

Ben Franklin Financial, Inc.
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Financial Report
For the Three and Six Months Ended June 30, 2011

Note: This report is intended to be read in conjunction with our Annual Report for the year ended December 31, 2010. This report is dated June 30, 2011 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report.

This report has not been prepared in accordance with Securities and Exchange Commission rules applicable to public companies and is not intended to comply with such rules.

Ben Franklin Financial, Inc.

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

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Cash and due from banks	\$ 1,024	\$ 3,519
Interest-earning deposit accounts	150	2,740
Federal funds sold	<u>8,621</u>	<u>7,760</u>
Cash and cash equivalents	9,795	14,019
Securities available-for-sale	5,820	3,972
Loans receivable, net of allowance for loan losses of \$1,227 at June 30, 2011 and \$1,376 at December 31, 2010	88,057	94,119
Federal Home Loan Bank stock	1,337	1,337
Premises and equipment, net	870	917
Repossessed assets	2,539	796
Accrued interest receivable	331	362
Prepaid FDIC premiums	372	450
Other assets	<u>83</u>	<u>99</u>
 Total assets	 <u>\$ 109,204</u>	 <u>\$ 116,071</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Demand deposits - noninterest-bearing	\$ 2,570	\$ 2,467
Demand deposits - interest-bearing	8,330	7,873
Savings deposits	8,009	7,529
Money market deposits	15,505	16,397
Certificates of deposit	<u>60,976</u>	<u>68,097</u>
Total deposits	95,390	102,363
Advances from borrowers for taxes and insurance	503	308
Other liabilities	221	263
Common stock in ESOP subject to contingent purchase obligation	<u>40</u>	<u>41</u>
 Total liabilities	 96,154	 102,975
Stockholders' equity		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares issued and outstanding, net of treasury shares, at:		
June 30, 2011 – 1,949,956 shares		
December 31, 2010 – 1,949,956 shares	20	20
Additional paid-in-capital	8,187	8,156
Treasury stock, at cost – 68,270 shares at June 30, 2011 and December 31, 2010	(462)	(462)
Retained earnings, substantially restricted	5,790	5,921
Unearned Employee Stock Ownership Plan (ESOP) shares	(532)	(559)
Accumulated other comprehensive income	87	61
Reclassification of ESOP shares	<u>(40)</u>	<u>(41)</u>
Total stockholders' equity	<u>13,050</u>	<u>13,096</u>
 Total liabilities and stockholders' equity	 <u>\$ 109,204</u>	 <u>\$ 116,071</u>

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		Six Months Ended	
	<u>June 30</u>		<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Interest income				
Loans	\$ 1,182	\$ 1,352	\$ 2,408	\$ 2,732
Securities	33	22	57	45
Federal funds sold and other	<u>1</u>	<u>2</u>	<u>4</u>	<u>3</u>
	1,216	1,376	2,469	2,780
Interest expense				
Deposits	248	376	526	847
Federal Home Loan Bank advances	<u>-</u>	<u>20</u>	<u>-</u>	<u>39</u>
	248	396	526	886
Net interest income	968	980	1,943	1,894
Provision for loan losses	<u>209</u>	<u>173</u>	<u>372</u>	<u>242</u>
Net interest income after provision for loan losses	759	807	1,571	1,652
Non-interest income				
Service fee income	41	28	80	63
Gain (loss) on sale of other assets	16	-	4	(1)
Other	<u>16</u>	<u>2</u>	<u>17</u>	<u>5</u>
	73	30	101	67
Non-interest expense				
Compensation and employee benefits	390	384	786	770
Occupancy and equipment	150	137	353	269
Data processing services	63	64	130	128
Professional fees	121	102	254	212
FDIC insurance premiums	42	42	84	86
Reposessed asset expenses, net	35	11	79	26
Other	<u>70</u>	<u>73</u>	<u>134</u>	<u>149</u>
	871	813	1,820	1,640
Income (loss) before income taxes	(39)	24	(148)	79
Income tax (benefit)	<u>(17)</u>	<u>(9)</u>	<u>(17)</u>	<u>(13)</u>
Net income (loss)	<u>\$ (22)</u>	<u>\$ 33</u>	<u>\$ (131)</u>	<u>\$ 92</u>
Earnings (loss) per common share	(0.01)	0.02	(0.07)	0.05

