QUAINT OAK BANCORP INC

FORM 10-Q/A
(Amended Quarterly Report)

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

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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 number: 000-52694

QUAINT OAK BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	35-2293957
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

501 Knowles Avenue, Southampton, Pennsylvania 18966
(Address of Principal Executive Offices)

(215) 364-4059
(Registrant's Telephone Number, Including Area Code)

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

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

[X] 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).

[X] Yes [ ] No

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

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Emerging growth company	[ ]
Smaller reporting company	[X]		

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

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

[ ] Yes [X] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 8, 2018, 1,986,410 shares of the Registrant's common stock were issued and outstanding.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (the "Amendment") of Quaint Oak Bancorp, Inc. (the "Company") amends the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, originally filed with the Securities and Exchange Commission on November 13, 2018 (the “Original Report”). This Amendment is being filed solely to correct a typographical error in the Consolidated Balance Sheets included in the Original Report with respect to the amount of loans receivable, net of allowance for loan losses at September 30, 2018 and December 31, 2017. The amounts were inadvertently omitted in the Original Report due to printer error.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Item 1 of Part I of the Original Report is hereby amended and restated in its entirety. In addition, the Exhibit Index in Item 6 of Part II of the Original Report is hereby amended to include currently dated certificates of the Company's principal executive officer and principal financial officer as exhibits to this Amendment No. 1. Because this Amendment includes financial statements, the certifications required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are included.

This Amendment No. 1 speaks as of the original filing date of the Original Report, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the Original Report. Except as described above, no other changes have been made to the Original Report. Accordingly, this Amendment No. 1 should be read in conjunction with the Company's filings with the Securities and Exchange Commission subsequent to the date of the Original Report.

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ITEM 1. FINANCIAL STATEMENTS

Quaint Oak Bancorp, Inc.

Consolidated Balance Sheets (Unaudited)

	At September 30, 2018	At December 31, 2017
	(In thousands, except share data)	
Assets		
Due from banks, non-interest-bearing	$ 468	$ 64
Due from banks, interest-bearing	13,092	7,846
Cash and cash equivalents	13,560	7,910
Investment in interest-earning time deposits	4,927	4,879
Investment securities available for sale	6,950	7,912
Loans held for sale	7,433	7,006
Loans receivable, net of allowance for loan losses (2018 $1,898; 2017 $1,812)	213,960	201,667
Accrued interest receivable	1,117	1,021
Investment in Federal Home Loan Bank stock, at cost	1,086	1,234
Bank-owned life insurance	3,874	3,814
Premises and equipment, net	2,097	1,988
Goodwill	515	515
Other intangible, net of accumulated amortization	380	416
Other real estate owned, net	1,600	-
Prepaid expenses and other assets	1,436	1,234
Total Assets	$ 258,955	$ 239,596
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 15,624	$ 7,956
Interest-bearing	193,375	178,265
Total deposits	208,999	186,221
Federal Home Loan Bank short-term borrowings	9,000	10,000
Federal Home Loan Bank long-term borrowings	15,000	18,000
Accrued interest payable	183	167
Advances from borrowers for taxes and insurance	1,811	2,423
Accrued expenses and other liabilities	412	600
Total Liabilities	235,405	217,411
Stockholders' Equity		
Preferred stock – $0.01 par value, 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock – $0.01 par value; 9,000,000 shares authorized; 2,777,250 issued; 1,991,623 and 1,920,024 outstanding at September 30, 2018 and December 31, 2017, respectively	28	28
Additional paid-in capital	14,604	14,481
Treasury stock, at cost: 2018 785,627 shares; 2017 857,226 shares	(4,621)	(4,675)
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(202)	(253)
Recognition & Retention Plan Trust (RRP)	-	(24)
Accumulated other comprehensive loss	(11)	(15)
Retained earnings	13,752	12,643
Total Stockholders' Equity	23,550	22,185
Total Liabilities and Stockholders' Equity	$ 258,955	$ 239,596

See accompanying notes to the unaudited consolidated financial statements.

Quaint Oak Bancorp, Inc.

Consolidated Statements of Income (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share data)			
Interest Income				
Interest and fees on loans	$ 2,932	$ 2,577	$ 8,490	$ 7,530
Interest and dividends on investment securities and interest-bearing deposits with others	181	96	457	262
Total Interest Income	3,113	2,673	8,947	7,792
Interest Expense				
Interest on deposits	856	685	2,384	1,987
Interest on Federal Home Loan Bank short-term borrowings	57	32	142	68
Interest on Federal Home Loan Bank long-term borrowings	88	68	270	139
Total Interest Expense	1,001	785	2,796	2,194
Net Interest Income	2,112	1,888	6,151	5,598
Provision for Loan Losses	183	83	348	189
Net Interest Income after Provision for Loan Losses	1,929	1,805	5,803	5,409
Non-Interest Income				
Mortgage banking and title abstract fees	273	229	600	487
Other fees and services charges	32	5	150	49
Insurance commissions	101	90	283	256
Income from bank-owned life insurance	19	21	60	65
Net gain on loans held for sale	673	687	1,579	1,511
Gain on sale of SBA loans	82	32	105	48
Gain (loss) on sales and write-downs of other real estate owned	-	-	63	(63)
Other	41	32	143	61
Total Non-Interest Income	1,221	1,096	2,983	2,414
Non-Interest Expense				
Salaries and employee benefits	1,569	1,324	4,858	3,994
Directors' fees and expenses	54	52	148	154
Occupancy and equipment	150	137	446	427
Data processing	108	86	287	219
Professional fees	108	105	291	289
FDIC deposit insurance assessment	47	44	140	131
Other real estate owned expense	8	4	10	12
Advertising	53	39	161	117
Amortization of other intangible	12	13	36	37
Other	166	144	486	447
Total Non-Interest Expense	2,275	1,948	6,863	5,827
Income before Income Taxes	875	953	1,923	1,996
Income Taxes	217	358	442	706
Net Income	$ 658	$ 595	$ 1,481	$ 1,290
Earnings per share - basic	$ 0.34	$ 0.32	$ 0.77	$ 0.69
Average shares outstanding - basic	1,945,553	1,868,969	1,916,817	1,857,682
Earnings per share - diluted	$ 0.33	$ 0.30	$ 0.75	$ 0.65
Average shares outstanding - diluted	2,016,537	2,007,819	1,978,517	1,998,138

See accompanying notes to the unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net Income	$ 658	$ 595	$ 1,481	$ 1,290
Other Comprehensive Income (Loss):				
Unrealized gains (losses) on investment securities available-for-sale	(9)	11	5	56
Income tax effect	2	(4)	(1)	(19)
Other comprehensive income (loss)	(7)	7	4	37
Total Comprehensive Income	$ 651	$ 602	$ 1,485	$ 1,327

See accompanying notes to the unaudited consolidated financial statements.

Quaint Oak Bancorp, Inc.

Consolidated Statements of Stockholders' Equity (Unaudited)

For the Nine Months Ended September 30, 2018

	Common Stock							
	Number of Shares Outstanding	Amount	Additional Paid-in Capital	Treasury Stock	Unallocated Common Stock Held by Benefit Plans	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
				(In thousands, except share data)				
BALANCE –DECEMBER 31, 2017	1,920,024	$ 28	$ 14,481	$ (4,675)	$ (277)	$ (15)	$ 12,643	$ 22,185
Common stock allocated by ESOP (10,821 shares)			94		51			145
Treasury stock purchase	(44,311)			(588)	2			(586)
Reissuance of treasury stock under 401(k) Plan	4,069		31	23				54
Reissuance of treasury stock under stock incentive plan	4,997		(28)	28				-
Reissuance of treasury stock for exercised stock options	106,844		(57)	591				534
Stock based compensation expense			105					105
Release of 4,664 vested RRP shares			(22)		22			-
Cash dividends declared ($0.19 per share)							(372)	(372)
Net income							1,481	1,481
Other comprehensive income, net						4		4
BALANCE –SEPTEMBER 30, 2018	1,991,623	$ 28	$ 14,604	$ (4,621)	$ (202)	$ (11)	$ 13,752	$ 23,550

See accompanying notes to the unaudited consolidated financial statements.

Quaint Oak Bancorp, Inc.

Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30, 2018	2017
	(In Thousands)	
Cash Flows from Operating Activities		
Net income	$ 1,481	$ 1,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	348	189
Depreciation expense	153	121
Amortization of intangibles	36	37
Net amortization of securities premiums	15	15
Accretion of deferred loan fees and costs, net	(269)	(253)
Stock-based compensation expense	250	235
Net gain on loans held for sale	(1,579)	(1,511)
Loans held for sale-originations	(80,537)	(62,106)
Loans held for sale-proceeds	81,689	61,856
Gain on the sale of SBA loans	(105)	(48)
Net (gain) loss on sale and write-downs of other real estate owned	(63)	63
Increase in the cash surrender value of bank-owned life insurance	(60)	(65)
Changes in assets and liabilities which provided (used) cash:		
Accrued interest receivable	(96)	(63)
Prepaid expenses and other assets	(203)	(243)
Accrued interest payable	16	5
Accrued expenses and other liabilities	(188)	(152)
Net Cash Provided by (Used in) Operating Activities	888	(630)
Cash Flows from Investing Activities		
Purchase of interest-earning time deposits	(809)	(1,630)
Redemption of interest-earning time deposits	761	2,849
Principal repayments of investment securities available for sale	952	1,162
Net increase in loans receivable	(13,828)	(16,852)
Redemption (purchase) of Federal Home Loan Bank stock	148	(421)
Proceeds from the sale of other real estate owned	63	210
Capitalized expenditures on other real estate owned	(59)	(23)
Purchase of premises and equipment	(262)	(364)
Net Cash Used in Investing Activities	(13,034)	(15,069)
Cash Flows from Financing Activities		
Net increase in demand deposits, money markets, and savings accounts	5,878	43
Net increase in certificate accounts	16,900	5,348
Decrease in advances from borrowers for taxes and insurance	(612)	(429)
Net (repayments) proceeds from Federal Home Loan Bank short-term borrowings	(1,000)	4,500
Proceeds from Federal Home Loan Bank long-term borrowings	-	8,000
Repayment of Federal Home Loan Bank long-term borrowings	(3,000)	(2,500)
Dividends paid	(372)	(269)
Purchase of treasury stock	(586)	(341)
Proceeds from the reissuance of treasury stock	54	83
Proceeds from the exercise of stock options	534	193
Net Cash Provided by Financing Activities	17,796	14,628
Net Increase (Decrease) in Cash and Cash Equivalents	5,650	(1,071)
Cash and Cash Equivalents – Beginning of Year	7,910	9,300
Cash and Cash Equivalents – End of Year	$ 13,560	$ 8,229
Cash payments for interest	$ 2,780	$ 2,189
Cash payments for income taxes	$ 321	$ 789
Transfer of loans to other real estate owned	$ 1,541	$ -

See accompanying notes to the unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

Note 1 – Financial Statement Presentation and Significant Accounting Policies

Basis of Financial Presentation. The consolidated financial statements include the accounts of Quaint Oak Bancorp, Inc., a Pennsylvania chartered corporation (the "Company" or "Quaint Oak Bancorp") and its wholly owned subsidiary, Quaint Oak Bank, a Pennsylvania chartered stock savings bank, along with its wholly owned subsidiaries. At September 30, 2018, the Bank has five wholly-owned subsidiaries, Quaint Oak Mortgage, LLC, Quaint Oak Real Estate, LLC, Quaint Oak Abstract, LLC, QOB Properties, LLC, and Quaint Oak Insurance Agency, LLC, each a Pennsylvania limited liability company. The mortgage, real estate and abstract companies offer mortgage banking, real estate sales and title abstract services, respectively, in the Lehigh Valley region of Pennsylvania, and began operation in July 2009. QOB Properties, LLC began operations in July 2012 and holds Bank properties acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. Quaint Oak Insurance Agency, LLC began operations in August 2016 and provides a broad range of personal and commercial insurance coverage solutions. All significant intercompany balances and transactions have been eliminated.

The Bank is subject to regulation by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. Pursuant to the Bank's election under Section 10(l) of the Home Owners' Loan Act, the Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The market area served by the Bank is principally Bucks County, Pennsylvania and to a lesser extent, Montgomery and Philadelphia Counties in Pennsylvania. The Bank has two locations: the main office location in Southampton, Pennsylvania and a regional banking office in the Lehigh Valley area of Pennsylvania. The principal deposit products offered by the Bank are certificates of deposit, money market accounts, non-interest bearing checking accounts for businesses and consumers, and savings accounts. The principal loan products offered by the Bank are fixed and adjustable rate residential and commercial mortgages, construction loans, commercial business loans, home equity loans, and lines of credit.

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

The foregoing consolidated financial statements are unaudited; but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation thereof. The balances as of December 31, 2017 have been derived from the audited financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in Quaint Oak Bancorp's 2017 Annual Report on Form 10-K. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

Use of Estimates in the Preparation of Financial Statements. The preparation of the 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 financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The Company's most significant estimates are the determination of the allowance for loan losses and the valuation of deferred tax assets.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

Loans Receivable. Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into residential loans, commercial real estate loans, construction loans and consumer loans. The residential loan segment has two classes: one-to-four family residential owner occupied loans and one-to-four residential family non-owner occupied loans. The commercial real estate loan segment consists of the following classes: multi-family (five or more) residential, commercial real estate and commercial lines of credit. Construction loans are generally granted for the purpose of building a single residential home. Commercial business loans are loans to businesses for working capital, purchase of a business, tenant improvements, receivables, purchase of inventory, and for the purchase of business essential equipment. Business essential equipment is equipment necessary for a business to support or assist with the day-to-day operation or profitability of the business. The consumer loan segment consists of the following classes: home equity loans and other consumer loans. Included in the home equity class are home equity loans and home equity lines of credit. Included in the other consumer are loans secured by saving accounts.

The accrual of interest is generally discontinued when principal or interest has become 90 days past due unless the loan is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, a loan is restored to accrual status when the obligation is brought current, it has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses. The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans receivable. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are designated as impaired. For loans that are designated as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary lending areas, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are reevaluated quarterly to ensure their relevance in the current economic environment. Residential owner occupied mortgage lending generally entails a lower risk of default than other types of lending. Consumer loans and commercial real estate loans generally involve more risk of collectability because of the type and nature of the collateral and, in certain cases, the absence of collateral. It is the Company's policy to establish a specific reserve for loss on any delinquent loan when it determines that a loss is probable. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loan's collateral.

A loan is identified as a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions granted under a TDR typically involve a temporary or permanent reduction in payments or interest rate or an extension of a loan's stated maturity date at less than a current market rate of interest. Loans identified as TDRs are designated as impaired.

For loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for all loans (except one-to-four family residential owner-occupied loans) where the total amount outstanding to any borrower or group of borrowers exceeds $500,000, or when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass. In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses and may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Loans Held for Sale . Loans originated by the Bank's mortgage banking subsidiary, Quaint Oak Mortgage, LLC, are intended for sale in the secondary market and are carried at the lower of cost or fair value (LOCOM). Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income, and direct loan origination costs, commissions and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan. To a lesser extent, the Bank originates equipment loans for sale primarily to other financial institutions.

Federal *Home Loan Bank Stock .* Federal law requires a member institution of the Federal Home Loan Bank (FHLB) system to hold restricted stock of its district Federal Home Loan Bank according to a predetermined formula. FHLB stock is carried at cost and evaluated for impairment. When evaluating FHLB stock for impairment, its value is determined based on the ultimate recoverability of the par value of the stock. We evaluate our holdings of FHLB stock for impairment each reporting period. No impairment charges were recognized on FHLB stock during the three or nine months ended September 30, 2018 and 2017.

Bank Owned Life Insurance (BOLI). The Company purchases bank owned life insurance as a mechanism for funding various employee benefit costs. The Company is the beneficiary of these policies that insure the lives of certain officers of its subsidiaries. The Company has recognized the cash surrender value under the insurance policies as an asset in the consolidated balance sheets. Changes in the cash surrender value are recorded in non-interest income in the consolidated statements of income.

Intangible Assets. Intangible assets on the consolidated balance sheets represent the acquisition by Quaint Oak Insurance Agency of the renewal rights to the book of business produced and serviced by Signature Insurance Services, LLC on August 1, 2016 at a total cost of $1.0 million. Based on a valuation, $515,000 of the purchase price was determined to be goodwill and $485,000 was determined to be related to the renewal rights to the book of business and deemed an other intangible asset. The renewal rights are being amortized over a ten year period based upon the annual retention rate of the book of business.

