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

FORM 10-Q

☒ Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 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 No. 000-55652

Best Hometown Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**81-1959486** (I.R.S. Employer Identification Number)
100 East Clay Street, Collinsville, Illinois (Address of Principal Executive Offices)	**62234** Zip Code

(618) 345-1121
(Registrant's telephone number)

Not Applicable
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.
YES ☒ NO ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES ☒ NO ☐.

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging Growth Company	☒

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 ☐ NO ☒

As of April 30, 2018, there were 826,208 shares of the Registrant's common stock issued and outstanding.

BEST HOMETOWN BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

PART I. FINANCIAL INFORMATION

BEST HOMETOWN BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)
(Unaudited)

ITEM 1. FINANCIAL STATEMENTS

	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$ 3,621	$ 1,331
Interest-earning deposits in banks	421	3,859
Total cash and cash equivalents	4,042	5,190
Available-for-sale securities	15,267	16,211
Loans	82,123	82,343
Allowance for loan losses	(1,217)	(1,215)
Net loans	80,906	81,128
Premises and equipment, net	3,251	3,312
Bank owned life insurance	3,509	3,482
Real estate owned, net	119	81
Accrued interest receivable		
Investment securities	241	249
Loans receivable	53	51
Deferred tax asset	113	80
Restricted equity securities	326	405
Other assets	120	104
Total assets	$ 107,947	$ 110,293
LIABILITIES		
Deposits		
Noninterest-bearing	$ 5,702	$ 5,082
Interest-bearing	80,763	81,744
Total deposits	86,465	86,826
Federal Home Loan Bank ("FHLB") advances	7,000	9,000
Accrued defined benefit pension and postretirement plans	1,776	1,785
Other liabilities	434	219
Total liabilities	95,675	97,830
Commitments and contingencies		
Redeemable common stock held by ESOP plan	86	77
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.01 par value, 30,000,000 shares authorized, 826,208 shares issued and outstanding	8	8
Additional paid-in capital	6,849	6,847
Retained earnings - substantially restricted	7,995	8,096
Unearned Employee Stock Ownership Plan ("ESOP") common stock, 58,713 and 60,365 shares	(587)	(595)
Accumulated other comprehensive loss, net of tax:		
Net unrealized losses on available-for-sale securities	(426)	(302)
Net unrealized losses on defined benefit pension plan and postretirement medical plans, net	(1,567)	(1,591)

Total accumulated other comprehensive loss, net of tax	(1,993)	(1,893)
Less maximum cash obligation related to ESOP shares	(86)	(77)
Total shareholders' equity	12,186	12,386
Total liabilities and shareholders' equity	$ 107,947	$ 110,293

See accompanying notes to the condensed consolidated financial statements

BEST HOMETOWN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Interest income:		
Loans receivable	$ 870	$ 834
Investment securities, taxable	74	101
Other interest-earning assets	11	9
Total interest income	955	944
Interest expense:		
Deposits	254	261
Advances from FHLB	43	38
Total interest expense	297	299
Net interest income	658	645
Provision for loan losses	-	-
Net interest income after provision for loan losses	658	645
Noninterest income:		
Service charges on deposit accounts	26	17
Income on bank owned life insurance	26	2
Other	7	5
Total noninterest income	59	24
Noninterest expense:		
Salaries and employee benefits	431	428
Occupancy and equipment	123	117
Data processing	71	56
Professional and supervisory fees	99	93
Office expense	12	14
Advertising	12	16
FDIC deposit insurance	8	8
Provision for real estate owned and related expenses	6	1
Other	56	51
Total noninterest expense	818	784
Loss before income taxes	(101)	(115)
Income tax expense	-	-
Net loss	$ (101)	$ (115)
Basic net loss per share	$ (0.13)	$ (0.15)

See accompanying notes to the condensed consolidated financial statements

BEST HOMETOWN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net loss	$ (101)	$ (115)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities :		
Unrealized holding gain (loss) arising during the period	(156)	$ 18
Tax effect	32	(6)
Net of tax	(124)	12
Defined benefit pension and post retirement medical plans:		
Reclassification adjustment for amortization of prior service cost and net gain/loss included in net periodic pension cost	24	25
Tax effect	-	-
Net of tax	24	25
Total other comprehensive income (loss)	(100)	37
Comprehensive loss	$ (201)	$ (78)

See accompanying notes to the condensed consolidated financial statements

BEST HOMETOWN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share and per share data)
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Net Unrealized Losses On Available-for-sale Securities, Net	Losses On Defined Benefit Pension and Postretirement Medical Plans, Net	Maximum Cash Obligation Related to ESOP Shares	Total
Balance at December 31, 2016	$ 8	$ 6,839	$ 8,330	$ (628)	$ (269)	$ (1,481)	$ (41)	$12,758
Net loss	-	-	(115)	-	-	-	-	(115)
Other comprehensive income	-	-	-	-	12	25	-	37
ESOP shares earned	-	2	-	8	-	-	-	10
Change related to ESOP shares cash obligation	-	-		-	-		(14)	(14)
Balance at March 31, 2017	$ 8	$ 6,841	$ 8,215	$ (620)	$ (257)	$ (1,456)	$ (55)	$12,676
Balance at December 31, 2017	8	6,847	8,096	(595)	(302)	(1,591)	(77)	12,386
Net loss	-	-	(101)	-	-	-	-	(101)
Other comprehensive loss	-	-	-	-	(124)	24	-	(100)
ESOP shares earned	-	2	-	8	-	-	-	10
Change related to ESOP shares cash obligation	-	-	-	-	-	-	(9)	(9)
Balance at March 31, 2018	$ 8	$ 6,849	$ 7,995	$ (587)	$ (426)	$ (1,567)	$ (86)	$12,186

See accompanying notes to the condensed consolidated financial statements

BEST HOMETOWN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Amounts in thousands, except share and per share data)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities:		
Net loss	$ (101)	$ (115)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization, net	141	186
Income on bank owned life insurance	(26)	(2)
ESOP compensation expense	10	10
Net change in operating assets and liabilities:		
Accrued interest receivable	6	(13)
Accrued interest payable	(3)	1
Other	215	36
Net cash provided by operating activities	242	103
Cash flows from investing activities:		
Loan originations and repayments, net	170	(1,488)
Purchases of available-for-sale securities	-	(1,816)
Proceeeds from maturities, paydowns and calls of available-for-sale securities	722	1,404
Purchase of bank owned life insurance	-	(3,400)
Redemptions of FHLB stock, net	79	432
Purchases of premises and equipment	-	(399)
Net cash provided by (used in) investing activities	971	(5,267)
Cash flows from financing activities:		
Net change in deposits	(361)	1,651
Borrowings of FHLB advances	2,000	3,000
Repayments of FHLB advances	(4,000)	-
Net cash provided by (used in) financing activities	(2,361)	4,651
Change in cash and cash equivalents	(1,148)	(513)
Cash and cash equivalents at beginning of period	5,190	5,459
Cash and cash equivalents at end of period	$ 4,042	$ 4,946
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest on deposits	$ 253	$ 261
Interest on advances from FHLB	46	37
Real estate acquired in settlement of loans	$ 38	$ 29

See accompanying notes to the condensed consolidated financial statements

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

(1) BASIS OF PRESENTATION

General

On June 29, 2016, Best Hometown Bank (the "Bank") (formerly known as Home Federal Savings and Loan Association of Collinsville) completed its conversion (the "Conversion") from a federally-chartered mutual savings association to the capital stock form of organization, including the establishment of a stock holding company, Best Hometown Bancorp, Inc. (referred to herein as "the Company," "we," "us," or "our"), as parent of the Bank. The stock holding company is organized under the laws of the State of Maryland and owns all of the outstanding common stock of the Bank. In connection with the Conversion, the Company sold 826,208 shares of its common stock, including 66,096 shares (8% of shares sold) that were purchased by the Bank's employee stock ownership plan ("ESOP"), at a price of $10.00 per share, for gross offering proceeds of $8.3 million. The cost of the conversion and issuance of common stock was $1.4 million, which was deducted from the gross offering proceeds. The Company contributed $5.0 million of the net proceeds from the offering by the Company to the Bank, and $1.2 million was retained by the Company. In addition, $661,000 of the net proceeds were used to fund a loan to the ESOP, with which the ESOP purchased Company shares.