See accompanying notes to consolidated financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
For the Six Months Ended June 30, 2011 and 2010 – (Unaudited)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Compre- hensive Income	Amount Reclas- sified on ESOP Shares	Total	Comprehen- sive Income (Loss)
Balance at January 1, 2010	\$ 20	\$ 8,088	\$ (461)	\$ 6,776	\$ (609)	\$ 58	\$ (43)	\$ 13,829	
Comprehensive income									
Net income	-	-	-	92	-	-	-	92	\$ 92
Unrealized gain on securities available- for-sale, net of deferred income taxes	-	-	-	-	-	20	-	20	<u>20</u>
Total comprehensive loss									<u>\$ 112</u>
Earned ESOP shares and other stock based compensation	-	33	-	-	26	-	-	59	
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(14)</u>	
Balance at June 30, 2010	<u>\$ 20</u>	<u>\$ 8,121</u>	<u>\$ (461)</u>	<u>\$ 6,868</u>	<u>\$ (583)</u>	<u>\$ 78</u>	<u>\$ (57)</u>	<u>\$ 13,986</u>	
Balance at January 1, 2011	\$ 20	\$ 8,156	\$ (462)	\$ 5,921	\$ (559)	\$ 61	\$ (41)	\$ 13,096	
Comprehensive loss									
Net loss	-	-	-	(131)	-	-	-	(131)	\$ (131)
Unrealized gain on securities available for-sale, net of deferred income taxes	-	-	-	-	-	26	-	26	<u>26</u>
Total comprehensive loss									<u>\$ (105)</u>
Earned ESOP shares and other stock based compensation	-	31	-	-	27	-	-	58	
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	
Balance at June 30, 2011	<u>\$ 20</u>	<u>\$ 8,187</u>	<u>\$ (462)</u>	<u>\$ 5,790</u>	<u>\$ (532)</u>	<u>\$ 87</u>	<u>\$ (40)</u>	<u>\$ 13,050</u>	

See accompanying notes to consolidated financial statements

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

	SixMonths Ended June 30,	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Net income (loss)	\$ (131)	\$ 92
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation	67	60
ESOP and other stock based compensation	58	59
Amortization of premiums and discounts	8	11
Provision for loan losses	372	242
(Gain) loss on sale of other assets	(4)	1
Changes in:		
Deferred loan costs	(6)	27
Accrued interest receivable	31	39
Other assets	77	437
Other liabilities	<u>(42)</u>	<u>(61)</u>
Net cash from operating activities	430	907
Cash flows from investing activities		
Principal repayments on mortgage-backed securities	193	245
Net decrease in loans	3,519	4,189
Purchase of securities available for sale	(3,000)	-
Calls of securities available for sale	1,000	-
Sales of other assets	432	784
Expenditures to improve other real estate owned	-	(21)
Expenditures for premises and equipment	<u>(20)</u>	<u>(34)</u>
Net cash from investing activities	2,124	5,163
Cash flows from financing activities		
Net increase (decrease) in deposits	(6,973)	(3,515)
Repayment of advances from the Federal Home Loan Bank	-	(2,000)
Net change in advances from borrowers for taxes and insurance	<u>195</u>	<u>(39)</u>
Net cash from financing activities	<u>(6,778)</u>	<u>(5,554)</u>
Net change in cash and cash equivalents	(4,224)	516
Cash and cash equivalents at beginning of year	<u>14,019</u>	<u>7,796</u>
Cash and cash equivalents at end of period	<u>\$ 9,795</u>	<u>\$ 8,312</u>
Supplemental disclosures		
Interest paid	\$ 525	\$ 896
Transfers from loans to repossessed assets	2,173	268

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Financial Statement Presentation

The accompanying unaudited 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”). These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto that were included in the Company’s Annual Report for the year ended December 31, 2010. 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 2010 Annual Report.

We are not subject to the reporting requirements of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities and Exchange Commission rules. This report is intended to cover the three months and six months ended June 30, 2011 and should not be read to cover any other periods.

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”). Ben Franklin Financial, MHC (the “MHC”), a federally chartered mutual holding company, owns 1,091,062 shares of the Company’s common stock and will continue to own at least a majority of the Company’s common stock as long as the MHC exists.

Note 2 – Securities Available-for-Sale

The following table sets forth the composition of our securities available for sales by type, at the dates indicated.