Notes to Unaudited Consolidated Financial Statements

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

The Company will complete a goodwill and other intangible asset analysis at least on an annual basis or more often if events and circumstances indicate that there may be impairment.

Other Real Estate Owned, Net . Other real estate owned or foreclosed assets are comprised of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure and loans classified as in-substance foreclosures. A loan is classified as in-substance foreclosure when the Bank has taken possession of the collateral regardless of whether formal foreclosure proceedings take place. Other real estate properties are initially recorded at fair value, net of estimated selling costs at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of cost or fair value less estimated costs to sell. Net revenue and expenses from operations and additions to the valuation allowance are included in other expenses. The Company had two one-to-four family residential properties for which foreclosure proceedings are in process at September 30, 2018. The total investment in these two properties is $182,000.

Share-Based Compensation. Compensation expense for share-based compensation awards is based on the grant date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

At September 30, 2018, the Company has outstanding equity awards under two share-based plans: the 2013 Stock Incentive Plan and the 2018 Stock Incentive Plan. Awards under these plans were made in May 2013 and 2018. These plans are more fully described in Note 10.

The Company also has an employee stock ownership plan ("ESOP"). This plan is more fully described in Note 10. As ESOP shares are committed to be released and allocated among participants, the Company recognizes compensation expense equal to the average market price of the shares over the period earned.

Comprehensive Income. Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheet and along with net income, are components of comprehensive income.

Earnings per Share. Amounts reported in earnings per share reflect earnings available to common stockholders' for the period divided by the weighted average number of shares of common stock outstanding during the period, exclusive of undeserved ESOP shares, unvested restricted stock (RRP) shares and treasury shares. Stock options and unvested restricted stock are regarded as potential common stock and are considered in the diluted earnings per share calculations to the extent they would have a dilutive effect if converted to common stock, computed using the "treasury stock" method.

Revenue from Contracts with Customers. The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("Topic 606") . Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

The Company's primary sources of revenue are derived from interest and dividends earned on loans and investment securities, gains on the sale of loans, income from bank-owned life insurance, and other financial instruments that are not within the scope of Topic 606. The main types of non-interest income within the scope of the standard are as follows:

Service Charges on Deposits : The Bank has contracts with its commercial checking deposit customers where fees are charged if the account balance falls below predetermined levels defined as compensating balances. These agreements can be cancelled at any time by either the Bank or the deposit customer. Revenue from these transactions is recognized on a monthly basis as the Bank has an unconditional right to the fee consideration. The Bank also has transaction fees related to specific transactions or activities resulting from customer request or activity that include overdraft fees, wire fees, and other transaction fees. All of these fees are attributable to specific performance obligations of the Bank where the revenue is recognized at a defined point in time, completion of the requested service/transaction.

Insurance Commissions **:** Insurance income generally consist of commissions from the sale of insurance policies and performance-based commissions from insurance companies. The Bank recognizes commission income from the sale of insurance policies when it acts as an agent between the insurance carrier and policyholder, arranging for the insurance carrier to provide policies to policyholders, and acts on behalf of the insurance carrier by providing customer service to the policyholder during the policy period. Commission income is recognized over time, using the output method of time elapsed, which corresponds with the underlying insurance policy period, for which the Bank is obligated to perform under contract with the insurance carrier. Commission income is variable, as it is comprised of a certain percentage of the underlying policy premium. The Bank estimates the variable consideration based upon the "most likely amount" method, and does not expect or anticipate a significant reversal of revenue in future periods, based upon historical experience. Payment is due from the insurance carrier for commission income once the insurance policy has been sold. The Bank has elected to apply a practical expedient related to capitalizable costs, which are the commissions paid to insurance producers, and will expense these commissions paid to insurance producers as incurred, as these costs are related to the commission income and would have been amortized within one year or less if they had been capitalized, the same period over which the commission income was earned. Performance-based commissions from insurance companies are recognized at a point in time, when received, and no contingencies remain.

Recent Accounting Pronouncements. 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.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

The Bank has adopted this standard effective January 1, 2018. On a prospective basis, the Bank implemented changes to the measurement of the fair value of financial instruments using an exit price notion for disclosure purposes included in Note 11 to the financial statements. The Bank estimated the fair value based on guidance from ASC 820-10, Fair Value Measurements, which defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is no active observable market for sale information on community bank loans and, thus, Level III fair value procedures were utilized, primarily in the use of present value techniques incorporating assumptions that market participants would use in estimating fair values. In the absence of reliable market information, the Bank used its own assumptions in an effort to determine a reasonable estimate of fair value.

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. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those years. 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 Company is currently assessing the practical expedients it may elect at adoption, but does not anticipate the amendments will have a significant impact to the financial statements. Based on the Company's preliminary analysis of its current portfolio, the impact to the Company's balance sheet is estimated to result in less than a 1% increase in assets and liabilities. The Company also anticipates additional disclosures to be provided at adoption.

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. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. 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. We expect 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 consolidated financial statements.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment . To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. A public business entity that is a U.S. Securities and Exchange Commission ("SEC") filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. This Update is not expected to have a significant impact on the Company's financial statements.

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. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beg inning after December 15, 2018. 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. This Update is not expected to have a significant impact on the Company's financial statements .

In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842) , which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date the entity adopts Topic 842; otherwise, an entity should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. This Update is not expected to have a significant impact on the Company's financial statements

In July 2018, the FASB issued ASU 2018-09, Codification Improvements , represents changes to clarify, correct errors in, or make minor improvements to the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments do not require transition guidance and will be effective upon issuance of this ASU. However, many of the amendments in this ASU do have transition guidance with effective dates for annual periods beginning after December 15, 2018, for public business entities. This Update is not expected to have a significant impact on the Company's financial statements.

Note 1 – Financial Statement Presentation and Significant Accounting Policies (Continued)

In July 2018, the FASB issued ASU 2018-10 , Codification Improvements to Topic 842, Leases , represents changes to clarify, correct errors in, or make minor improvements to the Codification. The amendments in this ASU affect the amendments in ASU 2016-02, which are not yet effective, but for which early adoption upon issuance is permitted. For entities that early adopted Topic 842, the amendments are effective upon issuance of this ASU, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements will be the same as the effective date and transition requirements in Topic 842. This Update is not expected to have a significant impact on the Company's financial statements.

In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements . This Update provides another transition method which allows entities to initially apply ASC 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Entities that elect this approach should report comparative periods in accordance with ASC 840, Leases. In addition, this Update provides a practical expedient under which lessors may elect, by class of underlying assets, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. However, the lessor practical expedient is limited to circumstances in which the nonlease component or components otherwise would be accounted for under the new revenue guidance and both (a) the timing and pattern of transfer are the same for the nonlease component(s) and associated lease component and (b) the lease component, if accounted for separately, would be classified as an operating lease. If the nonlease component or components associated with the lease component are the predominant component of the combined component, an entity should account for the combined component in accordance with ASC 606, Revenue from Contracts with Customers. Otherwise, the entity should account for the combined component as an operating lease in accordance with ASC 842. If a lessor elects the practical expedient, certain disclosures are required. This Update is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. This Update is not expected to have a significant impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes the Disclosure Requirements for Fair Value Measurements . The Update removes the requirement to disclose the amount of and reasons for transfers between Level I and Level II of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level III fair value measurements. The Update requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level III fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level III fair value measurements. This Update is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. This Update is not expected to have a significant impact on the Company's financial statements.

Reclassifications. Certain items in the 2017 consolidated financial statements have been reclassified to conform to the presentation in the 2018 consolidated financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements. The reclassifications had no effect on net income or stockholders' equity.

Note 2 – Earnings Per Share

Earnings per share ("EPS") consists of two separate components, basic EPS and diluted EPS. Basic EPS is computed based on the weighted average number of shares of common stock outstanding for each period presented. Diluted EPS is calculated based on the weighted average number of shares of common stock outstanding plus dilutive common stock equivalents ("CSEs"). CSEs consist of shares that are assumed to have been purchased with the proceeds from the exercise of stock options, as well as unvested restricted stock (RRP) shares. Common stock equivalents which are considered antidilutive are not included for the purposes of this calculation. For the three and nine months ended September 30, 2018 and 2017, all unvested restricted stock program awards and outstanding stock options representing shares were dilutive.

