

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File No. 000-55898

SSB Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

82-2776224

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

8700 Perry Highway

Pittsburgh, Pennsylvania

(Address of Principal Executive Offices)

15237

(Zip Code)

(412) 837-6955

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

YES NO

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

YES NO

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

YES NO

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Securities registered pursuant to Section 12(b) of the Act: None

As of May 13, 2019, there were 2,248,250 outstanding shares of the registrant's common stock, of which 1,236,538 shares are owned by SSB Bancorp, MHC.

SSB Bancorp, Inc.
Form 10-Q

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Item 1. Financial Statements

SSB Bancorp, Inc.
CONSOLIDATED BALANCE SHEETS

| | March 31, 2019 (unaudited) | December 31, 2018 |
|--|-------------------------------|-----------------------|
| ASSETS | | |
| Cash and due from banks | \$ 2,315,615 | \$ 2,428,542 |
| Interest-bearing deposits with other financial institutions | 18,020,415 | 6,605,528 |
| Cash and cash equivalents | 20,336,030 | 9,034,070 |
| Certificates of deposit | 1,245,000 | 846,000 |
| Securities available for sale | 8,709,848 | 9,068,101 |
| Securities held to maturity (fair value of \$5,808, and \$6,478, respectively) | 5,743 | 6,394 |
| Loans | 155,021,747 | 159,654,582 |
| Allowance for loan losses | (1,119,225) | (1,124,925) |
| Net loans | 153,902,522 | 158,529,657 |
| Accrued interest receivable | 662,147 | 639,474 |
| Federal Home Loan Bank stock, at cost | 2,715,700 | 2,651,400 |
| Premises and equipment, net | 4,341,183 | 4,335,514 |
| Bank-owned life insurance | 2,445,134 | 2,429,014 |
| Deferred tax asset, net | 283,803 | 312,623 |
| Prepaid reorganization and stock issuance costs | - | - |
| Other assets | 940,081 | 940,098 |
| TOTAL ASSETS | \$ 195,587,191 | \$ 188,792,345 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 5,769,171 | \$ 5,698,782 |
| Interest-bearing demand | 9,019,635 | 8,386,431 |
| Money market | 18,610,278 | 16,020,446 |
| Savings | 13,921,975 | 12,883,970 |
| Time | 95,212,834 | 93,119,137 |
| Total deposits | 142,533,893 | 136,108,766 |
| Federal Home Loan Bank advances | 31,374,500 | 31,374,500 |
| Advances by borrowers for taxes and insurance | 796,446 | 685,195 |
| Accrued interest payable | 258,091 | 255,486 |
| Other liabilities | 73,442 | 49,311 |
| TOTAL LIABILITIES | 175,036,372 | 168,473,258 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock: \$0.01 par value per share: 5,000,000 shares authorized and no shares issued or outstanding | - | - |
| Common Stock: 20,000,000 shares authorized and 2,248,250 shares issued and outstanding at \$0.01 par value | 22,483 | 22,483 |
| Paid-in capital | 8,692,555 | 8,692,971 |
| Retained earnings | 12,628,214 | 12,515,501 |
| Unearned Employee Stock Ownership Plan (ESOP) | (826,229) | (837,245) |
| Accumulated other comprehensive gain (loss) | 33,796 | (74,623) |
| TOTAL STOCKHOLDERS' EQUITY | 20,550,819 | 20,319,087 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 195,587,191 | \$ 188,792,345 |

See accompanying notes to the unaudited consolidated financial statements.

SSB Bancorp, Inc.
CONSOLIDATED STATEMENTS OF NET INCOME

| | Three months ended March 31, | |
|--|------------------------------|------------------|
| | 2019 | 2018 |
| | (unaudited) | |
| INTEREST INCOME | | |
| Loans, including fees | \$ 1,832,246 | \$ 1,568,981 |
| Interest-bearing deposits with other financial institutions | 65,334 | 11,879 |
| Certificates of deposit | 4,317 | 3,270 |
| Investment securities: | - | - |
| Taxable | 109,164 | 42,147 |
| Exempt from federal income tax | 8,233 | 8,585 |
| Total interest income | <u>2,019,294</u> | <u>1,634,862</u> |
| INTEREST EXPENSE | | |
| Deposits | 709,108 | 469,038 |
| Federal Home Loan Bank advances | 216,640 | 154,053 |
| Total interest expense | <u>925,748</u> | <u>623,091</u> |
| NET INTEREST INCOME | 1,093,546 | 1,011,771 |
| Provision for loan losses | 45,500 | 40,000 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | <u>1,048,046</u> | <u>971,771</u> |
| NONINTEREST INCOME | | |
| Securities gains, net | 5,791 | - |
| Provision for loss on loans held for sale | - | - |
| Gain on sale of loans | 64,631 | 24,020 |
| Loan servicing fees | 39,414 | 34,720 |
| Earnings on bank-owned life insurance | 16,120 | 17,432 |
| Other | 13,322 | 15,582 |
| Total noninterest income | <u>139,278</u> | <u>91,754</u> |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 462,627 | 375,533 |
| Occupancy | 100,352 | 91,061 |
| Professional fees | 132,675 | 249,197 |
| Federal deposit insurance | 49,000 | 45,000 |
| Data processing | 96,342 | 77,073 |
| Director fees | 32,494 | 32,494 |
| Contributions and donations | 17,519 | 16,300 |
| Other | 150,315 | 119,546 |
| Total noninterest expense | <u>1,041,324</u> | <u>1,006,204</u> |
| Income before income taxes | 146,000 | 57,321 |
| Provision for income taxes | 33,287 | 10,071 |
| NET INCOME | <u>\$ 112,713</u> | <u>\$ 47,250</u> |
| EARNINGS PER COMMON SHARE | | |
| Basic | \$ 0.05 | \$ N/A |
| Diluted | \$ 0.05 | \$ N/A |
| AVERAGE COMMON SHARES OUTSTANDING | | |

| | | |
|-------------------------------------|------------|-----------|
| Basic | 2,165,076 | N/A |
| Diluted | 2,165,076 | N/A |
| DIVIDENDS DECLARED PER COMMON SHARE | \$ - | \$ N/A |
| COMPREHENSIVE INCOME | \$ 221,132 | \$ 24,401 |

See accompanying notes to the unaudited consolidated financial statements.

SSB Bancorp, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three months ended March 31, | |
|---|------------------------------|-----------|
| | 2019 | 2018 |
| | (unaudited) | |
| Net income | \$ 112,713 | \$ 47,250 |
| Other comprehensive income (loss): | | |
| Net change in unrealized gain (loss) on available-for-sale securities | 143,030 | (28,922) |
| Income tax effect | (30,036) | 6,073 |
| Reclassification adjustment for net securities gains recognized in income | (5,791) | - |
| Income tax effect included in provision for income taxes | 1,216 | - |
| Other comprehensive income (loss), net of tax | 108,419 | (22,849) |
| Total comprehensive income | \$ 221,132 | \$ 24,401 |

See accompanying notes to the unaudited consolidated financial statements.

SSB Bancorp, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

| | Common Stock | Paid-in capital | Retained earnings | Unearned Employee Stock Ownership Plan | Accumulated other comprehensive loss | Total |
|--|------------------|---------------------|----------------------|--|---|---------------------|
| Balance as of January 1, 2018 | \$ - | \$ - | \$ 12,135,085 | \$ - | \$ (23,487) | \$12,111,598 |
| Net income | - | - | 380,416 | - | - | 380,416 |
| Other comprehensive loss | - | - | - | - | (51,136) | (51,136) |
| Net proceeds from stock offering (2,248,250 shares issued) | 22,483 | 8,696,044 | - | - | - | 8,718,527 |
| Purchase of ESOP shares (88,131 shares purchased) | - | - | - | (881,310) | - | (881,310) |
| Amortization of ESOP | - | (3,073) | - | 44,065 | - | 40,992 |
| Balance as of January 1, 2019 | 22,483 | 8,692,971 | 12,515,501 | (837,245) | (74,623) | 20,319,087 |
| Net income | - | - | 112,713 | - | - | 112,713 |
| Other comprehensive income | - | - | - | - | 108,419 | 108,419 |
| Refund on offering expenses | - | 1,005 | - | - | - | 1,005 |
| Amortization of ESOP | - | (1,421) | - | 11,016 | - | 9,595 |
| Balance as of March 31, 2019 | <u>\$ 22,483</u> | <u>\$ 8,692,555</u> | <u>\$ 12,628,214</u> | <u>\$ (826,229)</u> | <u>\$ 33,796</u> | <u>\$20,550,819</u> |

See accompanying notes to the unaudited consolidated financial statements.