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>June 30, 2011</u>				
U.S. Government sponsored entities	\$ 4,000	\$ 41	\$ -	\$ 4,041
Residential mortgage-backed securities	<u>1,677</u>	<u>102</u>	<u>-</u>	<u>1,779</u>
Total	<u>\$ 5,677</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 5,820</u>
<u>December 31, 2010</u>				
U.S. Government sponsored entities	\$ 2,000	\$ -	\$ 10	\$ 1,990
Residential mortgage-backed securities	<u>1,872</u>	<u>110</u>	<u>-</u>	<u>1,982</u>
Total	<u>\$ 3,872</u>	<u>\$ 110</u>	<u>\$ 10</u>	<u>\$ 3,972</u>

Note 3 – Loans

The following table sets forth the composition of our loan portfolio by type of loan, at the dates indicated. We had no loans held for sale at June 30, 2011 and December 31, 2010.

	<u>June 30, 2011</u>		<u>December 31, 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Real Estate:				
One- to four- family.....	\$ 36,868	40.22%	\$ 37,503	39.27%
Multi-family	16,116	17.69	16,440	17.22
Commercial	11,248	13.49	12,197	12.77
Construction	-	0.18	2,260	2.37
Land.....	<u>1,168</u>	<u>1.27</u>	<u>1,179</u>	<u>1.23</u>
Total real estate	65,400	72.85	69,579	72.86
Consumer and other loans:				
Home equity lines-of-credit.....	15,730	17.52	16,164	16.93
Commercial business.....	4,885	5.50	5,266	5.51
Automobile.....	3,153	4.01	4,370	4.58
Other.....	<u>114</u>	<u>0.12</u>	<u>114</u>	<u>0.12</u>
Total consumer and other loans..	<u>23,882</u>	<u>27.15</u>	<u>25,914</u>	<u>27.14</u>
Total loans.....	89,282	100.00%	95,493	100.00%
Premiums and net deferred loan costs	2		2	
Allowance for loan losses.....	<u>(1,227)</u>		<u>(1,376)</u>	
Total loans, net	<u>\$ 88,057</u>		<u>\$ 94,119</u>	

Non-performing Assets and Troubled Debt Restructurings

All non-performing loans were in non-accrual status at June 30, 2011 and December 31, 2010. No loans were past due ninety days or more and still accruing interest at June 30, 2011 or December 31, 2010.

The following table sets forth our non-performing assets and troubled debt restructurings by category at the dates indicated (dollars in thousands).

	<u>June 30, 2011</u>		<u>December 31, 2010</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Non-performing loans</u>				
One-to four-family	3	\$ 770	9	\$ 1,780
Multi-family	1	385	2	851
Land	2	767	2	767
Commercial real estate	2	170	4	1,632
Construction	-	-	-	-
Commercial business	2	857	3	907
Other	-	-	2	14
Total non-performing loans	<u>10</u>	<u>2,949</u>	<u>22</u>	<u>5,951</u>
<u>Troubled debt restructurings</u>				
One-to four-family	2	437	1	196
Multi-family	4	3,364	3	2,888
Commercial business	<u>1</u>	<u>674</u>	<u>1</u>	<u>693</u>
Total troubled debt restructurings	<u>7</u>	<u>4,475</u>	<u>5</u>	<u>3,777</u>
<u>Reposessed assets</u>				
Foreclosed real estate	8	2,534	3	779
Reposessed automobiles	<u>1</u>	<u>5</u>	<u>1</u>	<u>17</u>
Total non-performing assets	<u>9</u>	<u>2,539</u>	<u>4</u>	<u>\$ 796</u>
Total non-performing loans, troubled debt restructurings, and reposessed assets	<u>26</u>	<u>\$ 9,963</u>	<u>31</u>	<u>\$ 10,524</u>
Non-performing loans to total loans		3.30%		6.23%
Non-performing loans and troubled debt restructurings to total loans		8.32%		10.19%
Non-performing assets and troubled debt restructurings to total assets		9.12%		9.07%

Note 4 – Allowance for Loan Losses

The following table sets forth the activity in our allowance for loan losses for the periods indicated:

	<u>For the Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Dollars in thousands)</u>	
Balance at beginning of period.....	\$ 1,376	\$ 940
Total charge-offs	(623)	(153)
Total recoveries	102	12
Provision for loan losses	<u>372</u>	<u>242</u>
Balance at end of period.....	<u>\$ 1,227</u>	<u>\$ 1,041</u>

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Ratios:		
Allowance for loan losses to non-performing loans at end of period	41.61%	23.12%
Allowance for loan losses to total loans at end of period	1.37%	1.44%

Note 5 – Earnings (loss) Per Share

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

	For the Three Months Ended		For the Six Months Ended	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net income (loss)	\$ (22,000)	\$ 33,000	\$ (131,000)	\$ 92,000
Weighted average common shares outstanding	1,899,080	1,891,437	1,895,455	1,890,812
Basic and diluted income (loss) per share	\$ (0.01)	\$ 0.02	\$ (0.07)	\$ 0.05

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; the future level of deposit insurance premiums and special assessments 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; our ability to execute on a favorable basis any plan we may have to acquire other institutions or branches or establish new offices including a transaction assisted by the FDIC; 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 recently enacted banking reform legislation by the U.S. Congress; 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. 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.

