BankFinancial CORP
Form 10-Q
October 26, 2016

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period ended September 30, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from to
Commission File Number 0-51331

BANKFINANCIAL CORPORATION
(Exact Name of Registrant as Specified in Charter)

Maryland	75-3199276
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

15W060 North Frontage Road, Burr Ridge,
Illinois 60527
(Address of Principal Executive Offices)
Registrant’s telephone number, including area code: (800) 894-6900
Not Applicable
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x.
Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date. At October 24, 2016, there were 19,271,211 shares of Common Stock, $0.01 par value, outstanding.

BANKFINANCIAL CORPORATION
Form 10-Q
September 30, 2016
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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share and per share data) - Unaudited

	September 30, 2016	December 31, 2015
Assets		
Cash and due from other financial institutions	$ 9,499	$ 13,192
Interest-bearing deposits in other financial institutions	91,031	46,185
Cash and cash equivalents	100,530	59,377
Securities, at fair value	99,899	114,753
Loans receivable, net of allowance for loan losses: September 30, 2016, $8,334 and December 31, 2015, $9,691	1,241,808	1,232,257
Other real estate owned, net	4,381	7,011
Stock in Federal Home Loan Bank, at cost	6,257	6,257
Premises and equipment, net	31,856	32,726
Accrued interest receivable	4,156	4,226
Core deposit intangible	911	1,305
Bank owned life insurance	22,538	22,387
Deferred taxes	23,715	26,695
Other assets	4,222	5,449
Total assets	$ 1,540,273	$ 1,512,443
Liabilities		
Deposits		
Noninterest-bearing	$ 234,652	$ 254,830
Interest-bearing	1,082,043	958,089
Total deposits	1,316,695	1,212,919
Borrowings	1,406	64,318
Advance payments by borrowers for taxes and insurance	8,470	11,528
Accrued interest payable and other liabilities	10,035	11,314
Total liabilities	1,336,606	1,300,079
Stockholders’ equity		
Preferred Stock, $0.01 par value, 25,000,000 shares authorized, none issued or outstanding	—	—
Common Stock, $0.01 par value, 100,000,000 shares authorized; 19,271,211 shares issued at September 30, 2016 and 20,297,317 issued at December 31, 2015	193	203
Additional paid-in capital	173,185	184,797
Retained earnings	38,380	36,114
Unearned Employee Stock Ownership Plan shares	(8,564)	(9,297)
Accumulated other comprehensive income	473	547
Total stockholders’ equity	203,667	212,364
Total liabilities and stockholders’ equity	$ 1,540,273	$ 1,512,443

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data) - Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest and dividend income				
Loans, including fees	$12,388	$11,792	$36,834	$35,451
Securities	306	267	927	851
Other	151	88	424	249
Total interest income	12,845	12,147	38,185	36,551
Interest expense				
Deposits	1,012	695	2,749	2,068
Borrowings	2	4	73	8
Total interest expense	1,014	699	2,822	2,076
Net interest income	11,831	11,448	35,363	34,475
Provision for (recovery of) loan losses	(525)	(956)	300	(2,168)
Net interest income after provision for (recovery of) loan losses	12,356	12,404	35,063	36,643
Noninterest income				
Deposit service charges and fees	583	648	1,691	1,645
Other fee income	478	502	1,478	1,638
Insurance commissions and annuities income	53	68	180	217
Gain on sale of loans, net	38	37	59	92
Gain on sale of securities (includes $46 accumulated other comprehensive income reclassifications for unrealized net gains on available for sale securities for the nine months ended September 30, 2016)	—	—	46	—
Loan servicing fees	66	85	214	271
Amortization and impairment of servicing assets	(28)	(50)	(96)	(107)
Earnings on bank owned life insurance	54	48	151	142
Trust income	167	172	492	529
Other	226	199	553	507
Total noninterest income	1,637	1,709	4,768	4,934
Noninterest expense				
Compensation and benefits	5,315	5,329	17,021	16,188
Office occupancy and equipment	1,487	1,537	4,769	4,902
Advertising and public relations	144	212	618	783
Information technology	707	686	2,130	1,982
Supplies, telephone, and postage	345	393	1,018	1,189
Amortization of intangibles	129	136	394	414
Nonperforming asset management	89	244	300	442
Operations of other real estate owned	243	334	768	780
FDIC insurance premiums	238	202	691	699
Other	1,215	1,159	3,639	3,397
Total noninterest expense	9,912	10,232	31,348	30,776
Income before income taxes	4,081	3,881	8,483	10,801
Income tax expense	1,573	1,532	3,240	4,242
Net income	$2,508	$2,349	$5,243	$6,559
Basic earnings per common share	$0.13	$0.12	$0.27	$0.33