SSB Bancorp, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended March 31, | |
|---|------------------------------|---------------------|
| | 2019 | 2018 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 112,713 | \$ 47,250 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 45,500 | 40,000 |
| Depreciation | 41,025 | 36,258 |
| Net amortization of investment securities | 6,622 | 1,958 |
| Loss on sale of portfolio loans | 12,178 | - |
| Origination of loans held for sale | (3,255,550) | (1,763,700) |
| Proceeds from sale of loans | 3,332,359 | 1,787,720 |
| Gain on sale of loans | (76,809) | (24,020) |
| Deferred income tax provision | - | 6,074 |
| Gain on sale of investments | (5,791) | - |
| Increase in accrued interest receivable | (22,673) | (36,788) |
| Increase (decrease) in accrued interest payable | 2,605 | (3,246) |
| Amortization of ESOP | 9,595 | - |
| Increase in bank owned life insurance | (16,120) | (17,432) |
| Other, net | 24,148 | 783,022 |
| Net cash provided by (used in) operating activities | <u>209,802</u> | <u>857,096</u> |
| INVESTING ACTIVITIES | | |
| Purchase of certificates of deposit | (747,000) | - |
| Redemption of certificates of deposit | 348,000 | 100,000 |
| Investment securities available for sale: | | |
| Proceeds from sales | 254,377 | - |
| Proceeds from principal repayments, calls, and maturities | 240,284 | 72,093 |
| Investment securities held to maturity: | | |
| Proceeds from principal repayments, calls, and maturities | 651 | 984 |
| Redemption of Federal Home Loan Bank stock | 5,000 | 4,500 |
| Purchase of Federal Home Loan Bank stock | (69,300) | (66,500) |
| Purchases of loans | (382,000) | (2,026,514) |
| Decrease (increase) in loans receivable, net | 1,381,930 | (858,107) |
| Proceeds from sale of portfolio loans | 3,569,527 | - |
| Purchases of premises and equipment | (46,694) | (46,741) |
| Net cash (used for) provided by investing activities | <u>4,554,775</u> | <u>(2,820,285)</u> |
| FINANCING ACTIVITIES | | |
| Increase (decrease) in deposits, net | 6,425,127 | (14,037,287) |
| Increase in advances by borrowers for taxes and insurance | 111,251 | 19,125 |
| Net proceeds from stock offering | - | 7,900,968 |
| Refund on offering expenses | 1,005 | - |
| Net cash provided by (used in) financing activities | <u>6,537,383</u> | <u>(6,117,194)</u> |
| Increase (decrease) in cash and cash equivalents | 11,301,960 | (8,080,383) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>9,034,070</u> | <u>16,478,066</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 20,336,030</u> | <u>\$ 8,397,683</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURES | | |
| Cash paid during the year for: | | |
| Interest | \$ 923,143 | \$ 626,337 |

| | | |
|--|-----------|---|
| Income taxes | - | - |
| Noncash investing activities: | | |
| Loans held for investment transferred to loans held for sale | 3,581,705 | - |

See accompanying notes to the unaudited consolidated financial statements.

SSB Bancorp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

SSB Bancorp, Inc.

SSB Bancorp, Inc. (the “Company”) was incorporated on August 17, 2017 to serve as the subsidiary stock holding company for SSB Bank upon the reorganization of SSB Bank into a mutual holding company structure (the “Reorganization”). The Reorganization was completed effective January 24, 2018, with SSB Bank becoming the wholly-owned subsidiary of SSB Bancorp, Inc., and SSB Bancorp, Inc. becoming the majority-owned subsidiary of SSB Bancorp, MHC. In connection with the Reorganization, the Company sold 1,011,712 shares of common stock at an offering price of \$10 per share. The Company’s stock began being quoted for listing on the OTC Pink Market on January 25, 2018, under the symbol “SSBP”. Also, in connection with the Reorganization, the Bank established an employee stock ownership plan (the “ESOP”), which purchased 88,131 shares of the Company’s common stock at a price of \$10 per share. In the Reorganization, the Company also issued 1,236,538 shares of its common stock to SSB Bancorp, MHC.

SSB Bank

SSB Bank (the “Bank”) provides a variety of financial services to individuals and corporate customers through its offices in Pittsburgh, Pennsylvania. The Bank’s primary deposit products are passbook savings accounts, money market accounts, and certificates of deposit. Its primary lending products are commercial mortgage loan and single-family residential loans. The Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation (FDIC) and the Pennsylvania Department of Banking and Securities.

The interim financial statements at March 31, 2019, and for the three months ended March 31, 2019 and 2018, are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Such adjustments are the only adjustments reflected in the accompanying interim financial statements. The results of operations for the three months ended March 31, 2019, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2019, or any other period. The financial statements at December 31, 2018, are audited.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 Balance Sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

For further information, refer to the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The consolidated financial statements include the accounts of SSB Bancorp, Inc. and SSB Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial information for the periods before the Reorganization on January 24, 2018 is that of SSB Bank only.

2. RECENT ACCOUNTING STANDARDS

On April 5, 2012, the Jumpstart Our Business Startups Act (the “JOBS Act”) was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies and define an “emerging growth company.” As an emerging growth company, the Company may delay adoption of new or revised financial accounting standards until such date that the standards are required to be adopted by non-issuer companies. If such standards would not apply to non-issuer companies, no deferral would be applicable. The Company has elected to take advantage of the benefits of extended transition periods. Accordingly, the Company’s consolidated financial statements may not be comparable to those of public companies that adopt new or revised financial accounting standards as of an earlier date. The effective dates of the following recent accounting standards reflect those that relate to non-issuer companies.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this Update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes 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. To achieve the core principle, a company should apply a five-step approach to revenue recognition. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted, but only for annual reporting periods beginning after December 15, 2016. The Update is not expected to have a significant impact on the Company’s consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This Update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, this Update (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (g) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Update is not expected to have a significant impact on the Company’s consolidated financial statements.

2. RECENT ACCOUNTING STANDARDS (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. A short-term lease is defined as one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Update is not expected to have a significant impact on the Company's consolidated financial statements.

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. For public business entities that do not meet the definition of an SEC filer, ASU 2016-13 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the financial statements, as any adjustment will be dependent on the composition of the loan portfolio at the time of adoption. The Company is currently in the early stages of implementing processes to comply with the requirements of the Update.

In January 2017, the FASB issued ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323), Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings*. This Update adds an SEC paragraph to the Codification following an SEC Staff Announcement about applying Staff Accounting Bulletin Topic 11.M. Specifically, this announcement applies to ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU 2016-02, *Leases (Topic 842)*; and ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. A registrant should evaluate Updates that have not yet been adopted to determine the appropriate financial statement disclosures about the potential material effects of those Updates on the financial statements when adopted. If a registrant does not know or cannot reasonably estimate the impact that adoption of the Updates referenced in this announcement are expected to have on the financial statements, then in addition to making a statement to that effect, that registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. In this regard, the SEC staff expects the additional qualitative disclosures to include a description of the effect of the accounting policies that the registrant expects to apply, if determined, and a comparison to the registrant's current accounting policies. Also, a registrant should describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed. The amendments in this Update are effective immediately.

2. RECENT ACCOUNTING STANDARDS (Continued)

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20)*. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity should apply the amendments in this Update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. The Update is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2018, the FASB issued *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 provides the option to reclassify certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act of 2017 (Tax Reform Act), enacted on December 22, 2017. ASU 2018-02 was issued in response to concerns regarding current guidance in GAAP that requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date, even in situations in which the related income tax effects were originally recognized in other comprehensive income, rather than net income, and as a result the stranded tax effects would not reflect the appropriate tax rate. The amendments of ASU 2018-02 allow an entity to make a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects, which is the difference between the historical corporate income tax rate of 34.0 percent and the newly enacted corporate income tax rate of 21.0 percent. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2018; however, entities are allowed to early adopt the amendments of ASU 2018-02 in any interim period for which the financial statements have not yet been issued. The amendments of ASU 2018-02 may be applied either at the beginning of the period (annual or interim) of adoption or retrospectively to each of the period(s) in which the effect of the change in the U.S. federal corporate tax rate in the Tax Reform Act is recognized. The Company chose to early adopt the new standard for the year ended December 31, 2017, as allowed. The amount of the reclassification for the Company was \$3,860.

3. SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses, and fair values of securities available for sale are as follows:

| | March 31, 2019 (unaudited) | | | |
|---|----------------------------|------------------------|-------------------------|---------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Mortgage-backed securities in government-sponsored entities | \$ 3,736,580 | \$ 12,590 | \$ (8,290) | \$ 3,740,880 |
| Obligations of state and political subdivisions | 1,539,748 | 762 | (7,176) | 1,533,334 |
| Corporate bonds | 3,198,997 | 44,880 | (244) | 3,243,633 |
| U.S. treasury securities | 192,145 | - | (144) | 192,001 |
| Total | \$ 8,667,470 | \$ 58,232 | \$ (15,854) | \$ 8,709,848 |

| | December 31, 2018 | | | |
|---|---------------------|------------------------|-------------------------|---------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Mortgage-backed securities in government-sponsored entities | \$ 3,883,220 | \$ 495 | \$ (18,635) | \$ 3,865,080 |
| Obligations of state and political subdivisions | 1,540,053 | 153 | (38,244) | 1,501,962 |
| Corporate bonds | 3,547,246 | - | (38,511) | 3,508,735 |
| U.S. treasury securities | 192,443 | 5 | (124) | 192,324 |
| Total | \$ 9,162,962 | \$ 653 | \$ (95,514) | \$ 9,068,101 |

The amortized cost and fair value of investment securities available for sale by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities provide for periodic payments of principal and interest and have contractual maturities ranging from less than 1 year to 25 years. Due to expected repayment terms being significantly less than the underlying mortgage pool contractual maturities, estimated lives of these securities could be significantly shorter.

| | March 31, 2019 (unaudited) | |
|--|----------------------------|---------------------|
| | Amortized Cost | Fair Value |
| Due within one year or less | \$ 347,634 | \$ 347,233 |
| Due after one year through five years | 3,146,476 | 3,184,338 |
| Due after five years through ten years | 1,495,551 | 1,496,983 |
| Due after ten years | 3,677,809 | 3,681,294 |
| Total | \$ 8,667,470 | \$ 8,709,848 |

3. SECURITIES AVAILABLE FOR SALE (Continued)

For the three months ended March 31, 2019, there was 1 corporate bond sold with a total amortized cost of \$248,584 and an associated gain on sale of \$5,791. The proceeds of the sale were \$254,375. For the three months ended March 31, 2018, there were no sales of investment securities available for sale.