The following table sets forth the composition of the weighted average shares (denominator) used in the basic and dilutive earnings per share computations.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	$ 658,000	$ 595,000	$ 1,481,000	$ 1,290,000
Weighted average shares outstanding – basic	1,945,553	1,868,969	1,916,817	1,857,682
Effect of dilutive common stock equivalents	70,984	138,850	61,700	140,456
Adjusted weighted average shares outstanding – diluted	2,016,537	2,007,819	1,978,517	1,998,138
Basic earnings per share	$ 0.34	$ 0.32	$ 0.77	$ 0.69
Diluted earnings per share	$ 0.33	$ 0.30	$ 0.75	$ 0.65

Note 3 – Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss) by component, net of tax, for the three and nine months ended September 30, 2018 and 2017 (in thousands):

	Unrealized Gains (Losses) on Investment Securities Available for Sale (1)			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Balance at the beginning of the period	$ (4)	$ (8)	$ (15)	$ (38)
Other comprehensive income (loss) before classifications	(7)	7	4	37
Amount reclassified from accumulated other comprehensive income (loss)	-	-	-	-
Total other comprehensive income (loss)	(7)	7	4	37
Balance at the end of the period	$ (11)	$ (1)	$ (11)	$ (1)

(1) All amounts are net of tax. Amounts in parentheses indicate debits.

Note 4 – Investment in Interest-Earning Time Deposits

The investment in interest-earning time deposits as of September 30, 2018 and December 31, 2017, by contractual maturity, are shown below (in thousands) :

	September 30, 2018	December 31, 2017
Due in one year or less	$ 1,604	$ 761
Due after one year through five years	3,323	4,118
Total	$ 4,927	$ 4,879

Note 5 – Investment Securities Available for Sale

The amortized cost, gross unrealized gains and losses, and fair value of investment securities available for sale at September 30, 2018 and December 31, 2017 are summarized below (in thousands):

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
Mortgage-backed securities:				
Governmental National Mortgage Association securities	$ 5,002	$ 29	$ (1)	$ 5,030
Federal Home Loan Mortgage Corporation securities	1,208	-	(36)	1,172
Federal National Mortgage Association securities	394	-	(1)	393
Total mortgage-backed securities	6,604	29	(38)	6,595
Debt securities:				
U.S. government agency	360	-	(5)	355
Total available-for-sale-securities	$ 6,964	$ 29	$ (43)	$ 6,950

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
Mortgage-backed securities:				
Governmental National Mortgage Association securities	$ 5,624	$ 19	$ -	$ 5,643
Federal Home Loan Mortgage Corporation securities	1,377	-	(35)	1,342
Federal National Mortgage Association securities	570	-	-	570
Total mortgage-backed securities	7,571	19	(35)	7,555
Debt securities:				
U.S. government agency	360	-	(3)	357
Total available-for-sale-securities	$ 7,931	$ 19	$ (38)	$ 7,912

The amortized cost and fair value of debt securities at September 30, 2018, 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 (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Debt securities		
Due after one year through five years	$ 360	$ 355
Due after ten years	6,604	6,595
Total	$ 6,964	$ 6,950

Note 5 – Investment Securities Available for Sale (Continued)

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 at September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Governmental National Mortgage Association mortgage-backed securities	2	$ 646	$ (1)	$ -	$ -	$ 646	$ (1)
Federal Home Loan Mortgage Corporation mortgage-backed securities	2	-	-	1,172	(36)	1,172	(36)
Federal National Mortgage Association securities	1	393	(1)	-	-	393	(1)
Debt securities, U.S. government agency	1	-	-	355	(5)	355	(5)
Total	6	$ 1,039	$ (2)	$ 1,527	$ (41)	$ 2,566	$ (43)

	December 31, 2017						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Federal Home Loan Mortgage Corporation mortgage-backed securities	2	$ -	$ -	$ 1,342	$ (35)	$ 1,342	$ (35)
Debt securities, U.S. government agency	1	-	-	357	(3)	357	(3)
Total	3	$ -	$ -	$ 1,699	$ (38)	$ 1,699	$ (38)

At September 30, 2018, there were six securities in an unrealized loss position that at such date had an aggregate depreciation of 1.67% from the Company's amortized cost basis. Management believes that the estimated fair value of the securities disclosed above is primarily dependent on the movement of market interest rates. Management evaluated the length of time and the extent to which the fair value has been less than cost and the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer. The Company has the ability and intent to hold the securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2018 represents an other-than-temporary impairment. There were no impairment charges recognized during the three and nine months ended September 30, 2018 or 2017.

Note 6 - Loans Receivable, Net and Allowance for Loan Losses

The composition of net loans receivable is as follows (in thousands):

	September 30, 2018	December 31, 2017
Real estate loans:		
One-to-four family residential:		
Owner occupied	$ 6,773	$ 5,681
Non-owner occupied	46,907	51,833
Total one-to-four family residential	53,680	57,514
Multi-family (five or more) residential	24,774	21,715
Commercial real estate	102,352	92,234
Construction	10,798	15,632
Home equity	4,485	5,129
Total real estate loans	196,089	192,224
Commercial business	20,527	11,954
Other consumer	119	138
Total Loans	216,735	204,316
Deferred loan fees and costs	(857)	(837)
Allowance for loan losses	(1,898)	(1,812)
Net Loans	$ 213,980	$ 201,667

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018				
	Pass	Special Mention	Substandard	Doubtful	Total
One-to-four family residential owner occupied	$ 6,356	$ -	$ 417	$ -	$ 6,773
One-to-four family residential non-owner occupied	46,598	309	-	-	46,907
Multi-family residential	24,774	-	-	-	24,774
Commercial real estate	100,789	1,563	-	-	102,352
Construction	10,798	-	-	-	10,798
Home equity	4,485	-	-	-	4,485
Commercial business	20,022	80	425	-	20,527
Other consumer	119	-	-	-	119
Total	$ 213,941	$ 1,952	$ 842	$ -	$ 216,735

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

	December 31, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
One-to-four family residential owner occupied	$ 5,258	$ 423	$ -	$ -	$ 5,681
One-to-four family residential non-owner occupied	51,372	29	432	-	51,833
Multi-family residential	21,715	-	-	-	21,715
Commercial real estate	91,549	399	286	-	92,234
Construction	13,563	-	2,069	-	15,632
Home equity	5,129	-	-	-	5,129
Commercial business	11,419	535	-	-	11,954
Other consumer	138	-	-	-	138
Total	$ 200,143	$ 1,386	$ 2,787	$ -	$ 204,316

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of September 30, 2018 as well as the average recorded investment and related interest income for the period then ended (in thousands):

	September 30, 2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One-to-four family residential owner occupied	417	421	$ -	$ 417	$ -
One-to-four family residential non-owner occupied	267	267	-	324	13
Multi-family residential	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Construction	-	-	-	2,050	37
Home equity	-	-	-	44	2
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded:					
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	-	-	-	94	4
Multi-family residential	-	-	-	-	-
Commercial real estate	133	133	5	133	7
Construction	-	-	-	-	-
Home equity	-	-	-	-	-
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total:					
One-to-four family residential owner occupied	$ 417	$ 421	$ -	$ 417	$ -
One-to-four family residential non-owner occupied	267	267	-	418	17
Multi-family residential	-	-	-	-	-
Commercial real estate	133	133	5	133	7
Construction	-	-	-	2,050	37
Home equity	-	-	-	44	2
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 817	$ 821	$ 5	$ 3,062	$ 63

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2017 as well as the average recorded investment and related interest income for the year then ended (in thousands):

	December 31, 2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	442	442	-	937	24
Multi-family residential	-	-	-	-	-
Commercial real estate	-	-	-	398	38
Construction	2,069	2,069	-	2,064	58
Home equity	45	45	-	47	5
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded:					
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	214	214	70	214	5
Multi-family residential	-	-	-	-	-
Commercial real estate	133	133	1	395	9
Construction	-	-	-	-	-
Home equity	-	-	-	-	-
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total:					
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	656	656	70	1,151	29
Multi-family residential	-	-	-	-	-
Commercial real estate	133	133	1	793	47
Construction	2,069	2,069	-	2,064	58
Home equity	45	45	-	47	5
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 2,903	$ 2,903	$ 71	$ 4,055	$ 139

The loan portfolio also includes certain loans that have been modified in a troubled debt restructuring, where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from loss mitigation activities and could include reductions in the interest rate, payment extensions, forbearance, or other actions. At September 30, 2018, the Company had two loans totaling $400,000 that were identified as troubled debt restructurings. These two loans were performing in accordance with their modified terms. At December 31, 2017, the Company had eight loans totaling $714,000 that were identified as troubled debt restructurings. If a TDR is placed on non-accrual it is not reverted back to accruing status until the borrower makes timely payments as contracted for at least nine months and future collection under the revised terms is probable. During the nine months ended September 30, 2018, no new loans were identified as TDRs and six loans previously identified as TDRs were paid off.