Voting rights are held and exercised exclusively by the shareholders of the holding company. Deposit account holders continue to be insured by the FDIC up to the applicable limits. A liquidation account was established in an amount equal to the Bank's total equity as of the latest balance sheet date in the final offering circular used in the conversion. Each eligible account holder or supplemental account holder are entitled to a proportionate share of this account in the event of a complete liquidation of the Bank, and only in such event. This share will be reduced if the eligible account holder's or supplemental account holder's deposit balance falls below the amounts on the date of record and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after conversion in the related deposit balance.

The Bank may not pay a dividend on its capital stock, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements. In addition, the stock holding company is subject to certain regulations related to the repurchase of its capital stock.

The Conversion was accounted for as a change in corporate form with the historic basis of the Bank's assets, liabilities and equity unchanged as a result.

The accompanying unaudited consolidated financial statements of Best Hometown Bancorp, Inc., which include the accounts of its wholly owned subsidiary Best Hometown Bank have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Intercompany accounts and transactions are eliminated during consolidation.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included to present fairly the financial position as of March 31, 2018 and December 31, 2017 and the results of operations and cash flows for the three months ended March 31, 2018 and 2017. All interim amounts have not been audited and the results of operations for the three months ended March 31, 2018, herein are not necessarily indicative of the results of operations to be expected for the entire year.

Some items in the statement of operations for the three months ended March 31, 2017 were reclassified to conform to the current presentation and had no effect on net income or shareholders' equity.

Cash and cash equivalents include cash on hand, federal funds sold, overnight interest-bearing deposits and amounts due from other depository institutions.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of foreclosed real estate, fair values of financial instruments, measurement of defined benefit pension and postretirement medical plans and valuation of deferred tax assets.

Contingencies

The Company is involved in certain legal actions arising from normal business activities. Management believes that the outcome of such proceedings will not have any material adverse effect on the financial statements of the Company.

(2) NEW ACCOUNTING STANDARDS

The Company is an emerging growth company and as such will be subject to the effective dates noted for the private companies if they differ from the effective dates noted for public companies.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments. The provisions of ASU 2016-13 were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 requires that financial assets measured at amortized cost 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 amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the financial assets.

For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination ("PCD assets") that are measured at amortized cost, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses on PCD assets are recognized through the statement of income as a credit loss expense.

Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security.

As an emerging growth company, ASU 2016-13 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years beginning after December 15, 2021. The Company is reviewing the technology required to source and models data for the purposes of meeting this standard. While the Company generally expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, the Company cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the Company's consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016 the FASB issued ASU 2016-08, “Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” which clarifies the guidance in determining revenue recognition as principal versus agent. In April 2016, the FASB issued ASU 2016-10, “Identifying Performance Obligations and Licensing,” which provides guidance in accounting for immaterial performance obligations and shipping and handling. In May 2016, the FASB issued ASU 2016-12, “Narrow-Scope Improvements and Practical Expedients,” which provides clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for noncash consideration and completed contracts at transition. This ASU also provides a practical expedient for contract modifications.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

As an emerging growth company, these amendments are effective for annual reporting periods beginning after December 15, 2018, and for interim periods within annual periods beginning after December 15, 2019. The Company's revenue is primarily comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09. The Company is continuing to evaluate the impact of adopting ASU 2014-09, but does not expect the impact to have a material impact on the Company's financial position or results of operation.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). The update provides guidance on the classification of certain cash receipts and cash payments for presentation in the statement of cash flows. As an emerging growth company, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. 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 that elects early adoption must adopt all of the amendments in the same period. The Company believes that the adoption of this ASU will not have a material effect to our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This Update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. The portion of ASU 2016-01 that is likely to have an effect on our financial statements and disclosures relates a clarification of accounting standards with respect to deferred tax assets arising from unrealized losses on available-for-sale securities. This ASU 2016-01 requires an entity to 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.

As an emerging growth company, the amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. Early adoption of the amendments in the update is not permitted, except that early application by public business entities to financial statements of fiscal years or interim periods that have not yet been issued or, by all other entities, that have not yet been made available for issuance, are permitted as of the beginning of the fiscal year of adoption for the following amendment: An entity should present separately in other comprehensive income the portion of the total change in the fair value of a liability at fair value in accordance with the fair value option for financial instruments. An entity should apply the amendments to this update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company is continuing to evaluate the impact of adopting this new guidance on its consolidated financial statements, but the adoption of ASU 2016-01 is not expected to have a material impact on the Company's financial position or results of operation.

Adoption of New Accounting Pronouncement

Effective December 31, 2017, the Company early adopted guidance related to income taxes. The new guidance was applied in the period of adoption. Current accounting principles require that the effect of a change in tax laws or rates on deferred tax liabilities or assets to be included in income from continuing operations in the reporting period that includes the enactment date, even if the related income tax effects were originally charged or credited directly to accumulated other comprehensive income ("AOCI"). The Company's accounting policy for the release of stranded tax effects in AOCI in on an aggregate portfolio basis. The new guidance allows a reclassification of AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 ("US Tax Reform"). The Company early adopted this standard effective December 31, 2017 and reclassified $300 from AOCI to retained earnings due to re-measuring from 35% to 21% the federal deferred taxes on the accumulated other comprehensive income components related to available for sale securities, and the defined benefit and postretirement medical plans.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

(3) EARNINGS (LOSS) PER SHARE

Basic EPS or loss per common share is determined by dividing net earnings or loss available to common shareholders by the weighted average number of common shares outstanding for the period. ESOP shares are considered outstanding for this calculation unless unearned. The factors used in the earnings per common share computation follow:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Loss per share		
Net loss	$ (101)	$ (115)
Weighted average common shares outstanding	826,208	826,208
Less: average unearned ESOP shares	(59,126)	(62,293)
Weighted average common shares outstanding	767,082	763,915
Basic loss per share	$ (0.13)	$ (0.15)

Given a net loss for the three months ended March 31, 2018 and 2017, only basic loss per share is applicable.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

(4) SECURITIES AVAILABLE FOR SALE

Debt and mortgage-backed securities have been classified in the condensed consolidated balance sheets according to management's intent. U.S. Government agency mortgage-backed securities consist of securities issued by U.S. Government agencies and U.S. Government sponsored enterprises. Investment securities at March 31, 2018 and December 31, 2017 are as follows:

March 31, 2018	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Debt securities:				
U.S. Government agency SBAP security	$ 784	$ -	$ (31)	$ 753
U.S. Government agency mortgage-backed securities - residential	15,022	-	(508)	14,514
	$ 15,806	$ -	$ (539)	$ 15,267

December 31, 2017	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Debt securities:				
U.S. Government agency SBAP security	$ 786	$ -	$ (24)	$ 762
U.S. Government agency mortgage-backed securities - residential	15,808	-	(359)	15,449
	$ 16,594	$ -	$ (383)	$ 16,211

As of March 31, 2018 and December 31, 2017, no investment securities were pledged for public deposits.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following tables show the fair value and unrealized loss of securities that have been in unrealized loss positions for less than twelve months and for more than twelve months at March 31, 2018 and December 31, 2017. The tables also show the number of securities in an unrealized loss position for each category of investment security as of the respective dates.

