercise price of $17.24 as determined on the grant date and expires 10 years from the grant date. The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model, which resulted in a per share fair value of $5.42. The fair value was calculated for stock options using the following assumptions: expected volatility of 16.59%, a risk-free interest rate of 2.51%, an expected term of ten years and an expected dividend yield of 0.64%.

A summary of option activity under the Plan as of June 30, 2018 and 2017, and changes during the years then ended, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
June 30, 2018				
Outstanding, beginning of year	85,616	$ 15.58	9.1	
Granted	2,000	20.18	10.0	
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding, end of year	87,616	$ 15.69	8.1	$ 1,181
Exercisable, end of year	25,633	$ 15.21	8.0	$ 358
June 30, 2017				
Outstanding, beginning of year	60,150	$ 14.88	9.8	
Granted	25,466	17.24	9.5	
Exercised	-	-	-	
Forfeited or expired	-	-	-	
Outstanding, end of year	85,616	$ 15.69	9.1	$ 375
Exercisable, end of year	10,276	$ 14.88	8.9	$ 53

In January 2017, the Company awarded restricted stock totaling 5,736 shares to certain members of management. The restricted stock awards have vesting periods ranging from three years to seven years. Shares of restricted stock granted to employees under the 2016 Plan are subject to restrictions as to continuous employment for a specified time period following the date of grant. During this period, the holder is entitled to full voting rights and dividends.

Total compensation cost recognized in the income statement for share-based payment arrangements during the years ended June 30, 2018 and 2017 was $167,000 and $137,000.

As of June 30, 2018 and 2017, there was $644,000 and $808,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 5.3 years.

Note 12: Earnings Per Share

Earnings per share were computed as follows for the years ended June 30, 2018 and 2017:

	Year Ended June 30, 2018		
	Net Loss (In thousands)	Weighted-Average Shares	Per Share Amount
Net loss	$ (728)		
Basic earnings per share		831,653	$ (0.88)
Effect of dilutive securities			
Stock options		-	
Restricted stock awards		-	
Diluted earnings per share		831,653	$ (0.88)

	Year Ended June 30, 2017		
	Net Income (In thousands)	Weighted-Average Shares	Per Share Amount
Net income	$ 1,493		
Basic earnings per share		823,284	$ 1.81
Effect of dilutive securities			
Stock options		12,814	
Restricted stock awards		5,671	
Diluted earnings per share		841,769	$ 1.77

Note 13: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include

accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations, including receipt of collateral, as those utilized for on-balance-sheet instruments.

At June 30, 2018 and 2017, the Company had outstanding commitments to originate loans, including undisbursed construction loans in process, as follows:

	June 30, 2018	June 30, 2017
	(In thousands)	
Commitments to originate loans	$ 14,601	$ 13,242

The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. At June 30, 2018 and 2017, the Company had the following performance letters of credit outstanding:

	June 30, 2018	June 30, 2017
	(In thousands)	
Letters of credit	$ 998	$ 1,398

The terms of the letters of credit are for one year.

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At June 30, 2018 and 2017, the Company had the following lines of credit outstanding:

	June 30,	
	2018	**2017**
	(In thousands)	
Commercial lines	$ 2,749	$ 2,291
Consumer lines	3,834	6,187

The Bank has leased office space for its new branch, which opened in the first quarter of fiscal year 2016. The lease has an initial term of five years with monthly lease payments for the first year at $3,750. The lease is renewable for three five-year terms with escalating monthly payments at the beginning of each year. The lease expense totaled $46,000 for each of the years ended June 30, 2018 and 2017. Future lease expense will total approximately $106,000 over the remaining three-year term of the lease.

Note 14: Disclosures about Fair Value of Assets and Liabilities

Fair value is the 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 a company'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 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 June 30, 2018 and 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)			
June 30, 2018				
Municipal bonds	$ 79	$ -	$ 79	$ -
Mortgage-backed securities of U.S. of government sponsored entities - residential	3,770	-	3,770	-
	$ 3,849	$ -	$ 3,849	$ -
June 30, 2017				
Municipal bonds	$ 99	$ -	$ 99	$ -
Mortgage-backed securities of U.S. of government sponsored entities - residential	3,925	-	3,925	-
	$ 4,024	$ -	$ 4,024	$ -

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 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 years ended June 30, 2018 and 2017.

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 Company had no assets measured at fair value on a non-recurring basis at June 30, 2018. 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 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)		
June 30, 2017				
Impaired loans - residential				
One-to-four family:				
Owner occupied	$ 248	$ -	$ -	$ 248

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a non-recurring basis and recognized in the accompanying 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 client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Unobservable (Level 3) Inputs

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

	Fair Value at June 30, 2017	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	(In thousands)			
Impaired loans (collateral dependent) - one-to-four family owner occupied residential real estate	$ 248	Sales comparison approach	Adjustment for differences between the comparable real estate sales	10%

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017.

