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 September 30, 2017

Or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File No. 000-55652

Best Hometown Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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

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 November 14, 2017, there were 826,208 shares of the Registrant's common stock issued and outstanding.

BEST HOMETOWN BANCORP, INC.

Form 10-Q Quarterly Report

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

ITEM 1. FINANCIAL STATEMENTS

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Cash and due from banks	$ 1,319	$ 1,776
Interest-earning deposits in banks	2,856	3,683
Total cash and cash equivalents	4,175	5,459
Available-for-sale securities	19,886	25,162
Loans	81,817	75,462
Allowance for loan losses	(1,227)	(1,214)
Net loans	80,590	74,248
Premises and equipment, net	3,371	3,141
Bank owned life insurance	3,455	-
Real estate owned, net	81	-
Accrued interest receivable:		
Investment securities	246	244
Loans receivable	68	74
Deferred tax asset	108	138
Restricted equity securities	405	837
Other assets	102	87
Total assets	$ 112,487	$ 109,390
LIABILITIES		
Deposits		
Noninterest-bearing	$ 5,674	$ 4,781
Interest-bearing	83,115	83,690
Total deposits	88,789	88,471
Federal Home Loan Bank ("FHLB") advances	9,000	6,000
Accrued defined benefit pension and postretirement plans	1,835	1,911
Other liabilities	264	209
Total liabilities	99,888	96,591
Commitments and contingencies		
Redeemable common stock held by ESOP plan	72	41
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	6,845	6,839
Retained earnings - substantially restricted	7,967	8,330
Unearned Employee Stock Ownership Plan ("ESOP") common stock, 60,365 and 62,844 shares	(604)	(628)
Accumulated other comprehensive loss, net of tax:		
Net unrealized losses on available-for-sale securities	(210)	(269)
Net unrealized losses on defined benefit pension plan and postretirement medical plans, net	(1,407)	(1,481)
Total accumulated other comprehensive loss, net of tax	(1,617)	(1,750)
Less maximum cash obligation related to ESOP shares	(72)	(41)
Total shareholders' equity	12,527	12,758
Total liabilities and shareholders' equity	$ 112,487	$ 109,390

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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Interest income:				
Loans receivable	$ 868	$ 835	$ 2,561	$ 2,489
Investment securities, taxable	84	59	290	157
Other interest-earning assets	8	10	27	30
Total interest income	960	904	2,878	2,676
Interest expense:				
Deposits	272	267	799	762
Advances from FHLB	48	44	137	186
Total interest expense	320	311	936	948
Net interest income	640	593	1,942	1,728
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	640	593	1,942	1,728
Noninterest income:				
Service charges on deposit accounts	24	15	63	48
Income on bank owned life insurance	27	-	55	-
Gain (loss) on sales of securities	-	7	(19)	7
Gain on sale of real estate owned	-	20	1	10
Other	21	3	29	15
Total noninterest income	72	45	129	80
Noninterest expense:				
Salaries and employee benefits	391	369	1,244	1,110
Occupancy and equipment	124	92	358	266
Data processing	56	53	163	155
Professional and supervisory fees	151	133	376	322
Office expense	16	18	40	41
Advertising	12	18	45	43
FDIC deposit insurance	10	21	25	63
Provision for real estate owned and related expenses	4	3	19	52
Other	59	54	164	164
Total noninterest expense	823	761	2,434	2,216
Loss before income taxes	(111)	(123)	(363)	(408)
Income tax expense	-	-	-	-
Net loss	$ (111)	$ (123)	$ (363)	$ (408)
Basic net loss per share	$ (0.15)	NA	$ (0.47)	NA

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (111)	$ (123)	$ (363)	$ (408)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities :				
Unrealized holding gain (loss) arising during the period	33	$ (45)	69	53
Reclassification adjustment for gains (losses) included in net income	-	(7)	19	(7)
Tax effect	(11)	18	(29)	(16)
Net of tax	22	(34)	59	30
Defined benefit pension and post retirement medical plans:				
Net gain (loss) arising during the period on plans	-	-	-	-
Reclassification adjustment for amortization of prior service cost and net gain/loss included in net periodic pension cost	25	27	74	83
Tax effect	-	-	-	-
Net of tax	25	27	74	83
Total other comprehensive income (loss)	47	(7)	133	$ 113
Comprehensive loss	$ (64)	$ (130)	$ (230)	$ (295)

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	Net Unrealized Losses On Defined Benefit Pension and Postretirement Medical Plans, Net	Maximum Cash Obligation Related to ESOP Shares	Total
Balance at December 31, 2015	$ -	$ -	$ 8,789	$ -	$ (85)	$ (1,842)	$ -	$ 6,862
Net loss	-	-	(408)	-	-	-	-	(408)
Other comprehensive income	-	-	-	-	30	83	-	113
Proceeds from issuance of 826,208 shares of common stock	8	6,836	-	(661)	-	-	-	6,183
ESOP shares earned	-	1	-	9	-	-	-	10
Change related to ESOP shares cash obligation	-	-		-			(36)	(36)
Balance at September 30, 2016	$ 8	$ 6,837	$ 8,381	$ (652)	$ (55)	$ (1,759)	$ (36)	$ 12,724
Balance at December 31, 2016	$ 8	6,839	8,330	(628)	(269)	(1,481)	$ (41)	$ 12,758
Net loss	-	-	(363)	-	-	-	-	(363)
Other comprehensive income	-	-	-	-	59	74	-	133
ESOP shares earned	-	6	-	24	-	-	-	30
Change related to ESOP shares cash obligation	-	-	-	-	-	-	(31)	(31)
Balance at September 30, 2017	$ 8	$ 6,845	$ 7,967	$ (604)	$ (210)	$ (1,407)	$ (72)	$ 12,527