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 activity is attracting retail deposits from the general public in our market and investing those deposits, together with funds generated from operations and to a lesser extent 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, construction and land loans, and other loans. We have also invested in mortgage-backed securities and U.S. Government sponsored entity notes. Our primary sources of funds are deposits and principal and interest payments on loans and securities. The Bank offers a variety of deposit accounts, including checking, money market, savings, and certificates of deposit, and emphasizes personal and efficient service for its customers. We also use borrowings, primarily Federal Home Loan Bank of Chicago advances, to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds. Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. Our primary focus is to develop and build profitable customer relationships across all lines of business while maintaining our focus as a community bank.

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, mortgage-backed and other securities, and other interest-earning assets, and the interest paid on our interest-bearing liabilities, consisting primarily of savings and transaction accounts, certificates of deposit, and Federal Home Loan Bank of Chicago advances. Our results of operations also are affected by our provision for loan losses, non-interest income and non-interest expense. Non-interest income consists primarily of deposit service charges and loan origination service fees charged for loans funded by other institutions, and miscellaneous other income. Non-interest expense consists primarily of compensation and employee benefits, occupancy and equipment expenses, data processing, professional fees, FDIC insurance premiums and assessments, repossessed asset losses and carrying costs, and other operating expenses. Our results of operations may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

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, 2010, management believes that its critical accounting policies include determining the allowance for loan losses, determination of the fair value of stock options and accounting for stock based compensation under the Company's Equity Incentive Plan, and accounting for deferred income taxes.

Comparison of Financial Condition at June 30, 2011 and December 31, 2010

General. For the six months ended June 30, 2011, we experienced a decrease in assets primarily due to a decrease in our loan portfolio balance as the continued weak local economy has impacted our loan demand and a decrease in our cash and cash equivalents due to a decrease in the balance of our certificate of deposit accounts. During the first six months of 2011, foreclosure proceedings completed on several properties resulted in an increase in the balance of our repossessed assets as we work through the process to resolve our non-performing loans.

Assets. Total assets at June 30, 2011 were \$109.2 million compared to \$116.1 million at December 31, 2010, a decrease of \$6.9 million or 5.9%. This decrease was primarily due to the \$6.1 million net decrease in our loan portfolio balance and a \$4.2 million decrease in cash and cash equivalents, due to the decrease in the balance of our certificate of deposit accounts. These decreases were partially offset by the \$1.8 million increase in our securities available for sale and the \$1.7 million increase in the balance of our repossessed assets.

Our net loan portfolio balance decreased to \$88.1 million at June 30, 2011 compared to \$94.1 million at December 31, 2010 primarily due to loan repayments and payoffs and the transfer of \$2.2 million of loans to repossessed assets. The decreases to our loan portfolio included: a \$2.3 million decrease in the balance of our construction loans; a \$1.2 million decrease in our automobile loans; a \$949,000 decrease in our commercial real estate loans; and a \$635,000 decrease in our one- to four- family residential loans. At the end of the second quarter of 2011 we hired a senior lending officer to develop our commercial business line. Overall, we anticipate our loan portfolio balance will decrease slightly throughout the remainder of 2011 as loan originations remain low due to weak demand.

At June 30, 2011 our allowance for loan losses was \$1.2 million or 1.37% of total loans compared to \$1.4 million or 1.44% of total loans at December 31, 2010. The decrease in the balance of our allowance for loan losses at June 30, 2011 was primarily due to net charge-offs totaling \$623,000 partially offset by our provision for loan losses which totaled \$372,000 and recoveries which totaled \$102,000. Our non-performing loans and troubled debt restructurings totaled \$7.4 million or 8.32% of total loans at June 30, 2011 compared to \$9.7 million or 10.19 % of total loans at December 31, 2010.

Our securities portfolio increased \$1.8 million or 46.5% to \$5.8 million at June 30, 2011 primarily due to the purchase of \$3.0 million of notes issued by U.S. government sponsored entities partially offset by the call of \$1.0 million of such notes and by repayments on mortgage-backed securities. Cash and cash equivalents decreased \$4.2 million to \$9.8 million at June 30, 2011 primarily due to the purchase of securities and the decrease in our deposit accounts.