The following tables present the Company's TDR loans as of September 30, 2018 and December 31, 2017 (dollar amounts in thousands):

	September 30, 2018				
	Number of Contracts	Recorded Investment	Non-Accrual	Accruing	Related Allowance
One-to-four family residential owner occupied	-	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	1	267	-	267	-
Multi-family residential	-	-	-	-	-
Commercial real estate	1	133	-	133	5
Construction	-	-	-	-	-
Home equity	-	-	-	-	-
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	2	$ 400	$ -	$ 400	$ 5

	December 31, 2017				
	Number of Contracts	Recorded Investment	Non-Accrual	Accruing	Related Allowance
One-to-four family residential owner occupied	-	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	5	536	-	536	25
Multi-family residential	-	-	-	-	-
Commercial real estate	1	133	-	133	1
Construction	-	-	-	-	-
Home equity	2	45	-	45	-
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	8	$ 714	$ -	$ 714	$ 26

The contractual aging of the TDRs in the table above as of September 30, 2018 and December 31, 2017 is as follows (in thousands):

	September 30, 2018				
	Accruing Past Due Less than 30 Days	Past Due 30-89 Days	90 Days or More Past Due	Non-Accrual	Total
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	267	-	-	-	267
Multi-family residential	-	-	-	-	-
Commercial real estate	133	-	-	-	133
Construction	-	-	-	-	-
Home equity	-	-	-	-	-
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 400	$ -	$ -	$ -	$ 400

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

	December 31, 2017				
	Accruing Past Due Less than 30 Days	Past Due 30-89 Days	90 Days or More Past Due	Non-Accrual	Total
One-to-four family residential owner occupied	$ -	$ -	$ -	$ -	$ -
One-to-four family residential non-owner occupied	536	-	-	-	536
Multi-family residential	-	-	-	-	-
Commercial real estate	133	-	-	-	133
Construction	-	-	-	-	-
Home equity	45	-	-	-	45
Commercial business	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 714	$ -	$ -	$ -	$ 714

Any reserve for an impaired TDR loan is based upon the present value of the future expected cash flows discounted at the loan's original effective rate or upon the fair value of the collateral less costs to sell, if the loan is deemed collateral dependent. At September 30, 2018 there were no commitments to lend additional funds to debtors whose loan terms have been modified as TDRs.

The general practice of the Bank is to work with borrowers so that they are able to pay back their loan in full. If a borrower continues to be delinquent or cannot meet the terms of a TDR modification and the loan is determined to be uncollectible, the loan will be charged off.

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

Following is a summary, by loan portfolio class, of changes in the allowance for loan losses for the three and nine months ended September 30, 2018 and recorded investment in loans receivable as of September 30, 2018 (in thousands):

	September 30, 2018								
	1-4 Family Residential Owner Occupied	1-4 Family Residential Non-Owner Occupied	Multi-Family Residential	Commercial Real Estate	Construction	Home Equity	Commercial Business and Other Consumer	Unallocated	Total
For the Three Months Ended September 30, 2018									
Allowance for loan losses:									
Beginning balance	$ 60	$ 439	$ 166	$ 728	$ 179	$ 24	$ 201	$ 33	$ 1,830
Charge-offs	-	-	-	-	(115)	-	-	-	(115)
Recoveries	-	-	-	-	-	-	-	-	-
Provision	(9)	(14)	7	203	98	(17)	(72)	(13)	183
Ending balance	$ 51	$ 425	$ 173	$ 931	$ 162	$ 7	$ 129	$ 20	$ 1,898
For the Nine Months Ended September 30, 2018									
Allowance for loan losses:									
Beginning balance	$ 48	$ 540	$ 152	$ 687	$ 136	$ 27	$ 140	$ 82	$ 1,812
Charge-offs	-	(47)	-	-	(215)	-	-	-	(262)
Recoveries	-	-	-	-	-	-	-	-	-
Provision	3	(68)	21	244	241	(20)	(11)	(62)	348
Ending balance	$ 51	$ 425	$ 173	$ 931	$ 162	$ 7	$ 129	$ 20	$ 1,898
Ending balance evaluated for impairment:									
Individually	$ -	$ -	$ -	$ 5	$ -	$ -	$ -	$ -	$ 5
Collectively	$ 51	$ 425	$ 173	$ 926	$ 162	$ 7	$ 129	$ 20	$ 1,893
Loans receivable:									
Ending balance:	$ 6,773	$ 46,907	$ 24,774	$ 102,352	$ 10,798	$ 4,485	$ 20,646		$ 216,735
Ending balance evaluated for impairment:									
Individually	$ 417	$ 267	$ -	$ 133	$ -	$ -	$ -		$ 817
Collectively	$ 6,356	$ 46,640	$ 24,774	$ 102,219	$ 10,798	$ 4,485	$ 20,646		$ 215,918

The Bank allocated increased allowance for loan loss provisions to the commercial real estate portfolio classes for the three and nine months ended September 30, 2018, due primarily to increased balances and delinquencies in this portfolio class. The Bank allocated increased allowance for loan loss provisions to the construction loan portfolio classes for the three and nine months ended September 30, 2018, due primarily to charge-offs in this portfolio class. The Bank allocated decreased allowance for loan loss provisions to the commercial business portfolio classes for the three and nine months ended September 30, 2018, due primarily to changes in qualitative factors in this portfolio class.

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

Following is a summary, by loan portfolio class, of changes in the allowance for loan losses for the three and nine months ended September 30, 2017 (in thousands):

	September 30, 2017								
	1-4 Family Residential Owner Occupied	1-4 Family Residential Non-Owner Occupied	Multi-Family Residential	Commercial Real Estate	Construction	Home Equity	Commercial Business and Other Consumer	Unallocated	Total
For the Three Months Ended September 30, 2017									
Allowance for loan losses:									
Beginning balance	$ 45	$ 465	$ 156	$ 645	$ 137	$ 41	$ 111	$ 90	$ 1,690
Charge-offs	-	(38)	-	-	-	-	-	-	(38)
Recoveries	-	-	-	-	-	-	-	-	-
Provision	(2)	93	(14)	10	(4)	(18)	18	-	83
Ending balance	$ 43	$ 520	$ 142	$ 655	$ 133	$ 23	$ 129	$ 90	$ 1,735
For the Nine Months Ended September 30, 2017									
Allowance for loan losses:									
Beginning balance	$ 41	$ 503	$ 103	$ 616	$ 138	$ 37	$ 87	$ 80	$ 1,605
Charge-offs	-	(38)	-	(24)	-	-	-	-	(62)
Recoveries	-	-	-	3	-	-	-	-	3
Provision	2	55	39	60	(5)	(14)	42	10	189
Ending balance	$ 43	$ 520	$ 142	$ 655	$ 133	$ 23	$ 129	$ 90	$ 1,735
Ending balance evaluated for impairment:									
Individually	$ -	$ 38	$ -	$ 1	$ -	$ -	$ -	$ -	$ 39
Collectively	$ 43	$ 482	$ 142	$ 654	$ 133	$ 23	$ 129	$ 90	$ 1,696

The Bank allocated increased allowance for loan loss provisions to the 1-4 family residential non-owner occupied portfolio class for the three and nine months ended September 30, 2017, due primarily to charge-offs in this portfolio class. The Bank allocated increased allowance for loan loss provisions to the commercial real estate portfolio class for the three and nine months ended September 30, 2017, due primarily to increased balances and delinquencies in this portfolio class. The Bank allocated increased allowance for loan loss provisions to the commercial business portfolio class for the three and nine months ended September 30, 2017, due primarily to increased balances and changes to qualitative factors in this portfolio class. The Bank allocated increased allowance for loan loss provisions to the multi-family residential portfolio class for the nine months ended September 30, 2017, due primarily to increased balances in this portfolio class. The Bank allocated decreased allowance for loan loss provisions to the home equity portfolio class for the three and nine months ended September 30, 2017, due primarily to decreased balances and delinquencies in this portfolio class.