Because the actual cash flows for the Small Business Administration Program ("SBAP") asset backed security and mortgage-backed securities may differ from their contractual maturities, a maturity table is not shown.

	Less than 12 Months			12 Months or Longer		
March 31, 2018	**Fair Value**	**Unrealized Loss**	**Number in Unrealized Loss (1)**	**Fair Value**	**Unrealized Loss**	**Number in Unrealized Loss (1)**
U.S. Government agency SBAP security	$ -	$ -	0	$ 753	$ (31)	1
U.S. Government agency mortgage-backed securities - residential	661	(9)	2	13,853	(499)	25
	$ 661	$ (9)	2	$ 14,606	$ (530)	26

	Total		
March 31, 2018	**Fair Value**	**Unrealized Loss**	**Number in Unrealized Loss (1)**
U.S. Government agency SBAP security	$ 753	$ (31)	1
U.S. Government agency mortgage-backed securities - residential	14,514	(508)	27
Total	$15,267	$ (539)	28

	Less than 12 Months			12 Months or Longer		
December 31, 2017	**Fair Value**	**Unrealized loss**	**Number in Unrealized Loss (1)**	**Market Value**	**Unrealized loss**	**Number in Unrealized Loss (1)**
U.S. Government agency bonds	$ -	$ -	0	$ 762	$ (24)	1
U.S. Government agency mortgage-backed securities - residential	1,607	(15)	3	13,842	(344)	24
Total	$ 1,607	$ (15)	3	$ 14,604	$ (368)	25

	Total		
December 31, 2017	**Fair Value**	**Unrealized Loss**	**Number in Unrealized Loss (1)**
U.S. Government agency bonds	$ 762	$ (24)	1
U.S. Government agency mortgage-backed securities - residential	15,449	(359)	27
Total	$16,211	$ (383)	28

(1) Represents actual number of securities in an unrealized loss position.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The SBAP agency security is an investment comprised of a pool of loans issued under the Small Business Administration, which come with an unconditional guarantee by the U.S. government for the timely payment of principal and interest.

The Company evaluates securities for other-than-temporary impairments (“OTTI”) at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company considers 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. Additionally, the Company considers its intent to sell or whether it will be more likely than not it will be required to sell the security prior to the security's anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by Federal Government agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Total fair value securities with unrealized losses at March 31, 2018 and December 31, 2017, was $15,267 and $16,211, which was 100% at March 31, 2018 and December 31, 2017, respectively, of the Company’s available-for-sale securities. None of the unrealized losses at March 31, 2018 were recognized into net income for the three months ended March 31, 2018 because the issuers’ bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value of these securities is expected to recover as they approach their maturity date or reset date. None of the unrealized losses at December 31, 2017 were recognized as having OTTI during the three months ended March 31, 2018.

There were no sales of securities for the three months ended March 31, 2018 and 2017.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

(5) LOANS

The components of loans at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
Real estate loans:		
One-to four-family, owner occupied	$ 43,594	$ 44,660
One-to four-family, non-owner occupied	6,504	6,651
Commercial and multi-family	23,385	23,790
Construction and land	3,953	3,619
Commercial business loans	2,964	2,048
Consumer loans	1,718	1,584
	82,118	82,352
Net deferred loan (fees) costs	5	(9)
Total	$ 82,123	$ 82,343

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following tables present the activity in the allowance for loan losses for the three months ended March 31, 2018 and 2017 by portfolio segment:

Three Months Ended March 31, 2018	**Beginning Balance**	**Provision**	**Charge-offs**	**Recoveries**	**Ending Balance**
Real estate loans:					
One-to-four family, owner occupied	$ 525	$ (12)	$ -	$ -	$ 513
One-to-four family, non-owner occupied	81	(4)	-	2	79
Commercial and multi-family	407	(6)	-	-	401
Construction and land	34	4	-	-	38
Commercial business loans	41	18	-	-	59
Consumer loans	39	4	-	-	43
Unallocated	88	(4)	-	-	84
	$ 1,215	$ -	$ -	$ 2	$ 1,217

Three Months Ended March 31, 2017	**Beginning Balance**	**Provision**	**Charge-offs**	**Recoveries**	**Ending Balance**
Real estate loans:					
One-to-four family, owner occupied	$ 657	$ 12	$ (28)	$ 6	$ 647
One-to-four family, non-owner occupied	113	(4)	-	-	109
Commercial and multi-family	309	8	-	-	317
Construction and land	42	2	-	-	44
Commercial business loans	18	23	-	-	41
Consumer loans	26	8	-	-	34
Unallocated	49	(49)	-	-	-
	$ 1,214	$ -	$ (28)	$ 6	$ 1,192

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following tables present the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at March 31, 2018 and December 31, 2017:

	Ending Allowance on Loans			Loans		
March 31, 2018	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**
Real estate loans:						
One-to four-family, owner occupied	$ -	$ 513	$ 513	$ 578	$ 43,016	$43,594
One-to four-family, non-owner occupied	-	79	79	77	6,427	6,504
Commercial and multi-family	-	401	401	-	23,385	23,385
Construction and land	-	38	38	13	3,940	3,953
Commercial business loans	-	59	59	-	2,964	2,964
Consumer loans	-	43	43	-	1,718	1,718
Unallocated	-	84	84	-	-	-
	$ -	$ 1,217	$ 1,217	$ 668	$ 81,450	$82,118

	Ending Allowance on Loans			Loans		
December 31, 2017	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**	**Individually Evaluated Impairment**	**Collectively Evaluated Impairment**	**Total**
Real estate loans:						
One-to four-family, owner occupied	$ -	$ 525	$ 525	$ 635	$ 44,025	$ 44,660
One-to four-family, non-owner occupied	-	81	81	116	6,535	6,651
Commercial and multi-family	-	407	407	-	23,790	23,790
Construction and land	-	34	34	13	3,606	3,619
Commercial business loans	-	41	41	-	2,048	2,048
Consumer loans	-	39	39	-	1,584	1,584
Unallocated	-	88	88	-	-	-
	$ -	$ 1,215	$ 1,215	$ 764	$ 81,588	$ 82,352

The Company, at times, will maintain an unallocated allowance for loan losses due to uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance for loan losses is maintained to cover probable and incurred credit losses inherent in the loan portfolio but not captured in the general component, such as historical loss experience data that may not precisely correspond to individual loan portfolio segments and to uncertainties in economic conditions.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The tables below present loans that were individually evaluated for impairment by portfolio segment at March 31, 2018 and December 31, 2017.