Our repossessed assets increased \$1.7 million primarily due to increases totaling \$2.2 million including; \$1.4 million of commercial real estate, \$765,000 of single- family residences, and \$39,000 of repossessed automobiles. These increases were partially offset by decreases which totaled \$428,000 due to sales.

Liabilities. Our customer deposits decreased by \$7.0 million or 6.8% to \$95.4 million at June 30, 2011 compared to \$102.4 million at December 31, 2010. Our certificate of deposit accounts decreased \$7.1 million or 10.5% to \$61.0 million at June 30, 2011 as customers moved funds to higher rate alternatives. Our non-certificate of deposit accounts increased \$148,000 or 0.4% to \$34.4 million at June 30, 2011 primarily due to an increase in our savings and checking accounts.

Equity. Total stockholders' equity at June 30, 2011 was \$13.1 million, a decrease of \$46,000 or 0.4% from December 31, 2010. The decrease resulted primarily from our net loss of \$131,000 for the six months ended June 30, 2011 partially offset by a \$26,000 increase due to the unrealized gains on available-for-sale securities and an increase of \$59,000 for ESOP and other stock based compensation.

Comparison of Operating Results for the Three Months Ended June 30, 2011 and 2010

General. For the three months ended June 30, 2011 our net loss was \$22,000 compared to net income of \$33,000 for the three months ended June 30, 2010. The decrease was primarily due to a \$36,000 increase in our provision for loan losses, a \$58,000 increase in our non-interest expenses, and a \$12,000 decrease in our net interest income partially offset by an increase of \$43,000 in our non-interest income.

Interest Income. Interest income was \$1.2 million for the three months ended June 30, 2011, \$160,000 or 11.6% less than the prior year period. Interest income from loans decreased \$170,000 or 12.6% to \$1.2 million for the three months ended June 30, 2011 primarily due to a \$10.8 million decrease in the average balance of our loan portfolio to \$90.0 million for the three months ended June 30, 2011 compared to \$100.8 million for the prior year period. The average balance of our automobile and consumer loans, one- to four-family loans, multi-family loans, and construction loans decreased \$2.7 million, \$2.7 million, \$2.1 million, and \$2.0 million, respectively for the

comparative periods primarily due to repayments and pay-offs, transfers of loans to repossessed assets, and lower origination volume. The average yield of our loan portfolio was 5.26% for the second quarter of 2011 compared to 5.38% for the prior year period.

Interest income from securities increased \$11,000 to \$33,000 for the three months ended June 30, 2011 compared to the prior year period. The average balance of our securities portfolio increased \$2.9 million to \$6.5 million for the three months ended June 30, 2011 compared to the prior year period primarily due to the purchase of U.S. Government sponsored entity notes which totaled \$5.0 million beginning in the third quarter of 2010, partially offset by the call of a \$1.0 million note and repayments on mortgage-backed securities. The average yield of our securities portfolio for the three months ended June 30, 2011 was 2.03% compared to 2.52% for the prior year period primarily due to the downward repricing of our adjustable rate mortgage-backed securities and the lower yields on the security purchases. The Federal Home Loan Bank of Chicago paid a quarterly dividend during the second quarter of 2011 at an annualized rate of 0.10% compared to no dividend payment the prior year period. The average balance of our Federal Home Loan Bank stock was \$1.3 million for the comparative periods.

Interest Expense. Interest expense for the three months ended June 30, 2011 was \$248,000, a decrease of \$148,000 or 37.4% from the prior year period due to the decrease in interest expense on deposits and on our Federal Home Loan Bank advances. Interest expense on deposits decreased \$128,000 primarily due to the decrease in the average cost of deposits and the decrease in the average balance of our certificate of deposit accounts. The average cost of our deposits was 1.05% for the three months ended June 30, 2011 compared to 1.55% for the prior year period. The average cost of our certificates of deposit accounts decreased to 1.43% for the second quarter of 2011 compared to 1.93% for the prior year period and the average cost of our demand and money market accounts decreased to 0.36% for the second quarter of 2011 compared to 0.76% in the prior year period due to the general low market interest rates. The average balance of our interest bearing deposits decreased \$3.2 million to \$94.5 million for the second quarter of 2011 compared to the prior year period primarily due to a \$6.1 million decrease in the average balance of our certificate of deposit accounts to \$63.0 million. The average balance of our non-certificate of deposit accounts increased \$2.9 million to \$31.5 million for the second quarter of 2011 compared to \$28.6 million from the prior year period.