4. SECURITIES HELD TO MATURITY

The amortized cost, gross unrealized gains and losses, and fair values of securities held to maturity are as follows:

| | March 31, 2019 (unaudited) | | | |
|---|----------------------------|------------------------|-------------------------|-----------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Mortgage-backed securities in government-sponsored entities | \$ 5,743 | \$ 65 | \$ - | \$ 5,808 |
| Total | <u>\$ 5,743</u> | <u>\$ 65</u> | <u>\$ -</u> | <u>\$ 5,808</u> |
| | December 31, 2018 | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Mortgage-backed securities in government-sponsored entities | \$ 6,394 | \$ 84 | \$ - | \$ 6,478 |
| Total | <u>\$ 6,394</u> | <u>\$ 84</u> | <u>\$ -</u> | <u>\$ 6,478</u> |

The amortized cost and fair value of mortgage-backed securities by contractual maturity are shown below. Mortgage-backed securities provide for periodic payments of principal and interest and have contractual maturities ranging up to 9 years. Due to expected repayment terms being less than the underlying mortgage pool contractual maturities, estimated lives of these securities could be significantly shorter.

| | March 31, 2019 (unaudited) | |
|---|----------------------------|-----------------|
| | Amortized Cost | Fair Value |
| Due within one year or less | \$ - | \$ - |
| Due after one year through five years | 4,313 | 4,334 |
| Due after five years through nine years | <u>1,430</u> | <u>1,474</u> |
| Total | <u>\$ 5,743</u> | <u>\$ 5,808</u> |

5. UNREALIZED LOSSES ON SECURITIES

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position:

| | March 31, 2019 (unaudited) | | | | | |
|---|----------------------------|-------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | Less than Twelve Months | | Twelve Months or Greater | | Total | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. treasury securities | \$ 106,002 | \$ (64) | \$ 86,000 | \$ (80) | \$ 192,002 | \$ (144) |
| Mortgage-backed securities in government-sponsored entities | - | - | 802,705 | (8,290) | 802,705 | (8,290) |
| Obligations of state and political subdivisions | 30,273 | (20) | 1,287,048 | (7,156) | 1,317,321 | (7,176) |
| Corporate bonds | - | - | 99,762 | (244) | 99,762 | (244) |
| Total | \$ 136,275 | \$ (84) | \$ 2,275,515 | \$ (15,770) | \$ 2,411,790 | \$ (15,854) |

| | December 31, 2018 | | | | | |
|---|-------------------------|-------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | Less than Twelve Months | | Twelve Months or Greater | | Total | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. treasury securities | \$ 159,275 | \$ (124) | \$ - | \$ - | \$ 159,275 | \$ (124) |
| Mortgage-backed securities in government-sponsored entities | 3,458,555 | (7,806) | 341,423 | (10,829) | 3,799,978 | (18,635) |
| Obligations of state and political subdivisions | 55,708 | (34) | 1,397,740 | (38,210) | 1,453,448 | (38,244) |
| Corporate bonds | 3,309,271 | (37,959) | 199,464 | (552) | 3,508,735 | (38,511) |
| Total | \$ 6,982,809 | \$ (45,923) | \$ 1,938,627 | \$ (49,591) | \$ 8,921,436 | \$ (95,514) |

Management reviews the Bank's investment positions monthly. There were 12 investments that were temporarily impaired as of March 31, 2019, with aggregate depreciation of less than 1 percent of the Bank's amortized cost basis. There were 25 investments that were temporarily impaired as of December 31, 2018, with aggregate depreciation of less than 2 percent from the Company's amortized cost basis. Management has asserted that at March 31, 2019 and December 31, 2018, the declines outlined in the above table represent temporary declines and the Bank does not intend to sell and does not believe it will be required to sell these securities before recovery of their cost basis, which may be at maturity.

The Company has concluded that any impairment of its investment securities portfolio outlined in the above table is not other-than-temporary and the declines are the result of interest rate changes, sector credit rating changes, or company-specific rating changes that are not expected to result in the non-collection of principal and interest during the period.

6. LOANS

The Bank's loan portfolio summarized by category is as follows:

| | <u>March 31, 2019</u> (unaudited) | <u>December 31, 2018</u> |
|---|--------------------------------------|--------------------------|
| Mortgage loans: | | |
| One-to-four family | \$ 72,575,461 | \$ 75,520,850 |
| Commercial | <u>56,801,968</u> | <u>59,494,384</u> |
| | 129,377,429 | 135,015,234 |
| Commercial and industrial | 19,603,251 | 19,166,207 |
| Consumer | <u>5,984,579</u> | <u>5,404,216</u> |
| | 154,965,259 | 159,585,657 |
| Third-party loan acquisition and other net origination costs | 249,953 | 268,101 |
| Discount on loans previously held for sale | (193,465) | (199,176) |
| Allowance for loan losses | <u>(1,119,225)</u> | <u>(1,124,925)</u> |
| Total | <u>\$ 153,902,522</u> | <u>\$ 158,529,657</u> |

The Bank's primary business activity is with customers located in Pittsburgh and surrounding communities. The Bank's loan portfolio consists predominantly of one-to-four family mortgage and commercial mortgage loans. These loans are typically secured by first-lien positions on the respective real estate properties and are subject to the Bank's underwriting policies.

During the normal course of business, the Bank may sell a portion of a loan as a participation loan in order to manage portfolio risk. In order to be eligible for sales treatment, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties, and no loan holder can have the right to pledge or exchange the entire loan. The Bank had transferred \$11.0 million and \$7.5 million in participation loans as of March 31, 2019 and December 31, 2018, respectively, to other financial institutions. As of March 31, 2019, and December 31, 2018, all these loans were being serviced by the Bank.

7. ALLOWANCE FOR LOAN LOSSES

The allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The following tables present, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the three ended March 31, 2019 (unaudited) and 2018 (unaudited), respectively:

| Three months ended March 31, 2019: | Mortgage One-to-Four Family | Mortgage Commercial | Commercial and Industrial | Consumer and HELOC | Total |
|---------------------------------------|-----------------------------------|------------------------|---------------------------------|--------------------------|---------------------|
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 422,539 | \$ 393,900 | \$ 263,721 | \$ 44,765 | \$ 1,124,925 |
| Charge-offs | (28,268) | (22,932) | - | - | (51,200) |
| Recoveries | - | - | - | - | - |
| Provision (credit) | 42,304 | 4,175 | (2,706) | 1,727 | 45,500 |
| Ending balance | <u>\$ 436,575</u> | <u>\$ 375,143</u> | <u>\$ 261,015</u> | <u>\$ 46,492</u> | <u>\$ 1,119,225</u> |
| | | | | | |
| Three months ended March 31, 2018: | Mortgage One-to-Four Family | Mortgage Commercial | Commercial and Industrial | Consumer and HELOC | Total |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 513,846 | \$ 383,535 | \$ 80,854 | \$ 63,210 | \$ 1,041,445 |
| Charge-offs | (16,429) | - | - | - | (16,429) |
| Recoveries | - | - | - | - | - |
| Provision (credit) | 17,312 | 26,592 | 5,248 | (9,152) | 40,000 |
| Ending balance | <u>\$ 514,729</u> | <u>\$ 410,127</u> | <u>\$ 86,102</u> | <u>\$ 54,058</u> | <u>\$ 1,065,016</u> |

7. ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables summarize the loan portfolio and allowance for loan losses by the primary segments of the loan portfolio as of March 31, 2019 (unaudited), and December 31, 2018.