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

Following is a summary, by loan portfolio class, of changes in the allowance for loan losses for the year ended December 31, 2017 and recorded investment in loans receivable based on impairment evaluation as of December 31, 2017 (in thousands):

	December 31, 2017								
	1-4 Family Residential Owner Occupied	1-4 Family Residential Non-Owner Occupied	Multi-Family Residential	Commercial Real Estate	Construction	Home Equity	Commercial Business and Other Consumer	Unallocated	Total
Allowance for loan losses:									
Beginning balance	$ 41	$ 503	$ 103	$ 616	$ 138	$ 37	$ 87	$ 80	$ 1,605
Charge-offs	-	(56)	-	(24)	-	-	-	-	(80)
Recoveries	-	-	-	3	-	-	-	-	3
Provision	7	93	49	92	(2)	(10)	53	2	284
Ending balance	$ 48	$ 540	$ 152	$ 687	$ 136	$ 27	$ 140	$ 82	$ 1,812
Ending balance evaluated for impairment:									
Individually	$ -	$ 70	$ -	$ 1	$ -	$ -	$ -	$ -	$ 71
Collectively	$ 48	$ 470	$ 152	$ 686	$ 136	$ 27	$ 140	$ 82	$ 1,741
Loans receivable:									
Ending balance	$ 5,681	$ 51,833	$ 21,715	$ 92,234	$ 15,632	$ 5,129	$ 12,092		$ 204,316
Ending balance evaluated for impairment:									
Individually	$ -	$ 656	$ -	$ 133	$ 2,069	$ 45	$ -		$ 2,903
Collectively	$ 5,681	$ 51,177	$ 21,715	$ 92,101	$ 13,563	$ 5,084	$ 12,092		$ 201,413

The Bank allocated increased allowance for loan loss provisions to the commercial real estate, commercial business, and multi-family portfolio classes for the year ended December 31, 2017, due primarily to increased balances in these portfolio classes. The Bank allocated increased allowance for loan loss provisions to the 1-4 family residential non-owner occupied portfolio class for the year ended December 31, 2017, due primarily to increased specific reserves in this portfolio class.

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

The following table presents nonaccrual loans by classes of the loan portfolio as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018	December 31, 2017
One-to-four family residential owner occupied	$ 417	$ -
One-to-four family residential non-owner occupied	-	120
Multi-family residential	-	-
Commercial real estate	-	-
Construction	-	2,069
Home equity	-	-
Commercial business	-	-
Other consumer	-	-
Total	$ 417	$ 2,189

Non-performing loans, which consist of non-accruing loans plus accruing loans 90 days or more past due, amounted to $1.6 million and $3.1 million at September 30, 2018 and December 31, 2017, respectively. For the delinquent loans in our portfolio, we have considered our ability to collect the past due interest, as well as the principal balance of the loan, in order to determine whether specific loans should be placed on non-accrual status. In cases where our evaluations have determined that the principal and interest balances are collectible, we have continued to accrue interest.

For the three and nine months ended September 30, 2018 and 2017 there was no interest income recognized on non-accrual loans on a cash basis. Interest income foregone on non-accrual loans was approximately $6,000 and $18,000 for the three and nine months ended September 30, 2018, respectively. Interest income foregone on non-accrual loans was approximately $63,000 and $103,000 for the three and nine months ended September 30, 2017, respectively. In October 2018, a one-to-four family owner occupied loan on non-accrual as of September 30, 2018 in the amount of $236,000 was paid-off and approximately $23,000 of previously written-off and foregone interest was paid.

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable 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 past due status as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018					
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 Days or More Past Due and Accruing
One-to-four family residential owner occupied	$ 564	$ 417	$ 981	$ 5,792	$ 6,773	$ -
One-to-four family residential non-owner occupied	1,867	533	2,400	44,507	46,907	533
Multi-family residential	-	-	-	24,774	24,774	-
Commercial real estate	2,085	190	2,275	100,077	102,352	190
Construction	295	-	295	10,503	10,798	-
Home equity	173	-	173	4,312	4,485	-
Commercial business	37	425	462	20,065	20,527	425
Other consumer	-	-	-	119	119	-
Total	$ 5,021	$ 1,565	$ 6,586	$ 210,149	$ 216,735	$ 1,1 48

Note 6 - Loans Receivable, Net and Allowance for Loan Losses (Continued)

	December 31, 2017					
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 Days or More Past Due and Accruing
One-to-four family residential owner occupied	$ 670	$ 423	$ 1,093	$ 4,588	$ 5,681	$ 423
One-to-four family residential non-owner occupied	969	337	1,306	50,527	51,833	217
Multi-family residential	313	-	313	21,402	21,715	-
Commercial real estate	505	241	746	91,488	92,234	241
Construction	407	2,069	2,476	13,156	15,632	-
Home equity	51	-	51	5,078	5,129	-
Commercial business	-	-	-	11,954	11,954	-
Other consumer	-	-	-	138	138	-
Total	$ 2,915	$ 3,070	$ 5,985	$ 198,331	$ 204,316	$ 881

Note 7 – Goodwill and Other Intangible, Net

On August 1, 2016, Quaint Oak Insurance Agency, LLC began operations by acquiring the renewal rights to the book of business produced and serviced by an independent insurance agency located in New Britain, Pennsylvania, that provides a broad range of personal and commercial insurance coverage solutions. The Company paid $1.0 million for these rights. Based on a valuation, $515,000 of the purchase price was determined to be goodwill and $485,000 was determined to be related to the renewal rights to the book of business and deemed to be an other intangible asset. This other intangible asset is being amortized over a ten year period based upon the annual retention rate of the book of business. The balance of other intangible asset at September 30, 2018 was $380,000 net of accumulated amortization of $105,000. Amortization expense for the three and nine months ended September 30, 2018 amounted to $12,000 and $36,000, respectively. Amortization expense for the three and nine months ended September 30, 2017 amounted to $13,000 and $37,000, respectively.

Note 8 – Deposits

Deposits consist of the following classifications (in thousands):

	September 30, 2018	December 31, 2017
Non-interest bearing checking accounts	$ 15,624	$ 7,956
Passbook accounts	262	463
Savings accounts	1,881	2,353
Money market accounts	29,294	30,411
Certificates of deposit	161,938	145,038
Total deposits	$ 208,999	$ 186,221

Note 9 – Borrowings

Federal Home Loan Bank advances consist of the following at September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018		December 31, 2017	
	Amount	Weighted Interest Rate	Amount	Weighted Interest Rate
Short-term borrowings	$ 9,000	2.38%	$ 10,000	1.54%
Fixed rate borrowings maturing:				
2018	-	-	3,000	1.46
2019	3,000	1.86	3,000	1.86
2020	2,000	2.00	2,000	2.00
2021	3,000	2.05	3,000	2.05
2022	3,000	2.18	3,000	2.18
2023	3,000	2.33	3,000	2.33
2024	1,000	2.54	1,000	2.54
Total FHLB long-term debt	$ 15,000	2.22%	$ 18,000	2.01%

Note 10 – Stock Compensation Plans

Employee Stock Ownership Plan

The Company maintains an Employee Stock Ownership Plan (ESOP) for the benefit of employees who meet the eligibility requirements of the plan. Using proceeds from a loan from the Company, the ESOP purchased 8%, or 222,180 shares of the Company's then outstanding common stock in the open market during 2007. The Bank makes cash contributions to the ESOP on a quarterly basis sufficient to enable the ESOP to make the required loan payments to the Company. The loan bears an interest rate of 7.75% per annum, with principal and interest to be paid quarterly in equal installments over 15 years. The loan is secured by the unallocated shares of common stock held by the ESOP.