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)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (363)	$ (408)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization, net	533	300
Income on bank owned life insurance	(55)	-
Gain on sale of real estate owned	(1)	(10)
(Gain) loss on sales of securities	19	(7)
ESOP compensation expense	30	10
Net change in operating assets and liabilities:		
Accrued interest receivable	4	(16)
Accrued interest payable	(1)	(20)
Other	52	139
Net cash provided by (used in) operating activities	218	(12)
Cash flows from investing activities:		
Loan originations and repayments, net	(6,484)	629
Purchases of available-for-sale securities	(1,816)	(20,212)
Proceeeds from maturities, paydowns and calls of available-for-sale securities	3,844	3,233
Proceeds from sales of available-for-sale securities	2,998	2,911
Purchase of bank owned life insurance	(3,400)	-
Redemptions of FHLB stock, net	432	-
Purchases of premises and equipment	(426)	(897)
Proceeds from the sale of premises and equipment	-	
Proceeds from sale of foreclosed real estate	32	661
Net cash used in investing activities	(4,820)	(13,675)
Cash flows from financing activities:		
Net change in deposits	318	6,696
Borrowings of FHLB advances	3,000	-
Repayments of FHLB advances	-	(3,000)
Proceeds from issuance of common stock	-	6,183
Net cash provided by financing activities	3,318	9,879
Change in cash and cash equivalents	(1,284)	(3,808)
Cash and cash equivalents at beginning of period	5,459	9,100
Cash and cash equivalents at end of period	$ 4,175	$ 5,292
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest on deposits	$ 799	$ 759
Interest on advances from FHLB	138	209
Real estate acquired in settlement of loans	$ 113	$ 24
Loans made to finance sales of foreclosed assets	$ -	$ 348

See accompanying notes to the condensed consolidated financial statements

(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 September 30, 2017 and December 31, 2016 and the results of operations and cash flows for the three and nine months ended September 30, 2017 and 2016. All interim amounts have not been audited and the results of operations for the three and nine months ended September 30, 2017, 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 and nine months ended September 30, 2016 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.

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

In March 2017, the FASB issued ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20). The update changes the amortization period of associated premiums with the purchase of callable debt securities from amortization over the life of the security to the earliest call date of the security. The standard takes effect for fiscal years and interim periods within those fiscal years, beginning after Dec. 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company intends to early adopt this standard. There have been no changes to our investment portfolio since the three months ended March 31, 2017. Accordingly, the adoption of this standard will not have an effect on the Company's consolidated financial statements as the company does not own any callable debt securities.

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. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We have not completed our evaluation of the effects on our financial statements of ASU 2016-01 and disclosures at this time.

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.

ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company continued its preparation for the implementation for this standard during the three months ended September 30, 2017. We have not completed our evaluation of its effects on our financial statements and disclosures at this time.

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.

(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 September 30, 2017	Nine Months Ended September 30, 2017
Loss per share		
Net loss	$ (111)	$ (363)
Weighted average common shares outstanding	826,208	826,208
Less: average unearned ESOP shares	(60,778)	(61,605)
Weighted average common shares outstanding	765,430	764,603
Basic loss per share	$ (0.15)	$ (0.47)

Given a net loss for the three and nine months ended September 30, 2017, only basic loss per share is applicable.

Based on the accounting method used for the recording of the common stock transaction, including the funding of Best Hometown Bancorp, Inc., on June 29, 2016, together with the methods and computations for calculating the weighted-average number of related outstanding shares and loss per share for the three and nine months ended September 30, 2016, the computation of loss per share would not provide meaningful information to readers of the accompanying condensed consolidated financial statements. Therefore, such presentation is not included for such periods.

(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 September 30, 2017 and December 31, 2016 are as follows:

September 30, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Government agency SBAP security	$ 923	$ -	$ (26)	$ 897
U.S. Government agency mortgage-backed securities - residential	19,281	1	(293)	18,989
	$ 20,204	$ 1	$ (319)	$ 19,886

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Government agency	$ 1,005	$ -	$ (29)	$ 976
U.S. Government agency mortgage-backed securities - residential	24,563	4	(381)	24,186
Total	$ 25,568	$ 4	$ (410)	$ 25,162

As of September 30, 2017 and December 31, 2016, no investment securities were pledged for public deposits.

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

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 September 30, 2017 and December 31, 2016. 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		
September 30, 2017	Fair Value	Unrealized Loss	Number in Unrealized Loss (1)	Fair Value	Unrealized Loss	Number in Unrealized Loss (1)
U.S. Government agency SBAP security	$ 897	$ (26)	1	$ -	$ -	0
U.S. Government agency mortgage-backed securities - residential	5,643	(61)	10	12,932	(231)	21
	$ 6,540	$ (87)	11	$ 12,932	$ (231)	21

	Total		
September 30, 2017	Fair Value	Unrealized Loss	Number in Unrealized Loss (1)
U.S. Government agency SBAP security	$ 897	$ (26)	1
U.S. Government agency mortgage-backed securities - residential	18,575	(293)	31
Total	$ 19,472	$ (319)	32

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

	Less than 12 Months			12 Months or Longer		
December 31, 2016	Fair Value	Unrealized loss	Number in Unrealized Loss (1)	Market Value	Unrealized loss	Number in Unrealized Loss (1)
U.S. Government agency bonds	$ 976	$ (29)	1	$ -	$ -	0
U.S. Government agency mortgage-backed securities - residential	19,341	(320)	26	3,500	(61)	8
Total	$ 20,317	$ (349)	27	$ 3,500	$ (61)	8

	Total		
December 31, 2016	Fair Value	Unrealized Loss	Number in Unrealized Loss (1)
U.S. Government agency bonds	$ 976	$ (29)	1
U.S. Government agency mortgage-backed securities - residential	22,841	(381)	34
Total	$ 23,817	$ (410)	35

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

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 September 30, 2017 and December 31, 2016, was $19,472 and $23,817, which was approximately 98% and 95% at September 30, 2017 and December 31, 2016, respectively, of the Company's available-for-sale securities. None of the unrealized losses at September 30, 2017 were recognized into net income for the three and nine months ended September 30, 2017 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, 2016 were recognized as having OTTI during the three and nine months ended September 30, 2017.

Sales of available-for-sale securities for the three and nine months ended September 30, 2017 and 2016 are listed in the tables below:

	Three Months Ended		**Nine Months Ended**	
Available-for-sale:	**September 30, 2017**	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Proceeds	$ -	$ 2,911	$ 2,998	$ 2,911
Gross gains	-	17	-	17
Gross losses	-	(10)	(19)	(10)

(5) LOANS

The components of loans at September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Real estate loans:		
One-to four-family, owner occupied	$ 46,102	$ 47,971
One-to four-family, non-owner occupied	5,931	5,251
Commercial and multi-family	23,934	17,785
Construction and land	2,194	2,676
Commercial business loans	1,905	921
Consumer loans	1,764	901
	81,830	75,505
Net deferred loan fees	(13)	(43)
Total	$ 81,817	$ 75,462

The following tables present the activity in the allowance for loan losses for the three nine months ended September 30, 2017 and 2016 by portfolio segment:

Three Months Ended September 30, 2017	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
One-to-four family, owner occupied	$ 618	$ (70)	$ -	$ -	$ 548
One-to-four family, non-owner occupied	108	-	(5)	-	103
Commercial and multi-family	389	21	-	-	410
Construction and land	43	(15)	-	-	28
Commercial business loans	34	4	-	-	38
Consumer loans	40	6	-	-	46
Unallocated	-	54	-	-	54
	$ 1,232	$ -	$ (5)	$ -	$ 1,227

Three Months Ended September 30, 2016	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
One-to-four family, owner occupied	$ 743	$ (50)	$ (29)	$ 25	$ 689
One-to-four family, non-owner occupied	73	11	-	3	87
Commercial and multi-family	276	18	-	-	294
Construction and land	38	-	-	-	38
Commercial business loans	18	(2)	-	-	16
Consumer loans	21	19	-	-	40
Unallocated	55	4	-	-	59
	$ 1,224	$ -	$ (29)	$ 28	$ 1,223

	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Nine Months Ended September 30, 2017					
Real estate loans:					
One-to-four family, owner occupied	$ 657	$ (123)	$ (34)	$ 42	$ 542
One-to-four family, non-owner occupied	113	(2)	(5)	3	109
Commercial and multi-family	309	101	-	-	410
Construction and land	42	(21)	-	7	28
Commercial business loans	18	20	-	-	38
Consumer loans	26	20	-	-	46
Unallocated	49	5	-	-	54
	$ 1,214	$ -	$ (39)	$ 52	$ 1,227

	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Nine Months Ended September 30, 2016					
Real estate loans:					
One-to-four family, owner occupied	$ 771	$ (51)	$ (59)	$ 28	$ 689
One-to-four family, non-owner occupied	82	-	-	5	87
Commercial and multi-family	260	34	-	-	294
Construction and land	47	(9)	-	-	38
Commercial business loans	14	2	-	-	16
Consumer loans	19	21	-	-	40
Unallocated	56	3	-	-	59
	$ 1,249	$ -	$ (59)	$ 33	$ 1,223

The following tables present the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at September 30, 2017 and December 31, 2016:

	Ending Allowance on Loans			Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
September 30, 2017						
Real estate loans:						
One-to four-family, owner occupied	$ -	$ 548	$ 548	$ 640	$ 45,462	$ 46,102
One-to four-family, non-owner occupied	-	103	103	78	5,853	5,931
Commercial and multi-family	-	410	410	-	23,934	23,934
Construction and land	-	28	28	13	2,181	2,194
Commercial business loans	-	38	38	-	1,905	1,905
Consumer loans	-	46	46	-	1,764	1,764
Unallocated	-	54	54	-	-	-
	$ -	$ 1,227	$ 1,227	$ 731	$ 81,099	$ 81,830

	Ending Allowance on Loans			Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated Impairment	Collectively Evaluated Impairment	Total
December 31, 2016						
Real estate loans:						
One-to four-family, owner occupied	$ 9	$ 648	$ 657	$ 700	$ 47,271	$ 47,971
One-to four-family, non-owner occupied	-	113	113	110	5,141	5,251
Commercial and multi-family	-	309	309	69	17,716	17,785
Construction and land	-	42	42	16	2,660	2,676
Commercial business loans	-	18	18	-	921	921
Consumer loans	-	26	26	-	901	901
Unallocated	-	49	49	-	-	-
	$ 9	$ 1,205	$ 1,214	$ 895	$ 74,610	$ 75,505

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.

The tables below present loans that were individually evaluated for impairment by portfolio segment at September 30, 2017 and December 31, 2016.

	September 30, 2017			December 31, 2016		
	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	$ 805	$ 640	$ -	$ 915	$ 661	$ -
One-to four-family, non-owner occupied	102	78	-	134	110	-
Commercial and multi-family	-	-	-	69	69	-
Construction and land	13	13	-	16	16	-
Commercial business loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Total	$ 920	$ 731	$ -	$ 1,134	$ 856	$ -
With recorded allowance:						
Real estate loans:						
One-to four-family, owner occupied	$ -	$ -	$ -	$ 39	$ 39	$ 9
One-to four-family, non-owner occupied	-	-	-	-	-	-
Commercial and multi-family	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-
Commercial business loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ 39	$ 39	$ 9
Totals:						
Real estate loans	$ 920	$ 731	$ -	$ 1,173	$ 895	$ 9
Commercial loans	-	-	-	-	-	-
Consumer and other loans	-	-	-	-	-	-
Total	$ 920	$ 731	$ -	$ 1,173	$ 895	$ 9

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 and nine months ended September 30, 2017 and 2016:

	Three Months Ended				Nine Months Ended			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	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	$ 642	$ 10	$ 682	$ 11	$ 648	$ 31	$ 770	$ 52
One-to four-family, non-owner occupied	78	1	155	2	79	4	150	8
Commercial and multi-family	-	-	-	-	-	-	-	-
Construction and land	13	-	10	-	13	-	17	1
Commercial business loans	-	-	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-	-	-
Total	$ 733	$ 11	$ 847	$ 13	$ 740	$ 35	$ 937	$ 61
With recorded allowance:								
Real estate loans:								
One-to four-family, owner occupied	$ -	$ -	$ -	$ -	$ 3	$ -	$ -	$ -
One-to four-family, non-owner occupied	-	-	-	-	-	-	-	-
Commercial and multi-family	-	-	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-	-	-
Commercial business loans	-	-	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ 3	$ -	$ -	$ -
Totals:								
Real estate loans	$ 733	$ 11	$ 847	$ 13	$ 743	$ 35	$ 937	$ 61
Commercial business loans	-	-	-	-	-	-	-	-
Consumer and other loans	-	-	-	-	-	-	-	-
Total	$ 733	$ 11	$ 847	$ 13	$ 743	$ 35	$ 937	$ 61

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 September 30, 2017 and December 31, 2016.

There were no loans modified as troubled debt restructurings during the nine months ended September 30, 2017 and 2016 or commitments to lend additional funds to borrowers with loans whose terms have been modified as a troubled debt restructure.

At September 30, 2017 and December 31, 2016, there were no residential real estate loans in the process of foreclosure.

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.

September 30, 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	$ 498	$ -	$ -	$ 45,604	$ 46,102	$ -	$ -
One-to four-family, non-owner occupied	24	-	-	5,907	5,931	-	-
Commercial and multi-family	-	-	-	23,934	23,934	-	-
Construction and land	-	-	-	2,194	2,194	13	-
Commercial business loans	-	-	-	1,905	1,905	-	-
Consumer loans	-	-	-	1,764	1,764	-	-
	$ 522	$ -	$ -	$ 81,308	$ 81,830	$ 13	$ -

December 31, 2016	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	$ 505	$ 40	$ 39	$ 47,387	$ 47,971	$ 39	$ -
One-to four-family, non-owner occupied	12	43	-	5,196	5,251	30	-
Commercial and multi-family	-	69	-	17,716	17,785	69	-
Construction and land	-	-	-	2,676	2,676	16	-
Commercial business loans	-	-	-	921	921	-	-
Consumer loans	3	-	-	898	901	-	-
	$ 520	$ 152	$ 39	$ 74,794	$ 75,505	$ 154	$ -

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.

