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 number 000-55352

Ben Franklin Financial, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**67-1746204**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
830 East Kensington Road, Arlington Heights, Illinois	**60004**
(Address of principal executive offices)	(Zip Code)

(847) 398-0990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer (Do not check if a smaller reporting company)	☐	Smaller Reporting Company	☒
		Emerging growth company	☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of outstanding shares of common stock as of November 13, 2017: 710,038

BEN FRANKLIN FINANCIAL, INC.

INDEX

Table of Content	**Page No.**
PART I – Financial Information	1
Item 1. Financial Statements of Ben Franklin Financial, Inc.	1
Consolidated Statements of Financial Condition (Unaudited) as of September 30, 2017 and December 31, 2016	1
Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2017 and 2016	2
Consolidated Statements of Comprehensive Loss (Unaudited) for the three and nine months ended September 30, 2017 and 2016	3
Consolidated Statements of Changes in Stockholders’ Equity (Unaudited) for the nine months ended September 30, 2017 and 2016	4
Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2017 and 2016	5
Notes to Consolidated Financial Statements (Unaudited)	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures about Market Risk	35
Item 4. Controls and Procedures	35
PART II—Other Information	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	37
Form 10-Q Signatures	38

PART I – Financial Information

Item 1. Financial Statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands except per share data)
(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks	$ 1,327	$ 2,903
Interest-earning deposit accounts and federal funds sold	14,424	5,329
Cash and cash equivalents	15,751	8,232
Certificates of deposit in other financial institutions	735	3,675
Securities available for sale at fair value	5,766	8,240
Loans receivable, net (allowance for loan losses: $1,011 at September 30, 2017—$904 at December 31, 2016)	76,272	62,348
Federal Home Loan Bank stock	188	921
Premises and equipment, net	1,059	1,181
Repossessed assets, net	714	408
Accrued interest receivable	231	176
Other assets	107	84
Total assets	$ 100,823	$ 85,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	$ 5,309	$ 4,852
Interest-bearing	83,367	69,179
Total deposits	88,676	74,031
Federal Home Loan Bank advances	4,000	2,000
Advances from borrowers for taxes and insurance	331	557
Other liabilities	334	435
Common stock in ESOP subject to contingent purchase obligation	186	169
Total liabilities	93,527	77,192
Stockholders' equity		
Preferred stock, no par value; 1,000,000 authorized shares; no shares issued and outstanding	—	—
Common stock, par value $0.01 per share; authorized 20,000,000 shares; issued and outstanding shares 710,038 at September 30, 2017 and 694,419 at December 31, 2016	7	7
Additional paid-in-capital	10,304	10,260
Retained deficit	(2,303)	(1,437)
Unearned Employee Stock Ownership Plan (ESOP) shares	(451)	(500)
Accumulated other comprehensive loss	(75)	(88)
Reclassification of ESOP shares	(186)	(169)
Total equity	7,296	8,073
Total liabilities and stockholders' equity	$ 100,823	$ 85,265

See accompanying notes to consolidated financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income				
Loans	$ 924	$ 705	$ 2,589	$ 2,046
Securities	23	30	85	102
Federal funds sold and interest earning deposit accounts	34	21	77	64
	981	756	2,751	2,212
Interest expense				
Deposits	142	81	347	238
Federal Home Loan Bank advances	16	—	34	—
	158	81	381	238
Net interest income	823	675	2,370	1,974
Provision (credit) for loan losses	18	(95)	128	(128)
Net interest income after provision (credit) for loan losses	805	770	2,242	2,102
Non-interest income				
Service fee income	14	17	46	54
Gain on sale of securities available for sale	6	—	—	—
Loss on sale of repossessed assets	(20)	—	(17)	—
Other	19	8	48	32
	19	25	77	86
Non-interest expense				
Compensation and employee benefits	506	422	1,518	1,288
Occupancy and equipment	170	179	529	486
Data processing services	72	78	221	237
Professional fees	148	133	405	417
FDIC insurance premiums	37	43	105	130
Repossessed asset expenses, net	9	79	66	117
Other	98	138	384	425
	1,040	1,072	3,228	3,100
Loss before income taxes	(216)	(277)	(909)	(912)
Income tax benefit	—	3	(43)	(22)
Net loss	$ (216)	$ (280)	$ (866)	$ (890)
Loss per common share basic and diluted	(0.32)	(0.42)	(1.28)	(1.35)

See accompanying notes to consolidated financial statements

Table of Contents

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (216)	$ (280)	$ (866)	$ (890)
Other comprehensive income				
Unrealized holding gains arising during the period	(5)	(8)	57	57
Reclassification adjustment for losses (gains) included in net income	(6)	—	—	—
Tax effect	1	3	(44)	(22)
Other comprehensive income	(10)	(5)	13	35
Comprehensive loss	$ (226)	$ (285)	$ (853)	$ (855)

See accompanying notes to consolidated financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2017 and 2016 – (Unaudited)
(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Retained Deficit	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Amount Reclassified on ESOP Shares	Total
Balance at January 1, 2017	$ 7	$ 10,260	$ (1,437)	$ (500)	$ (88)	$ (169)	$ 8,073
Net loss	—	—	(866)	—	—	—	(866)
Other comprehensive income	—	—	—	—	13	—	13
Earned ESOP shares and other stock based compensation 15,619 shares issued	—	44	—	49	—	—	93
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	—	—	—	—	—	(17)	(17)
Balance at September 30, 2017	$ 7	$ 10,304	$ (2,303)	$ (451)	$ (75)	$ (186)	$ 7,296
Balance at January 1, 2016	$ 7	$ 10,308	$ (177)	$ (563)	$ (21)	$ (155)	$ 9,399
Net loss	—	—	(890)	—	—	—	(890)
Other comprehensive income	—	—	—	—	35	—	35
Earned ESOP shares and other stock based compensation	—	(20)	—	47	—	—	27
Purchase of stock 1,920 shares)	—	(21)	—	—	—	—	(21)
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	—	—	—	—	—	(24)	(24)
Balance at September 30, 2016	$ 7	$ 10,267	$ (1,067)	$ (516)	$ 14	$ (179)	$ 8,526

See accompanying notes to consolidated financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net loss	$ (866)	$ (890)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	139	88
ESOP and other stock based compensation, net	93	27
Provision for loan losses	128	(128)
Amortization of premiums	6	—
Write-down of repossessed assets	—	68
Loss on sale of repossessed assets	17	—
Changes in:		
Deferred loan costs	(21)	14
Accrued interest receivable	(55)	(1)
Other assets	(66)	(45)
Other liabilities	(101)	(21)
Net cash from operating activities	(726)	(888)
Cash flows from investing activities		
Principal repayments on mortgage-backed securities	196	79
Calls and maturities of securities available for sale	—	8,000
Maturities of certificates of deposit in other financial institutions	2,940	3,655
Proceeds from the sale of securities available for sale	2,328	—
Purchase of loans for investment	(3,509)	—
Purchase of securities available for sale	—	(5,039)
Purchase of certificates of deposit in other financial institutions	—	(2,940)
Net (increase) decrease in loans	(11,487)	1,785
Net change in Federal Home Loan Bank stock	733	—
Sale of repossessed assets	642	—
Expenditures for premises and equipment	(17)	(820)
Net cash from investing activities	(8,174)	4,720
Cash flows from financing activities		
Net increase (decrease) in deposits	14,645	(3,021)
Proceeds from Federal Home Loan Bank advances	2,000	—
Repurchase of ESOP shares subject to contingent repurchase obligation	—	(21)
Net change in advances from borrowers for taxes and insurance	(226)	(297)
Net cash from financing activities	16,419	(3,339)
Net change in cash and cash equivalents	7,519	493
Cash and cash equivalents at beginning of period	8,232	9,265
Cash and cash equivalents at end of period	$ 15,751	$ 9,758
Supplemental disclosures		
Interest paid	$ 371	$ 237
Transfers from loans to repossessed assets	965	293

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

Note 1 – Basis of Financial Statement Presentation

The accompanying consolidated financial statements of Ben Franklin Financial, Inc. (the "Company") and its wholly owned subsidiary Ben Franklin Bank of Illinois (the "Bank") have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with SEC rules and regulations. Accordingly, the statements do not include all the information and footnotes required by GAAP for complete financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes that were included in the Company's Annual Report for the year ended December 31, 2016. All significant intercompany transactions are eliminated in consolidation. In the opinion of the Company's management, all adjustments necessary (i) for a fair presentation of the financial statements for the interim periods included herein and (ii) to make such financial statements not misleading have been made and are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year.

In preparing the financial statements, management is required to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates. For further information with respect to significant accounting policies followed by the Company in preparation of the financial statements, refer to the Company's 2016 Annual Report.

The Bank is a federally chartered stock savings bank and a member of the Federal Home Loan Bank ("FHLB") system. The Bank maintains insurance on deposit accounts with the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC").

Note 2 – Recurring Losses and Regulatory Matters

The Company has incurred losses since 2008 resulting from a combination of: declining net interest income, as our loan portfolio decreased from $109.8 million at December 31, 2008 to $62.3 million at December 31, 2016; increased provisions for loan losses between 2009 and 2012; and increasing non-interest expense related to professional fees and repossessed asset write-downs and costs. The Company recently incurred net losses of $866 for the nine months ended September 30, 2017 and $1,260 during the year ended December 31, 2016. Our interest income for the nine months ended September 30, 2017 has increased with the increase in the balance of our loan portfolio, however, this growth has also resulted in an increase to our provision for loan losses. Our non-interest expense has also increased for compensation and occupancy cost and includes costs for problem asset resolution at the beginning of the year. The loss for 2016 was largely a result of our net interest income reflecting the low balance of our loan portfolio, increasing professional fees for problem asset resolution and additional costs associated with operating as a public company. Non-interest expense for 2016 was also impacted by an operational loss not reimbursable from our insurance.