Diluted earnings per common share	$0.13	$ 0.12	$0.27	$ 0.33
Weighted average common shares outstanding	18,788,731	19,725,707	19,114,603	19,999,089
Diluted weighted average common shares outstanding	18,789,054	19,731,302	19,114,918	20,004,694

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) - Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$2,508	$2,349	$5,243	$6,559
Unrealized holding loss arising during the period	(13)	(34)	(75)	(244)
Tax effect	5	13	29	93
Net of tax	(8)	(21)	(46)	(151)
Reclassification adjustment for gain included in net income	—	—	(46)	—
Tax effect, included in income tax expense	—	—	18	—
Reclassification adjustment for gain included in net income, net of tax	—	—	(28)	—
Other comprehensive loss	(8)	(21)	(74)	(151)
Comprehensive income	$2,500	$2,328	$5,169	$6,408

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY
(In thousands, except per share data) - Unaudited

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Accumulated Other Comprehen-sive Income	Total
Balance at January 1, 2015	$ 211	$193,845	$31,584	$(10,276)	$ 757	$216,121
Net income	—	—	6,559	—	—	6,559
Other comprehensive loss, net of tax	—	—	—	—	(151)	(151)
Repurchase and retirement of common stock (600,000 shares)	(6)	(7,382)	—	—	—	(7,388)
Nonvested stock awards-stock-based compensation expense	—	351	—	—	—	351
Cash dividends declared on common stock ($0.16 per share)	—	—	(3,328)	—	—	(3,328)
ESOP shares earned	—	178	—	732	—	910
Balance at September 30, 2015	$ 205	$186,992	$34,815	$(9,544)	$ 606	$213,074
Balance at January 1, 2016	$ 203	$184,797	$36,114	$(9,297)	$ 547	$212,364
Net income	—	—	5,243	—	—	5,243
Other comprehensive loss, net of tax	—	—	—	—	(74)	(74)
Repurchase and retirement of common stock (1,026,106 shares)	(10)	(12,685)	—	—	—	(12,695)
Nonvested stock awards-stock-based compensation expense	—	875	—	—	—	875
Cash dividends declared on common stock ($0.15 per share)	—	—	(2,977)	—	—	(2,977)
ESOP shares earned	—	198	—	733	—	931
Balance at September 30, 2016	$ 193	$173,185	$38,380	$(8,564)	$ 473	$203,667

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) - Unaudited

	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities		
Net income	$5,243	$6,559
Adjustments to reconcile to net income to net cash from operating activities		
Provision for (recovery of) loan losses	300	(2,168)
ESOP shares earned	931	910
Stock–based compensation expense	875	351
Depreciation and amortization	2,815	2,754
Amortization of premiums and discounts on securities and loans	(104)	(214)
Amortization of core deposit intangible	394	414
Amortization of servicing assets	96	107
Net change in net deferred loan origination costs	(36)	(384)
Net gain on sale of other real estate owned	(15)	(91)
Net gain on sale of loans	(59)	(92)
Net gain on sale of securities	(46)	—
Net loss on disposition of premises and equipment	—	1
Loans originated for sale	(1,097)	(3,593)
Proceeds from sale of loans	1,156	3,685
Other real estate owned valuation adjustments	244	467
Net change in:		
Accrued interest receivable	70	(74)
Earnings on bank owned life insurance	(151)	(142)
Other assets	3,515	5,906
Accrued interest payable and other liabilities	(1,279)	(2,154)
Net cash from operating activities	12,852	12,242
Cash flows from investing activities		
Securities		
Proceeds from maturities	58,577	53,410
Proceeds from principal repayments	3,545	5,888
Proceeds from sales of securities	46	—
Purchases of securities	(47,423)	(42,643)
Loans receivable		
Loan participations sold	3,023	3,350
Principal payments on loans receivable	366,784	333,644
Proceeds of loan sale	14,746	—
Originated for investment	(395,087)	(326,624)
Proceeds from sale of other real estate owned	2,616	2,487
Purchase of premises and equipment, net	(660)	(363)
Net cash from investing activities	6,167	29,149