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. Multifamily 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.

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.

The following tables present total loans by risk grade and portfolio segment at September 30, 2017 and December 31, 2016:

September 30, 2017	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:							
One-to four-family, owner occupied	$ 43,907	$ 724	$ 147	$ 1,324	$ -	$ -	$ 46,102
One-to four-family, non-owner occupied	5,853	-	-	78	-	-	5,931
Commercial and multi-family	23,934	-	-	-	-	-	23,934
Construction and land	2,012	169	-	13	-	-	2,194
Commercial business loans	1,693	-	212	-	-	-	1,905
Consumer loans	1,764	-	-	-	-	-	1,764
	$ 79,163	$ 893	$ 359	$ 1,415	$ -	$ -	$ 81,830

December 31, 2016	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:							
One-to four-family, owner occupied	$ 45,335	$ 987	$ 250	$ 1,399	$ -	$ -	$ 47,971
One-to four-family, non-owner occupied	5,141	-	-	110	-	-	5,251
Commercial and multi-family	17,731	54	-	-	-	-	17,785
Construction and land	2,483	177	-	16	-	-	2,676
Commercial business loans	852	-	-	69	-	-	921
Consumer loans	901	-	-	-	-	-	901
	$ 72,443	$ 1,218	$ 250	$ 1,594	$ -	$ -	$ 75,505

(6) FHLB Advances

At September 30, 2017 and December 31, 2016, advances from the Federal Home Loan Bank were as follows:

Maturity Date	Interest Rate	September 30, 2017	December 31, 2016
February 12, 2018	1.27 %	$ 3,000	$ -
March 12, 2018	4.92 %	1,000	1,000
July 18, 2018	1.84 %	3,000	3,000
July 18, 2019	2.21 %	2,000	2,000
Total		$ 9,000	$ 6,000

Each advance is payable at its maturity date, with a prepayment penalty if paid earlier than its maturity date. The advances were collateralized by $37,113 and $46,544 of first mortgage loans under a blanket lien arrangement at September 30, 2017 and December 31, 2016. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $38,536 at September 30, 2017.

(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.

No contributions to the ESOP were made during the nine months ended September 30, 2017. The expense recognized for the three and nine months ended September 30, 2017 was $10 and $30, respectively, and is reported in salaries and wages. No ESOP expense was recognized during the three or nine months ended September 30, 2016.
ESOP shares at September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017	December 31, 2016
Committed to be released to participants	2,479	-
Allocated to participants	3,252	3,252
Unearned	60,365	62,844
Total ESOP shares	66,096	66,096
Fair value of unearned shares	$ 761	$ 792

(8) DEFINED BENEFIT AND POST RETIREMENT MEDICAL PLANS

Net periodic cost for the defined benefit pension plan and postretirement medical plan for the three and nine months ended September 30, 2017 and 2016 included the following components:

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	Three Months Ended		Three Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Service cost	$ -	$ -	$ -	$ -
Interest cost	33	35	9	10
Expected return on plan assets	(36)	(34)	-	-
Amortization:				
Unrecognized net loss	25	27	(2)	(2)
Unrecognized prior service cost	-	-	2	2
Asset (loss) gain deferred	-	-	-	-
Net periodic cost	$ 22	$ 28	$ 9	$ 10

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	Nine Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Service cost	$ -	$ -	$ -	$ -
Interest cost	99	106	18	30
Expected return on plan assets	(108)	(102)		
Amortization:				
Unrecognized net loss	74	83	4	6
Unrecognized prior service cost	-	-	(4)	(6)
Asset (loss) gain deferred	-	-	-	-
Net periodic cost	$ 65	$ 87	$ 18	$ 30

The following table summarizes plan assets for the defined benefit pension plan, measured at fair value on a recurring basis at September 30, 2017 and December 31, 2016, segregated by the level of the inputs (as defined in Note 8) within the hierarchy used to measure fair value:

	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2017				
Pooled separate accounts	$ -	$ 2,641	$ -	$ 2,641

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2016				
Pooled separate accounts	$ -	$ 2,558	$ -	$ 2,558

During the nine months ended September 30, 2017, benefits paid, employer contributions and the actual return on plan assets for the defined benefit pension plan were $205, $69, $219, respectively. During the nine months ended September 30, 2016, benefits paid, employer contributions, and the actual return on plan assets were $136, $172, and $104, respectively.

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

	Target Allocation 2017	September 30, 2017	December 31, 2016
Pooled separate accounts			
Equity	30%-40%	39%	37%
Debt	60%-70%	61%	63%

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	
	Three Months Ended		Three Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Amortization of:				
Accumulated net loss	$ 25	$ 29	$ 2	$ 2
Unrecognized prior service cost	-	-	(2)	(2)
	25	29	-	-
Tax effect	-	-	-	-
Unrecognized gain, net of tax	$ 25	$ 29	$ -	$ -

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	Nine Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Amortization of:				
Accumulated net loss	$ 74	$ 83	$ 4	$ 6
Unrecognized prior service cost	-	-	(4)	(6)
	74	83	-	-
Tax effect	-	-	-	-
Unrecognized gain, net of tax	$ 74	$ 83	$ -	$ -

(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).

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 September 30, 2017 and December 31, 2016 are summarized below:

	Level 2	
	September 30, 2017	**December 31, 2016**
Financial Assets		
Available-for-sale securities	$ 19,886	$ 25,162
	$ 19,886	$ 25,162

Presented in the table below are assets measured at fair value on a nonrecurring basis using Level 3 inputs at September 30, 2017 and December 31, 2016:

	Level 3	
	September 30, 2017	**December 31, 2016**
Impaired loans (collateral dependent)		
One-to four-family, owner occupied	$ -	$ 39
One-to four-family, non-owner occupied	-	-
Total financial assets	-	39
Nonfinancial assets		
Real estate owned, net:		
One-to four-family, owner occupied	-	-
Total nonfinancial assets	$ -	$ -
Total assets measured at fair value on a nonrecurring basis	$ -	$ 39

The Company's impaired loan at December 31, 2016 was measured at fair value based primarily upon the estimated value of real estate collateral less costs to sell. The carrying amounts of this loan was $39. This loan had a specific valuation allowance of

$9 at December 31, 2016. At September 30, 2016, the carrying value of impaired loans was $10. Fair value adjustments of $29 were made through charge-offs to the allowance for loan losses for the three and nine months ended September 30, 2016.