The Bank's total capital to risk-based capital ratio and Tier 1 leverage capital to average assets ratio have continued to decline and were 11.3% and 7.0% respectively, at September 30, 2017. Under the Consent Order with the Office of the Comptroller of the Currency (the "OCC"), we are required to maintain a leverage capital ratio of 8% and a total risk-based capital ratio of 12%. At September 30, 2017, the Bank was not in compliance with the Consent Order, and at that date we were considered less than adequately capitalized. See Note 9 of these Notes to Consolidated Financial Statements. To comply with the capital levels of the Consent Order and to execute on our business plan that contemplates significant growth, we will need to raise additional capital. Such capital may not be available on terms that will allow us to execute on our business plan and become profitable, or may not be available at all. If we are not able to raise the additional capital required to comply with the Consent Order and to execute on our business plan, we will explore other strategic options, including the merger or sale of the Company. The Company engaged an investment banking firm to assist the Board of Directors in evaluating the strategic options, which include the sale of stock, issuance of debt or sale of the Company. The investment banking firm will be compensated based on the specific action plan ultimately executed by the Company. A member of the Company's Board of Directors is a partner in the investment banking firm.

At September 30, 2017, certificates of deposit scheduled to mature in one year or less from September 30, 2017 totaled $21.7 million, of which $12.9 million is at an interest rate that is 75 basis points above the national deposit rate published by the FDIC (the "Threshold"). In the past, we have been able to retain a significant portion of maturing deposits and meet current loan commitments. However, because we are subject to the Consent Order, we must obtain the prior written approval of the FDIC in order to renew or rollover existing deposits that exceed the Threshold, as well as to accept new deposits at interest rates that are above the Threshold. The Bank is requesting approval from the FDIC to renew and rollover maturing deposits that are above the Threshold and to accept new deposits at market interest rates that are above the Threshold. If we are not able to receive the requested approvals from the FDIC, our deposit balances will decrease and the Bank would experience a material decrease in its liquidity position.

Under the Consent Order, the Bank is required to receive non-objection to a revised Capital and Strategic Plan (the "Strategic Plan"). On January 30, 2017, the Bank submitted to the OCC a revised Strategic Plan. By letter dated March 2, 2017, the OCC informed the Bank that it would not grant its non-objection to the Strategic Plan as submitted by the Bank. On August 31, 2017, the Bank submitted a revised Strategic Plan to the OCC to which the OCC has not yet responded. If the Bank is not able to comply with the requirements of the Consent Order regarding the Strategic Plan or the Bank's capital levels, the OCC may institute other corrective measures and has enforcement power to impose other restrictions on the Bank's operations, including seizure. Only the OCC has authority to determine whether or not the provisions of the Consent Order have been met.

Note 3 – New Accounting Standards

In May 2014, the FASB released ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In July 2015, FASB deferred the effective date of the ASU by one year which means ASU 2014-09 will be effective for the Company on January 1, 2018. In addition, the FASB has begun to issue targeted updates to clarify specific implementation issues of ASU 2014-09. Management has concluded that the ASU will not materially impact the Company’s consolidated financial statements as the Company does not have contract features or income recognition within the scope of the ASU.

In June 2016 the FASB issued accounting standards update 2016-13, Measurement of Credit Losses on Financial Instruments. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities classified as held to maturity, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The provisions of this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is identifying the loan data needed for adoption of this update; however, Management has not yet determined the impacts of this update on the Company’s financial position or results of operations.

Note 4 – Securities Available for Sale

The amortized cost and fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2017				
U.S. government-sponsored entities	$ 5,000	$ —	$ (70)	$ 4,930
Residential mortgage-backed	854	—	(18)	836
Total	$ 5,854	$ —	$ (88)	$ 5,766
December 31, 2016				
U.S. government-sponsored entities	$ 7,000	$ —	$ (127)	$ 6,873
Residential mortgage-backed	1,385	20	(38)	1,367
Total	$ 8,385	$ 20	$ (165)	$ 8,240

We sold $2.3 million of securities available for sale during the nine months ended September 30, 2017 resulting in $0 net gains and losses. There were no sales of securities available for sale for the nine months ended 2016. There were no securities pledged to secure borrowings of the Company as of September 30, 2017 and at December 31, 2016.

The amortized cost and fair value of available-for-sale securities are shown by contractual maturity as of September 30, 2017. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	September 30, 2017	
	Amortized Cost	Fair Value
U.S. government-sponsored entities		
Within one year	$ —	$ —
One to five years	5,000	4,930
Five to ten years	—	—
Residential mortgage-backed	854	836
Total	$ 5,854	$ 5,766

Anticipated maturities on mortgage-backed securities are not readily determinable as borrowers have the right to prepay their obligation with or without penalties.

The following table summarizes securities with unrealized losses at September 30, 2017 and December 31, 2016, aggregated by major security type and length of time in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2017						
U.S. government sponsored entities	$ —	$ —	$ 4,930	$ (70)	$ 4,930	$ (70)
Residential mortgage-backed	—	—	836	(18)	836	(18)
Total	$ —	$ —	$ 5,766	$ (88)	$ 5,766	$ (88)
2016						
U.S. government sponsored entities	$ 6,873	$ (127)	$ —	$ —	$ 6,873	$ (127)
Residential mortgage-backed	951	(38)	—	—	951	(38)
Total	$ 7,824	$ (165)	$ —	$ —	$ 7,824	$ (165)

As of September 30, 2017 and December 31, 2016, all of the Company's securities available for sale were issued by U.S. government-sponsored entities and agencies, which the government has affirmed its commitment to support.

Unrealized losses on securities have not been recognized into income because the issuer's securities are of high credit quality (rated AA or higher at the time of purchase), management does not intend to sell and it is not more likely than not that management would 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 is expected to recover as the securities approach maturity.

Note 5 – Loans

The following table sets forth the composition of our loan portfolio by segment and class, at the dates indicated.

	September 30, 2017		December 31, 2016	
	Amount	Percent	Amount	Percent
First mortgage loans:				
Secured by one- to four family	$35,799	46.29%	$30,347	47.92%
Secured by multi-family	12,002	15.52	10,031	15.84
Secured by commercial real estate	19,549	25.27	15,292	24.14
Secured by land	158	0.20	170	0.27
Secured by construction	1,293	1.67	499	0.79
Total first mortgage loans	68,801	88.95	56,339	88.96
Commercial, consumer and other loans:				
Home equity lines-of-credit	7,112	9.20	5,370	8.48
Commercial business loans	1,419	1.83	1,249	1.97
Automobile loans	5	0.01	364	0.57
Other consumer loans	9	0.01	14	0.02
Total commercial, consumer and other loans	8,545	11.05	6,997	11.04
Gross loans	77,346	100.00	63,336	100.00
Premiums and net deferred loan costs	(63)		(84)	
Allowance for loan losses	(1,011)		(904)	
Total loans, net	$76,272		$62,348	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

The following table presents the activity in the allowance for loan losses by portfolio segment and class for the three and nine months ended September 30, 2017 and 2016.

	First Mortgages					Commercial business, Consumer and Other				
	One-to-four family	Multi-family	Commercial real estate	Land	Construction	Home equity lines-of-credit	Commercial business	Automobile	Other Consumer	Total
For the three months ended September 30, 2017										
Allowance for loan losses										
Beginning balance	$ 269	$ 138	$ 463	$ 4	$ 39	$ 65	$ 11	$ —	$ —	$ 989
Provision (credit) for loan losses	5	11	(14)	—	(6)	13	9	—	—	18
Loans charged-off	—	—	—	—	—	—	—	—	—	—
Recoveries	—	2	—	—	2	—	—	—	—	4
Total ending allowance balance September 30, 2017	$ 274	$ 151	$ 449	$ 4	$ 35	$ 78	$ 20	$ —	$ —	$1,011
For the three months ended September 30, 2016										
Allowance for loan losses										
Beginning balance	$ 309	$ 134	$ 413	$ 5	$ 5	$ 76	$ 13	$ 26	$ —	$ 981
Provision (credit) for loan losses	12	42	(128)	—	—	(8)	(1)	(12)	—	(95)
Loans charged-off	(11)	—	—	—	—	—	—	—	—	(11)
Recoveries	—	—	86	—	1	—	—	—	—	87
Total ending allowance balance September 30, 2016	$ 310	$ 176	$ 371	$ 5	$ 6	$ 68	$ 12	$ 14	$ —	$ 962

	First Mortgages					Commercial business, Consumer and Other				
	One-to-four family	Multi-family	Commercial real estate	Land	Construction	Home equity lines-of-credit	Commercial business	Automobile	Other Consumer	Total
For the nine months ended September 30, 2017										
Allowance for loan losses										
Beginning balance	$ 261	$ 141	$ 386	$ 5	$ 15	$ 72	$ 13	$ 11	$ —	$ 904
Provision (credit) for loan losses	13	35	63	(1)	16	6	7	(11)	—	128
Loans charged-off	—	(31)	—	—	—	—	—	—	—	(31)
Recoveries	—	6	—	—	4	—	—	—	—	10
Total ending allowance balance September 30, 2017	$ 274	$ 151	$ 449	$ 4	$ 35	$ 78	$ 20	$ —	$ —	$1,011
For the nine months ended September 30, 2016										
Allowance for loan losses										
Beginning balance	$ 326	$ 157	$ 385	$ 5	$ —	$ 70	$ 12	$ 36	$ —	$ 991
Provision (credit) for loan losses	(5)	19	(100)	—	(18)	(2)	—	(22)	—	(128)
Loans charged-off	(11)	—	—	—	—	—	—	—	—	(11)
Recoveries	—	—	86	—	24	—	—	—	—	110
Total ending allowance balance September 30, 2016	$ 310	$ 176	$ 371	$ 5	$ 6	$ 68	$ 12	$ 14	$ —	$ 962

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and class based on the impaired method at the dates indicated. The recorded investment in loans excludes accrued interest and loan origination fees due to immateriality.