| | Mortgage One-to-Four Family | Mortgage Commercial | Commercial and Industrial | Consumer and HELOC | Total |
|-----------------------------------|-----------------------------------|------------------------|---------------------------------|--------------------------|-------------|
| March 31, 2019 | | | | | |
| Allowance for loan losses: | | | | | |
| Loans deemed impaired | 42,961 | - | - | - | 42,961 |
| Loans not deemed impaired | 393,614 | 375,143 | 261,015 | 46,492 | 1,076,264 |
| Ending Balance | 436,575 | 375,143 | 261,015 | 46,492 | 1,119,225 |
| March 31, 2019 | | | | | |
| Loans: | | | | | |
| Loans deemed impaired | 2,000,151 | 1,763,219 | 155,660 | 6,195 | 3,925,225 |
| Loans not deemed impaired | 70,575,310 | 55,038,749 | 19,447,591 | 5,978,384 | 151,040,034 |
| Ending Balance | 72,575,461 | 56,801,968 | 19,603,251 | 5,984,579 | 154,965,259 |
| December 31, 2018 | | | | | |
| Allowance for loan losses: | | | | | |
| Loans deemed impaired | 28,136 | - | - | - | 28,136 |
| Loans not deemed impaired | 394,403 | 393,900 | 263,721 | 44,765 | 1,096,789 |
| Ending Balance | 422,539 | 393,900 | 263,721 | 44,765 | 1,124,925 |
| December 31, 2018 | | | | | |
| Loans: | | | | | |
| Loans deemed impaired | 2,486,210 | 1,768,845 | 155,660 | 1,195 | 4,411,910 |
| Loans not deemed impaired | 73,034,640 | 57,725,539 | 19,010,547 | 5,403,021 | 155,173,747 |
| Ending Balance | 75,520,850 | 59,494,384 | 19,166,207 | 5,404,216 | 159,585,657 |

7. ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present impaired loans by class as of March 31, 2019, and December 31, 2018, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary.

| | March 31, 2019 (unaudited) | | | December 31, 2018 | | |
|------------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|---------------------------------|--------------------------|
| | <u>Recorded Investment</u> | <u>Unpaid Principal Balance</u> | <u>Related Allowance</u> | <u>Recorded Investment</u> | <u>Unpaid Principal Balance</u> | <u>Related Allowance</u> |
| With no allowance recorded: | | | | | | |
| Mortgage loans: | | | | | | |
| One-to-four family | \$ 1,833,610 | \$ 1,833,610 | \$ - | \$ 2,211,525 | \$ 2,211,525 | \$ - |
| Commercial | \$ 1,763,219 | \$ 1,763,219 | - | \$ 1,768,845 | \$ 1,768,845 | - |
| Commercial and Industrial | \$ 155,660 | \$ 155,660 | - | \$ 155,660 | \$ 155,660 | - |
| Consumer and HELOC | \$ 6,195 | \$ 6,195 | - | \$ 1,195 | \$ 1,195 | - |
| With an allowance recorded: | | | | | | |
| Mortgage loans: | | | | | | |
| One-to-four family | 166,541 | 166,541 | 42,961 | 274,685 | 274,685 | 28,136 |
| Commercial | - | - | - | - | - | - |
| Commercial and Industrial | - | - | - | - | - | - |
| Consumer and HELOC | - | - | - | - | - | - |
| Total mortgage loans: | | | | | | |
| One-to-four family | 2,000,151 | 2,000,151 | 42,961 | 2,486,210 | 2,486,210 | 28,136 |
| Commercial | 1,763,219 | 1,763,219 | - | 1,768,845 | 1,768,845 | - |
| Commercial and Industrial | 155,660 | 155,660 | - | 155,660 | 155,660 | - |
| Consumer and HELOC | 6,195 | 6,195 | - | 1,195 | 1,195 | - |
| Total | <u>\$ 3,925,225</u> | <u>\$ 3,925,225</u> | <u>\$ 42,961</u> | <u>\$ 4,411,910</u> | <u>\$ 4,411,910</u> | <u>\$ 28,136</u> |

7. ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated.

| | Three Months Ended March 31, 2019 (unaudited) | | Three Months Ended March 31, 2018 (unaudited) | |
|-----------------------------|---|----------------------------------|---|----------------------------------|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| With no allowance recorded: | | | | |
| Mortgage loans: | | | | |
| One-to-four family | \$ 1,789,634 | \$ 14,931 | \$ 1,889,111 | \$ 432 |
| Commercial | 1,764,581 | 9,295 | 1,119,960 | 466 |
| Commercial and industrial | 155,660 | - | 144,486 | - |
| Consumer and HELOC | 6,195 | - | 14,006 | - |
| With an allowance recorded: | | | | |
| Mortgage loans: | | | | |
| One-to-four family | 308,916 | 810 | 398,413 | 3,419 |
| Commercial | - | - | - | - |
| Commercial and industrial | - | - | - | - |
| Consumer and HELOC | - | - | 29,245 | - |
| Total mortgage loans: | | | | |
| One-to-four family | 2,098,550 | 15,741 | 2,287,524 | 3,851 |
| Commercial | 1,764,581 | 9,295 | 1,119,960 | 466 |
| Commercial and industrial | 155,660 | - | 144,486 | - |
| Consumer and HELOC | 6,195 | - | 43,251 | - |
| Total | <u>\$ 4,024,986</u> | <u>\$ 25,036</u> | <u>\$ 3,595,221</u> | <u>\$ 4,317</u> |

7. ALLOWANCE FOR LOAN LOSSES (Continued)

Aging Analysis of Past-Due Loans by Class

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the aging categories at the dates indicated:

| March 31, 2019 (unaudited) | | | | | | | |
|----------------------------|------------------------|------------------------|-----------------------------------|---------------------|----------------------|---------------------------|--|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or Greater Past Due | Total Past Due | Current | Total Loans Receivable | 90 Days or Greater Still Accruing |
| Mortgage loans: | | | | | | | |
| One-to-four family | \$ 1,128,239 | 557,774 | 1,549,676 | 3,235,689 | \$ 69,339,772 | \$ 72,575,461 | \$ - |
| Commercial | 321,358 | - | 941,072 | 1,262,430 | 55,539,538 | 56,801,968 | - |
| Commercial and industrial | 145,260 | - | 155,660 | 300,920 | 19,302,331 | 19,603,251 | - |
| Consumer and HELOC | 29,731 | - | 6,195 | 35,926 | 5,948,653 | 5,984,579 | - |
| Total | \$ 1,624,588 | \$ 557,774 | \$ 2,652,603 | \$ 4,834,965 | \$150,130,294 | \$154,965,259 | \$ - |

| December 31, 2018 | | | | | | | |
|---------------------------|------------------------|------------------------|-----------------------------------|---------------------|----------------------|---------------------------|--|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or Greater Past Due | Total Past Due | Current | Total Loans Receivable | 90 Days or Greater Still Accruing |
| Mortgage loans: | | | | | | | |
| One-to-four family | \$ 305,412 | 624,784 | 1,701,044 | 2,631,240 | \$ 72,889,610 | \$ 75,520,850 | \$ - |
| Commercial | - | - | 1,094,376 | 1,094,376 | 58,400,008 | 59,494,384 | - |
| Commercial and industrial | - | - | 155,660 | 155,660 | 19,010,547 | 19,166,207 | - |
| Consumer and HELOC | - | - | 1,195 | 1,195 | 5,403,021 | 5,404,216 | - |
| Total | \$ 305,412 | \$ 624,784 | \$ 2,952,275 | \$ 3,882,471 | \$155,703,186 | \$159,585,657 | \$ - |

7. ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the loans on nonaccrual status, by class:

| | March 31, 2019 <u>(unaudited)</u> | December 31, 2018 <u></u> |
|---------------------------|---|---------------------------------|
| Mortgage loans: | | |
| One-to-four family | \$ 1,805,450 | \$ 2,302,267 |
| Commercial | 895,386 | 1,094,376 |
| Commercial and industrial | 155,660 | 155,660 |
| Consumer and HELOC | 6,195 | 1,195 |
| Total | <u>\$ 2,862,691</u> | <u>\$ 3,553,498</u> |

Credit Quality Information

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes commercial loans individually by classifying the loans as to their credit risk. The Bank uses a nine-grade internal loan rating system for commercial mortgage loans and commercial and industrial loans as follows:

- *Loans rated 1, 2, 3, 4, and 5:* Loans in these categories are considered “pass” rated loans with low to average risk.
- *Loans rated 6:* Loans in this category are considered “special mention.” These loans have a potential weakness that deserves management’s close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.
- *Loans rated 7:* Loans in this category are considered “substandard.” These loans have a well-defined weakness based on objective evidence that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- *Loans rated 8:* Loans in this category are considered “doubtful” and have all the weaknesses inherent in a loan rated 7. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.
- *Loans rated 9:* Loans in this category are considered “loss” and are considered to be uncollectible or of such value that continuance as an asset is not warranted.

7. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information (Continued)

The risk category of loans by class is as follows:

| | March 31, 2019 (unaudited) | | December 31, 2018 | |
|-------------------|----------------------------|---------------------------|----------------------|---------------------------|
| | Mortgage Commercial | Commercial and Industrial | Mortgage Commercial | Commercial and Industrial |
| Loans rated 1 - 5 | \$ 55,234,860 | \$ 15,465,122 | \$ 57,773,482 | \$ 15,028,078 |
| Loans rated 6 | - | 3,982,469 | - | 3,982,469 |
| Loans rated 7 | 1,567,108 | 155,660 | 1,720,902 | 155,660 |
| Ending balance | <u>\$ 56,801,968</u> | <u>\$ 19,603,251</u> | <u>\$ 59,494,384</u> | <u>\$ 19,166,207</u> |

There were no loans classified as doubtful or loss at March 31, 2019, or December 31, 2018.