Real estate owned is carried at the lower of carrying value or fair value less costs to sell. At September 30, 2016, the carrying value of real estate owned was $24. The write down for the three and nine months ended September 30, 2016 to adjust real estate owned to fair value was $16.

The table below presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at September 30, 2017 and December 31, 2016:

	Level 3 Quantitative Information				
	September 30, 2017 Fair Value	December 31, 2016 Fair Value	Valuation Technique	Unobservable Inputs	Range
Impaired real estate loans net, with specific allocations:					
One-to-four family, owner occupied	$ -	$ 39	Sales comparison approach	Adjustment for differences between the comparable sales	0% to 30%

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 September 30, 2017 and December 31, 2016 are summarized below:

	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
September 30, 2017					
Financial assets					
Available-for-sale securities	$ 19,886	$ -	$ 19,886	$ -	$ 19,886
Restricted equity securities (1)	405	NA	NA	NA	NA
Loans, net	80,590	-	-	80,791	80,791
Financial liabilities					
Deposits	$ 88,789	$ 28,166	$ 61,611	$ -	$ 89,777
FHLB Advances	9,000	-	9,080	-	9,080
December 31, 2016					
Financial assets					
Available-for-sale securities	$ 25,162	$ -	$ 25,162	$ -	$ 25,162
Restricted equity securities (1)	837	NA	NA	NA	NA
Loans, net	74,248	-	-	75,877	75,877
Financial liabilities					
Deposits	$ 88,471	$ 25,497	$ 64,082	$ -	$ 89,579
FHLB Advances	6,000	-	6,158	-	6,158

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

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.

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 September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and the notes thereto, appearing in Part 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, 2016 as filed with the Securities and Exchange Commission on March 30, 2017, 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, 2016.

Comparison of Financial Condition at September 30, 2017 and December 31, 2016

Our total assets increased $3.1 million, or 2.8%, to $112.5 million at September 30, 2017 from $109.4 million at December 31, 2016. The increase in total assets is primarily due to the $6.3 million increase in net loans and the purchase of bank owned life insurance of $3.4 million. The increase in total assets was primarily supported by a $3 million increase in FHLB advances to $9.0 million at September 30, 2017 from $6.0 million at December 31, 2016. The increases in net loans and bank owned life insurance were offset partially by a $5.3 million, or 21.0%, decrease in available-for-sale securities to $19.9 million at September 30, 2017 from $25.2 million at December 31, 2016. Cash and cash equivalents also decreased by $1.2 million, or 22.2%, to $4.2 million at September 30, 2017 from $5.4 million at December 31, 2016. The decrease in available-for-sale securities and cash and cash equivalents is reflective of our loan growth since December 31, 2016.

Gross loans increased by $6.3 million, or 8.4%, to $81.8 million at September 30, 2017 from $75.5 million at December 31, 2016. All of our loan portfolio segments increased except for our one-to four-family owner occupied loans and construction and land loans. Our commercial and multifamily, commercial business, one-to four-family, non-owner occupied, and consumer loan segments increased by $6.1 million, $984,000, $680,000, and $863,000, respectively. Our one-to four-family, owner occupied loans decreased to $46.1 million at September 30, 2017 from $48.0 million at December 31, 2016. The decrease in one-to four-family loans and increases in commercial and multi-family real estate and commercial business loans, reflects our strategy of focusing our lending efforts more on commercial lending and an increase in demand for these types of loans during the first nine months of 2017.

Securities available for sale decreased by $5.3 million, or 21.0%, to $19.9 million at September 30, 2017 from $25.2 million at December 31, 2016. The decrease is attributable to both the sale of approximately $3.0 in amortized cost of available-for-sales securities and approximately $3.8 million in principle paydowns of mortgage-backed securities during the nine months ended September 30, 2017. These decreases were offset by approximately $1.8 million in the purchase of an SBAP security in the first quarter of 2017.

Real estate owned, net increased to $81,000 at September 30, 2017, 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 increased $318,000, or 0.36%, to $88.8 million at September 30, 2017 from $88.5 million at December 31, 2016, with $893,000, or 18.7%, of the increase in noninterest-bearing deposits, offset partially by a decrease of $575,000, or .069%, in interest-bearing deposits. The increase in total deposits reflects a steady demand for deposit products, particularly our money market savings and checking accounts.

FHLB advances increased to $9.0 million at September 30, 2017 from $6.0 million at December 31, 2016. The increase in FHLB advances reflects additional funding needs to support our loan growth. During the second quarter of 2017, we repaid a short-term $3.0 million variable rate advance maturing in September 2017 with the proceeds from the sale of investment securities and entered into a new advance for $3.0 million with a term of nine months and at a fixed rate of 1.27%, maturing in February 2018.

Shareholders' equity decreased by $159,000, or 1.2%, to $12.5 million at September 30, 2017 from $12.7 million at December 31, 2016. The decrease in shareholders' equity reflects our net loss of $363,000 for the nine months ended September 30, 2017 offset by the decreases in accumulated other comprehensive losses related to our available-sale-securities of $59,000, or 22.0%, and to our defined benefit and postretirement medical plans of $74,000, or 5.0%. Additionally, the recognition of of employee stock ownership plan expenses resulted in an increase of $30,000 in shareholders' equity for the nine months ended September 30, 2017.

Nonperforming Assets

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

	September 30, 2017	December 31, 2016
	(Dollars in thousands)	
Non-accrual loans:		
Real estate mortgage loans:		
One- to four-family, owner occupied	$ -	$ 39
One- to four-family, non-owner occupied	-	30
Commercial and multi-family	-	69
Construction and land	13	16
Total non-accrual loans	13	154
Accruing troubled debt restructured loans:		
Real estate mortgage loans:		
One- to four-family, owner occupied	85	87
Total accruing troubled debt restructured loans	85	87
Total non-performing loans	98	241
Foreclosed real estate held for sale:		
One- to four-family	81	-
Commercial and multi-family	-	-
Construction and land	-	-
Total foreclosed real estate held for sale	81	-
Total non-performing assets	$ 179	$ 241
Total non-performing loans to total gross loans	0.12 %	0.32 %
Total non-performing assets to total assets	0.16 %	0.22 %

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 nine months ended September 30, 2017 and no income was recognized on these loans for the nine months ended September 30, 2017. For the nine months ended September 30, 2016, interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $11,000. The actual amount collected on these loans was $6,000.