	Loan Balance			Allowance		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment
September 30, 2017						
One-to-four-family	$ 564	$ 35,235	$ 35,799	$ 20	$ 254	$ 274
Multi-family	685	11,317	12,002	—	151	151
Commercial real estate	542	19,007	19,549	—	449	449
Land	—	158	158	—	4	4
Construction	—	1,293	1,293	—	35	35
Home equity lines of credit	—	7,112	7,112	—	78	78
Commercial business	—	1,419	1,419	—	20	20
Automobile	—	5	5	—	—	—
Other consumer	—	9	9	—	—	—
Total	$ 1,791	$ 75,555	$ 77,346	$ 20	$ 991	$ 1,011
December 31, 2016						
One-to-four-family	$ 1,313	$ 29,034	$ 30,347	$ 22	$ 239	$ 261
Multi-family	989	9,042	10,031	10	131	141
Commercial real estate	542	14,750	15,292	—	386	386
Land	—	170	170	—	5	5
Construction	—	499	499	—	15	15
Home equity lines of credit	241	5,129	5,370	—	72	72
Commercial business	—	1,249	1,249	—	13	13
Automobile	—	364	364	—	11	11
Other consumer	—	14	14	—	—	—
Total	$ 3,085	$ 60,251	$ 63,336	$ 32	$ 872	$ 904

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

The following tables present information related to loans individually evaluated for impairment by class of loans as of and for the nine months ended September 30, 2017 and 2016 and as of and for the year ended December 31, 2016

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recorded	Cash Basis Interest Recorded
September 30, 2017						
With no related allowance recorded						
One-to-four-family	$ 186	$ 50	$ —	$ 217	$ —	$ —
Multi-family	691	685	—	397	9	9
Commercial real estate	542	542	—	542	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with no related allowance recorded	1,419	1,277	—	1,156	9	9
With an allowance recorded						
One-to-four-family	514	514	20	520	16	16
Multi-family	—	—	—	387	18	18
Commercial real estate	—	—	—	—	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with a related allowance recorded	514	514	20	907	34	34
Total	$ 1,933	$ 1,791	$ 20	$ 2,063	$ 43	$ 43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recorded	Cash Basis Interest Recorded
September 30, 2016						
With no related allowance recorded						
One-to-four-family	$ 1,202	$ 782	$ —	$ 1,059	$ —	$ —
Multi-family	—	—	—	184	23	23
Commercial real estate	542	542	—	121	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with no related allowance recorded	1,744	1,324	—	1,364	23	23
With an allowance recorded						
One-to-four-family	530	530	63	535	19	19
Multi-family	1,058	1,058	71	1,065	31	31
Commercial real estate	—	—	—	—	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with a related allowance recorded	1,588	1,588	134	1,600	50	50
Total	$ 3,332	$ 2,912	$ 134	$ 2,964	$ 73	$ 73

Table of Contents

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recorded	Cash Basis Interest Recorded
December 31, 2016						
With no related allowance recorded						
One-to-four-family	$ 1,207	$ 787	$ —	$ 990	$ —	$ —
Multi-family	346	284	—	479	27	27
Commercial real estate	542	542	—	226	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	241	241	—	20	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with no related allowance recorded	2,336	1,854	—	1,715	27	27
With an allowance recorded						
One-to-four-family	523	526	22	533	27	27
Multi-family	705	705	10	716	37	37
Commercial real estate	—	—	—	—	—	—
Land	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Automobile	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Total with a related allowance recorded	1,228	1,231	32	1,249	64	64
Total	$ 3,564	$ 3,085	$ 32	$ 2,964	$ 91	$ 91

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

The following table presents the aging of the recorded investment in past due loans at the dates indicated by class of loans.

	30 - 59 Days Past due	60 - 89 Days Past due	Greater than 90 Days Past Due Still on Accrual	Nonaccrual	Loans Not Past Due	Total
September 30, 2017						
One-to-four-family	$ —	$ —	$ —	$ 50	$ 35,749	$35,799
Multi-family	—	—	—	—	12,002	12,002
Commercial real estate	—	—	—	542	19,007	19,549
Land	—	—	—	—	158	158
Construction	—	—	—	—	1,293	1,293
Home equity line of credit	—	—	—	—	7,112	7,112
Commercial business	—	—	—	—	1,419	1,419
Automobile	—	—	—	—	5	5
Other consumer	—	—	—	—	9	9
Total	$ —	$ —	$ —	$ 592	$ 76,754	$77,346
December 31, 2016						
One-to-four-family	$ —	$ —	$ —	$ 787	$ 29,560	$30,347
Multi-family	—	—	—	284	9,747	10,031
Commercial real estate	—	—	—	542	14,750	15,292
Land	—	—	—	—	170	170
Construction	—	—	—	—	499	499
Home equity line of credit	—	—	—	241	5,129	5,370
Commercial business	—	—	—	—	1,249	1,249
Automobile	—	—	—	—	364	364
Other consumer	—	—	—	—	14	14
Total	$ —	$ —	$ —	$ 1,854	$ 61,482	$63,336

Nonperforming loans (non-accrual and loans past due 90 days and still on accrual) include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of a borrower to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. The analysis includes the non-homogeneous loans, such as multi- family, commercial real estate, construction, and commercial loans. The analysis is performed on a quarterly basis. Homogeneous loans are monitored based on past due status of the loan. The risk category of these loans is evaluated at origination, when a loan becomes delinquent or when a borrower requests a concession.

Substandard

Loans classified as substandard 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.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. The following table reflects the risk category by loans at the dates indicated based on the most recent analysis performed.

	Pass	Substandard	Doubtful	Total
September 30, 2017				
One-to-four-family	$35,749	$ 50	$ —	$35,799
Multi-family	12,002	—	—	12,002
Commercial real estate	19,007	542	—	19,549
Land	158	—	—	158
Construction	1,293	—	—	1,293
Home equity lines of credit	7,112	—	—	7,112
Commercial business	1,419	—	—	1,419
Automobile	5	—	—	5
Other consumer	9	—	—	9
Total	$76,754	$ 592	$ —	$77,346
December 31, 2016				
One-to-four-family	$29,560	$ 787	$ —	$30,347
Multi-family	9,747	284	—	10,031
Commercial real estate	14,750	542	—	15,292
Land	170	—	—	170
Construction	499	—	—	499
Home equity lines of credit	5,129	241	—	5,370
Commercial business	1,249	—	—	1,249
Automobile	364	—	—	364
Other consumer	14	—	—	14
Total	$61,482	$ 1,854	$ —	$63,336

Troubled Debt Restructurings

Our troubled debt restructurings totaled $1,249 at September 30, 2017 and $1,576 at December 31, 2016. There were no loans modified as troubled debt restructurings during the nine months ended September 30, 2017 or the year ended December 31, 2016.

There was one loans modification as troubled debt restructuring with a balance of $50 as of September 30, 2017, which was reported as nonaccrual. There were two loans modified as troubled debt restructurings with a balance of $345 which were reported as nonaccrual as of December 31, 2016.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. During the nine months ended September 30, 2017, one loan totaling $253 secured by a multi-family building, had payments in default and was transferred to repossessed assets and sold during the period. During the year-ended December 31, 2016, the same loan totaling $284, had payments in default and was reported as non-accrual at December 31, 2016.

The Company has allocated $20 to specific reserves on $514 of loans to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2017. At December 31, 2016, the Company has allocated $32 to specific reserves on $1,231 of loans to customers whose loan terms have been modified in troubled debt restructurings. The Company has not committed to lend additional amounts as of September 30, 2017 and December 31, 2016 to customers with outstanding loans that are classified as troubled debt restructurings.

NOTE 6 - FEDERAL HOME LOAN BANK ADVANCES

The following table sets forth FHLB advances at the dates indicated. All of the FHLB advances have fixed interest rates and prepayment penalties.

Maturity Date	Type	Interest Rate	September 30, 2017	December 31, 2016
December 23, 2019	Fixed rate	1.78%	$ 2,000	$ 2,000
June 20, 2020	Fixed rate	1.73%	2,000	—
			$ 4,000	$ 2,000

The weighted average interest rate on FHLB advances at September 30, 2017 and December 31, 2016 was 1.76% and 1.78%, respectively..The advances are payable at maturity and includes a prepayment penalty. The advances were collateralized by $11.2 million of first mortgage loans under a collateral agreement at September 30, 2017. Each advance is payable at its maturity date. The Company is not eligible to borrow additional advances without purchasing additional FHLB stock.

Note 7 – Loss Per Share

The following table presents a reconciliation of the components used to compute basic and diluted loss per share:

	For the three Months Ended		For the nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net loss	$ (216)	$ (280)	$ (866)	$ (890)
Weighted average common shares outstanding (1)	678,395	659,607	676,293	660,093
Basic and diluted loss per share (1)	$ (0.32)	$ (0.42)	$ (1.28)	$ (1.35)

[1] The outstanding options are considered antidilutive because of the net loss.

Note 8 – Fair Value Measures

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 company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

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

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 independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Repossessed Assets: 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. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. 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. Other real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for both collateral-dependent impaired loans and other real estate owned are performed by certified appraisers 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. Upon sale of collateral, 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 for the remaining assets carried at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	Balance	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2017				
Assets				
Securities available for sale				
U.S. government-sponsored entities	$ 4,930	$ —	$ 4,930	$ —
Residential mortgaged-backed	836	—	836	—
	$ 5,766	$ —	$ 5,766	$ —
December 31, 2016				
Assets				
Securities available for sale				
U.S. government-sponsored entities	$ 6,873	$ —	$ 6,873	$ —
Residential mortgaged-backed	1,367	—	1,367	—
	$ 8,240	$ —	$ 8,240	$ —

There were no transfers between Level 1, Level 2, and Level 3 during the nine-months ended September 30, 2017 or the year ended December 31, 2016.