	Carrying Amount	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)				
June 30, 2018					
Financial assets					
Cash and cash equivalents	$ 6,348	$ 6,348	$ -	$ -	$ 6,348
Interest-bearing demand deposits	100	100	-	-	100
Held-to-maturity securities	80	-	79	-	79
Loans	148,892	-	-	145,638	145,638
Federal Home Loan Bank stock	1,238	N/A	N/A	N/A	N/A
Accrued interest receivable	538	-	538	-	538
Financial liabilities					
Deposits	109,298	59,051	49,750	-	108,801
Federal Home Loan Bank advances	41,571	-	41,012	-	41,012
Accrued interest payable	65	-	65	-	65
June 30, 2017					
Financial assets					
Cash and cash equivalents	$ 7,868	$ 7,868	$ -	$ -	$ 7,868
Interest-bearing demand deposits	100	100	-	-	100
Held-to-maturity securities	264	-	262	-	262
Loans	121,520	-	-	120,623	120,623
Federal Home Loan Bank stock	1,203	N/A	N/A	N/A	N/A
Accrued interest receivable	399	-	399	-	399
Financial liabilities					-
Deposits	97,197	58,444	38,759		97,203
Federal Home Loan Bank advances	28,255	-	28,011	-	28,011
Accrued interest payable	43	-	43	-	43

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

Cash and Cash Equivalents

The carrying amount approximates fair value.

Held-to-Maturity Securities

The fair value of held-to-maturity securities was estimated by using pricing models that contain market pricing and information, quoted prices of securities with similar characteristics or discounted cash flows that use credit-adjusted discount rates.

Loans

Fair value is estimated by discounting the future cash flows using the market rates at which similar notes would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Bank would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

Federal Home Loan Bank Stock

The carrying amounts approximate fair value.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the Company.

The estimated fair value of demand, savings and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Federal Home Loan Bank Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by the FHLB.

Note 15: Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ended June 30, 2018 and 2017 are as follows:

June 30, 2018	**Unrealized Gains and Losses on Available for Sale Securities**	**Unrealized gains and losses on securities transferred from Available for Sale to Held to Maturity**	**Total**
		(In thousands)	
Beginning balance	$ (2)	$ (4)	$ (6)
Other comprehensive income	(99)	-	(99)
Accretion of unrealized losses on securities transferred from available for sale to held to maturity recognized in other comprehensive income	-	4	4
Net current period other comprehensive income	(99)	4	(95)
Ending balance	$ (101)	$ -	$ (101)
June 30, 2017			
Beginning balance	$ (67)	$ (12)	$ (79)
Other comprehensive loss	65	-	65
Accretion of unrealized losses on securities transferred from available for sale to held to maturity recognized in other comprehensive income	-	8	8
Net current period other comprehensive income	65	8	73
Ending balance	$ (2)	$ (4)	$ (6)

Note 16: 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 for annual reporting periods beginning after December 15, 2017, and interim periods within the reporting period, 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. The Company adopted the amended guidance effective July 1, 2018, as required, without material effect on the Company's financial statements.

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.

For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. 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 adopted the guidance effective July 1, 2018, as required, without material effect on the Company's financial statements.

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.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). 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 2016-09 *Share-Based Payments.* In March 2016, the FASB issued guidance to simplify several aspects of the accounting for share-based payment award transactions including the income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. Additionally, the guidance simplifies two areas specific to entities other than public business entities allowing them to apply a practical expedient to estimate the expected term for all awards with performance or service conditions that have certain characteristics and also allowing them to make a one-time election to switch from measuring all liability-classified awards at fair value to measuring them at intrinsic value. The amendments are effective for annual periods beginning after December 15, 2016 (July 1, 2017 as to the Company) and interim periods within those annual periods. The Company adopted the guidance effective July 1, 2017, as required, without material effect 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 for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations.

FASB ASU 2017-03 *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323).* In January 2017, the FASB updated the Accounting Changes and Error Corrections and Investments—Equity Method and Joint Ventures Topics of the Accounting Standards Codification. The ASU incorporates into the Accounting Standards Codification recent SEC guidance about disclosing, under SEC SAB Topic 11.M, the effect on financial statements of adopting the revenue, leases, and credit losses standards. The ASU was effective upon issuance. The Company is currently evaluating the impact of additional disclosure requirements as each of the standards is adopted, however it does not expect these amendments to have a material effect on its financial position, results of operations or cash flows.

FASB ASU 2017-09 *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting.* In May 2017, the FASB amended the requirements in the Compensation—Stock Compensation Topic pf the Accounting Standards Codification related to changes to the terms or conditions of a share-based payment award. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments will be effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the guidance effective July 1, 2018, as required, without material effect on the Company's financial statements.

Note 17: Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through September 20, 2018, the date the consolidated financial statements were available to be issued and no subsequent events have occurred that have not been accrued for or disclosed.