There was no interest expense on advances from the Federal Home Loan Bank of Chicago for the three months ended June 30, 2011 compared to \$20,000 for the prior year period primarily due to a \$2.0 million decrease in the average balance of our advances due to the repayments in the second half of 2010.

Net Interest Income. Net interest income for the three months ended June 30, 2011 was \$968,000 compared to \$980,000 for the three months ended June 30, 2010. For the three months ended June 30, 2011, the average yield on interest-earning assets was 4.71% and the average cost of interest-bearing liabilities was 1.05% compared to 4.93% and 1.59%, respectively, for the three months ended June 30, 2010. These changes resulted in an increase in our net interest rate spread to 3.66% and net interest margin to 3.75% for the second quarter of 2011 compared to a net interest rate spread of 3.34% and net interest rate margin of 3.51% for the second quarter of 2010.

Provision for Loan Losses. Our provision for loan losses was \$209,000 for the three months ended June 30, 2011 compared to \$173,000 for the three months ended June 30, 2010. Our provision for the three months ended June 30, 2011 included \$178,000 related to commercial business loans, \$85,000 related to a residential loan, and an increase in the loss factors applied to pools of performing loans, partially offset by a \$100,000 recovery from a multi-family property previously charged-off. Our provision for the three months ended June 30, 2010 was primarily related to the decrease in value of collateral securing non-performing real estate loans and an increase in the loss factors applied to pools of performing loans.

Non-interest Income. For the three months ended June 30, 2011, non-interest income increased to \$73,000 compared to \$30,000 for the three months ended June 30, 2010 primarily due to a \$16,000 increase in gains on the sales of other assets and a \$14,000 increase in rent from our foreclosed real estate. Fees to originate loans for other institutions increased \$15,000 over the comparative periods.

Non-interest Expense. For the three months ended June 30, 2011, non-interest expense totaled \$871,000 compared to \$813,000 for the three months ended June 30, 2010, an increase of 7.1%. Our repossessed asset costs increased \$24,000 for the second quarter of 2011 compared to the prior year period primarily due to charges for one

commercial real estate property. Professional fees increased \$19,000 primarily due to a \$37,000 increase in legal fees primarily related to foreclosure activity, partially offset by an \$18,000 decrease in audit related fees due to the deregistration of the Company. Our occupancy costs increased \$13,000. Compensation and employee benefit expense increased \$6,000 primarily due to the increase in certain senior officer salaries to pre-May 2009 levels. Compensation and employee benefit expense are anticipated to increase due to the addition of a senior lending officer. All other expenses decreased \$4,000 on a net basis.

Income Tax. Since the third quarter of 2009, we have maintained a valuation allowance for substantially all of our deferred tax assets. Our review of the deferred tax asset for the three months ended June 30, 2011 resulted in a \$17,000 income tax benefit compared to a \$9,000 income tax benefit for the three months ended June 30, 2010.

Comparison of Operating Results for the Six Months Ended June 30, 2011 and 2010

General. For the six months ended June 30, 2011, our net loss was \$131,000 compared to net income of \$92,000 for the six months ended June 30, 2010. The decrease was primarily due to a \$180,000 increase in non-interest expense and a \$130,000 increase in our provision for loan losses, partially offset by an increase of \$49,000 in our net interest income and a \$34,000 increase in our non-interest income.

Interest Income. Interest income was \$2.5 million for the six months ended June 30, 2011, \$311,000 or 11.2% less than the prior year period. Interest income from loans decreased \$324,000 or 11.9% for the six months ended June 30, 2011 to \$2.4 million primarily due to a \$10.3 million decrease in the average balance of our loan portfolio to \$91.8 million for the six months ended June 30, 2011 compared to \$102.1 million for the prior year period. The average balance of our automobile and consumer loans, one- to four-family loans, construction loans, and multi-family loans decreased \$2.8 million, \$2.6 million, \$2.2 million, and \$1.6 million respectively for the comparative periods primarily due to repayments and pay-offs, transfers of loans to repossessed assets, and lower origination volume. The average yield of our loan portfolio was 5.28% for the first half of 2011 compared to 5.38% for the prior year period.

Interest income from securities increased \$12,000 to \$57,000 for the six months ended June 30, 2011 compared to the prior year period. The average balance of our securities portfolio increased \$2.2 million to \$5.8 million for the six months ended June 30, 2011 compared to the prior year period primarily due to the purchase of \$5.0 million of U.S. Government sponsored entity notes beginning in the third quarter of 2010, partially offset by the call of a \$1.0 million note and repayments on mortgage-backed securities. The average yield of our securities portfolio for the six months ended June 30, 2011 was 1.97% compared to 2.54% for the prior year period primarily due to the downward repricing of our adjustable rate mortgage-backed securities and the lower yields on the security purchases. In the first quarter of 2011, the Federal Home Loan Bank of Chicago resumed its quarterly dividend payment at an annualized rate of 0.10% compared to no dividend payment the prior year period. The average balance of our Federal Home Loan Bank stock was \$1.3 million for the comparative periods.