Assets Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis are summarized below:

	Balance	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2017				
Assets				
Impaired loans				
Multi-family	$ 685	$ —	$ —	$ 685
Total impaired loans	$ 685	$ —	$ —	$ 685
Repossessed assets				
One-to-four-family	$ 714	$ —	$ —	$ 714
Land	—	—	—	—
Total repossessed assets	$ 714	$ —	$ —	$ 714
December 31, 2016				
Assets				
Impaired loans				
One-to-four-family	$ 725	$ —	$ —	$ 725
Multi-family	979	—	—	979
Total impaired loans	$ 1,704	$ —	$ —	$ 1,704
Repossessed assets				
Commercial real estate	$ 321	$ —	$ —	$ 321
Land	87	—	—	87
Total repossessed assets	$ 408	$ —	$ —	$ 408

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

Impaired loans, which are measured for impairment using the fair value of the collateral (less cost to sell) for collateral dependent loans, had an aggregate balance of $685 with a $0 valuation allowance at September 30, 2017 and an aggregate balance of $1,714 with a $10 valuation allowance at December 31, 2016. The impaired loans resulted in no provision for the three months ended September 30, 2017 and a $31 provision for loan losses for the nine months ended September 30, 2017. There was no provision for the three and nine months ended September 30, 2016.

Repossessed assets, consisting of other real estate owned, are measured at the lower of cost or fair value less costs to sell. Repossessed assets were carried at $714 at September 30, 2017 consisting of the cost basis of $714 and a valuation allowance of $0. Repossessed assets were carried at $408 at December 31, 2016 consisting of the cost basis of $643 and a valuation allowance of $235. There were no write-downs on repossessed assets for the three and nine months ended September 30, 2017. There was $68 of write-downs on repossessed assets for the three and nine months ended September 30, 2016.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2017 and December 31, 2016:

September 30, 2017

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Impaired loans				
Multi-family	$685	Sales comparison approach	Adjustment for differences between the comparable sales	(2.18)% – 4.51%
Other real estate owned				
One-to-four-family	$714	Sales comparison approach	Adjustment for differences between the comparable sales	(8.57)% – 21.50%

December 31, 2016

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Impaired loans				
One-to-four-family	$725	Sales comparison approach	Adjustment for differences between the comparable sales	(17.04)% – 8.70%
Multi-family	$979	Sales comparison approach	Adjustment for differences between the comparable sales	(7.69)% – 10.77%
Other real estate owned				
Commercial real estate	$321	Sales comparison approach	Adjustment for differences between the comparable sales	(5.70)% – 4.78%
Land	$ 87	Sales comparison approach	Adjustment for differences between the comparable sales	(6.67)% – 6.67%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

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

	Carrying Amount	Fair Value Measurements at September 30, 2017 Unaudited Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 15,751	$15,751	$ —	$ —	$15,751
Certificates of deposit in other financial institutions	735	—	735	—	735
Securities available-for-sale	5,766	—	5,766	—	5,766
Loans receivable, net	76,272	—	—	75,414	75,414
FHLB stock	188	N/A	N/A	N/A	N/A
Accrued interest receivable	231	2	27	202	231
Financial liabilities					
Demand, money market, and savings	$ 37,797	$37,797	$ —	$ —	$37,797
Certificates of deposits	50,879	—	51,097	—	51,097
Federal Home Loan Bank advances	4,000	—	4,007	—	4,007
Advances by borrowers for taxes and insurance	331	331	—	—	331
Accrued interest payable	11	—	11	—	11

	Carrying Amount	Fair Value Measurements at December 31, 2016 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 8,232	$ 8,232	$ —	$ —	$ 8,232
Certificates of deposit in other financial institutions	3,675	—	3,675	—	3,675
Securities available-for-sale	8,240	—	8,240	—	8,240
Loans receivable, net	62,348	—	—	62,753	62,753
FHLB stock	921	N/A	N/A	N/A	N/A
Accrued interest receivable	176	—	18	160	178
Financial liabilities					
Demand, money market, and savings	$ 38,736	$38,736	$ —	$ —	$38,736
Certificates of deposits	35,295	—	35,433	—	35,433
Federal Home Loan Bank advances	2,000	—	2,001	—	2,001
Advances by borrowers for taxes and insurance	557	557	—	—	557
Accrued interest payable	1	—	1	—	1

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

(a) Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1

(b) Certificates of deposit in other financial institutions.

Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

(c) Loans receivable, net

Fair values of loans receivable, net are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

(d) FHLB Stock

It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

(e) Accrued Interest Receivable

The carrying amount of accrued interest receivable approximates its fair value and is classified as Level 2 for securities and Level 3 for loans.

(f) Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest demand, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) and are classified as Level 1. The carrying amounts of variable rate certificates of deposit d using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

(g) Federal Home Loan Bank Advances

The fair value of Federal Home Loan Bank advances is estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resorting in a Level 2 classification.

(h) Advances by Borrowers for Taxes and Insurance

The carrying amounts of advances for borrowers taxes and insurance approximate fair values and are classified as Level 1.

(i) Accrued Interest Payable

The carrying amount of accrued interest payable approximates its fair value and is classified as Level 2.

Note 9 – Regulatory Capital Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision’s capital guidelines for U.S. banks (Basel Ill rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

Effective as of January 1, 2016, financial institutions are required to maintain a capital conservation buffer to avoid restrictions on capital distributions and other payments. If a financial institution’s capital conservation buffer falls below the minimum requirement, its maximum payout amount for capital distributions and discretionary payments declines to a set percentage of eligible retained income based on the size of the buffer. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a three year period, increasing by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019. As of September 30, 2017, the Bank’s required capital conservation buffer stood at 1.25%.

Quantitative measures established by regulation to help ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital as defined in the regulations to risk-weighted assets as defined and of Tier I capital to adjusted total assets as defined. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios. On November 25, 2015 the Bank entered into a Consent Order with the OCC that reduced the Bank’s regulatory compliance burden. Concurrent with the execution of the Consent Order, the Old Order entered into between the Bank and the OCC dated December 19, 2012 was terminated. The Consent Order reduced the Bank’s minimum required Tier 1 leverage capital ratio to 8% from 9% under the Old Order and its minimum total risk-based capital ratio to 12% from 13% under the Old Order.

The Company's board adopted resolutions requested by the Federal Reserve Board which prohibits us from paying dividends, increasing our debt, or redeeming shares of the Company without prior written approval from the Federal Reserve Board.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

As a result of entering into the Consent Order that requires the Bank to achieve and maintain specific capital levels, the Bank's capital classification under the Prompt Corrective Action rules was "less than adequately capitalized" at September 30, 2017 and "adequately capitalized" at December 31, 2016. As long as the Bank is subject to the Consent Order, the Bank cannot be considered "well capitalized". The Bank's failure to comply with the Consent Order, including the Consent Order capital requirements, results in the Bank being "less than adequately capitalized". As a result of the Bank being under the Consent Order, the Bank is precluded from paying dividends and from accepting brokered deposits or high rate deposits. The Bank is requesting a waiver from the high rate deposit restriction to allow the Bank to retain certificates of deposit as they mature by meeting local market rates.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If undercapitalized, asset growth and expansion are limited and plans for capital restoration are required.

Actual capital levels and minimum required levels for the Bank were as indicated in the table below:

	Actual		Minimum Required for Capital Adequacy Purposes[1]		Minimum Required By the Consent Order	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2017						
Total capital (to risk-weighted assets)	$ 7,540	11.3%	$ 5,339	8.0%	$ 8,009	12.0%
Common equity Tier 1 capital (to risk-weighted assets)	6,703	10.0	3,003	4.5	N/A	N/A
Tier 1 (core) capital (to risk-weighted assets)	6,703	10.0	4,004	6.0	N/A	N/A
Tier 1 (core) capital (to average total assets)	6,703	7.0	3,837	4.0	7,675	8.0
December 31, 2016						
Total capital (to risk-weighted assets)	$ 8,160	14.5%	$ 4,493	8.0%	$ 6,739	12.0%
Common equity Tier 1 capital (to risk-weighted assets)	7,456	13.3	2,527	4.5	N/A	N/A
Tier 1 (core) capital (to risk-weighted assets)	7,456	13.3	3,369	6.0	N/A	N/A
Tier 1 (core) capital (to average total assets)	7,456	9.3	3,224	4.0	6,447	8.0

(1) Under prompt corrective action rules

Note 10 – Employee Benefits

On May 25, 2016, stockholders of the Company approved the Ben Franklin Financial, Inc. 2016 Equity Incentive Plan (the "Plan") which provides officers, employees, and directors of the Company and the Bank with stock based incentives to promote our growth and performance. The Plan shall remain in effect as long as any awards are outstanding provided, however, that no awards be granted under the plan after ten years from the date of adoption. The Plan authorizes the issuance of up to 54,666 shares of our common stock pursuant to grants of incentive and non-statutory stock options, stock appreciation rights, and restricted stock awards. No more than 15,619 shares may be issued as restricted stock awards. No more than 39,047 shares may be issued pursuant to stock options and stock appreciation rights, all of which may be granted pursuant to the exercise of incentive stock options. On January 24, 2017, the Company granted restricted stock awards for 15,619 common shares and stock options for 39,047 common shares under the Plan, all of which vest over a three year period. Awards under the Plan may also fully vest upon the participant's death or disability or change in control of the Company. All of the options granted have an exercise price of $10.70 per share, which was the closing price of the stock on the grant date. No options were vested, exercised or forfeited as of September 30, 2017. The options have no intrinsic value as of September 30, 2017.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Company's expected volatility was based on historical stock price for the past two years. The expected term represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of each option granted in 2017 was $2.98 and was determined using the following weighted-average assumptions as of grant date.

Risk free interest rate	2.27%
Expected term	7 Years
Expected stock price volatility	20%
Dividend yield	-0-%

Stock option expense was $10 and $27 during the three and nine months ended September 30, 2017. As of September 30, 2017, there was $89 of unrecognized compensation cost related to stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of approximately 2.3 years.

The fair value of the restricted stock awards was $10.70 per share, which was the closing price of the stock on the January 27, 2017 grant date. None of the restricted stock awards were vested and 312 restricted stock awards were forfeited as of September 30, 2017. Restricted stock award expense was $14 and $28 during the three and nine months ended September 30, 2017. As of September 30, 2017, there was $129 of unrecognized compensation cost related to non-vested shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of approximately 2.3 years.

The value of stock options and restricted stock awards as of the grant date are expensed over the three year vesting period. Forfeitures of stock options and restricted stock awards are expected to be insignificant.