For one-to-four family mortgage and consumer and HELOC loans, the Bank evaluates credit quality based on whether the loan is considered to be performing or nonperforming. Loans are generally considered to be nonperforming when they are placed on nonaccrual or become 90 days past due. The following table presents the balances of loans by class based on payment performance:

| | March 31, 2019 (unaudited) | | December 31, 2018 | |
|---------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | Mortgage One-to-Four Family | Consumer and HELOC | Mortgage One-to-Four Family | Consumer and HELOC |
| Performing | \$ 70,770,011 | \$ 5,978,384 | \$ 73,218,583 | \$ 5,403,021 |
| Nonperforming | 1,805,450 | 6,195 | 2,302,267 | 1,195 |
| Total | <u>\$ 72,575,461</u> | <u>\$ 5,984,579</u> | <u>\$ 75,520,850</u> | <u>\$ 5,404,216</u> |

Troubled Debt Restructurings

There were no loans modified as troubled debt restructurings during the three months ended March 31, 2019 or 2018.

As of March 31, 2019, and December 31, 2018, the Bank allocated \$42,961 and \$1,980, respectively, within the allowance for loan losses related to all loans modified as troubled debt restructurings.

The Bank did not have any loans modified as a troubled debt restructuring in the preceding 12 months that subsequently defaulted in the current reporting period.

8. EMPLOYEE STOCK OWNERSHIP PLAN

The Bank established a tax qualified Employee Stock Ownership Plan (“ESOP”) for the benefit of its employees in conjunction with the Reorganization effective on January 24, 2018. Eligible employees become 20% vested in their accounts after two years of service, 40% after three years of service, 60% after four years of service, 80% after five years of service, and 100% after six years of service, or earlier, upon death, disability or attainment of normal retirement age.

The ESOP purchased 88,131 shares of Company common stock, which was funded by a loan from the Company. Unreleased ESOP shares collateralize the loan payable, and the cost of the shares is recorded as a contra-equity account in the stockholders’ equity of the Company. Shares are to be released as debt payments are made by the ESOP to the loan. The ESOP’s sources of repayment of the loan can include dividends, if any, on the unallocated stock held by the ESOP and discretionary contributions from the Company to the ESOP and earnings thereon.

Compensation expense is equal to the fair value of the shares committed to be released and unallocated ESOP shares are excluded from outstanding shares for purposes of computing earnings per share. During the three months ended March 31, 2019, the Company recognized \$9,595 in compensation expense.

9. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by federal and state 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 Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measure of the Bank’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The regulations require a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6%, a minimum total capital ratio of 8%, and a minimum leverage ratio of 4% for all banking organizations. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses. The capital conservation buffer and certain deductions from and adjustments to regulatory capital and risk-weighted assets are being phased in over several years. The required minimum conservation buffer was 1.875% as of January 1, 2018 and it increased to 2.5% on January 1, 2019.

9. REGULATORY CAPITAL REQUIREMENTS (Continued)

As of March 31, 2019, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum capital ratios as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Bank's category. Management believes that the Bank meets all capital adequacy requirements to which it is subject. The Bank's actual capital amounts and ratios are also presented in the table below.

| | March 31, 2019 | | December 31, 2018 | |
|---|----------------|--------|-------------------|--------|
| | Amount | Ratio | Amount | Ratio |
| | (unaudited) | | | |
| Common Equity Tier 1 capital | | | | |
| <u>(to risk-weighted assets)</u> | | | | |
| Actual | \$ 20,517,023 | 14.45% | \$ 20,393,710 | 14.22% |
| For capital adequacy purposes | 6,389,910 | 4.50% | 6,453,270 | 4.50% |
| To be well capitalized | 9,229,870 | 6.50% | 9,321,390 | 6.50% |
| Tier 1 capital | | | | |
| <u>(to risk-weighted assets)</u> | | | | |
| Actual | \$ 20,517,023 | 14.45% | \$ 20,393,710 | 14.22% |
| For capital adequacy purposes | 8,519,880 | 6.00% | 8,604,360 | 6.00% |
| To be well capitalized | 11,359,840 | 8.00% | 11,472,480 | 8.00% |
| Total capital | | | | |
| <u>(to risk-weighted assets)</u> | | | | |
| Actual | \$ 21,636,248 | 15.24% | \$ 21,518,635 | 15.01% |
| For capital adequacy purposes | 11,359,840 | 8.00% | 11,472,480 | 8.00% |
| To be well capitalized | 14,199,800 | 10.00% | 14,340,600 | 10.00% |
| Tier 1 capital | | | | |
| <u>(to average assets)</u> | | | | |
| Actual | \$ 20,517,023 | 10.67% | \$ 20,393,710 | 11.59% |
| For capital adequacy purposes | 7,692,174 | 4.00% | 7,036,287 | 4.00% |
| To be well capitalized | 9,615,217 | 5.00% | 8,795,358 | 5.00% |

10. COMMITMENTS

In the normal course of business, the Bank makes various commitments that are not reflected in the Company's consolidated financial statements. The Bank offers such products to enable its customers to meet their financing objectives. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheets. The Bank's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. The Bank minimizes its exposure to credit loss under these commitments by subjecting them to credit approval and review procedures and collateral requirements as deemed necessary.

Off-balance sheet commitments consist of the following:

| | <u>March 31, 2019</u> (unaudited) |
|-------------------------------|--------------------------------------|
| Commitments to extend credit | \$ 2,544,500 |
| Construction unadvanced funds | 4,421,435 |
| Unused lines of credit | 7,802,387 |
| Letters of credit | 2,861,135 |
| | <u>\$ 17,629,457</u> |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments consisted primarily of mortgage loan commitments. The Bank uses the same credit policies in making loan commitments and conditional obligations as it does for on-balance sheet instruments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, as deemed necessary, is based upon management's credit evaluation in compliance with the Bank's lending policy guidelines.

In August 2017, the Bank entered into employment agreements with three executives that provide for a base salary and certain other benefits. The initial terms of the agreements are for three years with annual renewals thereafter. In the event of the executive's termination without cause, as defined, the executive will receive a lump-sum cash payment equal to the amount remaining under the contract. Additional benefits are payable upon a change in control, as defined.

11. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad pricing levels are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

Fair values for securities are determined by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique that is widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark-quoted securities. Fair values of securities determined by quoted prices in active markets, when available, are classified as Level I. At March 31, 2019 and December 31, 2018, fair value measurements were obtained from a third-party pricing service and not adjusted by management. Transfers are recognized at the end of the reporting period, as applicable.

11. FAIR VALUE MEASUREMENTS (Continued)

The following tables present the assets reported on the balance sheets at their fair value by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | March 31, 2019 (unaudited) | | | |
|---|----------------------------|--------------|-----------|--------------|
| | Level I | Level II | Level III | Total |
| Fair value measurements on a recurring basis: | | | | |
| Mortgage-backed securities in government-sponsored entities | \$ - | \$ 3,740,880 | \$ - | \$ 3,740,880 |
| Obligations of state and political subdivisions | - | 1,533,334 | - | 1,533,334 |
| Corporate bonds | - | 3,243,633 | - | 3,243,633 |
| U.S. treasury securities | 192,001 | - | - | 192,001 |
| Mortgage servicing rights | - | - | 269,435 | 269,435 |
| Impaired loans with reserve | - | - | 123,580 | 123,580 |

| | December 31, 2018 | | | |
|---|-------------------|--------------|-----------|--------------|
| | Level I | Level II | Level III | Total |
| Fair value measurements on a recurring basis: | | | | |
| Mortgage-backed securities in government-sponsored entities | \$ - | \$ 3,865,080 | \$ - | \$ 3,865,080 |
| Obligations of state and political subdivisions | - | 1,501,962 | - | 1,501,962 |
| Corporate bonds | - | 3,508,735 | - | 3,508,735 |
| U.S. treasury securities | 192,324 | - | - | 192,324 |
| Mortgage servicing rights | - | - | 234,344 | 234,344 |
| Impaired loans with reserve | - | - | 246,549 | 246,549 |

| | March 31, 2019 (unaudited) | | | |
|--|----------------------------|----------|------------|------------|
| | Level I | Level II | Level III | Total |
| Fair value measurements on a nonrecurring basis: | | | | |
| Other real estate owned | \$ - | \$ - | \$ 109,832 | \$ 109,832 |

| | December 31, 2018 | | | |
|--|-------------------|----------|------------|------------|
| | Level I | Level II | Level III | Total |
| Fair value measurements on a nonrecurring basis: | | | | |
| Other real estate owned | \$ - | \$ - | \$ 138,100 | \$ 138,100 |

11. FAIR VALUE MEASUREMENTS (Continued)

Other Real Estate Owned

Other real estate owned is measured at fair value, less estimated cost to sell, at the date of foreclosure, which establishes a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management. The assets are carried at fair value, less estimated cost to sell. Income and expense from operations and changes in valuation allowance are included in other noninterest expense.