Interest Expense. Interest expense for the six months ended June 30, 2011 was \$526,000, a decrease of \$360,000 or 40.6% from the prior year period due to the decrease in interest expense on deposits and on our Federal Home Loan Bank advances. Interest expense on deposits decreased \$321,000 primarily due to the decrease in the average cost of deposits and the decrease in the average balance of our certificate of deposit accounts. The average cost of our deposits was 1.10% for the six months ended June 30, 2011 compared to 1.73% for the prior year period. The average cost of our certificates of deposit accounts decreased to 1.49% for the second quarter of 2011 compared to 2.16% for the prior year period and the average cost of our demand and money market accounts decreased to 0.36% for the second half of 2011 compared to 0.75% for the prior year period due to the general low market interest rates. The average balance of our interest bearing deposits decreased \$2.7 million to \$96.2 million for the first six months of 2011 compared to the prior year period primarily due to a \$6.9 million decrease in the average balance of our certificate of deposit accounts to \$64.7 million. The average balance of our non-certificate of deposit accounts increased \$4.2 million to \$31.5 million for the first six months of 2011 compared to \$27.3 million from the prior year period.

There was no interest expense on advances from the Federal Home Loan Bank of Chicago for the six months ended June 30, 2011 compared to \$39,000 for the prior year period primarily due to a \$2.0 million decrease in the average balance of our advances due to the repayments in the second half of 2010.

Net Interest Income. Net interest income for the six months ended June 30, 2011 increased \$49,000 to \$1.9 million compared to the prior year period. For the six months ended June 30, 2011, the average yield on interest-earning assets was 4.71% and the average cost of interest-bearing liabilities was 1.10% compared to 4.94% and 1.77%, respectively, for the six months ended June 30, 2010. These changes resulted in an increase in our net interest rate spread to 3.61% and a net interest margin to 3.70% for the first six months of 2011 compared to a net interest rate spread of 3.17% and a net interest rate margin of 3.36% for the comparative period in 2010.

Provision for Loan Losses. Our provision for loan losses was \$372,000 for the six months ended June 30, 2011 compared to \$242,000 for the six months ended June 30, 2010. Our provision for the six months ended June 30, 2011 included \$91,000 related to our troubled debt restructurings, \$238,000 related to commercial business loans, \$105,000 related to residential loans, and an increase in the loss factors applied to pools of performing loans, partially offset by a \$100,000 recovery from a multi-family property previously charged-off. Our provision for the six months ended June 30, 2010 reflected the decrease in value of collateral securing non-performing real estate loans and an increase in the loss factors applied to pools of performing loans due to weak real estate values.

Non-interest Income. For the six months ended June 30, 2011, non-interest income increased to \$101,000 compared to \$67,000 for the six months ended June 30, 2010 primarily due to a \$25,000 increase in fees to originate loans for other institutions and a \$14,000 increase in rent from our foreclosed real estate.

Non-interest Expense. For the six months ended June 30, 2011, non-interest expense totaled \$1.8 million compared to \$1.6 million for the six months ended June 30, 2010, an increase of 11.0%. Our occupancy costs increased \$84,000 primarily due to certain charges for our leased main office which are not anticipated to be recurring in nature. Our repossessed asset costs increased \$53,000 in the first six months of 2011 compared to the prior year period primarily due to charges for one commercial real estate property. Professional fees increased \$42,000 primarily due to a \$70,000 increase in legal fees primarily related to foreclosure activity, partially offset by a \$32,000 decrease in audit related fees due to the deregistration of the Company. For the six months ended June 30, 2011, professional fees included \$20,000 for legal and advisory fees to assess a potential bid for a financial institution in an FDIC assisted transaction and \$8,000 for fees related to the deregistration of the Company. Professional fees for the period ended June 30, 2010 included \$27,000 for legal and advisory fees related to our bid for a financial institution in an FDIC assisted transaction. Compensation and employee benefit expense increased \$16,000 primarily due to the increase in certain senior officer salaries to pre-May 2009 levels. Compensation and employee benefit expense are anticipated to increase due to the addition of a senior lending officer. All other expenses decreased \$15,000 on a net basis.