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

Forward-Looking Statements

This quarterly report may contain statements relating to the future results of the Company (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). Such forward-looking statements, in addition to historical information, which involve risk and uncertainties, are based on the beliefs, assumptions and expectations of management. Words such as "expects," "believes," "should," "plans," "anticipates," "will," "potential," "could," "intend," "may," "outlook," "predict," "project," "would," "estimates," "assumes," "likely," and variations of such similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements include, but are not limited to: statements of our goals, intentions, and expectations; statements regarding our business plans and prospects and 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. For this presentation, the Company and its subsidiary claim the protection of the safe harbor for forward-looking statements contained in the PSLRA.

Factors that could cause future results to vary from current management expectations include, but are not limited to: our ability to manage the risk from our one-to four-family, home equity line-of-credit, multi-family, commercial real estate, construction, land, commercial business, and automobile lending including purchased loans; our ability to comply with the terms of the Consent Order (the "Consent Order") entered into between the Bank and the Office of the Comptroller of the Currency (the "OCC") on November 25, 2015; the future level of deposit insurance premiums applicable to us; significantly increased competition among depository and other financial institutions; our ability to execute our plan to grow our assets on a profitable basis; changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments; inflation; general economic conditions, both nationally and in our market area; adverse changes in the securities and national and local real estate markets (including loan demand, housing demand, and real estate values); our ability to originate a satisfactory amount of high quality loans in an unfavorable economic environment; legislative or regulatory changes that adversely affect our business including the effect of the Dodd-Frank Reform Act, our ability to enter new markets successfully and take advantage of growth opportunities; changes in consumer spending, borrowing and savings habits; changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the authoritative accounting bodies; the performance of our investment in FHLB of Chicago stock; changes in our organization, compensation and benefit plans; and other factors. Additional factors that may affect our results are discussed in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission under the heading "Risk Factors." The forward-looking statements are made as of the date of this report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

New Capital Requirements

In July, 2014, the OCC and the other federal bank regulatory agencies issued a final rule to revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets, to make them consistent with the agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions and top-tier bank holding companies and savings and loan holding companies with total consolidated assets of $1.0 billion or more ("banking organizations"). Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (8.0% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule became effective for us on January 1, 2015. The capital conservation buffer requirement began at 0.625% January 1, 2016 and becomes fully phased in at 2.5% on January 1, 2019.

Consent Order

On November 25, 2015 the Bank entered into a revised Consent Order (the "New Order") with the Office of the Comptroller of the Currency ("OCC"). Concurrent with the execution of the New Order, the Bank's prior Consent Order (the "Old Order") entered into between the Bank and the OCC dated December 19, 2012 was terminated. The New Order is comprised of two substantive articles as opposed to 12 substantive articles under the Old Order. The New Order reduced the Bank's minimum required Tier 1 leverage capital ratio to 8% from 9% under the Old Order and its minimum total risk-based capital ratio to 12% from 13% under the Old Order. The New Order requires the Bank to revise its current Capital and Strategic Plan (the "Strategic Plan") to include a capital distribution policy. Additionally, the New Order requires the Bank to revise its Strategic Plan to identify parameters and triggers, which would cause the board of directors to market the Bank for merger or sale, in the event it failed to meet the 8% and 12% capital requirements under the New Order. The New Order continues to require quarterly reporting to the OCC and board monitoring requirements. At September 30, 2017 the Bank's Tier 1 leverage ratio was less than the 8% requirement under the Consent Order and the Bank's total risk-based capital ratio was less than the 12% requirement, therefore at September 30, 2017, the Bank was not in compliance with the capital requirements of the Consent Order. See Note 9 of the Notes to Consolidated Financial Statements. At December 31, 2016 the Bank was in compliance with the required minimum ratios. To comply with the capital levels of the Consent Order, and to execute on our business plan which includes significant growth, we will need to raise additional capital. Such capital may not be available at terms that will allow us to execute on our business plan and become profitable, or may not be available at all. If we are not able to raise the additional capital required to comply with the Consent Order and to execute on our business plan, we will explore other options.

To comply with the capital levels of the New Order and execute on our business plan which contemplates significant growth, we will need to raise additional capital, which may not be available at terms that are acceptable if at all. In addition, under the New Order the Bank is required to receive regulatory non-objection to a revised Strategic Plan that, among other things, identifies parameters and triggers which would cause the board of directors to market the Bank for merger or sale, in the event it failed to meet the capital requirements under the New Order. On January 30, 2017, the Bank submitted to the OCC a revised Strategic Plan. By letter dated March 2, 2017, the OCC informed the Bank that it would not grant its non-objection to the Strategic Plan as submitted by the Bank. On August 31, 2017, the Bank submitted to the OCC a second revised Strategic Capital Plan to which the OCC has not responded. If the Bank is unable to meet the capital requirements and other requirements of the New Order, the OCC may institute other corrective measures and has enforcement powers to impose additional restrictions on the Bank's operations, including seizure. Only the OCC has the authority to determine whether or not the provisions of the New Order have been met.

General

The Bank is a federally chartered savings bank headquartered in Arlington Heights, Illinois. The Bank was originally founded in 1893 as a building and loan association. We conduct our business from our main office and one branch office. Both of our offices are located in the northwestern corridor of the Chicago metropolitan area.

Our principal business consists of attracting retail deposits from the general public in our market and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage loans and, to a lesser extent, home equity lines-of-credit, commercial real estate loans, multi-family real estate loans, commercial business loans, construction and land loans, automobile, and other loans. We also invest in mortgage-backed and other securities. Our revenues are derived principally from the interest on loans and securities, fees for loan origination services, loan fees, and fees levied on deposit accounts. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and borrowing from the Federal Home Loan Bank.

Our strategic plan to increase income includes growing our loan portfolio through a combination of our internal origination efforts and participations in loans with other financial institutions. We believe we must continue to increase our level of higher interest earning assets to become profitable. During the fourth quarter of 2016 and continuing through the third quarter of 2017, we have been able to generate loan growth needed to increase our interest income, however, we continue to incur costs associated with resolving some of our current problem assets and costs associated with being a public company. The board of directors realizes that it will take a significant amount of time for us to accomplish our growth objective and that meeting the capital requirements of the New Order requires that alternate strategies need to be explored including the need for additional capital which may not be available at a cost consistent with the successful implementation of our strategic plan, or at all. If we cannot raise additional capital, we may explore other options, including the merger or sale of the Company.

Based on the above, we do not anticipate net income until we experience significant growth in our earning assets base pursuant to our business plan. To increase our earning asset base, we will need to increase our capital. There can be no assurances, however, that we will successfully execute on our business plan and be able to return to profitability in the timeframe we expect or at all.

Critical Accounting Policies

Certain of our accounting policies are important to the reporting of our financial results, since they require management to make difficult, complex and/or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in performance of the local economy, changes in the financial condition of borrowers, and changes in value of loan collateral such as real estate. As discussed in the Company's Annual Report for the year ended December 31, 2016, management believes that its critical accounting policies include determining the allowance for loan losses and accounting for deferred income taxes.

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

Assets. Total assets at September 30, 2017 were $100.8 million compared to $85.3 million at December 31, 2016, an increase of $15.5 million, or 18.2%. This increase was primarily due to the $13.9 million increase in our loan portfolio balance, the $7.5 million increase in in our cash and cash equivalents, and the $306,000 increase in the balance of our repossessed assets, partially offset by a $2.9 million decrease in our certificates of deposits in other financial institutions, a $2.5 million decrease in our securities available for sale, and a $733,000 decrease in our Federal Home Loan Bank stock.

The increase in our loan portfolio balance during the first nine months of 2017 was due to the $5.5 million increase in our one- to four-family residential loan portfolio, the $4.3 million increase in our commercial real estate loan portfolio, the $2.0 increase in our multi-family loan portfolio, the $1.7 increase in our home equity line-of-credit portfolio, and the $794,000 increase in our construction loan portfolio, partially offset by the $359,000 decrease in our automobile portfolio. The increase in our one- to four- family residential loan portfolio included the purchase of $3.5 million pool of such loans from another financial institution. The decrease in our automobile portfolio was the result of the repurchase of the outstanding balance of our indirect automobile portfolio, at par, by the financial institution servicing the portfolio. The increase in loan origination activity is primarily the result of the staffing changes that were implemented in the lending area during 2016.

At September 30, 2017, our allowance for loan losses was $1.0 million, or 1.31% of total loans, compared to $904,000, or 1.43% of total loans, at December 31, 2016. Our allowance reflects a $128,000 provision for loan losses for the nine months ended September 30, 2017. The provision was primarily due to the increase in the balance of our loan portfolio and $21,000 of net charge-offs. Our allowance for loan losses to total loans decreased to 1.31% at September 30, 2017, primarily due to the improved credit quality of our loan portfolio as reflected in our declining loan charge-offs over the past several years. Our loans classified as substandard or doubtful, which also represents our non-accrual loans, were $592,000 or 0.77% of total loans at September 30, 2017 compared to $1.9 million or 2.93% of total loans at December 31, 2016. The decrease was primarily due to the transfer of a residential loan and a multi-family loan with a total book value of $965,000 to other real estate owned and the payoff of a home equity line-of-credit loan totaling $241,000. Our loans classified as troubled debt restructurings (TDRs) totaled $1.2 million at September 30, 2017, of which $1.2 million were accruing, compared to $1.6 million at December 31, 2016, of which $1.2 million were accruing.

Our Federal Home Loan Bank stock decreased $733,000 or 79.6% to $188,000 due to the net redemption of stock exceeding the required levels. Our securities portfolio decreased $2.5 million primarily due to the sale of $2.0 million of government sponsored entity notes and $328,000 of mortgaged-backed securities. Our cash and cash equivalents increased $7.5.million to $15.8 million at September 30, 2017 primarily due to the increase in our customer deposits. Our certificates of deposit with other financial institutions decreased due to the maturity of $2.9 million of such certificates of deposit.

Our repossessed assets increased $306,000 to $714,000 at September 30, 2017 due to the foreclosure of two loans totaling $965,000 and the sale of three properties totaling $659,000. The balance of our repossessed properties include a residential property with a book value of $714,000.