	March 31, 2018			December 31, 2017		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
With no recorded allowance:						
Real estate loans:						
One-to four-family, owner occupied	$ 733	$ 578	$ -	$ 800	$ 635	$ -
One-to four-family, non-owner occupied	100	77	-	153	116	-
Commercial and multi-family	-	-	-	-	-	-
Construction and land	13	13	-	13	13	-
Commercial business loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Total	$ 846	$ 668	$ -	$ 966	$ 764	$ -
With recorded allowance:						
Real estate loans:						
One-to four-family, owner occupied	$ -	$ -	$ -	$ -	$ -	$ -
One-to four-family, non-owner occupied	-	-	-	-	-	-
Commercial and multi-family	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-
Commercial business loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -
Totals:						
Real estate loans	$ 846	$ 668	$ -	$ 966	$ 764	$ -
Commercial loans	-	-	-	-	-	-
Consumer and other loans	-	-	-	-	-	-
Total	$ 846	$ 668	$ -	$ 966	$ 764	$ -

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The tables below present the average recorded investment of loans individually evaluated for impairment and the amount of interest earned on those loans for the three months ended March 31, 2018 and 2017:

	Three Months Ended			
	March 31, 2018		March 31, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no recorded allowance:				
Real estate loans:				
One-to four-family, owner occupied	$ 607	$ 11	$ 703	$ 13
One-to four-family, non-owner occupied	96	1	95	2
Commercial and multi-family	-	-	68	-
Construction and land	13	-	15	-
Commercial business loans	-	-	-	-
Consumer loans	-	-	-	-
Total	$ 716	$ 12	$ 881	$ 15
With recorded allowance:				
Real estate loans:				
One-to four-family, owner occupied	$ -	$ -	$ -	$ -
One-to four-family, non-owner occupied	-	-	-	-
Commercial and multi-family	-	-	-	-
Construction and land	-	-	-	-
Commercial business loans	-	-	-	-
Consumer loans	-	-	-	-
Total	$ -	$ -	$ -	$ -
Totals:				
Real estate loans	$ 716	$ 12	$ 881	$ 15
Commercial business loans	-	-	-	-
Consumer and other loans	-	-	-	-
Total	$ 716	$ 12	$ 881	$ 15

Generally, impaired loans with identified losses have been reduced by partial charge-offs and are carried at their estimated net realizable value. The Company believes no further allowance for loan losses were necessary at March 31, 2018 and December 31, 2017.

There were no loans modified as troubled debt restructurings during the three months ended March 31, 2018 and 2017 or commitments to lend additional funds to borrowers with loans whose terms have been modified as a troubled debt restructure.

At March 31, 2018 and December 31, 2017, there were no residential real estate loans in the process of foreclosure.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following tables present the aging of past due loans as well as nonaccrual loans. Nonaccrual loans and accruing loans past due 90 days or more include both smaller balance homogenous loans and larger balance loans that are evaluated either collectively or individually for impairment.

March 31, 2018	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Current	Total	Nonaccrual Loans	Accruing Loans Past Due 90 Days or More
Real estate loans:							
One-to four-family, owner occupied	$ 336	$ -	$ -	$ 43,258	$43,594	$ -	$ -
One-to four-family, non-owner occupied	24	-	-	6,480	6,504	-	-
Commercial and multi-family	196	-	-	23,189	23,385	-	-
Construction and land	-	-	-	3,953	3,953	13	-
Commercial business loans	-	-	-	2,964	2,964	-	-
Consumer loans	311	-	-	1,407	1,718	-	-
	$ 867	$ -	$ -	$ 81,251	$82,118	$ 13	$ -

December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Current	Total	Nonaccrual Loans	Accruing Loans Past Due 90 Days or More
Real estate loans:							
One-to four-family, owner occupied	$ 620	$ 93	$ -	$ 43,947	$44,660	$ -	$ -
One-to four-family, non-owner occupied	24	-	39	6,588	6,651	-	39
Commercial and multi-family	-	-	-	23,790	23,790	-	-
Construction and land	-	-	-	3,619	3,619	13	-
Commercial business loans	-	-	-	2,048	2,048	-	-
Consumer loans	-	-	-	1,584	1,584	-	-
	$ 644	$ 93	$ 39	$ 81,576	$82,352	$ 13	$ 39

Loan Grades:

Loan Grades:

The Company utilizes a grading system whereby all loans are assigned a grade based on the risk profile of each loan. Loan grades are determined based on an evaluation of relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. All loans, regardless of size, are analyzed and are given a grade based upon the management's assessment of the ability of borrowers to service their debts.

Pass: Loan assets of this grade conform to a preponderance of our underwriting criteria and are acceptable as a credit risk, based upon the current net worth and paying capacity of the obligor. Loans in this category also include loans secured by liquid assets and secured loans to borrowers with unblemished credit histories.

Pass-Watch: Loan assets of this grade represent our minimum level of acceptable credit risk. This grade may also represent obligations previously rated "Pass", but with significantly deteriorating trends or previously rated.

Special Mention: Loan assets of this grade have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loan assets of this grade are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

Loan Portfolio Segments:

The Company groups loans of similar type that share common risk characteristics. We segment our loan portfolio along with assigning individual risk grades to each loan as part of our methodology for determining our allowance for loan losses. Those portfolio segments and significant risk characteristics are as follows:

One-to four-family, owner occupied: One-to four-family, owner occupied loans consist primarily of loans secured by first or second mortgages on primary residences, and are originated as primarily as fixed-rate loans for the construction, purchase or refinancing of a mortgage. These loans are collateralized by owner-occupied properties located in the Company's market area. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties.

The Company currently originates residential mortgage loans for our portfolio with loan-to-value ratios of up to 80% for traditional owner-occupied homes. For traditional homes, the Company may originate loans with loan-to-value ratios in excess of 80% if the borrower provides additional readily marketable collateral.

One-to four-family, non-owner occupied: One-to four-family, non-owner occupied loans are similar to owner occupied one-to four-family loans in terms of collateral, but they carry greater inherent risks than owner occupied loans, since the repayment ability of the borrower is generally reliant on the success of the income generated from the property. The Company currently originates one-to four-family, non-owner occupied mortgage loans for our portfolio with loan-to-value ratios of up to 80% for traditional owner-occupied homes.

Commercial and multi-family: Commercial real estate loans are secured primarily by office buildings, churches and various income producing properties. Multi-family real estate loans are secured by generally apartment complexes. Commercial and multifamily real estate loans are underwritten based on the economic viability of the property and creditworthiness of the borrower, with emphasis given to projected cash flow as a percentage of debt service requirements. These loans carry increased risks as they involve larger balances concentrated with single borrowers or groups of related borrowers. Repayment of loans secured by income producing properties depends on the successful operation of the real estate and the economy. The Company generally obtains personal guarantees on these loans.

The Company currently originates commercial and multi-family loans in amounts of up to 80% of the lesser of the appraised value or the purchase price of the property with an appropriate projected debt service coverage ratio.

Construction and Land: The Company makes construction loans to individuals for the construction of their primary residences and to commercial businesses for their real estate needs. These loans generally have maximum terms of nine months, and upon completion of construction convert to conventional amortizing mortgage loans. Residential construction loans have rates and terms comparable to one-to-four family residential mortgage loans that the Company originates. Commercial construction loans have rates and terms comparable to other commercial real estate loans that we originate. During the construction phase, the borrower generally pays interest only. Generally, the maximum loan-to-value ratio of our owner-occupied construction loans is 80%. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential mortgage loans. Commercial construction loans are generally underwritten pursuant to the same guidelines used for originating other commercial real estate loans.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The Company also makes interim construction loans for nonresidential properties. In addition, the Company occasionally makes loans for the construction of homes "on speculation," but the Company generally permits a borrower to have only two such loans at a time. These loans generally have a maximum term of nine months, and upon completion of construction, borrowers can convert to conventional amortizing nonresidential real estate loans. These construction loans have rates and terms comparable to permanent loans secured by property of the type being constructed that we originate. Generally, the maximum loan-to-value ratio of these construction loans is 85%.