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) - Unaudited

	Nine Months Ended September 30, 2016	2015
Cash flows from financing activities		
Net change in deposits	$103,776	$(30,179)
Net change in borrowings	(62,912)	5,127
Net change in advance payments by borrowers for taxes and insurance	(3,058)	(3,734)
Repurchase and retirement of common stock	(12,695)	(7,388)
Cash dividends paid on common stock	(2,977)	(3,328)
Net cash from (used in) financing activities	22,134	(39,502)
Net change in cash and cash equivalents	41,153	1,889
Beginning cash and cash equivalents	59,377	59,581
Ending cash and cash equivalents	$100,530	$61,470
Supplemental disclosures of cash flow information:		
Interest paid	$2,704	$2,113
Income taxes paid	182	262
Loans transferred to other real estate owned	215	1,314

See accompanying notes to the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation: BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois, is the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the "Bank"). The interim unaudited consolidated financial statements include the accounts of and transactions of BankFinancial Corporation, the Bank, and the Bank's wholly-owned subsidiaries, Financial Assurance Services, Inc. and BF Asset Recovery Corporation (collectively, "the Company"), and reflect all normal and recurring adjustments that are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. All significant intercompany accounts and transactions have been eliminated. The results of operations for the three- and nine-month periods ended September 30, 2016 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2016.

Certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ.

Reclassifications: Certain reclassifications have been made in the prior period's financial statements to conform them to the current period's presentation.

These unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

In May 2014, the FASB issued an update (ASU No. 2014-09, Revenue from Contracts with Customers) creating FASB Topic 606, Revenue from Contracts with Customers. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance 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. The guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The amendments in this update originally were to become effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. During 2015, the FASB delayed the effectiveness by one year to annual periods and interim periods beginning after December 15, 2017. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

On January 5, 2016, the FASB issued an update (ASU No. 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Liabilities). The new guidance is intended to improve the recognition and measurement of financial instruments by requiring: equity investments (other than equity method or consolidation) to be measured at fair value with changes in fair value recognized in net income; public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (i.e. securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities; eliminating the requirement for non-public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is to be required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from the change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for public business entities for fiscal years beginning after December 15, 2017. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The standard requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. ASU 2016-02 is effective

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Table amounts in thousands, except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.
In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.
In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). These amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

NOTE 2 - EARNINGS PER SHARE

Amounts reported in earnings per share reflect earnings available to common stockholders for the period divided by the weighted average number of shares of common stock outstanding during the period, exclusive of unearned ESOP shares and unvested restricted stock shares. Stock options and restricted stock are regarded as potential common stock and are considered in the diluted earnings per share calculations to the extent that they would have a dilutive effect if converted to common stock.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income available to common stockholders	$2,508	$ 2,349	$5,243	$ 6,559
Average common shares outstanding	19,460,022	20,501,966	19,813,088	20,803,065
Less:				
Unearned ESOP shares	(670,351)	(768,327)	(694,655)	(792,551)
Unvested restricted stock shares	(940)	(7,932)	(3,830)	(11,425)
Weighted average common shares outstanding	18,788,731	19,725,707	19,114,603	19,999,089
Add - Net effect of dilutive unvested restricted stock	323	5,595	315	5,605
Diluted weighted average common shares outstanding	18,789,054	19,731,302	19,114,918	20,004,694
Basic earnings per common share	$0.13	$ 0.12	$0.27	$ 0.33
Diluted earnings per common share	$0.13	$ 0.12	$0.27	$ 0.33
Number of antidilutive stock options excluded from the diluted earnings per share calculation	536,459	—	536,459	—
Weighted average exercise price of anti-dilutive option shares	$12.99	$ —	$12.99	$ —

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(Table amounts in thousands, except share and per share data)