Interest income that would have been recorded had our trouble debt restructured loans been current in accordance with their original terms was $3,000 and $12,000 for the nine months ended September 30, 2017 and 2016. Interest of $2,000 and $9,000 was recognized on these loans and is included in net income for the nine months ended September 30, 2017 and 2016.

The decrease in nonperforming assets is a reflection of strong credit quality within our loan portfolio and the foreclosure of one nonaccrual loan.

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.

	For the Three Months Ended					
	September 30, 2017			September 30, 2016		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in Thousands)					
Assets:						
Interest-earning assets:						
Loans	$ 81,520	868	4.26 %	$ 74,472	835	4.48 %
Investment securities	20,280	84	1.66	20,627	59	1.14
Interest-bearing deposits	2,590	8	1.24	9,785	10	0.41
Total interest-earning assets	104,390	960	3.68	104,884	904	3.45
Noninterest-earning assets	8,820			2,776		
Total assets	$ 113,210			$ 107,660		
Liabilities and equity:						
Interest-bearing liabilities:						
Checking accounts	$ 433	1	0.92 %	406	1	0.98 %
Savings accounts	7,557	2	0.10	7,811	1	0.05
Money market accounts	14,442	17	0.47	10,761	11	0.41
Certificates of deposit	61,389	252	1.63	63,020	254	1.60
Total interest-bearing deposits	83,821	272	1.29	81,998	267	1.30
FHLB advances and other	9,000	48	2.12	6,000	44	2.92
Total interest-bearing liabilities	92,821	320	1.37	87,998	311	1.41
Noninterest bearing deposits	5,666			4,884		
Other noninterest-bearing liabilities	2,121			2,110		
Total liabilities	100,608			94,992		
Equity	12,602			12,668		
Total liabilities and equity	$ 113,210			$ 107,660		
Net interest income		$ 640			$ 593	
Interest rate spread			2.31 %			2.04 %
Net interest margin			2.45 %			2.26 %
Average interest-earning assets to average interest-bearing liabilities	1.12 X			1.19 X		

	For the Nine Months Ended					
	September 30, 2017			September 30, 2016		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in Thousands)					
Assets:						
Interest-earning assets:						
Loans	$ 79,398	2,561	4.30 %	$ 74,150	2,489	4.48 %
Investment securities	23,276	290	1.66	15,818	157	1.32
Interest-bearing deposits	2,590	27	1.39	9,481	30	0.42
Total interest-earning assets	105,264	2,878	3.65	99,449	2,676	3.59
Noninterest-earning assets	7,695			3,070		
Total assets	$ 112,959			$ 102,519		
Liabilities and equity:						
Interest-bearing liabilities:						
Checking accounts	$ 457	3	0.88 %	$ 406	1	0.33 %
Savings accounts	7,563	4	0.07	7,992	4	0.07
Money market accounts	14,081	48	0.46	9,452	23	0.33
Certificates of deposit	61,929	744	1.61	62,081	734	1.59
Total interest-bearing deposits	84,030	799	1.27	79,931	762	1.28
FHLB advances and other	8,833	137	2.07	6,065	186	4.11
Total interest-bearing liabilities	92,863	936	1.35	85,996	948	1.48
Noninterest bearing deposits	5,279			4,884		
Other noninterest-bearing liabilities	2,160			2,821		
Total liabilities	100,302			93,701		
Equity	12,657			8,818		
Total liabilities and equity	$ 112,959			$ 102,519		
Net interest income		$ 1,942			$ 1,728	
Interest rate spread			2.30 %			2.11 %
Net interest margin			2.46 %			2.32 %
Average interest-earning assets to average interest-bearing liabilities	1.13 X			1.16 X		

Comparison of Operating Results for the Three Months Ended September 30, 2017 and 2016

General. We recognized a net loss of $111,000 for the three months ended September 30, 2017 compared to a net loss of $123,000 for the three months ended September 30, 2016. The decrease in net loss was primarily attributed to an increase in net interest income of $47,000, or 8.0%, to $640,000 for the three months ended September 30, 2017 from $593,000 for the three months ended September 30, 2016 and an increase in total noninterest income of $27,000, or 60.0%, to $72,000 from $45,000 for the same periods, offset partially by an increase in noninterest expense of $63,000, or 8.3%, to $824,000 for the three months ended September 30, 2017 compared to $761,000 for the three months ended September 30, 2016.

Interest Income. Interest income increased $56,000, or 6.2%, to $960,000 for the three months ended September 30, 2017 from $904,000 for the three months ended September 30, 2016. The increase in interest income reflects the increase in the yield on

interest-earning assets of 23 basis points to 3.68% for the three months ended September 30, 2017 from 3.45% for the three months ended September 30, 2016, partially offset by the decrease in the average balance of interest-earning assets to $104.4 million from $104.9 million. The increase in the yield on interest-earning assets reflects higher yields on our investment securities.

Interest income on loans increased by $33,000, or 4.0%, to $868,000 for the three months ended September 30, 2017 from $835,000 for the three months ended September 30, 2016. The increase in loan interest income reflects the increase in the average balance of our loans of $7.0 million, or 9.5%, to $81.5 million for the three months ended September 30, 2017 from $74.5 million for the three months ended September 30, 2016, which offset the decrease in yield on loans of 22 basis points to 4.26% from 4.48%. The increase in the average balance of our loans reflects increased loan demand in our market area and the continued deployment of capital raised in our mutual-to-stock conversion into higher yielding assets.

Interest income on investment securities increased by $25,000, or 42.4% to $84,000 for the three months ended September 30, 2017 from $59,000 for the three months ended September 30, 2016. The increase reflected the increase in the yield on our investment securities of 52 basis points to 1.66% for the three months ended September 30, 2017 from 1.14% for the three months ended September 30, 2016. The increase in yield more than offset the decrease in the average balance of investment securities, which decreased to $20.3 million from $20.6 million for the same periods. The increase in yield reflects the decrease in the rate of paydowns on our mortgage-backed securities during the three months ended September 30, 2017 as compared to the same period in 2016.

Interest from interest-bearing deposits decreased to $8,000 for the three months ended September 30, 2017 from $10,000 for the three months ended September 30, 2016. The decrease reflects the decrease in average balance to $2.6 million for three months ended September 30, 2017 from $9.8 million for the three months ended September 30, 2016. The decrease in the average balance of interest-bearing deposits reflects the use of excess funds to support the increase in our loan demand during the three months ended September 30, 2017.