Shares of the Company's common stock purchased by the ESOP are held in a suspense account and reported as unallocated common stock held by the ESOP in stockholders' equity until released for allocation to participants. As the debt is repaid, shares are released from collateral and are allocated to each eligible participant based on the ratio of each such participant's base compensation to the total base compensation of eligible plan participants. As the unearned shares are committed to be released and allocated among participants, the Company recognizes compensation expense equal to the average market value of the shares, and the shares become outstanding for earnings per share computations. During the three and nine months ended September 30, 2018, the Company recognized $49,000 and $145,000 of ESOP expense, respectively. During the three and nine months ended September 30, 2017, the Company recognized $46,000 and $138,000 of ESOP expense, respectively.

Recognition & Retention and Stock Incentive Plans

In May 2008, the shareholders of Quaint Oak Bancorp approved the adoption of the 2008 Recognition and Retention Plan (the "RRP") and Trust Agreement. In order to fund the RRP, the 2008 Recognition and Retention Plan Trust acquired 111,090 shares of the Company's stock in the open market at an average price of $4.68 totaling $520,000. In May 2013, the shareholders of Quaint Oak Bancorp approved the adoption of the 2013 Stock Incentive Plan (the "2013 Stock Incentive Plan"). The 2013 Stock Incentive Plan approved by shareholders in May 2013 covered a total of 195,000 shares, of which 48,750, or 25%, may be restricted stock awards, for a balance of 146,250 stock options assuming all the restricted shares are awarded. In May 2018, the shareholders of Quaint Oak Bancorp approved the adoption of the 2018 Stock Incentive Plan (the "2018 Stock Incentive Plan"). The 2018 Stock Incentive Plan approved by shareholders in May 2018 covered a total of 155,000 shares, of which 38,750, or 25%, may be restricted stock awards, for a balance of 116,250 stock options assuming all the restricted shares are awarded.

Note 10 – Stock Compensation Plans (Continued)

Recognition & Retention and Stock Incentive Plans (Continued)

As of September 30, 2018, a total of 48,608 share awards were unvested under the 2013 and 2018 Stock Incentive Plan and up to 11,750 share awards were available for future grant under the 2018 Stock Incentive Plan and none under the 2013 Stock Incentive Plan. The 2013 and 2018 Stock Incentive Plan share awards have vesting periods of five years.

A summary of the status of the share awards under the RRP and the 2013 and 2018 Stock Incentive Plans as of September 30, 2018 and 2017 and changes during the nine months ended September 30, 2018 and 2017 is as follows:

	September 30, 2018		September 30, 2017	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at the beginning of the period	10,061	$ 8.10	20,524	$ 8.10
Granted	48,608	13.30	-	-
Vested	(9,661)	8.10	(10,263)	8.10
Forfeited	(400)	8.10	-	-
Unvested at the end of the period	48,608	$ 13.30	10,261	$ 8.10

Compensation expense on the restricted stock awards is recognized ratably over the five year vesting period in an amount which is equal to the fair value of the common stock at the date of grant. During the nine months ended September 30, 2018 and 2017, the Company recognized compensation expense of approximately $75,000 and $63,000, respectively. A tax benefit of approximately $16,000 and $21,000 was recognized during the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, approximately $598,000 in additional compensation expense will be recognized over the remaining service period of approximately 4.6 years.

Stock Option and Stock Incentive Plans

In May 2008, the shareholders of Quaint Oak Bancorp approved the adoption of the 2008 Stock Option Plan (the "Option Plan"). In May 2013, the shareholders of Quaint Oak Bancorp approved the adoption of the 2013 Stock Incentive Plan (the "2013 Stock Incentive Plan"). The Option Plan authorized the grant of stock options to officers, employees and directors of the Company to acquire 277,726 shares of common stock with an exercise price no less than the fair market value on the date of the grant. The 2013 Stock Incentive Plan approved by shareholders in May 2013 covered a total of 195,000 shares, of which 48,750, or 25%, may be restricted stock awards, for a balance of 146,250 stock options assuming all the restricted shares are awarded. In May 2018, the shareholders of Quaint Oak Bancorp approved the adoption of the 2018 Stock Incentive Plan (the "2018 Stock Incentive Plan"). The 2018 Stock Incentive Plan approved by shareholders in May 2018 covered a total of 155,000 shares, of which 38,750, or 25%, may be restricted stock awards, for a balance of 116,250 stock options assuming all the restricted shares are awarded.

Note 10 – Stock Compensation Plans (Continued)

Stock Option and Stock Incentive Plans (Continued)

For grants in May 2008, the Compensation Committee of the Board of Directors determined to grant the stock options at an exercise price equal to $5.00 per share (split-adjusted) which is higher than the fair market value of the common stock on the grant date. All of the options granted in May 2008 were either exercised or expired in May 2018. All incentive stock options issued under the Option Plan and the Stock Incentive Plan are intended to comply with the requirements of Section 422 of the Internal Revenue Code.

As of September 30, 2018, a total of 279,836 grants of stock options were outstanding under the Option Plan and Stock Incentive Plan and 38,250 stock options were available for future grant under the Stock Incentive Plan and none under the Option Plan. Options will become vested and exercisable over a five year period and are generally exercisable for a period of ten years after the grant date.

A summary of option activity under the Company 's Option Plan and 2013 and 2018 Stock Incentive Plans of September 30, 2018 and 2017 and changes during the nine months ended September 30, 2018 and 2017 is as follows:

	2018			2017		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding at the beginning of the year	265,302	$ 6.74	3.2	316,348	$ 6.49	3.8
Granted	136,636	13.30	9.6	-	-	-
Exercised	(106,844)	5.00	-	(38,800)	5.00	-
Forfeited	(15,258)	6.22	-	-	-	-
Outstanding at end of period	279,836	$ 10.64	7.7	277,548	$ 6.70	3.4
Exercisable at end of period	143,200	$ 8.10	4.6	247,228	$ 6.53	3.1

The estimated fair value of the options granted in May 2018 was $1.75 per share. The fair value was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	2.11%
Risk-free interest rate	2.96%
Expected life of options	6.5 years
Expected stock-price volatility	12.42%

The dividend yield was calculated on the dividend amount and stock price existing at the grant date. The risk free interest rate used was based on the rates of United States Treasury securities with maturities equal to the expected lives of the options. Although the contractual term of the options granted is ten years, the expected term of the options is less. Management estimated the expected term of the stock options to be the average of the vesting period and the contractual term. The expected stock-price volatility was estimated by considering the Company's own stock volatility. The actual future volatility may differ from our historical volatility.

Note 10 – Stock Compensation Plans (Continued)

Stock Option and Stock Incentive Plans (Continued)

During both the nine month periods ended September 30, 2018 and 2017, compensation expense was recognized in the amount of approximately $30,000 and $34,000, respectively. There was no tax benefit recognized during the nine months ended September 30, 2018. A tax benefit of approximately $2,000 was recognized during the nine months ended September 30, 2017. As of September 30, 2018, approximately $204,000 in additional compensation expense will be recognized over the remaining service period of approximately 4.6 years.

Note 11 – Fair Value Measurements and Fair Values of Financial Instruments

Fair value estimates are based on quoted market prices, if available, quoted market prices of similar assets or liabilities, or the present value of expected future cash flows and other valuation techniques. These valuations are significantly affected by discount rates, cash flow assumptions, and risk assumptions used. Therefore, fair value estimates may not be substantiated by comparison to independent markets and are not intended to reflect the proceeds that may be realizable in an immediate settlement of the instruments.

Fair value is determined at one point in time and is not representative of future value. These amounts do not reflect the total value of a going concern organization. Management does not have the intention to dispose of a significant portion of its assets and liabilities and therefore, the unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows.

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 levels of pricing 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.

The following is a discussion of assets and liabilities measured at fair value on a recurring basis and valuation techniques applied:

Investment Securities Available-For-Sale: The fair value of securities available for sale are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Note 11 – Fair Value Measurements and Fair Values of Financial Instruments (Continued)

We may be required from time to time to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

Impaired Loans: Impaired loans are carried at the lower of cost or the fair value of the collateral for collateral-dependent loans less estimated costs to sell. Collateral is primarily in the form of real estate. The use of independent appraisals, discounted cash flow models and management's best judgment are significant inputs in arriving at the fair value measure of the underlying collateral and impaired loans are therefore classified within level 3 of the fair value hierarchy.

Other Real Estate Owned: Other real estate owned is carried at the lower of the investment in the real estate or the fair value of the real estate less estimated selling costs. The use of independent appraisals and management's best judgment are significant inputs in arriving at the fair value measure of the underlying collateral and therefore other real estate owned is classified within level 3 of the fair value hierarchy.