Level III Inputs

The following table provides the significant unobservable inputs used in the fair value measurement process for items valued using Level III techniques:

| | Fair Value at March 31, 2019 (unaudited) | Valuation Techniques | Valuation Unobservable Inputs | Range (Weighted Average) |
|-----------------------------|---|-----------------------------|-------------------------------------|--------------------------------|
| Other real estate owned | \$ 109,832 | Appraised collateral values | Discount for time since appraisal | 10% |
| | | | Selling costs | (10)% |
| Impaired loans with reserve | 123,580 | Discounted cash flows | Discount for evaluation | 10% |
| | | | Selling costs | (10)% |
| Mortgage servicing rights | 269,435 | Discounted cash flows | Loan prepayment speeds | 8.49% - 10.52% |
| | | | | (9.39)% |

| | Fair Value at December 31, 2018 | Valuation Techniques | Valuation Unobservable Inputs | Range (Weighted Average) |
|-----------------------------|---------------------------------------|-----------------------------|-------------------------------------|--------------------------------|
| Other real estate owned | \$ 138,100 | Appraised collateral values | Discount for time since appraisal | 10% |
| | | | Selling costs | (10)% |
| Impaired loans with reserve | 246,549 | Discounted cash flows | Discount for evaluation | 10% |
| | | | Selling costs | (10)% |
| Mortgage servicing rights | 234,344 | Discounted cash flows | Loan prepayment speeds | 8.49% - 10.52% |
| | | | | (9.69)% |

11. FAIR VALUE MEASUREMENTS (Continued)

The estimated fair values of the Company's financial instruments are as follows:

| | March 31, 2019 (unaudited) | | | | |
|-------------------------------|----------------------------|---------------|---------------|------------|-------------|
| | Carrying Value | Fair Value | Level I | Level II | Level III |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$ 20,336,030 | \$ 20,336,030 | \$ 20,336,030 | \$ - | \$ - |
| Certificates of deposit | 1,245,000 | 1,252,000 | - | 1,252,000 | - |
| Investment securities: | | | | | |
| Available for sale | 8,709,848 | 8,709,848 | 192,001 | 8,517,847 | - |
| Held to maturity | 5,743 | 5,808 | - | 5,808 | - |
| Loans, net | 153,902,522 | 155,356,522 | - | - | 155,356,522 |
| Accrued interest receivable | 662,147 | 662,147 | - | 662,147 | - |
| FHLB Stock | 2,715,700 | 2,715,700 | - | - | 2,715,700 |
| Financial liabilities: | | | | | |
| Deposits | 142,533,893 | 142,247,893 | 47,321,059 | - | 94,926,834 |
| FHLB advances | 31,374,500 | 31,585,500 | - | 31,585,500 | - |
| Accrued interest payable | 258,091 | 258,091 | - | 258,091 | - |
| | | | | | |
| | December 31, 2018 | | | | |
| | Carrying Value | Fair Value | Level I | Level II | Level III |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$ 9,034,070 | \$ 9,034,070 | \$ 9,034,070 | \$ - | \$ - |
| Certificates of deposit | 846,000 | 837,828 | - | 837,828 | - |
| Investment securities: | | | | | |
| Available for sale | 9,068,101 | 9,068,101 | 192,324 | 8,875,777 | - |
| Held to maturity | 6,394 | 6,478 | - | 6,478 | - |
| Loans, net | 158,529,657 | 159,275,657 | - | - | 159,275,657 |
| Accrued interest receivable | 639,474 | 639,474 | - | 639,474 | - |
| FHLB Stock | 2,651,400 | 2,651,400 | - | - | 2,651,400 |
| Financial liabilities: | | | | | |
| Deposits | 136,108,766 | 134,639,766 | 42,989,629 | - | 91,650,137 |
| FHLB advances | 31,374,500 | 31,242,500 | - | 31,242,500 | - |
| Accrued interest payable | 255,486 | 255,486 | - | 255,486 | - |

Financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas or simulation modeling. Since many of these assumptions result from judgments made by management based upon estimates which are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in the assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

Since certain assets, such as deferred tax assets and premises and equipment, are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Bank.

Cash and Cash Equivalents, Accrued Interest Receivable, FHLB Stock, and Accrued Interest Payable

The fair value is equal to the current carrying value.

Certificates of Deposit

The fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities.

Securities

Fair values for securities are determined by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique that is widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark-quoted securities. Fair values of securities determined by quoted prices in active markets, when available, are classified as Level I.

Loans, Net

The fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Certain collateral dependent impaired loans have been adjusted to fair value based on the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, along with management's assumptions in various factors, such as selling costs and discounts for time since last appraised.

FHLB Advances

The fair value of FHLB advances is based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities.

Deposits

The fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of the period end.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Commitments

These financial instruments are generally not subject to sale, and estimated fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, are not considered material for disclosure. The contractual amounts of unfunded commitments are presented in Note 10.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component, net of tax:

| | Net Unrealized Gain (Loss) on Securities | |
|--|---|--------------------|
| | Three months ended March 31, | |
| | 2019 | 2018 |
| | (unaudited) | |
| Accumulated other comprehensive income (loss), beginning of period | \$ (74,623) | \$ (23,487) |
| Other comprehensive income (loss) on securities before reclassification, net of tax | 112,994 | (22,849) |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | <u>(4,575)</u> | <u>-</u> |
| Net other comprehensive income (loss) | 108,419 | (22,849) |
| Reclassification of certain income tax effects from accumulated other comprehensive loss | <u>-</u> | <u>-</u> |
| Accumulated other comprehensive income (loss), end of period | <u>\$ 33,796</u> | <u>\$ (46,336)</u> |

14. EARNINGS PER SHARE

Earnings per common share for the three months ended March 31, 2019 are represented in the following table.

Earnings per common share for the three months ended March 31, 2018 is not presented as the Company's initial public offering was completed on January 24, 2018; therefore, per share results would not be meaningful.

| | <u>Three months ended</u> <u>March 31, 2019</u> (unaudited) | |
|--|---|------------------|
| Net Income | \$ | <u>112,713</u> |
| Shares outstanding for basic EPS: | | |
| Average shares outstanding | | 2,248,250 |
| Less: Average unearned ESOP shares | | <u>83,174</u> |
| | | 2,165,076 |
| Additional dilutive shares | | <u>-</u> |
| Shares outstanding for basic and diluted EPS | | <u>2,165,076</u> |
| Basic and diluted income per share | \$ | <u>0.05</u> |

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

General

Management's discussion and analysis of financial condition at March 31, 2019 and December 31, 2018 and results of operations for the three months ended March 31, 2019 and 2018 is intended to assist in understanding the consolidated financial condition and consolidated results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q. Financial information for the periods before the Reorganization on January 24, 2018 is that of SSB Bank only.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, reduce the fair value of financial instruments or reduce the origination levels in our lending business, or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary markets;

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Cautionary Note Regarding Forward-Looking Statements (Continued)

- adverse changes in the credit and/or securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, including as a result of Basel III;
- our ability to manage market risk, credit risk and operational risk in the current economic conditions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we may acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board or the Securities and Exchange Commission;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- political instability;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- failures or breaches of our IT security systems;
- the inability of third-party providers to perform as expected; and
- our ability to successfully introduce new products and services, enter new markets, and capitalize on growth opportunities.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. The Company is not obligated to update any forward-looking statements, except as may be required by applicable law or regulation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Critical Accounting Policies

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Management believes the accounting policies discussed below to be the most critical accounting policies, which involve the most complex or subjective decisions or assessments.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes that specific loans, or portions of loans, are uncollectible. The allowance for loan losses is evaluated on a regular basis, and at least quarterly, by management. Management reviews the nature and volume of the loan portfolio, local and national conditions that may adversely affect the borrower's ability to repay, loss experience, the estimated value of any underlying collateral, and other relevant factors. The evaluation of the allowance for loan losses is characteristically subjective as estimates are required that are subject to continual change as more information becomes available.

The allowance consists of general and specific reserve components. The specific reserves are related to loans that are considered impaired. Loans that are classified as impaired are measured in accordance with accounting guidance (ASC 310-10-35). The general reserve is allocated for non-impaired loans and includes evaluation of changes in the trend and volume of delinquency, our internal risk rating process and external conditions that may affect credit quality.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and the financial condition of the borrower. Loans that experience payment shortfalls and insignificant payment delays are typically not considered impaired. Management looks at each loan individually and considers all the circumstances around the shortfall or delay including the borrower's prior payment history, borrower contact regarding the reason for the delay or shortfall and the amount of the shortfall. Collateral dependent loans are measured against the fair value of the collateral, while other loans are measured by the present value of expected future cash flows discounted at the loan's effective interest rate. All loans are measured individually.

Loan segments are reviewed and evaluated for impairment based on the segment's characteristic loss history and local economic conditions and trends within the segment that may affect the repayment of the loans.

From time to time, we may choose to restructure the contractual terms of certain loans either at the borrower or SSB Bank's request. We review all scenarios to determine the best payment structure with the borrower to improve the likelihood of repayment. Management reviews modified loans to determine if the loan should be classified as a trouble debt restructuring. A trouble debt restructuring is when a creditor, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Management considers the borrower's ability to repay when a request to modify existing loan terms is presented. A transfer of assets to repay the loan balance, a modification of loan terms or a combination of these may occur. If an appropriate arrangement cannot be made, the loan is referred to legal counsel, at which time foreclosure will begin. If a loan is accruing at the time of restructuring, we review the loan to determine if it should be placed on non-accrual. It is our policy to keep a troubled debt restructured loan on non-accrual status for at least six months to ensure the borrower can repay, at that time management may consider its return to accrual status. Troubled debt restructured loans are classified as impaired loans.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Critical Accounting Policies (Continued)

Income Taxes. The Company accounts for income taxes in accordance with accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax 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. U.S. GAAP requires that we use the Balance Sheet Method to determine the deferred income, which affects the differences between the book and tax bases of assets and liabilities, and any changes in tax rates and laws are recognized in the period in which they occur. Deferred taxes are based on a valuation model and the determination on a quarterly basis whether all or a portion of the deferred tax asset will be recognized.