Commercial business loans: Commercial, non-real estate, loans are offered to businesses and professionals in the Company's market area. These loans generally have short and medium terms on a collateralized basis. The structure of these loans are largely determined by the loan purpose and collateral. Sources of collateral can include a lien on equipment, inventory, receivables and other assets of the company. A UCC-1 is typically filed to perfect our lien on these assets.

Commercial loans typically are underwritten on the basis of the borrower's ability to make repayment from the cash flow of its business and generally are collateralized by business assets. As a result, such loans and leases involve additional complexities, variables and risks and require more thorough underwriting and servicing than other types of loans and leases. Repayment of commercial loans largely depends on the successful operation of the business for which and operating loan is utilized.

Consumer loans: The Company offers installment loans for various consumer purposes, including the purchase of automobiles, boats, and for other legitimate personal purposes. The maximum terms of consumer loans is 12 months for unsecured loans and 12 to 60 months for loans secured by a vehicle, depending on the age of the vehicle. The Company generally only extends consumer loans to existing customers or their immediate family members, and these loans generally have relatively low balances. We also originate floating rate home equity lines of credit and home improvement loans secured by second mortgages.

Consumer loans may entail greater credit risk than a typical residential mortgage loan, particularly in the case of consumer loans that are unsecured or are secured by rapidly depreciable assets, such as automobiles. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount, which can be recovered on such loans.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following tables present total loans by risk grade and portfolio segment at March 31, 2018 and December 31, 2017:

March 31, 2018	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:							
One-to four-family, owner occupied	$ 41,561	$ 657	$ 145	$ 1,231	$ -	$ -	$ 43,594
One-to four-family, non-owner occupied	6,427	-	-	77	-	-	6,504
Commercial and multi-family	23,385	-	-	-	-	-	23,385
Construction and land	3,772	168	-	13	-	-	3,953
Commercial business loans	2,766	-	198	-	-	-	2,964
Consumer loans	1,718	-	-	-	-	-	1,718
	$ 79,629	$ 825	$ 343	$ 1,321	$ -	$ -	$ 82,118

December 31, 2017	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:							
One-to four-family, owner occupied	$ 42,482	$ 740	$ 146	$ 1,292	$ -	$ -	$ 44,660
One-to four-family, non-owner occupied	6,535	-	-	116	-	-	6,651
Commercial and multi-family	23,790	-	-	-	-	-	23,790
Construction and land	3,438	168	-	13	-	-	3,619
Commercial business loans	1,844	-	204	-	-	-	2,048
Consumer loans	1,584	-	-	-	-	-	1,584
	$ 79,673	$ 908	$ 350	$ 1,421	$ -	$ -	$ 82,352

(6) FHLB Advances

At March 31, 2018 and December 31, 2017, advances from the Federal Home Loan Bank were as follows:

Maturity Date	Interest Rate	March 31, 2018	December 31, 2017
April 2, 2018	1.73%	$ 2,000	$ -
February 12, 2018	1.27%	-	3,000
March 12, 2018	4.92%	-	1,000
July 18, 2018	1.84%	3,000	3,000
July 18, 2019	2.21%	2,000	2,000
Total		$ 7,000	$ 9,000

Each advance is payable at its maturity date, with a prepayment penalty if paid earlier than its maturity date. The advances were collateralized by $51,825 and $51,532 of first mortgage loans under a blanket lien arrangement at March 31, 2018 and December 31, 2017. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $41,625 at March 31, 2018.

(7) EMPLOYEE STOCK OWNERSHIP PLAN

Employees participate in an Employee Stock Ownership Plan ("ESOP"). The ESOP borrowed from the Company to purchase 66,096 shares of the Company's common stock at $10 per share on June 29, 2016. The Bank may make discretionary contributions to the ESOP and pays dividends on unallocated shares to the ESOP. The ESOP uses funds it receives to repay the loan. When loan payments are made, ESOP shares are allocated to participants based on relative compensation and expense is recorded. Any dividends on allocated shares increase participant accounts. Participants receive the shares at the end of employment.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

No contributions to the ESOP were made during the three months ended March 31, 2018. The expense recognized for the three and months ended March 31, 2018 and 2017 was $10 and $10, respectively, and is reported in salaries and wages.

ESOP shares at March 31, 2018 and December 31, 2017 are summarized as follows:

	March 31, 2018	December 31, 2017
Committed to be released to participants	826	-
Allocated to participants	6,557	6,557
Unearned	58,713	59,539
Total ESOP shares	66,096	66,096
Fair value of unearned shares	$ 687	$ 697

(8) DEFINED BENEFIT AND POST RETIREMENT MEDICAL PLANS

Net periodic cost for the defined benefit pension plan and postretirement medical plan for the three months ended March 31, 2018 and 2017 included the following components:

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	Three Months Ended		Three Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Service cost	$ -	$ -	$ -	$ -
Interest cost	29	33	7	9
Expected return on plan assets	(36)	(36)	-	-
Amortization:				
Unrecognized net loss	25	25	1	2
Unrecognized prior service cost	-	-	(2)	(2)
Net periodic cost	$ 18	$ 22	$ 6	$ 9

The following table summarizes plan assets for the defined benefit pension plan, measured at fair value on a recurring basis at March 31, 2018 and December 31, 2017, segregated by the level of the inputs (as defined in Note 9) within the hierarchy used to measure fair value:

March 31, 2018	Level 1	Level 2	Level 3	Total Fair Value
Pooled separate accounts	$ -	$ 2,609	$ -	$ 2,609

December 31, 2017	Level 1	Level 2	Level 3	Total Fair Value
Pooled separate accounts	$ -	$ 2,654	$ -	$ 2,654

During the three months ended March 31, 2018, benefits paid, employer contributions and the actual return on plan assets for the defined benefit pension plan were $116, $0 and $72, respectively. During the three months ended March 31, 2017, benefits paid, employer contributions, and the actual return on plan assets were $69, $69, and $92, respectively.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The Company's defined benefit pension plan target allocations and weighted-average allocations by asset category are as follows:

	Target Allocation 2017	March 31, 2018	December 31, 2017
Pooled separate accounts			
Equity	30%-40%	43%	40%
Debt	60%-70%	57%	60%

The Company's investment strategy is to maintain a diversified investment portfolio. Rebalancing occurs on a periodic basis to maintain the target allocations, but normal market activity may result in deviations. As a result of the percentage of equities held, actual return of plan assets for any period may fluctuate significantly due to changes in the stock market.