NOTE 3 - SECURITIES

The fair value of securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income are shown below.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2016				
Certificates of deposit	$76,901	$ —	$ —	$76,901
Equity mutual fund	500	15	—	515
Mortgage-backed securities - residential	15,796	756	—	16,552
Collateralized mortgage obligations - residential	5,917	16	(20)	5,913
SBA-guaranteed loan participation certificates	18	—	—	18
	$99,132	$ 787	$ (20)	$99,899
December 31, 2015				
Certificates of deposit	$87,901	$ —	$ —	$87,901
Equity mutual fund	500	7	—	507
Mortgage-backed securities - residential	18,330	880	(30)	19,180
Collateralized mortgage obligations - residential	7,111	41	(10)	7,142
SBA-guaranteed loan participation certificates	23	—	—	23
	$113,865	$ 928	$ (40)	$114,753

The mortgage-backed securities and collateralized mortgage obligations reflected in the preceding table were issued by U.S. government-sponsored entities or agencies, Freddie Mac, Fannie Mae and Ginnie Mae, and are obligations which the government has affirmed its commitment to support. All securities reflected in the preceding table were classified as available-for-sale at September 30, 2016 and December 31, 2015.

The amortized cost and fair values of securities by contractual maturity are shown below. Securities not due at a single maturity date are shown separately. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2016	
	Amortized Cost	Fair Value
Due in one year or less	$76,901	$76,901
Equity mutual fund	500	515
Mortgage-backed securities - residential	15,796	16,552
Collateralized mortgage obligations - residential	5,917	5,913
SBA-guaranteed loan participation certificates	18	18
	$99,132	$99,899

Sales of securities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Proceeds	$ —	$ —	$ 46	$ —

Gross gains	—	—	46	—
Gross losses	—	—	—	—

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BANKFINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Table amounts in thousands, except share and per share data)

NOTE 3 - SECURITIES (continued)

Securities with unrealized losses not recognized in income are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
September 30, 2016						
Collateralized mortgage obligations - residential	$3,030	$ (12)	$1,095	$ (8)	$4,125	$ (20)
December 31, 2015						
Mortgage-backed securities - residential	$—	$ —	$1,724	$ (30)	$1,724	$ (30)
Collateralized mortgage obligations - residential	—	—	1,299	(10)	1,299	(10)
	$—	$ —	$3,023	$ (40)	$3,023	$ (40)

The Company evaluates marketable investment securities with significant declines in fair value on a quarterly basis to determine whether they should be considered other-than-temporarily impaired under current accounting guidance, which generally provides that if a marketable security is in an unrealized loss position, whether due to general market conditions or industry or issuer-specific factors, the holder of the securities must assess whether the impairment is other-than-temporary.

Certain collateralized mortgage obligations that the Company holds in its investment portfolio were in an unrealized loss position at September 30, 2016, but the unrealized losses were not considered significant under the Company’s impairment testing methodology. In addition, the Company does not intend to sell these securities, and it is likely that the Company will not be required to sell these securities before their anticipated recovery occurs.

NOTE 4 - LOANS RECEIVABLE

Loans receivable are as follows:

	September 30, 2016	December 31, 2015
One-to-four family residential real estate	$ 142,130	$ 159,501
Multi-family mortgage	505,369	506,026
Nonresidential real estate	186,504	226,735
Construction and land	1,005	1,313
Commercial loans	106,878	79,516
Commercial leases	304,753	265,405
Consumer	1,846	1,831
	1,248,485	1,240,327
Net deferred loan origination costs	1,657	1,621
Allowance for loan losses	(8,334)	(9,691)
Loans, net	$ 1,241,808	$ 1,232,257

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Table amounts in thousands, except share and per share data)

NOTE 4 - LOANS RECEIVABLE (continued)

The following tables present the balance in the allowance for loan losses and the loans receivable by portfolio segment and based on impairment method:

	Allowance for loan losses			Loan Balances		
	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
September 30, 2016						
One-to-four family residential real estate	$—	$ 1,271	$1,271	$3,527	$138,603	$142,130
Multi-family mortgage	13	3,336	3,349	1,112	504,257	505,369
Nonresidential real estate	26	1,981	2,007	714	185,790	186,504
Construction and land	—	24	24	—	1,005	1,005
Commercial loans	—	769	769	—	106,878	106,878
Commercial leases	—	894	894	—	304,753	304,753
Consumer	—	20	20	—	1,846	1,846
	$39	$ 8,295	$8,334	$5,353	$1,243,132	1,248,485
Net deferred loan origination costs						1,657
Allowance for loan losses						(8,334)
Loans, net						$1,241,808