Fair Value Measurements. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company estimates the fair value of a financial instrument and any related asset impairment using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, we estimate fair value. These estimates are subjective in nature and imprecision in estimating these factors can impact the amount of revenue or loss recorded. A more detailed description of the fair values measured at each level of the fair value hierarchy and the methodology utilized by the Company can be found in Note 16 to the 2018 Financial Statements included in the Company's Annual Report on Form 10-K filed on March 29, 2019.

Investment Securities. Available for sale and held to maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and our intent and ability to hold the security to recovery. A decline in value that is considered to be other-than-temporary is recorded as a loss within non-interest income in the statements of income. At March 31, 2019, we believe the unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Management has also concluded that based on current information we expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Comparison of Financial Condition at March 31, 2019 and December 31, 2018

Total Assets. Total assets increased by \$6.8 million, or 3.6%, from \$188.8 million at December 31, 2018 to \$195.6 million at March 31, 2019. The increase was due primarily to an increase in cash and cash equivalents of \$11.3 million, or 125.1%, to \$20.3 million at March 31, 2019 from \$9.0 million at December 31, 2018. The increase in cash and cash equivalents was primarily the result of a \$6.4 million increase in deposits. The increase in cash and cash equivalents was offset by a decrease in net loans of \$4.6 million. The shift from loans to cash and cash equivalents was primarily due to a \$3.6 million commercial mortgage loan pool that was sold during the current quarter.

Cash and Cash Equivalents. Cash and cash equivalents increased by \$11.3 million, or 125.1%, to \$20.3 million at March 31, 2019 from \$9.0 million at December 31, 2018. The increase in cash was caused by a \$6.4 million increase in deposits, the previously mentioned \$3.6 million loan sale, and an additional net decrease in loans of \$1.4 million due to loan repayments outpacing a controlled loan production.

Net Loans. Net loans decreased \$4.6 million, or 2.9%, to \$153.9 million at March 31, 2019, from \$158.5 million at December 31, 2018. This was caused by a decrease in commercial mortgages of \$2.7 million. The decrease in commercial mortgages is the result of the \$3.6 million commercial mortgage loan pool that was sold and a controlled production of commercial mortgages due to high concentration. One-to-four family mortgages also decreased by \$2.9 million due to repayments and loan sales while commercial and industrial loans and consumer loans increased by \$437,000 and \$580,000, respectively.

Available for Sale Securities. Securities available for sale decreased by \$358,000 or 4.0%, to \$8.7 million at March 31, 2019, from \$9.1 million at December 31, 2018. The decrease is primarily due to the sale of \$250,000 and the maturity of \$100,000 in corporate bonds. The decrease was offset by a net change in unrealized gains on available-for-sale securities of \$113,000, net of the income tax effect.

Deposits. Total deposits increased to \$142.5 million at March 31, 2019 from \$136.1 million at December 31, 2018. The increase of \$6.4 million, or 4.7%, was primarily due to an increase in money market deposits of \$2.6 million, an increase in time deposits of \$2.1 million, and an increase in savings deposits of \$1.0 million. There were also smaller increases to noninterest-bearing demand and interest-bearing demand. As part of its strategic plan, SSB Bank is focused on growing core deposits.

Federal Home Loan Bank Advances. Federal Home Loan Bank advances remained unchanged at \$31.4 million at both March 31, 2019 and December 31, 2018.

Stockholders' Equity. Stockholders' equity increased by \$232,000, or 1.1%, to \$20.6 million at March 31, 2019 from \$20.3 million at December 31, 2018. The increase was due to an increase in retained earnings of \$113,000 and an increase in accumulated other comprehensive income of \$108,000. The increase in accumulated other comprehensive income was due to lowering interest rates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Comparison of Operating Results for the Three Months Ended March 31, 2019 and 2018

Net Income. Net income was \$113,000 for the three months ended March 31, 2019, compared to net income of \$47,000 for the three months ended March 31, 2018, an increase of \$65,000 or 138.5%. The increase was primarily due to an increase in net interest income after provision of \$76,000, or 7.8%, to \$1.0 million for the three months ended March 31, 2019, from \$972,000 for the three months ended March 31, 2018. Noninterest income increased \$48,000 to \$139,000 for the three months ended March 31, 2019, from \$92,000 for the three months ended March 31, 2018. Offsetting these increases in income was a \$35,000 increase in noninterest expense and a \$23,000 increase in the income tax provision.

Interest and Dividend Income. Interest and dividend income increased \$384,000, or 23.5%, to \$2.0 million for the three months ended March 31, 2019, from \$1.6 million for the three months ended March 31, 2018. Interest income on loans increased \$263,000, or 16.8%. This increase is attributable to an increase in the average balance of net loans of \$14.2 million, or 10.0%. The average balances increased to \$156.6 million from \$142.4 million when comparing the three months ended March 31, 2019 with the three months ended March 31, 2018. The weighted average yield on net loans increased 28 basis points from 4.47% for the three months ended March 31, 2018 to 4.75% for the three months ended March 31, 2019, primarily due to a rise in adjustable rate loan indexes and higher rates on new loans. Interest-income on interest bearing deposits increased by \$53,000 due to a rise in deposit rates in response to competition. Also, interest from investment securities increased by \$51,000 both due to a \$6.3 million increase in average investments and a 56-basis point increase in yield from investment securities.

Interest Expense. Total interest expense increased \$303,000, or 48.6%, to \$926,000 for the three months ended March 31, 2019, compared to \$623,000 for the three months ended March 31, 2018. Interest expense on deposit accounts increased \$240,000, or 51.2%, to \$709,000 for the three months ended March 31, 2019, compared to \$469,000 for the three months ended March 31, 2018. The increase was primarily due to an increase in the average balance of interest-bearing deposits of \$8.3 million, or 6.6%, from \$125.7 million for the three months ended March 31, 2018, to \$134.0 million for the three months ended March 31, 2019. Among interest bearing deposits, the largest increase in average balance was due to a \$12.2 million, or 14.9%, increase in the average balance of time deposits. Additionally, the cost of funds associated with interest-bearing deposits increased 63 basis points from 1.51% for the three months ended March 31, 2018, to 2.15% for the three months ended March 31, 2019, primarily due to increases in offered deposit rates in response to competition.

Interest expense on Federal Home Loan Bank advances increased \$63,000 or 40.6%, to \$217,000 for the three months ended March 31, 2019, from \$154,000 for the three months ended March 31, 2018. The increase was primarily due to an increase in the average balance of advances of \$5.0 million, or 18.8%, from \$26.4 million for the three months ended March 31, 2018 to \$31.4 million for the three months ended March 31, 2019. The average cost of these borrowings increased 44 basis points from 2.37% for the three months ended March 31, 2018 to 2.80% for the three months ended March 31, 2019 primarily due to a rise in advance interest rates when comparing the two periods and the repricing of \$7.3 million in advances since March 31, 2018.

Net Interest Income. Net interest income increased \$82,000, or 8.1%, when comparing the two periods. This was due to an increase in interest income of \$384,000 when comparing the two periods, while interest expense increased by \$302,000 over the two periods. Average interest-earning assets for the three months ended March 31, 2018 was \$157.1 million, and it increased \$24.1 million to \$181.2 million for the three months ended March 31, 2019, an increase of 15.3%. Net interest earning assets increased \$10.8 million, or 215.4%, to \$15.7 million for the three months ended March 31, 2019, from \$5.0 million for the three months ended March 31, 2018. Offsetting this growth is a decrease in net interest margin of 16 basis points from 2.61% for the three months ended March 31, 2018, to 2.45% for the three months ended March 31, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Comparison of Operating Results for the Three Months Ended March 31, 2019 and 2017 (Continued)

Provision for Loan Losses. The provision for loan losses increased \$6,000, or 13.8%, to \$46,000 for the three months ended March 31, 2019, from \$40,000 for the three months ended March 31, 2018. The small increase in provision for loan losses can be attributed to the increase in the size of the loan portfolio. Average net loans for the three months ended March 31, 2018 was \$142.4 million and it increased \$14.2 million to \$156.6 million for the three months ended March 31, 2019.

The allowance for loan losses reflects the estimate we believe adequate to cover inherent probable losses. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, such estimates and assumptions could change based upon the risk characteristics of the various portfolio segments, experience with losses, the impact of economic conditions on borrowers and other relevant factors.

Non-Interest Income. Non-interest income increased \$48,000, or 51.8% to \$139,000 for the three months ended March 31, 2019, from \$92,000 for the comparable three months ended March 31, 2018. The increase was primarily due to a \$41,000 increase in gains on sale of loans from \$24,000 for the three months ended March 31, 2018 to \$65,000 for the three months ended March 31, 2019. There were small increases in gains on sale of securities and loan servicing fees of \$6,000 and \$5,000, respectively.