Liabilities. Our total liabilities increased $16.3 million or 21.2% to $93.5 million at September 30, 2017. Our deposits increased by $14.7 million or 19.8% to $88.7 million at September 30, 2017 compared to $74.0 million at December 31, 2016, primarily due to the $15.6 million or 44.2% increase in our certificate of deposit accounts. The increase in our certificate of deposit accounts was primarily due to an increase in high yielding certificate accounts in our competitive market for deposits. Our advances from the Federal Home Loan Bank increased $2.0 million. The funds from the increase in deposits and Federal Home Loan Bank advances were primarily to meet liquidity needs and funding for our projected loan portfolio growth.

Stockholders' Equity. Total stockholders' equity at September 30, 2017 was $7.3 million, a decrease of $777,000 or 9.6% from December 31, 2016. The decrease resulted primarily from our net loss of $866,000 for the nine months ended September 30, 2017.

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

General. For the three months ended September 30, 2017 our net loss was $216,000 compared to a net loss of $280,000 for the three months ended September 30, 2016. The decrease in our net loss was primarily due to the increase in our net interest income and decrease in non-interest expense, partially offset by an increase in our provision for loan losses.

Interest Income. Interest income was $981,000 for the three months ended September 30, 2017, an increase of $225,000, or 29.8%, compared to the prior year period. Interest income from loans increased $219,000 or 31.1% primarily due to the $18.5 million increase in the average balance of our loan portfolio to $74.7 million at September 30, 2017 compared to the prior period. The increase in the average balance was primarily due to the $9.3 million increase in our multi-family and commercial real estate loan portfolio, the $7.3 million increase in our residential loan portfolio, the $1.2 million increase in our home equity line-of-credit portfolio, and the $1.2 million increase in our construction loan portfolio. The yield of our loan portfolio was 4.93% for the three months ended September 30, 2017 compared to 5.03% for the prior year period.

Interest income from securities decreased $7,000 or 23.3% to $23,000 for the three months ended September 30, 2017 compared to the prior year period. The average balance of our securities decreased $2.3 million primarily due to the sale of $2.0 million of government entity notes in the second quarter of 2017 and the sale of $328,000 of mortgage-backed securities in the third quarter of 2017. The yield on our security portfolio was 1.48% for the three months ended September 30, 2017 compared to 1.42% for the prior year period. Interest income from interest earning deposits increased $13,000 to $34,000 for the three months ended September 30, 2017 compared to the prior year period primarily due to the 51 basis point increase in yield due to the increases in short term rates by the Federal Open Market Committee over the past year.

Interest Expense. Interest expense for the three months ended September 30, 2017 was $158,000, an increase of $77,000 or 95.1% from the prior year period due to the increase in interest expense on deposits. The average cost of deposits increased to 0.71% for the three months ended September 30, 2017 compared to 0.49% for the prior year period as the average cost of our certificate of deposit accounts increased to 1.11% for the three months ended September 30, 2017 compared to 0.84% for the prior year period. The average balance of our certificate of deposit accounts increased $13.2 million to $46.8 million. The market rate for these deposits has been increasing in our local market and we have competitively priced our certificates to attract these deposits. The average balance of our savings accounts increased $884,000 for the three months ended September 30, 2017. These increases were partially offset by the $1.4 million decrease in the average balance of our money market accounts as customers are investing excess funds in higher yielding alternatives such as certificates of deposit. Interest expense on Federal Home Loan Bank advances increased $16,000 due to the addition of a $4.0 million of advances since the end of 2016. We increased the balance of our certificates of deposit and Federal Home Loan Bank advances to fund the growth of our loan portfolio and increase the available liquidity for future needs.

Net Interest Income. Net interest income for the three months ended September 30, 2017 was $823,000 compared to $675,000 for the three months ended September 30, 2016. For the three months ended September 30, 2017, the average yield on interest-earning assets was 4.21% and the average cost of interest-bearing liabilities was 0.76% compared to 3.90% and 0.49%, respectively, for the three months ended September 30, 2016. These changes resulted in a net interest rate spread and net interest margin of 3.45% and 3.54% respectively for the three months ended September 30, 2017 compared to a net interest rate spread of 3.41% and net interest margin of 3.48% for the prior year period. The increase in our net interest rate spread and net interest margin is primarily due to the increase in the average balance of our higher yielding interest earning assets.

Provision for Loan Losses. Our provision for loan losses was $18,000 for the three months ended September 30, 2017 compared to a credit provision for loan losses of $95,000 for the three months ended September 30, 2016. The provision for the three months ended September 30, 2017 was primarily due to the increase in our loan portfolio balance. The credit for the prior year period was primarily the result of an $86,000 recovery on a discounted payoff of a loan secured by a multi-family property. At September 30, 2017, management concluded that the balance in our allowance for loan losses appropriately reflected the probable incurred credit losses in the portfolio based on an analysis of the Bank's historical loss history and other current factors including market values and current economic conditions and trends.

Non-interest Income. For the three months ended September 30, 2017, non-interest income was $19,000 compared to $25,000 for the three months ended September 30, 2016. Non-interest income for the three months ended September 30, 2017 included the $6,000 gain on the sale of mortgaged-backed securities and the $20,000 loss on the sale of a repossessed assets. Income from fees for originating loans for other financial institutions increased $7,000 due to higher origination volume.

Non-interest Expense. For the three months ended September 30, 2017, our non-interest expense decreased $32,000 or 3.0% compared to the prior year period. Our repossessed asset costs decreased $70,000 primarily due to the $68,000 write-down of a commercial real estate property for the three months ended September 30, 2016. Our other costs decreased $40,000 primarily due to the $18,000 decrease in problem loan costs and the $20,000 change in the provision for off-balance sheet commitments. Our compensation and employee benefit costs increased $84,000 or 19.9% primarily due to staffing changes and the cost associated with grants from our equity incentive plan at the beginning of 2017. Professional fees increased $15,000 primarily due to the increase in our legal fees related to general corporate matters.

Income Tax. We recorded immaterial amounts for income taxes for the three months ended September 30, 2017 and 2016. Currently our net deferred tax asset has a full valuation allowance.

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

General. For the nine months ended September 30, 2017 our net loss was $866,000 compared to a net loss of $890,000 for the nine months ended September 30, 2016. The decrease in our net loss was primarily due to the increases in our net interest income, partially offset by increases in our non-interest expense and the change in our provision for loan losses.

Interest Income. Interest income was $2.8 million for the nine months ended September 30, 2017, an increase of $539,000, or 24.4%, compared to the prior year period. Interest income from our loan portfolio increased $543,000 or 26.5%. The average balance of our loan portfolio increased $14.5 million for the nine months ended September 30, 2017 compared to the prior year period primarily due to the $7.2 million increase in our multi-family and commercial real estate loan portfolio, the $5.7 million increase in our one- to four-family residential loan portfolio, the $1.4 million increase in our home equity line-of-credit loan portfolio and the $992,000 increase in the balance of our construction loan portfolio. These balance increases were partially offset by the $475,000 decrease in the average balance of our consumer loans. The consumer loan decrease was primarily due to the repurchase of the remaining balance of our indirect automobile portfolio at par by the original seller. The increase in our one- to four-family residential loans was primarily due to the purchase of a $3.5 million pool of such loans from another financial institution. The yield on our loan portfolio was 4.89% for the nine months ended September 30, 2017 compared to 4.86% the prior year period.

Interest income from securities decreased $17,000 or 16.7% to $85,000 for the nine months ended September 30, 2017 primarily due to the $1.9 million decrease in the average balance of our securities portfolio to $7.5 million primarily due to the sale of $2.0 million of government entity securities and $328,000 of mortgage-backed securities. The average yield for our securities portfolio was 1.51% for the nine months ended September 30, 2017 compared to 1.44% for the prior year period. Interest income from other interest earning assets was $77,000 for the nine months ended September 30, 2017, an increase of $13,000 from the prior year. The average balance of our other interest earning assets decreased $3.5 million primarily to fund the increase in our loan portfolio. The yield on our other interest earning assets increased to 1.01% for the nine months ended September 30, 2017 compared to 0.62% primarily due to the increases in short term rates by the Federal Open Market Committee over the past year. The average balance of our certificates of deposits with other financial institutions was $2.2 million for the nine months ended September 30, 2017 compared to $4.0 million in the comparable period of 2016.

Interest Expense. Interest expense for the nine months ended September 30, 2017 was $381,000, an increase of $143,000 or 60.1% from the prior year. Interest expense on deposits increased $109,000 as the average balance of our interest bearing deposits increased $8.2 million. The average balance of our certificate of deposit accounts increased $8.6 million to $42.1 million and the average balance of our savings accounts increased $1.3 million. These increases were partially offset by the $1.5 million decrease in the average balance of our money market accounts as customers invested excess funds in higher yielding alternatives such as certificates of deposit. Interest expense on Federal Home Loan Bank advances increased $34,000 due to the $2.5 million increase in the average balance for the nine months ended September 30, 2017 compared to the prior year period. We increased the balance of our certificates of deposit and Federal Home Loan Bank advances to fund the growth of our loan portfolio and increase liquidity for future needs.

Net Interest Income. Net interest income for the nine months ended September 30, 2017 was $2.4 million compared to $2.0 million for the nine months ended September 30, 2016. For the nine months ended September 30, 2017, the average yield on interest-earning assets was 4.15% and the average cost of interest-bearing liabilities was 0.65% compared to 3.72% and 0.47%, respectively, for the nine months ended September 30, 2016. These changes resulted in a net interest rate spread and net interest margin of 3.50% and 3.58%, respectively, for the nine months ended September 30, 2017, compared to a net interest rate spread of 3.25% and net interest margin of 3.32% for the prior year period. The increase in our net interest rate spread and net interest margin is primarily due to the increase in the average balance of our higher yielding interest earning assets.

Provision for Loan Losses. Our provision for loan losses was $128,000 for the nine months ended September 30, 2017 compared to a credit provision for loan losses of $128,000 for the nine months ended September 30, 2016. The provision for the nine months ended September 30, 2017 was primarily due to the increase in the balance of our loan portfolio. The credit for the prior year period was primarily due to an $86,000 recovery on a discounted payoff of a loan secured by a multi-family property and the $24,000 recovery from a residential construction loan. At September 30, 2017, management concluded that the balance in our allowance for loan losses appropriately reflected the probable incurred credit losses in the portfolio based on an analysis of the Bank's historical loss history and other current factors including market values and current economic conditions and trends.