Changes in accumulated other comprehensive loss associated with the defined benefit and postretirement medical plans are as follows:

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	March 31,		March 31,	
	2018	2017	2018	2017
Amortization of:				
Unrecognized net loss	$ 25	$ 25	$ 1	$ 2
Unrecognized prior service cost	-	-	(2)	(2)
	25	25	(1)	-
Tax effect	-	-	-	-
Unrecognized net (gain) loss, net of tax	$ 25	$ 25	$ (1)	$ -

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

Investment Securities:

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

Impaired Loans:

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

Real Estate Owned:

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

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2018 and December 31, 2017 are summarized below:

	Level 2	
	March 31, 2018	**December 31, 2017**
Financial Assets		
Available-for-sale securities	$ 15,267	$ 16,211

There were no financial or nonfinancial assets that required nonrecurring level 3 adjustments for the three months ended March 31, 2018 and 2017.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

Fair Value of Financial Instruments

Many of the Company's assets and liabilities are short-term financial instruments whose carrying amounts reported in the consolidated balance sheet approximate fair value and are considered Level 1 assets and liabilities. These items include cash and cash equivalents, accrued interest receivable and accrued interest payable balances. The estimated fair values of the Company's remaining on-balance sheet financial instruments at March 31, 2018 and December 31, 2017 are summarized below:

	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
March 31, 2018					
Financial assets					
Available-for-sale securities	$ 15,267	$ -	$ 15,267	$ -	$ 15,267
Restricted equity securities (1)	326	NA	NA	NA	NA
Loans, net	80,906	-	-	80,656	80,656
Financial liabilities					
Deposits	$ 86,465	$ 27,598	$ 59,353	$ -	$ 86,951
FHLB Advances	7,000	-	6,993	-	6,993
December 31, 2017					
Financial assets					
Available-for-sale securities	$ 16,211	$ -	$ 16,211	$ -	$ 16,211
Restricted equity securities (1)	405	NA	NA	NA	NA
Loans, net	81,128	-	-	81,686	81,686
Financial liabilities					
Deposits	$ 86,826	$ 27,391	$ 60,305	$ -	$ 87,696
FHLB Advances	9,000	-	9,013	-	9,013

(1) It is not practicable to determine fair value of restricted equity securities due to restrictions placed on transferability.

BEST HOMETOWN BANCORP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share data)

The following methods and assumptions were used in estimating the fair values shown above:

Loans:

The fair value of loans is computed for each loan category using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Deposits:

Deposits with no defined maturities, such as checking accounts, savings accounts and money market deposit accounts are, by definition, equal to the amount payable on demand at the balance sheet date. The fair values of certificate accounts are computed using interest rates currently being offered to deposit customers.

FHLB advances:

FHLB advances are valued at current market interest rates of FHLB advances.

Off-balance sheet commitments:

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

(10) SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of issuance and except for the following, no events were identified that would require disclosure.

In April 2018, Management elected to make a contribution to the pension plan in order to fully satisfy the Plan's obligations to two participants. Management believes this payment will trigger settlement accounting. Management is still evaluating the effect this payment will have on the Company but settlement accounting will require a one-time settlement cost of approximately $561.

PART 1. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations at March 31, 2018 and for the three months ended March 31, 2018 and 2017 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and the notes thereto, appearing in Part 1, Item 1 of this report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Form 10-Q, except as required by law.

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

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the Securities and Exchange Commission, the Financial Accounting Standards Board and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;

- changes in our financial condition or results of operations that reduce capital; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Additional factors that may affect our results are discussed in Best Hometown Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on March 29, 2018, including under the section titled "Risk Factors". These factors and the other factors listed above should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in the Annual Report on Form 10-K for Best Hometown Bancorp, Inc. for the year ended December 31, 2017.

Comparison of Financial Condition at March 31, 2018 and December 31, 2017

Our total assets decreased by $2.3 million, or 2.1%, to $108.0 million at March 31, 2018 from $110.3 million at December 31, 2017. The decrease in total assets is primarily due to the net decrease of $1.1 million in total cash and cash equivalents and the decrease of $944,000 in available-for-sale securities. The decrease in cash and cash equivalents resulted from the net decrease in FHLB advances of $2.0 million and the net decrease in total deposits of $361,000, and the decrease in available-for-sale securities resulted from paydowns on mortgage-backed securities of $722,000, the increase in gross unrealized losses on securities of $156,000 and amortization of premiums on securities in our portfolio of $66,000.

Gross loans decreased by $220,000, or 0.27%, to $82.1 million at March 31, 2018 from $82.3 million at December 31, 2017. One-to four-family, owner occupied and non-owner in total decreased by $1.2 million to $50.1 million at March 31, 2018 from $51.3 million at December 31, 2017, which reflects normal principal reductions on amortizing loans and our shifted focus toward commercial and multi-family real estate and commercial business lending. Commercial and multi-family loans decreased modestly by $405,000 to $23.4 million at March 31, 2018 from $23.8 million at December 31, 2017. These decreases were partially offset by increases in construction and land loans, commercial business loans, and consumer loans, which increased in total by $1.4 million to a combined total for these portfolio segments of $8.6 million at March 31, 2018 from $7.2 million at December 31, 2017.

Available-for-sale securities decreased by $944,000, or 5.8%, to $15.3 million at March 31, 2018 from $16.2 million at at December 31, 2017. The decrease is attributable to paydowns on our mortgage-backed securities and an increase in unrealized losses on our securities portfolio of $156,000 to $539,000 at March 31, 2018 from $383,000 at December 31, 2017. The increase in total unrealized losses reflects the effects of rising interest rates on bond pricing.

Real estate owned, net increased to $119,000 at March 31, 2018, which was the result of one foreclosure on a one-to four-family residential loan. The real estate owned was recorded at fair value less costs to sell. No charge-off was recognized.

Our deposits decreased $361,000, or 0.42%, to $86.5 million at March 31, 2018 from $86.8 million at December 31, 2017. Interest-bearing deposits decreased by $981,000, or 1.2%, to $80.8 million at March 31, 2018 from $81.7 million at December 31, 2017. This decrease was partially was offset by an increase in our noninterest-bearing deposits of $620,000 or 12.2%, to $5.7 million at March 31, 2018 from $5.1 million at December 31, 2017. The decrease in interest-bearing deposits was primarily attributed to a decrease in certificates of deposits from maturing certificates and customers moving the deposits into the market.

FHLB advances decreased to $7.0 million at March 31, 2018 from $9.0 million at December 31, 2017. During the first quarter, $4.0 million in advances matured, and we borrowed an additional $2.0 million in short-term advances at 1.73%. Of the matured advances, $3.0 million was at a rate of 1.27% and $1.0 million was at 4.92%.

Shareholders' equity decreased by $200,000, or 1.6%, to $12.2 million at March 31, 2018 from $12.4 million at December 31, 2017. The decrease in shareholders' equity reflects our net loss of $101,000 and the increase in net unrealized losses on available-for-sale securities of $124,000, offset partially by the decreases in accumulated other comprehensive losses related to our defined benefit and postretirement medical plans of $24,000, and the combined increase in our unearned ESOP and additional paid-in capital of $10,000 from the recognition of ESOP compensation expense for the three months ended March 31, 2018.

Nonperforming Assets

The table below sets forth the amounts and categories of our nonperforming assets at the dates indicated.