Non-Interest Expense. Non-interest expense increased \$35,000, or 3.5%, to \$1.0 million for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. Salaries and employee benefits increased \$87,000, or 23.2%, to \$463,000 for the three months ended March 31, 2019 from \$376,000 for the three months ended March 31, 2018. The increase was associated with the addition of staff dedicated to marketing, and credit administration, as well as yearly pay raises. Data processing increased by \$19,000 as SSB Bank has expanded capabilities with its core processor. There were also increases in occupancy, federal deposit insurance, and other noninterest expense of \$9,000, \$4,000, and \$30,000, respectively.

Income Taxes. The income tax provision increased from \$10,000 for the three months ended March 31, 2018 to \$33,000 for the three months ended March 31, 2019, an increase of \$23,000, or 230.5%, as a result of an increase in pre-tax income. The effective tax rate was 22.8% for the three months ended March 31, 2019, and 17.6% for the three months ended March 31, 2018.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors. We currently utilize a third-party modeling program, prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Management of Market Risk (Continued)

Our interest rate risk profile is considered liability-sensitive, which means that if interest rates rise our deposits and other interest-bearing liabilities would be expected to reprice to higher interest rates faster than would our loans and other interest-earning assets. We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. In recent years, we have implemented the following strategies to manage our interest rate risk:

- increasing lower cost core deposits and limiting our reliance on higher cost funding sources, such as time deposits; and
- diversifying our loan portfolio by adding more commercial and industrial loans, which typically have shorter maturities and/or balloon payments, and selling one- to four-family residential mortgage loans, which have fixed interest rates and longer terms.

By following these strategies, we believe that we are well positioned to react to increases in market interest rates.

We do not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Economic Value of Equity. We analyze our sensitivity to changes in interest rates through an economic value of equity ("EVE") model. EVE represents the difference between the present value of assets and the present value of liabilities. The EVE ratio represents the dollar amount of our EVE divided by the present value of our total assets for a given interest rate scenario. EVE attempts to quantify our economic value using a discounted cash flow methodology while the EVE ratio reflects that value as a form of capital ratio. We estimate what our EVE would be at a specific date. We then calculate what the EVE would be at the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate EVE under the assumptions that interest rates increase 100, 200, 300 and 400 basis points from current market rates and that interest rates decrease 100 basis points from current market rates.

The following table presents the estimated changes in our EVE that would result from changes in market interest rates at March 31, 2019. All estimated changes presented in the table are within the policy limits approved by our board of directors.

| Basis Point ("bp") Change in Interest Rates (1) | Estimated EVE | Estimated Increase (Decrease) in EVE | | EVE as Percent of Economic Value of Assets | |
|---|---------------|--------------------------------------|----------------|---|--------|
| | | Dollar Change | Percent Change | EVE Ratio (2) | Change |
| +400bp | \$ 12,394 | \$ (8,124) | (39.59)% | 7.11% | (3.31) |
| +300bp | 13,983 | (6,535) | (31.85)% | 7.80% | (2.62) |
| +200bp | 16,164 | (4,354) | (21.22)% | 8.74% | (1.68) |
| +100bp | 18,568 | (1,950) | (9.50)% | 9.72% | (0.70) |
| 0 | 20,518 | - | 0.00% | 10.42% | 0.00 |
| -100bp | 20,795 | 277 | 1.35% | 10.35% | (0.07) |

(1) Assumes instantaneous parallel changes in interest rates.

(2) EVE ratio represents the EVE divided by the economic value of assets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Management of Market Risk (Continued)

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The above table assumes that the composition of our interest-sensitive assets and liabilities existing at the date indicated remains constant uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our EVE and will differ from actual results.

Liquidity and Capital Resources

Liquidity. Liquidity is the ability to meet current and future financial obligations of a short-term nature that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund investing activities and current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and advances from the Federal Home Loan Bank of Pittsburgh. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing deposits in other financial institutions. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. At March 31, 2019, the Company had cash and cash equivalents of \$20.3 million. As of March 31, 2019, SSB Bank had \$31.4 million in outstanding borrowings from the Federal Home Loan Bank of Pittsburgh and had \$94.4 million of total borrowing capacity.

At March 31, 2019, SSB Bank had \$17.6 million of loan commitments outstanding which includes \$7.8 million of unused lines of credit, \$4.4 million of unadvanced construction funds, \$2.5 million of commitments to extend credit, and \$2.9 million in letters of credit. We have no other material commitments or demands that are likely to affect our liquidity. If loan demand was to increase faster than expected, or any unforeseen demand or commitment was to occur, we could access our borrowing capacity with the Federal Home Loan Bank of Pittsburgh.

Time deposits due within one year of March 31, 2019 totaled \$34.0 million. If these deposits do not remain with us, we may be required to seek other sources of funds, including other time deposits and Federal Home Loan Bank of Pittsburgh advances. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we paid on time deposits at March 31, 2019. We believe, however, based on past experience that a significant portion of our time deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

SSB Bancorp, Inc. is a separate legal entity from SSB Bank and must provide for its own liquidity to pay any dividends to its stockholders and for other corporate purposes. SSB Bancorp, Inc.'s primary source of liquidity is dividend payments it may receive from SSB Bank. SSB Bank's ability to pay dividends to SSB Bancorp, Inc. is governed by applicable laws and regulations. At March 31, 2019, SSB Bancorp, Inc. (on an unconsolidated basis) had liquid assets of \$3.5 million.

Capital Resources. At March 31, 2019, SSB Bank exceeded all regulatory capital requirements and it was categorized as "well capitalized." We are not aware of any conditions or events since the most recent notification that would change our category.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. The following tables present our contractual obligations as of the dates indicated.

| Contractual Obligations | Total | Payments Due by Period | | | |
|------------------------------|-----------|------------------------|--------------------|---------------------|----------------------|
| | | Less Than One Year | One to Three Years | Three to Five Years | More Than Five Years |
| (In thousands) | | | | | |
| At March 31, 2019: | | | | | |
| Long-term debt obligations | \$ 31,375 | \$ 6,250 | \$ 15,125 | \$ - | \$ 10,000 |
| At December 31, 2018: | | | | | |
| Long-term debt obligations | \$ 31,375 | \$ 6,250 | \$ 15,125 | \$ - | \$ 10,000 |

Off-Balance Sheet Arrangements. We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and unused lines of credit, which involve elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. Our exposure to credit loss is represented by the contractual amount of the instruments. We use the same credit policies in making commitments as we do for on-balance sheet instruments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Item 2 of this quarterly report under "Management of Market Risk."

Item 4. Controls and Procedures

Under the supervision and with the participation of our senior management, including our principal executive officer and principal financial officer, SSB Bancorp, Inc. evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were not effective because of the material weaknesses disclosed below. Discussed below are the remediation efforts regarding material weaknesses related to (1) the allowance for loan losses and the identification and reporting of problem loans, and (2) the recognition of interest income on loans that have been sold or participated out to others.

With the oversight and participation of senior management, we have taken steps to remediate the underlying causes of these material weaknesses as follows:

Allowance for loan losses and the identification and reporting of problem loans – We have instituted a quarterly review and updating of the qualitative factors used in determining the allowance for loan losses, instituted a monthly review of changes to classified loans (including those designated as nonaccrual or as troubled debt restructurings) for accuracy and completeness and required that any changes to the allowance for loan losses be approved by the Chief Executive Officer and the Chief Financial Officer, among other steps.

Item 4. Controls and Procedures (Continued)

Recognition of interest income on sold and participated loans – We have created a contra-asset account to offset the daily accrual of interest income on sold and participated loans. We are also addressing with our core processor identified deficiencies related to report production inaccuracies and have agreed to utilize an upgraded application starting in May 2019. Until resolved to our satisfaction or until we change core processing applications, all fields and accrual information will be monitored monthly and documented within our financial reporting package.

Enhancing disclosure controls and procedures includes developing and/or revising formal policies and improving relevant procedures. The material weaknesses identified above will not be considered fully remediated until the new or revised policies and procedures have been in place and in operation for a sufficient time so that they may be tested and determined by senior management to be effective.

Except as disclosed above, there were no other changes made in our internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings**

We are not involved in any pending legal proceedings as a plaintiff or a defendant other than routine legal proceedings occurring in the ordinary course of business. At March 31, 2019, we were not involved in any legal proceedings the outcome of which we believe would be material to our financial condition or results of operations.

Item 1A. Risk Factors

Not applicable, as the Company is a “smaller reporting company.”

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

- (a) Not applicable.
- (b) Not applicable.
- (c) The Company did not repurchase any shares of its common stock during the quarter ended March 31, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

| Exhibit Number | Description |
|-----------------------|---|
| 3.1 | Articles of Incorporation of SSB Bancorp, Inc. ⁽¹⁾ |
| 3.2 | Bylaws of SSB Bancorp, Inc. ⁽²⁾ |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.0 | The following materials for the quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements |

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- (1) Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-220403).
- (2) Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-220403).

SIGNATURES

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

SSB BANCORP, INC.

Date: May 13, 2019

/s/ J. Daniel Moon, IV

J. Daniel Moon, IV
President and Chief Executive Officer

Date: May 13, 2019

/s/ Benjamin A. Contrucci

Benjamin A. Contrucci
Chief Financial Officer