	Allowance for loan losses			Loan Balances		
	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
December 31, 2015						
One-to-four family residential real estate	$—	$ 1,704	$1,704	$2,672	$156,829	$159,501
Multi-family mortgage	41	3,569	3,610	2,879	503,147	506,026
Nonresidential real estate	3	2,579	2,582	2,099	224,636	226,735
Construction and land	—	43	43	—	1,313	1,313
Commercial loans	—	654	654	—	79,516	79,516
Commercial leases	—	1,073	1,073	—	265,405	265,405
Consumer	—	25	25	—	1,831	1,831
	$44	$ 9,647	$9,691	$7,650	$1,232,677	1,240,327
Net deferred loan origination costs						1,621
Allowance for loan losses						(9,691)
Loans, net						$1,232,257

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(Table amounts in thousands, except share and per share data)

NOTE 4 - LOANS RECEIVABLE (continued)

Activity in the allowance for loan losses is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Beginning balance	$8,915	$10,810	$9,691	$11,990
Loans charged off:				
One-to-four family residential real estate	(102)	(125)	(509)	(327)
Multi-family mortgage	—	(9)	(51)	(189)
Nonresidential real estate	(55)	(26)	(1,715)	(289)
Commercial loans	—	—	—	(98)
Consumer	(6)	(3)	(24)	(11)
	(163)	(163)	(2,299)	(914)
Recoveries:				
One-to-four family residential real estate	5	16	92	295
Multi-family mortgage	10	169	156	177
Nonresidential real estate	39	24	200	49
Construction and land	—	38	35	44
Commercial loans	45	143	150	606
Commercial leases	7	—	7	1
Consumer	1	—	2	1
	107	390	642	1,173
Net recoveries (charge-offs)	(56)	227	(1,657)	259
Provision for (recovery of) loan losses	(525)	(956)	300	(2,168)
Ending balance	$8,334	$10,081	$8,334	$10,081

Impaired loans

Several of the following disclosures are presented by “recorded investment,” which the FASB defines as “the amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment.” The following represents the components of recorded investment:

Loan principal balance
Less unapplied payments
Plus negative unapplied balance
Less escrow balance
Plus negative escrow balance
Plus unamortized net deferred loan costs
Less unamortized net deferred loan fees
Plus unamortized premium
Less unamortized discount
Less previous charge-offs
Plus recorded accrued interest
Less reserve for uncollected interest
= Recorded investment

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NOTE 4 - LOANS RECEIVABLE (continued)

The following tables present loans individually evaluated for impairment by class of loans:

					Three months ended September 30, 2016		Nine months ended September 30, 2016	
	Loan Balance	Recorded Investment	Partial Charge-off	Allowance for Loan Losses Allocated	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
September 30, 2016								
With no related allowance recorded:								
One-to-four family residential real estate	$ 3,776	$ 3,160	$ 695	$ —	$ 2,890	$ 8	$ 2,755	$ 26
One-to-four family residential real estate - non-owner occupied	283	357	53	—	239	—	159	—
Multi-family mortgage - Illinois	984	991	—	—	994	—	1,152	31
Nonresidential real estate	461	457	—	—	457	—	1,366	4
	5,504	4,965	748	—	4,580	8	5,432	61
With an allowance recorded:								
Multi-family mortgage - Illinois	173	125	51	13	384	—	503	—
Nonresidential real estate	262	260	21	26	279	—	135	—
	435	385	72	39	663	—	638	—
	$ 5,939	$ 5,350	$ 820	$ 39	$ 5,243	$ 8	$ 6,070	$ 61

					Year ended December 31, 2015	
	Loan Balance	Recorded Investment	Partial Charge-off	Allowance for Loan Losses Allocated	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2015						
With no related allowance recorded:						
One-to-four family residential real estate	$ 3,203	$ 2,637	$ 637	$ —	$ 2,708	$ 24
One-to-four family residential real estate - non-owner occupied	23	21	2	—	859	—
Multi-family mortgage - Illinois	1,863	1,837	—	—	1,962	78
Multi-family mortgage - Other	511	507	—	—	514	34
Nonresidential real estate	2,066	2,049	—	—	1,877	102
	7,666	7,051	639	—	7,920	238
With an allowance recorded:						
Multi-family mortgage - Illinois	518	518	—	41	1,181	—
Nonresidential real estate	62	39	27	3	1,439	—
	580	557	27	44	2,620	—
	$ 8,246	$ 7,608	$ 666	$ 44	$ 10,540	$ 238