Interest Expense. Interest expense increased by $9,000, or 3.0%, to $320,000 for the three months ended September 30, 2017 from $311,000 for the three months ended September 30, 2016. The increase reflects an increase in the average balance of interest-bearing liabilities of $4.8 million, or 5.4%, to $92.8 million for the three months ended September 30, 2017 from $88.0 million for the three months ended September 30, 2016. The increase in the average balance of interest-bearing liabilities offset the decrease in the average cost of interest-bearing liabilities of four basis points to 1.37% for the three months ended September 30, 2017 from 1.41% for the three months ended September 30, 2017.

Deposit interest expense increased by $5,000, or 2.0%, to $272,000 for the three months ended September 30, 2017 from $267,000. The increase in deposit interest expense reflects the increase in the average balance of deposits of $1.8 million, or 2.0%, to $83.8 million for the three months ended September 30, 2017 from $82.0 million for the three months ended September 30, 2016. The majority of our deposit increase came from an increase in the average balance of our money market accounts, which increased $3.7 million, or 33.0%, to $14.4 million for the three months ended September 30, 2017 from $10.8 million for the three months ended September 30, 2016. This increase was offset by a decrease in our certificates of deposits of $1.6 million, or 2.5%, to $61.4 million for the three months ended September 30, 2017 from $63.0 million for the three months ended September 30, 2016.

Interest expense on FHLB advances increased by $4,000, or 9.1%, to $48,000 for the three months ended September 30, 2017 from $44,000 for the three months ended September 30, 2016. The increase in FHLB interest expense reflects the increase in the average balance of FHLB advances to $9.0 million for the three months ended September 30, 2017 from $6.0 million for the three months ended September 30, 2016.

Net Interest Income. Net interest income increased $47,000, or 8.0%, to $640,000 for the three months ended September 30, 2017 from $593,000 for the three months ended September 30, 2016, which was largely a reflection of the increase in net interest margin of 19 basis points to 2.45% from 2.26% for the same periods.

Provision for Loan Losses. There was no provision for loan losses for the three months ended September 30, 2017 or 2016, 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 September 30, 2017 compared to 1.6% at December 31, 2016. 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 September 30, 2017 and December 31, 2016, the unallocated portion of our allowance for loan losses was $54,000 and $49,000, respectively.

Noninterest Income. Noninterest income increased $27,000, or 60.0%, to $72,000 for the three months ended September 30, 2017 from $45,000 for the three months ended September 30, 2016. The increase reflects both the recognition of $27,000 of income on bank owned life insurance related to the $3.4 million of bank owned life insurance purchased in March of 2017 and the increase of $9,000 in service charges on deposit accounts related to increased activity in transaction accounts and overdraft fees during the three months ended September 30, 2017 compared to the 2016 period.

Noninterest Expense. Noninterest expense increased $62,000, or 8.1%, to $823,000 for the three months ended September 30, 2017 from $761,000 for the three months ended September 30, 2016. The increase was largely attributed to increases in salaries and employee benefits, occupancy and equipment expenses, and professional and supervisory fees. Salary and employee benefits increased by $22,000, or 6.0%, to $391,000 for the three months ended September 30, 2017 from $369,000 for the three months ended September 30, 2016. The increase reflects normal pay increases for employees, additional compensation expense associated with our ESOP, and the addition of new bank officers. Occupancy and equipment expenses increased by $32,000, or 34.8%, to $124,000 for the three months ended September 30, 2017 from $92,000 for the 2016 period. The increase was primarily related to increased depreciation costs resulting from depreciation of renovation costs incurred for the renovation of our main office. Professional and supervisory fees increased by $18,000, or 13.5%, to $151,000 for the three months ended September 30, 2017 from $133,000 for the three months ended September 30, 2016. The increase in professional and supervisory fees reflects the increased costs associated with being a public company. These increases were largely offset by decreases in FDIC deposit insurance premiums of $11,000, or 52.4%.

Income Tax Expense. There was no provision for income taxes for the three months ended September 30, 2017 or September 30, 2016. 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.

Comparison of Operating Results for the Nine months Ended September 30, 2017 and 2016

General. We recognized a net loss of $363,000 for the nine months ended September 30, 2017 compared to a net loss of $408,000 for the nine months ended September 30, 2016. The decrease in net loss was primarily attributed to an increase in net interest income of $214,000, or 12.4%, to $1.9 million for the nine months ended September 30, 2017 from $1.7 million for the nine months ended September 30, 2016 and increase in noninterest income of $49,000, or 61.2%, to $129,000 from $80,000 for the same periods, offset partially by an increase in noninterest expense of $217,000, or 9.8%, to $2.4 million for the nine months ended September 30, 2017 compared to $2.2 million for the 2016 period.

Interest Income. Interest income increased $202,000, or 7.5%, to $2.9 million for the nine months ended September 30, 2017 from $2.7 million for the nine months ended September 30, 2016. The increase in interest income reflects both the increase in the average balance of interest-earning assets to $105.3 million from $99.4 million and the slight increase in the yield on interest-earning assets of five basis points to 3.65% for the nine months ended September 30, 2017 from 3.60% for the nine months ended September 30, 2016. The increase in the average balance of interest-earning assets reflects the increased loan demand in our market area during the nine months ended September 30, 2017.

Interest income on loans increased by $72,000, or 3.0%, to $2.6 million for the nine months ended September 30, 2017 from $2.5 million for the nine months ended September 30, 2016. The increase in loan interest income reflects the increase in the average balance of our loans of $5.2 million, or 7.0%, to $79.4 million for the nine months ended September 30, 2017 from $74.1 million for the nine months ended September 30, 2016. The increase in balances was partially offset by the decrease in yield on loans of 18 basis points to 4.30% from 4.48%. The increase in the average balance of our loans reflects increased loan demand in our market area and competitive market pressure resulted in the decline in the yield on our loans.

Interest income on investment securities increased by $133,000, or 84.7% to $290,000 for the nine months ended September 30, 2017 from $157,000 for the nine months ended September 30, 2016. The increase reflected both an increase in the yield on our investment securities of 34 basis points to 1.66% for the nine months ended September 30, 2017 from 1.32% for the nine months ended September 30, 2016 and an increase in the average balance of investment securities of $7.4 million, or 47.0%, to $23.3 million from $15.8 million for the same periods. The increase in yield reflects the decrease in the rate of paydowns on our mortgage-backed securities during the nine months ended September 30, 2017, and the increase in the average balance of

investment securities reflects both the slowdown in mortgage-backed securities paydowns and increased investment purchases during the during the nine months ended September 30, 2017.