The table below sets forth the financial assets and liabilities that were accounted for on a recurring and nonrecurring basis by level within the fair value hierarchy as of September 30, 2018 (in thousands):

	September 30, 2018			
	Fair Value Measurements Using:			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring fair value measurements				
Investment securities available for sale				
Governmental National Mortgage Association mortgage-backed securities	$ 5,030	$ -	$ 5,030	$ -
Federal Home Loan Mortgage Corporation mortgage-backed securities	1,172	-	1,172	-
Federal National Mortgage Association mortgage-backed securities	393	-	393	-
Debt securities, U.S. government agency	355	-	355	-
Total investment securities available for sale	$ 6,950	$ -	$ 6,950	$ -
Total recurring fair value measurements	$ 6,950	$ -	$ 6,950	$ -
Nonrecurring fair value measurements				
Impaired loans	$ 812	$ -	$ -	$ 812
Other real estate owned	1,600	-	-	1,600
Total nonrecurring fair value measurements	$ 2,412	$ -	$ -	$ 2,412

Note 11 – Fair Value Measurements and Fair Values of Financial Instruments (Continued)

The table below sets forth the financial assets and liabilities that were accounted for on a recurring and nonrecurring basis by level within the fair value hierarchy as of December 31, 2017 (in thousands):

	December 31, 2017			
	Fair Value Measurements Using:			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring fair value measurements				
Investment securities available for sale				
Governmental National Mortgage Association mortgage-backed securities	$ 5,643	$ -	$ 5,643	$ -
Federal Home Loan Mortgage Corporation mortgage-backed securities	1,342	-	1,342	-
Federal National Mortgage Association mortgage-backed securities	570	-	570	-
Debt securities, U.S. government agency	357	-	357	-
Total investment securities available for sale	$ 7,912	$ -	$ 7,912	$ -
Total recurring fair value measurements	$ 7,912	$ -	$ 7,912	$ -
Nonrecurring fair value measurements				
Impaired loans	$ 2,832	$ -	$ -	$ 2,832
Total nonrecurring fair value measurements	$ 2,832	$ -	$ -	$ 2,832

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has used Level 3 inputs to determine fair value as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018			
	Quantitative Information About Level 3 Fair Value Measurements			
	Total Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 812	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-4% (1%)
Other real estate owned	$ 1,600	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-12% (12%)

	December 31, 2017			
	Quantitative Information About Level 3 Fair Value Measurements			
	Total Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 2,832	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-27% (1%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percentage of the appraisal.

Note 11 – Fair Value Measurements and Fair Values of Financial Instruments (Continued)

The estimated fair values of the Company's financial instruments that are not required to be measured or reported at fair value were as follows at September 30, 2018 and December 31, 2017 (in thousands):

			Fair Value Measurements at September 30, 2018		
	Carrying Amount	Fair Value Estimate	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 13,560	$ 13,560	$ 13,560	$ -	$ -
Investment in interest-earning time deposits	4,927	4,934	-	-	4,934
Loans held for sale	7,433	7,690	7,690	-	-
Loans receivable, net	213,980	214,363	-	-	214,363
Accrued interest receivable	1,117	1,117	1,117	-	-
Investment in FHLB stock	1,086	1,086	1,086	-	-
Bank-owned life insurance	3,874	3,874	3,874	-	-
Financial Liabilities					
Deposits	208,999	209,182	47,061	-	162,121
FHLB short-term borrowings	9,000	9,000	9,000	-	-
FHLB long-term borrowings	15,000	14,954	-	-	14,954
Accrued interest payable	183	183	183	-	-
Advances from borrowers for taxes and insurance	1,811	1,811	1,811	-	-

			Fair Value Measurements at December 31, 2017		
	Carrying Amount	Fair Value Estimate	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 7,910	$ 7,910	$ 7,910	$ -	$ -
Investment in interest-earning time deposits	4,879	4,912	-	-	4,912
Loans held for sale	7,006	7,232	7,232	-	-
Loans receivable, net	201,667	202,803	-	-	202,803
Accrued interest receivable	1,021	1,021	1,021	-	-
Investment in FHLB stock	1,234	1,234	1,234	-	-
Bank-owned life insurance	3,814	3,814	3,814	-	-
Financial Liabilities					
Deposits	186,221	187,309	41,183	-	146,126
FHLB short-term borrowings	10,000	10,000	10,000	-	-
FHLB long-term borrowings	18,000	16,982	-	-	16,982
Accrued interest payable	167	167	167	-	-
Advances from borrowers for taxes and insurance	2,423	2,423	2,423	-	-

Note 11 – Fair Value Measurements and Fair Values of Financial Instruments (Continued)

The following methods and assumptions were used to measure the fair value of financial instruments recorded at cost on the Company's consolidated balance sheets:

Cash and Cash Equivalents. The carrying amounts reported in the consolidated balance sheets for cash and short-term instruments approximate those assets' fair values.

Interest-Earning Time Deposits. Fair values for interest-earning time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits. The Company generally purchases amounts below the insured limit, limiting the amount of credit risk on these time deposits.

Loans Held for Sale . Fair values of loans held for sale are based on commitments on hand from investors at prevailing market rates.

Loans Receivable, Net. The fair values of loans are estimated using discounted cash flow methodology. The discount rates take into account interest rates currently being offered to customers for loans with similar terms, the credit risk associated with the loan and market factors, including liquidity. The valuation of the loan portfolio reflects discounts that the Company believes are consistent with transactions occurring in the market place for both performing and distressed loan types. The carrying value that fair value is compared to is net of the allowance for loan losses and other associated premiums and discounts. Due to the significant judgment involved in evaluating credit quality, loans are classified with Level 3 of the fair value hierarchy.

Accrued Interest Receivable. The carrying amount of accrued interest receivable approximates its fair value.

Investment in Federal Home Loan Bank Stock. The carrying amount of restricted investment in Federal Home Loan Bank stock approximates fair value, and considers the limited marketability of such securities.

Bank-Owned Life Insurance. The carrying amount of the investment in bank-owned life insurance approximates its cash surrender value under the insurance policies.

Deposits. The carrying amount is considered a reasonable estimate of fair value for demand savings deposit accounts. The fair value of fixed maturity certificates of deposit is estimated by a discounted cash flow method using the rates currently offered for deposits of similar maturities.

Federal Home Loan Bank Borrowings. Fair values of FHLB borrowings are estimated based on rates currently available to the Company for similar terms and remaining maturities.

Accrued Interest Payable. The carrying amount of accrued interest payable approximates its fair value.

Advances from Borrowers for Taxes and Insurance. The carrying amount of advances from borrowers for taxes and insurance approximates its fair value.

Off-Balance Sheet Financial Instruments. Off-balance sheet financial instruments consist of commitments to extend credit. Fair values for commitments to extend credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present credit standing of the counterparties. The estimated fair value of the commitments to extend credit are insignificant and therefore are not presented in the above table.

PART II

ITEM 6. EXHIBITS

No.	Description
31.1	Rule 13a-14(d) and 15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(d) and 15d-14(a) Certification of the Chief Financial Officer.
32.0	Section 1350 Certification.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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.

Date: November 21, 2018

By: /s/Robert T. Strong
Robert T. Strong
President and Chief Executive Officer

Date: November 21, 2018

By: /s/John J. Augustine
John J. Augustine
Executive Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert T. Strong, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Quaint Oak Bancorp, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 21, 2018

/s/Robert T. Strong
Robert T. Strong
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John J. Augustine certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Quaint Oak Bancorp, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 21, 2018

/s/John J. Augustine
John J. Augustine
Executive Vice President and Chief Financial Officer

EXHIBIT 32.0

SECTION 1350 CERTIFICATION

Each of Robert T. Strong, President and Chief Executive Officer and John J. Augustine, Executive Vice President and Chief Financial Officer of Quaint Oak Bancorp, Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The quarterly report on Form 10-Q/A of the Company for the period ended September 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C 78m(a) or 78o(d); and

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

Date: November 21, 2018

By: /s/Robert T. Strong
Robert T. Strong
President and Chief Executive Officer

Date: November 21, 2018

By: /s/John J. Augustine
John J. Augustine
Executive Vice President and Chief Financial Officer

Note: A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to Quaint Oak Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.