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NOTE 4 - LOANS RECEIVABLE (continued)

Nonaccrual Loans
The following tables present the recorded investment in nonaccrual loans and loans past due over 90 days still on accrual by class of loans:

	Loan Balance	Recorded Investment	Loans Past Due Over 90 Days, Still Accruing
September 30, 2016			
One-to-four family residential real estate	$ 2,557	$ 2,120	$ —
One-to-four family residential real estate – non owner occupied	497	571	—
Multi-family mortgage - Illinois	552	508	—
Nonresidential real estate	723	717	—
	$ 4,329	$ 3,916	$ —
December 31, 2015			
One-to-four family residential real estate	$ 2,704	$ 2,263	$ —
One-to-four family residential real estate – non owner occupied	92	192	—
Multi-family mortgage - Illinois	829	821	—
Nonresidential real estate	324	296	—
	$ 3,949	$ 3,572	$ —

Nonaccrual loans and impaired loans are defined differently. Some loans may be included in both categories, and some may only be included in one category. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.
The Company’s reserve for uncollected loan interest was $238,000 and $181,000 at September 30, 2016 and December 31, 2015, respectively. When a loan is on nonaccrual status and the ultimate collectability of the total principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. Alternatively, when a loan is on non-accrual status but there is doubt concerning only the ultimate collectability of interest, contractual interest is credited to interest income only when received, under the cash basis method pursuant to the provisions of FASB ASC 310–10, as applicable. In all cases, the average balances are calculated based on the month–end balances of the financing receivables within the period reported pursuant to the provisions of FASB ASC 310–10, as applicable.

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NOTE 4 - LOANS RECEIVABLE (continued)

Past Due Loans
The following tables present the aging of the recorded investment of loans at September 30, 2016 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family residential real estate loans	$ 543	$ 652	$ 1,815	$ 3,010	$ 98,669	$ 101,679
One-to-four family residential real estate loans – non-owner occupied	2	4	571	577	39,881	40,458
Multi-family mortgage - Illinois	—	—	508	508	298,572	299,080
Multi-family mortgage - Other	—	—	—	—	202,686	202,686
Nonresidential real estate	—	—	717	717	184,432	185,149
Construction	—	—	—	—	628	628
Land	—	—	—	—	374	374
Commercial loans:						
Regional commercial banking	—	—	—	—	34,452	34,452
Health care	—	—	—	—	34,348	34,348
Direct commercial lessor	236	—	—	236	38,218	38,454
Commercial leases:						
Investment rated commercial leases	409	46	—	455	216,115	216,570
Other commercial leases	—	—	—	—	89,958	89,958
Consumer	—	—	—	—	1,854	1,854
	$ 1,190	$ 702	$ 3,611	$ 5,503	$ 1,240,187	$ 1,245,690

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NOTE 4 - LOANS RECEIVABLE (continued)

The following tables present the aging of the recorded investment of loans at December 31, 2015 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family residential real estate loans	$ 2,000	$ 572	$ 1,997	$ 4,569	$ 109,893	$ 114,462
One-to-four family residential real estate loans – non-owner occupied	299	164	192	655	43,557	44,212
Multi-family mortgage - Illinois	651	283	821	1,755	312,620	314,375
Multi-family mortgage - Other	—	—	—	—	188,178	188,178
Nonresidential real estate	—	—	296	296	223,018	223,314
Construction	—	—	—	—	21	21
Land	—	—	—	—	1,279	1,279
Commercial loans:						
Regional commercial banking	4	150	—	154	29,890	30,044
Health care	—	—	—	—	31,862	31,862
Direct commercial lessor	—	—	—	—	17,873	17,873
Commercial leases:						
Investment rated commercial leases	50	363	—	413	170,859	171,272
Other commercial leases	—	—	—	—	95,800	95,800
Consumer						