Interest from interest-bearing deposits decreased to $27,000 for the nine months ended September 30, 2017 from $30,000 for the nine months ended September 30, 2016. The decrease reflects the decrease in their average balance to $2.6 million for nine months ended September 30, 2017 from $9.5 million for the 2016 period. The decrease in the average balance of interest-bearing deposits reflects the investment of excess funds in higher-yielding loans and investments during the nine months ended September 30, 2017.

Interest Expense. Interest expense decreased by $12,000, or 1.3%, to $936,000 for the nine months ended September 30, 2017 from $948,000 for the nine months ended September 30, 2016. The decrease is due to the decrease in interest expense on FHLB borrowings, which decreased to $137,000 for the nine months ended September 30, 2017 from $186,000 for the nine months ended September 30, 2016. The decrease in FHLB interest expense offset the increase in deposit interest expense.

Deposit interest expense increased by $37,000, or 4.8%, to $799,000 for the nine months ended September 30, 2017 from $762,000. The increase in deposit interest expense reflects the increase in the average balance of deposits of $4.0 million, or 5.0%, to $84.0 million for the nine months ended September 30, 2017 from $80.0 million for the nine months ended September 30, 2016. The majority of our deposit increase came from an increase in the average balance of our money market accounts, which increased $4.6 million, or 49.0%, to $14.1 million for the nine months ended September 30, 2017 from $9.4 million for the nine months ended September 30, 2016.

Interest expense on FHLB advances decreased by $49,000, or 26.3%, to $137,000 for the nine months ended September 30, 2017 from $186,000 for the nine months ended September 30, 2016. The decrease in FHLB interest expense reflects the decrease in the average cost of FHLB advances by 204 basis points, which is the result of maturities and refinancing of higher rate advances during the nine months ended September 30, 2016. The decrease in the average cost of FHLB advances more than offset the increase in the average balance of advances of $2.7 million, or 44.3%, to $8.8 million for the nine months ended September 30, 2017 from $6.1 million for the nine months ended September 30, 2016.

Net Interest Income. Net interest income increased $214,000, or 12.6%, to $1.9 million for the nine months ended September 30, 2017 from $1.7 million for the nine months ended September 30, 2016, which is largely a reflection of the increase in our net interest margin to 2.46% for the nine months ended September 30, 2017 from 2.32% for the nine months ended September 30, 2016.

Provision for Loan Losses. There was no provision for loan losses for the nine months ended September 30, 2017 or 2016, which is a reflection of our continued strong credit quality as evidenced by our continued low and decreasing levels of nonperforming loans. In addition, during the nine months ended September 30, 2017, we had net recoveries of $12,000.

Our total allowance for loans losses was 1.5% of total gross loans at September 30, 2017 compared to 1.6% at December 31, 2016. 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 September 30, 2017 and December 31, 2016, our unallocated portion of our allowance for loan losses was $54,000 and $49,000, respectively.

Noninterest Income. Noninterest income increased $49,000, or 61.2%, to $129,000 for the nine months ended September 30, 2017 from $80,000 for the nine months ended September 30, 2016. The increase reflects both the recognition of $55,000 of income on bank owned life insurance related to the $3.4 million of bank owned life insurance purchased in March of 2017 and an increase of $15,000, or 31.3%, in service charges on deposit accounts to $63,000 for the nine months ended September 30, 2017 as compared to $48,000 for the nine months ended September 30, 2016. The increase in deposit service charges is related to the increased activity in transaction accounts and overdraft fees during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. These increases were offset by a loss on sale of investment securities of $19,000 for the nine months ended September 30, 2017 as compared to a gain of $7,000 for the nine months ended September 30, 2016 and by a decrease in the gain on sale of real estate owned of $9,000, or 90.0%, to $1,000 for the nine months ended September 30, 2017 as compared to $10,000 for the 2016 period.

Noninterest Expense. Noninterest expense increased $217,000, or 9.8%, to $2.4 million for the nine months ended September 30, 2017 from $2.2 million for the nine months ended September 30, 2016. The increase was largely due to increases in salaries and employee benefits, occupancy and equipment expenses, and professional and supervisory fees. Salary and employee benefits

increased by $134,000, or 12.2%, to $1.2 million for the nine months ended September 30, 2017 from $1.1 million for the nine months ended September 30, 2016. The increase reflects normal pay increases for employees, additional compensation expense associated with our ESOP, and the addition of new bank officers. Occupancy and equipment expenses increased by $92,000, or 34.6%, to $358,000 for the nine months ended September 30, 2017 from $266,000 for the nine months ended September 30, 2016. The increase was primarily related to increased depreciation costs resulting from depreciation of renovation costs incurred for the renovation of our main office. Professional and supervisory fees increased by $54,000, or 16.8%, to $376,000 for the nine months ended September 30, 2017 from $322,000 for the nine months ended September 30, 2016. The increase in professional and supervisory fees reflects the increased costs associated with being a public company. These increases were largely offset by decreases in FDIC deposit insurance of $38,000, or 60.3%, and the provision for real estate owned and related expenses. The decrease in FDIC deposit insurance expense is the result of a decrease in insurance premiums, and a decrease in real estate owned during the nine months ended September 30, 2016 resulted in lower maintenance costs, taxes and insurance on these properties.

Income Tax Expense. There was no provision for income taxes for the nine months ended September 30, 2017 or September 30, 2016. 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 September 30, 2017.

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 $9.0 million at September 30, 2017. In addition, the Company has an irrevocable standby letter of credit with the FHLB of $2.7 million at September 30, 2017 to secure public deposits. At September 30, 2017, we had the ability to borrow up to an additional $38.5 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 September 30, 2017.

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 September 30, 2017 and December 31, 2016, 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 September 30, 2017. 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 September 30, 2017, 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, 2016 ("Form 10-K") as filed with the Securities and Exchange Commission on March 30, 2017, 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 September 30, 2017, 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: November 14, 2017

____
Ronnie R. Shambaugh
President and Chief Executive Officer

Date: November 14, 2017

____
Jennifer M. Lanzafame
Principal Financial Officer

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

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

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

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

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

Date: November 14, 2017

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Ronnie R. Shambaugh
President and Chief Executive Officer

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

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

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

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

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

Date: November 14, 2017

____
Jennifer M. Lanzafame
Principal Financial Officer

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 September 30, 2017 (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: November 14, 2017 _______________________________________

Ronnie R. Shambaugh
President and Chief Executive Officer

Date: November 14, 2017 _______________________________________

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.

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 September 30, 2017, 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