Non-interest Income. For the nine months ended September 30, 2017, non-interest income was $77,000 compared to $86,000 for the nine months ended September 30, 2016. Non-interest income included a net loss of $17,000 from the sale of three repossessed assets for the nine months ended September 30, 2017. Income from repossessed assets, included in other non-interest income, increased $14,000 for the nine months ended September 30, 2017 compared to the prior year period.

Non-interest Expense. For the nine months ended September 30, 2017, our non-interest expense increased $128,000 or 4.1% compared to the prior year period. Our compensation and employee benefit costs increased $230,000 or 17.9% primarily due to $144,000 related to staffing and salary changes and $65,000 for the costs of our equity incentive awards. Occupancy costs increased $43,000 primarily due to the $51,000 increase in depreciation for leasehold improvements for our branch office completed in June of 2016. Our other real estate losses and holding costs decreased $51,000 primarily due to the $68,000 write-down of a commercial real estate property for the nine months ended September 30, 2016. Our other costs decreased $41,000 primarily due to a $40,000 one time operational loss for the nine months ended September 30, 2016. Our FDIC insurance premium decreased $25,000 primarily due to a change in the FDIC's calculation method.

Table of Contents

Income Tax. We recorded immaterial amounts for income taxes for the nine months ended September 30, 2017 and 2016. Effective July 1, 2017, the Illinois corporate income tax rate has increased from 7.75% to 9.50% or 32%, The increase in rate resulted in a $137,000 increase in the balance of deferred taxes, and a corresponding increase in our valuation allowance beginning in the third quarter of 2017. Currently our net deferred tax asset has a full valuation allowance.

Non-Performing Assets

The following table sets forth the amounts and categories of our non-performing assets at the dates indicated.

	September 30, 2017	December 31, 2016
	(Dollars in thousands)	
Non-accrual loans (excluding troubled debt restructurings):		
Real estate loans:		
One- to four-family residential	$ —	$ 726
Multi-family	—	—
Commercial business	542	542
Construction	—	—
Land	—	—
Home equity lines of credit	—	241
Commercial business loans	—	—
Automobile loans	—	—
Other consumer loans	—	—
Total non-accrual loans	542	1,509
Loans 90 days or more past due and still accruing:		
Real estate loans:		
One- to four-family residential	—	—
Multi-family	—	—
Commercial business	—	—
Construction	—	—
Land	—	—
Home equity lines of credit	—	—
Commercial business loans	—	—
Automobile loans	—	—
Other consumer loans	—	—
Total loans 90 days or more past due and still accruing	—	—
Non-accruing troubled debt restructurings:		
Real estate loans:		
One- to four-family residential	50	61
Multi-family	—	284
Commercia businessl	—	—
Construction	—	—
Land	—	—
Home equity lines of credit	—	—
Commercial business loans	—	—
Automobile loans	—	—
Other consumer loans	—	—
Total non-accruing troubled debt restructured loans	50	345
Total non-performing loans	592	1,854
Repossessed Assets:		
Real estate loans:		
One- to four-family residential	714	—
Multi-family	—	—
Commercial business	—	321
Construction	—	—
Land	—	87
Home equity lines of credit	—	—
Commercial business	—	—
Automobile loans	—	—
Other consumer loans	—	—
Total foreclosed assets	714	408
Total non-performing assets	$ 1,306	$ 2,262
Total accruing troubled debt restructured loans	$ 1,199	$ 1,231
Ratios:		
Non-performing loans and non-performing troubled-debt-restructurings to gross loans	0.77%	2.93%
Non-performing assets to total assets	1.30%	2.65%
Non-performing assets and accruing troubled debt restructurings to total assets	2.48%	4.10%

(1) Non-performing loans consist of non-accruing loans and non-accruing troubled debt restructurings

(2) Non-performing assets consist of non-performing loans and repossessed assets

Analysis of Net Interest Income

Net interest income represents the difference between the income we earn on interest-earning assets and the interest expense we pay on interest-bearing liabilities. Net interest income also depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them.

The following table sets forth average balance sheets, annualized average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income.

	Three Months Ended September 30,					
	2017			2016		
	Average Outstanding Balance	Interest	Yield/ Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans	$ 74,654	$ 924	4.93%	$ 56,174	$ 705	5.03%
Securities (1)	6,178	23	1.48	8,496	30	1.42
Other interest-earning assets (2)	11,902	34	1.14	13,035	21	0.63
Total interest-earning assets	92,734	$ 981	4.21	77,705	$ 756	3.90
Non-interest-earning assets	3,203			2,819		
Total assets	$ 95,937			$ 80,524		
Liabilities and stockholders' equity:						
Savings deposits	$ 12,737	$ 5	0.15	$ 11,853	$ 4	0.15
Demand deposits	8,987	1	0.05	8,914	1	0.06
Money market deposits	10,476	4	0.15	11,881	5	0.15
Certificates of deposit	46,801	132	1.11	33,575	71	0.84
Total interest-bearing deposits	79,001	142	0.71	66,223	81	0.49
Federal Home Loan Bank advances	3,587	16	1.78	—	—	—
Total interest-bearing liabilities	82,588	158	0.76	66,223	81	0.49
Non-interest-bearing deposits	5,070			4,558		
Other liabilities	666			830		
Total liabilities	88,324			71,611		
Stockholders' equity	7,613			8,913		
Total liabilities and stockholders' equity	$ 95,937			$ 80,524		
Net interest income		$ 823			$ 675	
Net interest rate spread			3.45%			3.41%
Net interest-earning assets	$ 10,146			$ 11,482		
Net interest margin			3.54%			3.48%
Average of interest-earning assets to interest-bearing Liabilities			112.29%			117.34%

(1) Securities include Federal Home Loan Bank stock with average balances of $188,000 and $921,000 for the three months ended September 30, 2017 and 2016, respectively.

(2) Other interest earning assets include certificates of deposit in other financial institutions and cash equivalents.

	Nine Months Ended September 30,					
	2017			2016		
	Average Outstanding Balance	Interest	Yield/ Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans	$ 70,764	$ 2,589	4.89%	$ 56,218	$ 2,046	4.86%
Securities (1)	7,496	85	1.51	9,432	102	1.44
Other interest-earning assets (2)	10,242	77	1.01	13,711	64	0.62
Total interest-earning assets	88,502	$ 2,751	4.15	79,361	$ 2,212	3.72
Non-interest-earning assets	3,073			2,447		
Total assets	$ 91,575			$ 81,808		
Liabilities and stockholders' equity:						
Savings deposits	$ 12,818	$ 14	0.15	$ 11,510	$ 13	0.15
Demand deposits	9,206	4	0.06	9,371	4	0.06
Money market deposits	11,068	12	0.15	12,563	14	0.15
Certificates of deposit	42,125	317	1.00	33,562	207	0.82
Total interest-bearing deposits	75,217	347	0.62	67,006	238	0.47
Federal Home Loan Bank advances	2,535	34	1.79	—	—	—
Total interest-bearing liabilities	77,752	381	0.65	67,006	238	0.47
Non-interest-bearing deposits	5,132			4,641		
Other liabilities	828			963		
Total liabilities	83,712			72,610		
Stockholders' equity	7,863			9,198		
Total liabilities and stockholders' equity	$ 91,575			$ 81,808		
Net interest income		$ 2,370			$ 1,974	
Net interest rate spread			3.50%			3.25%
Net interest-earning assets	$ 10,750			$ 12,355		
Net interest margin			3.58%			3.32%
Average of interest-earning assets to interest-bearing Liabilities			113.83%			118.44%

(1) Securities include Federal Home Loan Bank stock with average balances of $251,000 and $921,000 for the six months ended September 30, 2017 and 2016, respectively.

(2) Other interest earning assets include certificates of deposit in other financial institutions and cash equivalents.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of Ben Franklin Financial, Inc.'s interest-earning assets and interest-bearing liabilities. Information is provided for each category of interest-earning assets and interest-bearing liabilities with respect to (i) changes attributable to changes in volume (i.e., changes in average balances multiplied by the prior-period average rate) and (ii) changes attributable to rate (i.e., changes in average rate multiplied by prior-period average balances). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Three Months Ended September 30, 2017 vs. 2016			Nine Months Ended September 30, 2017 vs. 2016		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$ 240	$ (21)	$ 219	$ 539	$ 4	$ 543
Securities	(8)	1	(7)	(22)	5	(17)
Other interest-earning assets	(2)	15	13	(19)	32	13
Total interest-earning assets	230	(5)	225	498	41	539
Interest-bearing liabilities:						
Savings deposits	1	—	1	1	—	1
Demand accounts	—	—	—	—	—	—
Money market accounts	(1)	—	(1)	(2)	—	(2)
Certificates of deposit	33	28	61	59	51	110
Total deposits	33	28	61	58	51	109
Federal Home Loan Bank advances	16	—	16	34	—	34
Total interest-bearing liabilities	49	28	77	92	51	143
Change in net interest income	$ 181	$ (33)	$ 148	$ 406	$ (10)	$ 396

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds are deposits and the proceeds from principal and interest payments on loans and 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. We generally manage the pricing of our deposits to be competitive within our market and to increase core deposit relationships.

Our cash flows are comprised of three primary classifications: (i) cash flows from operating activities, (ii) investing activities, and (iii) financing activities. Net cash flows from operating activities for the nine months ended September 30, 2017 and 2016 were ($726,000) million and ($888,000). Net cash from investing activities consisted primarily of disbursements for loan originations, investment security purchases, and investments in certificates of deposit in other financial institution purchases, offset by principal collections on loans, payments and calls on investment securities, and sales of investment securities and repossessed assets. Net cash flows from investing activities for the nine months ended September 30, 2017 and 2016 were ($8.2) million and $4.7 million. Net cash from financing activities consisted primarily of activity in deposits and escrow accounts and Federal Home Loan Bank advances. Net cash flows from financing activities for the nine months ended September 30, 2017 and 2016 were ($16.4 million and ($3.3) million.

Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. At September 30, 2017, cash and cash equivalents totaled $15.8 million. We may also utilize the sale of securities available-for-sale, federal funds purchased, Federal Home Loan Bank of Chicago advances and other borrowings as sources of funds.

At September 30, 2017, certificates of deposit scheduled to mature in one year or less from September 30, 2017 totaled $21.7 million, of which $12.9 million is at an interest rate that is 75 basis points above the national deposit rate published by the FDIC (the "Threshold"). In the past, we have been able to retain a significant portion of maturing deposits and meet current loan commitments. However, because we are subject to the Consent Order, we must obtain the prior written approval of the FDIC in order to renew or rollover existing deposits that exceed the Threshold, as well as to accept new deposits at interest rates that are above the Threshold. The Bank is requesting approval from the FDIC to renew and rollover maturing deposits that are above the Threshold and to accept new deposits at market interest rates that are above the Threshold. If we are not able to receive the requested approvals from the FDIC, our deposit balances will decrease and the Bank would experience a material decrease in its liquidity position.

Liquidity management is both a daily and long-term responsibility of management. We adjust our investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-earning deposits and investment securities, and (iv) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning overnight deposits, Federal funds sold, and mortgage-backed securities of short duration. If we require funds beyond our ability to generate them internally, we have additional borrowing capacity with the Federal Home Loan Bank of Chicago.

Ben Franklin Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our operations and financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Ben Franklin Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Ben Franklin Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to help ensure capital adequacy require Ben Franklin Bank to maintain minimum amounts and ratios of total and Tier I capital as defined in the regulations to risk weighted assets as defined and of Tier I capital to adjusted total assets as defined. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios. On November 25, 2015, Ben Franklin Bank entered into the New Order with the OCC (see "Supervision and Regulation—Consent Order and Board Resolutions") which among other things included a requirement to maintain a total risk-based capital ratio of at least 12% and a minimum Tier 1 leverage capital ratio of at least 8%. At September 30, 2017, the Bank did met the requirements of the minimum capital ratios of the New Order. Ben Franklin Bank's capital classification under the Prompt Corrective Action rules was "less than adequately capitalized" at September 30, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

This item is not applicable because we are a smaller reporting company.

Item 4. Controls and Procedures

We have adopted disclosure controls and procedures designed to facilitate our financial reporting. The disclosure controls currently consist of communications among the President and Chief Executive Officer, the Sr. Vice President and Chief Financial Officer, and each department head to identify any transactions, events, trends, risks, or contingencies which may be material to our operations. Our disclosure controls also contain certain elements of our internal controls adopted in connection with applicable accounting and regulatory guidelines. Our President and Chief Executive Officer and Sr. Vice President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls as of the end of the period covered by this report and found them to be effective. Our President and Chief Executive Officer, Sr. Vice President and Chief Financial Officer, and the Audit Committee also meet on a quarterly basis.

We maintain internal control over financial reporting. There have not been any significant changes in such internal control over financial reporting in the last quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—Other Information

Item 1. Legal Proceedings

At September 30, 2017 there were no material pending legal proceedings to which the Company or the Bank is a party other than ordinary routine litigation incidental to their respective businesses.

Item 1A. Risk Factors

In addition to the other information contained in the Quarterly Report on Form 10-Q, the following risk factors represents material updates and additions to the risk factors previously disclosed in our Annual report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission. Additional risks not presently know to us, or that we currently deem immaterial may also adversely affect our business, financial condition or results of operations. Further, to the extent that any of the information contained in this Quarterly Report on Form 10-Q constitutes forward-looking statements, the risk factor set forth below also is a cautionary statement identifying important factors that could cause our actual results to differ materially from those expressed in any forward looking statements made by or on behalf of us.

The implementation of our business strategy, which includes significant growth of our loan portfolio, and the requirements of our New Order with the OCC, requires that we raise additional capital. Such capital may not be available on term that are consistent with the successful execution of our business strategy, which could cause our business strategy to fail.

Under the New Order, the Bank is required to maintain a minimum Tier 1 leverage capital ratio of 8.0% and a minimum total risk-based capital ratio of 12.0%. As of September 30, 2017, our Tier 1 leverage ratio and total risk-based capital ratios were 7.0% and 11.3%, respectively below that required by the New Order. In addition, our business strategy contemplates significant growth of our loan portfolio. To implement our business strategy and comply with the New Order, we will need to raise additional capital. Our ability to raise capital to meet our minimum capital requirements and to implement our strategic plan will depend on conditions in the capital market at that time, which are outside of our control, and on our financial performance. If we raise additional capital, we may do so on terms that are dilutive (including dilutive on a book value per share and earning per share basis) to our other stockholders. If we cannot raise additional capital when needed on terms that are consistent with the successful implementation of our business strategy, it would affect our operations and could cause our business strategy to be unsuccessful.

The New Order requires the Bank to receive regulatory non-objection to a revised Strategic Plan and meet certain minimum capital requirements. As of the date of this filing, the Bank was not in compliance with such requirements of the New Order, which could result in additional regulatory actions that would adversely affect our financial condition and results of operations.

As further discussed in the risk factor above, the Bank is not in compliance with the minimum capital requirements of the New Order. Under the New Order, the Bank is also required to receive regulatory non-objection to a revised Capital and Strategic Plan that, among other things, must identify parameters and triggers that would cause the board of directors to market the Bank for merger or sale, in the event it failed to meet the capital requirements under the New Order. On January 30, 2017, the Bank submitted to the OCC a revised Capital and Strategic Plan, and by letter dated March 2, 2017, the OCC informed the Bank that it would not grant its non-objection to the Capital and Strategic Plan as submitted by the Bank. On August 31, 2017, the Bank submitted a revised Strategic Plan to the OCC to which the OCC has not yet responded. If the Bank is not able to achieve and maintain compliance with the terms of the New Order, the OCC may institute additional corrective measures and has enforcement power to impose other restrictions on the Bank's operations, including seizure. Only the OCC has authority to determine whether or not the provisions of the New Order have been met.

Because we are subject to the Consent Order, we are subject to certain restrictions on the amount of interest we can pay on deposits without prior written approval from the FDIC. If we are unable to obtain from the FDIC approval to renew or rollover our current deposits when they mature or attract sufficient new deposits, we would experience a material decrease in our liquidity position.

At September 30, 2017, we had $5.5 million of outstanding commitments for unused lines of credit. Loan commitments have, in recent periods, been funded through liquidity and normal deposit flows. Certificates of deposit scheduled to mature in one year or less from September 30, 2017 totaled $21.7 million, of which $12.9 million is at an interest rate that is 75 basis points above the national deposit rate published by the FDIC (the "Threshold"). In the past, we have been able to retain a significant portion of maturing deposits and meet current loan commitments. However, because we are subject to the Consent Order, we must obtain the prior written approval of the FDIC in order to renew or rollover existing deposits that exceed the Threshold, as well as to accept new deposits at interest rates that are above the Threshold. The Bank is requesting approval from the FDIC to renew and rollover maturing deposits that are above the Threshold and to accept new deposits at market interest rates that are above the Threshold. If we are not able to receive the requested approvals from the FDIC, our deposit balances will decrease and the Bank would experience a material decrease in its liquidity position.

If we are not able to raise additional capital required to execute our business plan and comply with the capital requirements under the New Order, or if we are unable to comply with the New Oder for any other reasons, we will need to explore other strategic options, including the merger or sale of the Company.

If we are not able to raise additional capital required to execute our business plan or to comply with our capital requirements or we fail to comply with the New Order for any other reason, we will need to explore other strategic options. These options would include the possible merger or sale of the Company. However, applicable banking regulations prohibit any persons from acquiring any more than 10% of any class of the Company's equity securities, including its common stock prior to January 22, 2018, the third anniversary of the Bank's second-step conversion.

A new accounting standard may require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

The Financial Accounting Standards Board has adopted Accounting Standard Update 2016-13, which will be effective for Ben Franklin Financial, Inc. and Ben Franklin Bank of Illinois for our first quarter of 2020. This standard, often referred to as "CECL" (current expected credit loss model), will require companies to recognize an allowance for credit losses based on estimates of losses expected to be realized over the contractual lives of the loans. Under current U.S .GAAP, companies generally recognize credit losses only when it is probable that a loss has been incurred as of the balance sheet date. The new standard will require us to collect and review increased types and amounts of data for us to determine the appropriate level of allowance for loan losses, and may require us to increase our allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses and have a material adverse effect on our financial condition and results of operations. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

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

None

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

(a) Exhibits
31.1 Rule 13(a) – 14(a) Certification (Chief Executive Officer)
31.2 Rule 13(a) – 14(a) Certification (Chief Financial Officer)
32.1 Section 1350 Certification (Chief Executive Officer and Chief Financial Officer)
101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Income for the three and nine months ended September 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (v) the notes to the Consolidated Financial Statements

101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH XBRL Taxonomy Extension Schema Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document

Table of Contents

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.

BEN FRANKLIN FINANCIAL, INC.
(Registrant)

Date: November 13, 2017

/s/ C. Steven Sjogren
C. Steven Sjogren
President and Chief Executive Officer

Date: November 13, 2017

/s/ Glen A. Miller
Glen A. Miller
Senior Vice President and Chief Financial Officer

Exhibit 31.1

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

I, C. Steven Sjogren, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ben Franklin Financial, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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:

November 13, 2017	/s/ C. Steven Sjogren
Date	C. Steven Sjogren
	Chairman, President and Chief Executive Officer

Exhibit 31.2

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

I, Glen A. Miller, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of Ben Franklin Financial, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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:

November 13, 2017	/s/ Glen A. Miller
Date	Glen A. Miller Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ben Franklin Financial, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, C. Steven Sjogren, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 13, 2017

/s/ C. Steven Sjogren
C. Steven Sjogren
President and Chief Executive Officer

/s/ Glen A. Miller
Glen A. Miller
Sr. Vice President and Chief Financial Officer