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Nonaccrual loans:		
Real estate mortgage loans:		
One- to four-family, owner occupied	$ -	$ -
One- to four-family, non-owner occupied	-	-
Commercial and multi-family	-	-
Construction and land	13	13
Commercial business loans	-	-
Consumer loans	-	-
Total nonaccrual loans	13	13
Accruing loans past due 90 days or more:		
One- to four-family, non-owner occupied	-	39
Accruing troubled debt restructured loans:		
Real estate mortgage loans:		
One- to four-family, owner occupied	84	84
One- to four-family, non-owner occupied	-	-
Commercial and multi-family	-	-
Construction and land	-	-
Commercial business loans	-	-
Consumer loans	-	-
Total accruing troubled debt restructured loans	84	84
Total nonperforming loans	97	136
Foreclosed real estate held for sale:		
One- to four-family	119	81
Commercial and multi-family	-	-
Construction and land	-	-
Total foreclosed real estate held for sale	119	81
Total nonperforming assets	$ 216	$ 217
Total nonperforming loans to total gross loans	0.12%	0.17
Total nonperforming assets to total assets	0.20%	0.20
Allowance for loan loss to nonperforming loans	12.55	8.93
Gross loans	82,118	82,352
Allowance	1,217	1,215
Total assets	107,947	110,293

Interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was less than $1,000 for the three months ended March 31, 2018. For the three months ended March 31, 2018 and 2017, interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was less than a $1,000 and $4,000, respectively.

Interest income that would have been recorded had our trouble debt restructured loan been current in accordance with its original term was $1,000 and $1,000 for the three months ended March 31, 2018 and 2017. Interest of $1,000 was recognized on this loan and is included in net income for the three months ended March 31, 2018 and 2017.

The decrease in nonperforming assets as a percentage of total gross loans reflection of strong credit quality within our loan portfolio.

Analysis of Net Interest Margin

The following table sets forth average balance sheets, average annualized yields and rates, and certain other information at and for the periods indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Nonaccrual loans were included in the computation of average balances, but have been reflected in the tables as loans carrying a zero yield. The yields set forth below include the effect of net deferred costs, discounts and premiums that are amortized or accreted to income.

	Three Months Ended					
	March 31, 2018			March 31, 2017		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in Thousands)					
Assets:						
Interest-earning assets:						
Loans	$ 79,825	$ 870	4.36%	$ 76,040	$ 834	4.39%
Investment securities	22,512	74	1.31	25,848	101	1.56
Interest-bearing deposits	2,357	11	1.87	3,083	9	1.17
Total interest-earning assets	104,694	955	3.65	104,971	944	3.60
Noninterest-earning assets	7,668			5,330		
Total assets	112,362			110,301		
Liabilities and equity:						
Interest-bearing liabilities:						
Checking accounts	$ 443	$ 1	0.92%	$ 442	$ 1	0.92%
Savings accounts	7,488	1	0.05	7,345	1	0.06
Money market accounts	14,175	19	0.54	13,294	15	0.46
Certificates of deposit	61,556	233	1.54	62,817	244	1.58
Total interest-bearing deposits	83,662	254	1.23	83,898	261	1.25
FHLB advances	8,786	43	1.98	6,355	38	2.43
Total interest-bearing liabilities	92,448	297	1.30	90,253	299	1.33
Noninterest bearing deposits	5,238			6,286		
Other noninterest-bearing liabilities	2,168			2,895		
Total liabilities	99,854			99,434		
Equity	12,508			10,867		
Total liabilities and equity	$112,362			$110,301		
Net interest income		$ 658			$ 645	
Interest rate spread			2.35%			2.26%
Net interest margin			2.51%			2.46%
Average interest-earning assets to average interest-bearing liabilities	1.13X			1.16X		

Comparison of Operating Results for the Three Months Ended March 31, 2018 and 2017

General. We recognized a net loss of $101,000 for the three months ended March 31, 2018 compared to a net loss of $115,000 for the three months ended March 31, 2017. The decrease in net loss was primarily attributed to an increase in net interest income of $13,000, or 2.0%, to $658,000 for the three months ended March 31, 2018 from $645,000 for the three months ended March 31, 2017 and an increase in total noninterest income of $35,000, or 145.8%, to $59,000 from $24,000 for the same periods, offset partially by an increase in noninterest expense of $34,000, or 4.3%, to $818,000 for the three months ended March 31, 2018 compared to $784,000 for the three months ended March 31, 2017.

Interest Income. Interest income increased $11,000, or 1.2%, to $955,000 for the three months ended March 31, 2018 from $944,000 for the three months ended March 31, 2017. The increase in interest income reflects the increase in the yield on interest-earning assets of 5.0 basis points to 3.65% for the three months ended March 31, 2018 from 3.60% for the three months ended March 31, 2017. The total average balance of our interest-earning assets remained relatively unchanged for both periods. The increase in the yield on interest-earning assets reflects changes to the asset portfolio mix and a shift towards higher-yielding assets.

Interest income on loans increased by $36,000, or 4.3%, to $870,000 for the three months ended March 31, 2018 from $834,000 for the three months ended March 31, 2017. The increase in loan interest income reflects the increase in the average balance of our loans of $3.8 million, or 5.0%, to $79.8 million for the three months ended March 31, 2018 from $76.0 million for the three months ended March 31, 2017, which offset the decrease in yield on our loans of 3.0 basis points to 4.36% from 4.39%. The increase in the average balance of our loans reflects increased loan demand in our market area.

Interest income on investment securities decreased by $27,000, or 26.7% to $74,000 for the three months ended March 31, 2018 from $101,000 for the three months ended March 31, 2017. The decrease reflects the both a decrease in the average balance of our investment securities of $3.3 million, or 12.8%, to $22.5 million for the three months ended March 31, 2018 from $25.8 million for the three months ended March 31, 2017 and the decrease in yield on our investment securities of 25 basis points to 1.31% for the three months ended March 31, 2018 from 1.56% for the three months ended March 31, 2017. The decrease in the average balance of our investment securities reflects paydowns on our mortgage-backed securities, and the decrease in yield reflects the effects of paydowns of older, higher-yielding securities in our portfolio.

Interest from interest-bearing deposits increased to $11,000 for the three months ended March 31, 2018 from $9,000 for the three months ended March 31, 2017. The increase in interest income reflects higher rates paid on our excess funds on deposit with other institutions. Our yield on interest-bearing deposits increased to 1.87% for the three months ended March 31, 2018 from 1.17% for the three months ended March 31, 2017.

Interest Expense. Interest expense decreased by $2,000, or 0.67%, to $297,000 for the three months ended March 31, 2018 from $299,000 for the three months ended March 31, 2017. The decrease reflects decrease in the average cost of our deposits and FHLB advances to 1.30% for the three months ended March 31, 2018 from 1.33% for the three months ended March 31, 2017. The decrease in the average cost of our deposits and FHLB advances offset the increase in their average balances. The total average balance of our deposits and FHLB advances increased to $92.4 million for the three months ended March 31, 2018 from $90.2 million for the three months ended March 31, 2017.

Deposit interest expense decreased by $7,000, or 2.7%, to $254,000 for the three months ended March 31, 2018 from $261,000. The decrease in deposit interest expense reflects the decrease in the average cost of our deposits to 1.23% for the three months ended March 31, 2018 from 1.25% for the three months ended March 31, 2017. Most of the decrease in our average cost of deposits is attributable to certificates of deposits. Interest expense on certificates of deposit decreased by $11,000 to $233,000 for the three months ended March 31, 2018 from $244,000 for the three months ended March 31, 2017. The decrease reflects both a decrease in the average balance of certificates of deposit and the decrease in the average cost of certificates of deposit. The average balance of our certificates of deposit decreased to $61.5 million for the three months ended March 31, 2018 from $62.8 million for the three months ended March 31, 2017. The average costs of certificates of deposits decreased to 1.54% from 1.58% for the same periods.

Interest expense on FHLB advances increased by $5,000, or 13.1%, to $43,000 for the three months ended March 31, 2018 from $38,000 for the three months ended March 31, 2017. The increase in FHLB interest expense reflects the increase in the average balance of FHLB advances to $8.8 million for the three months ended March 31, 2018 from $6.3 million for the three months ended March 31, 2017.

Net Interest Income. Net interest income increased $13,000, or 2.0%, to $658,000 for the three months ended March 31, 2018 from $645,000 for the three months ended March 31, 2017, which was largely a reflection of the increase in net interest margin of 8.0 basis points to 2.51% from 2.46% for the same periods.

Provision for Loan Losses. There was no provision for loan losses for the three months ended March 31, 2018 or 2017, which is a reflection of our continued strong credit quality as evidenced by our continued low and decreasing levels of nonperforming loans.

Our total allowance for loans losses was 1.5% of total gross loans at March 31, 2018 and December 31, 2017. We do not have an allowance for specifically identified impaired loans as we generally charge-off identified impairments on impaired loans to the allowance for loan losses to a net realizable value on those loans. As needed, we may have an unallocated portion in our general allowance that we believe represents those probable incurred losses within our loan portfolio not specifically identified with any particular portfolio segment. At March 31, 2018 and December 31, 2017, the unallocated portion of our allowance for loan losses was $84,000 and $88,000, respectively.

Noninterest Income. Noninterest income increased $35,000, or 145.8%, to $59,000 for the three months ended March 31, 2018 from $24,000 for the three months ended March 31, 2017. The increase is primarily related to the increase of $24,000 of income on bank owned life insurance for the three months ended March 31, 2018 to $26,000 from $2,000 for the three months ended March 31, 2017. In March of 2017, we purchased $3.4 million in bank owned life insurance.

Noninterest Expense. Noninterest expense increased $34,000, or 4.3%, to $818,000 for the three months ended March 31, 2018 from $784,000 for the three months ended March 31, 2017. The increase was largely attributed to increases in occupancy and equipment expenses, data processing, and professional and supervisory fees. Occupancy and equipment expenses increased by $6,000, or 5.1%, to $123,000 for the three months ended March 31, 2018 from $117,000 for the three months ended March 31, 2017. The increase was primarily related to increased utilities and equipment maintenance costs for the three months ended March 31, 2018 as compared to March 31, 2017. Professional and supervisory fees increased by $6,000, or 6.5%, to $99,000 for the three months ended March 31, 2018 from $93,000 for the three months ended March 31, 2017. The increase in professional and supervisory fees is primarily related to increased costs associated with public company filings. These increases were partially offset by decreases in office expense and advertising of $2,000 and $4,000, respectively, for the three months ended March 31, 2018 as compared to $14,000 and $16,000 for office expense and advertising for the three months ended March 31, 2017.

Income Tax Expense. There was no provision for income taxes for the three months ended March 31, 2018 or March 31, 2017. A valuation allowance has been recorded against all components of the net deferred tax asset, except for the unrealized loss on available-for-sale securities, based upon our cumulative operating losses in recent years.

The deferred tax asset will only be recognized in future periods upon the Company's ability to realize and maintain profitable results of operations.

Liquidity and Capital Resources

Our primary sources of funds consist of deposit inflows, loan repayments, FHLB advances, and repayments, maturities and calls of investment securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. Our Asset/Liability Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of March 31, 2018.

We regularly monitor and adjust our investments in liquid assets based upon our assessment of: (i) expected loan demand; (ii) expected deposit flows; (iii) yields available on interest-earning deposits and securities; and (iv) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning and non interest-earning deposits and short- and medium-term securities.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, we have borrowing agreements with the Federal Home Loan Bank of Chicago (FHLB) that provide an additional source of funds. Our FHLB advances totaled $7.0 million at March 31, 2018. In addition, the Company has an irrevocable standby letter of credit with the FHLB of $2.7 million at March 31, 2018 to secure public deposits. At March 31, 2018, we had the ability to borrow up to an additional $41.6 million from the FHLB, subject to pledging additional collateral. We also have an unused open line of credit at The Independent BankersBank that would allow us to borrow up to $2.5 million at March 31, 2018.

The Company is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At March 31, 2018 and December 31, 2017, the Company exceeded all regulatory capital requirements. The Company is considered “well capitalized” under regulatory guidelines.

The net proceeds from the stock offering significantly increased our liquidity and capital resources. Over time, the initial level of liquidity will be reduced as net proceeds from the stock offering are used for general corporate purposes, including the funding of new loans. Our results of operations will be enhanced by the net proceeds from the stock offering, resulting in increased net interest income. However, due to the increase in equity resulting from the net proceeds raised in the stock offering, our return on equity will be adversely affected.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable, as the Registrant is a smaller reporting company.

ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company’s management, including the President and Chief Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of the Bank’s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2018. Based on that evaluation, the Company’s management, including the President and Chief Executive Officer and the Principal Financial Officer, concluded that the Registrant’s disclosure controls and procedures were effective.

During the quarter ended March 31, 2018, there have been no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company’s financial condition or results of operations.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Best Hometown Bancorp, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2017 (“Form 10-K”) as filed with the Securities and Exchange Commission on March 29, 2018, including under the section titled “Risk Factors, which could materially affect our business, financial condition or future results. Additional risks not presently known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition or results of operations. At March 31, 2018, the risk factors for Best Hometown Bancorp, Inc. have not changed materially from those reported in our Form 10-K. However, the risks described in the Form 10-K are not the only risks that we face.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed in the "Index to Exhibits" immediately following the Signatures.

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.

BEST HOMETOWN BANCORP, INC.

Date: May 15, 2018	/s/ Ronnie R. Shambaugh Ronnie R. Shambaugh President and Chief Executive Officer
Date: May 15, 2018	/s/ Jennifer M. Lanzafame Jennifer M. Lanzafame Principal Financial Officer

INDEX TO EXHIBITS

Exhibit number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0	The following materials from Best Hometown Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Loss, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements

EX-31.1 2 tv493897_ex31-1.htm EXHIBIT 31.1

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ronnie R. Shambaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Best Hometown Bancorp, Inc.;

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

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, 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 provided 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

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

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

Date: May 15, 2018 /s/ Ronnie R. Shambaugh
Ronnie R. Shambaugh
President and Chief Executive Officer

EX-31.2 3 tv493897_ex31-2.htm EXHIBIT 31.2

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jennifer M. Lanzafame, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Hometown Bancorp, Inc.;

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

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, 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 provided 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

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

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

Date: May 15, 2018 /s Jennifer M. Lanzafame
Jennifer M. Lanzafame
Principal Financial Officer

EX-32.1 4 tv493897_ex32-1.htm EXHIBIT 32.1

Exhibit 32.1

Certification of Chief Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ronnie R. Shambaugh, President and Chief Executive Officer of Best Hometown Bancorp, Inc., (the "Company") and Jennifer M. Lanzafame, Principal Financial Officer of the Company, each certify in his capacity as an officer of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended March 31, 2018 (the "Report") and that to the best of their knowledge:

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

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

Date: May 15, 2018 /s/ Ronnie R. Shambaugh
Ronnie R. Shambaugh
President and Chief Executive Officer

Date: May 15, 2018 /s/ Jennifer M. Lanzafame
Jennifer M. Lanzafame
Principal Financial Officer

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