Income Tax. Since the third quarter of 2009, we have maintained a valuation allowance for substantially all of our deferred tax assets. Our review of the deferred tax asset for the six months ended June 30, 2011 resulted in a \$17,000 income tax benefit compared to a \$13,000 income tax benefit for the six months ended June 30, 2010.

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 tables set forth average balance sheets, 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 June 30,					
	2011			2010		
	Average Outstanding Balance	Interest	Yield/Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans:						
One- to four-family	\$ 35,642	\$ 454	5.09%	\$ 38,376	\$ 517	5.39%
Multi-family, commercial real estate, and land	29,347	463	6.33	31,429	485	6.20
Construction	100	2	7.32	2,071	31	6.09
Commercial business.....	5,367	80	5.99	6,244	93	5.92
Home equity lines-of-credit.....	16,086	130	3.24	16,550	132	3.19
Automobile and other consumer.....	<u>3,413</u>	<u>53</u>	<u>6.26</u>	<u>6,128</u>	<u>94</u>	<u>6.13</u>
Total loans	89,955	1,182	5.26	100,798	1,352	5.38
Securities (1)	6,467	33	2.03	3,531	22	2.52
Other interest-earning assets.....	<u>7,102</u>	<u>1</u>	<u>0.10</u>	<u>7,432</u>	<u>2</u>	<u>0.09</u>
Total interest-earning assets	103,524	\$ 1,216	4.71	111,761	\$ 1,376	4.94
Non-interest-earning assets	<u>7,772</u>			<u>5,286</u>		
Total assets	<u>\$ 111,296</u>			<u>\$ 117,047</u>		
Liabilities and stockholders' equity:						
Savings deposits	\$ 8,009	\$ 3	0.15	\$ 7,258	\$ 3	0.20
Money market/demand deposits	23,527	21	0.36	21,305	40	0.76
Certificates of deposit.....	<u>63,008</u>	<u>224</u>	<u>1.43</u>	<u>69,156</u>	<u>333</u>	<u>1.93</u>
Total deposits	94,544	248	1.05	97,719	376	1.55
FHLB advances	-	-	-	<u>1,978</u>	<u>20</u>	<u>3.93</u>
Total interest-bearing liabilities.....	94,544	<u>248</u>	1.05	99,697	<u>396</u>	1.59
Non-interest-bearing deposits.....	2,811			2,604		
Other liabilities	<u>736</u>			<u>638</u>		
Total liabilities.....	98,091			102,939		
Stockholders' equity	<u>13,205</u>			<u>14,108</u>		
Total liabilities and stockholders' equity.....	<u>\$ 111,296</u>			<u>\$ 117,047</u>		
Net interest income.....		<u>\$ 968</u>			<u>\$ 980</u>	
Net interest rate spread			<u>3.66%</u>			<u>3.34%</u>
Net interest-earning assets	<u>\$ 8,980</u>			<u>\$ 12,064</u>		
Net interest margin			<u>3.75%</u>			<u>3.51%</u>
Average of interest-earning assets to interest-bearing Liabilities.....			<u>109.50%</u>			<u>112.10%</u>

1 Securities include Federal Home Loan Bank stock with an average balance of \$1.3 million for the three months ended June 30, 2011 and 2010 with an annual yield of 0.10% and 0.00% for the three months ended June 30, 2011 and 2010, respectively.

Six Months Ended June 30,

	2011			2010		
	Average Outstanding Balance	Interest	Yield/Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans:						
One- to four-family	\$ 36,005	\$ 910	5.06%	\$ 38,574	\$ 1,023	5.31%
Multi-family, commercial real estate, and land	29,804	939	6.36	31,402	974	6.26
Construction	457	21	7.83	2,689	85	6.36
Commercial business.....	5,605	164	5.92	6,300	188	6.00
Home equity lines-of-credit.....	16,174	259	3.23	16,617	263	3.19
Automobile and other consumer.....	<u>3,722</u>	<u>115</u>	<u>6.24</u>	<u>6,510</u>	<u>199</u>	<u>6.16</u>
Total loans	91,767	2,408	5.28	102,092	2,732	5.38
Securities (1)	5,817	57	1.97	3,585	45	2.54
Other interest-earning assets.....	<u>7,878</u>	<u>4</u>	<u>0.10</u>	<u>7,490</u>	<u>3</u>	<u>0.08</u>
Total interest-earning assets	105,462	\$ 2,469	4.71	113,167	\$ 2,780	4.94
Non-interest-earning assets	<u>7,202</u>			<u>4,834</u>		
Total assets	<u>\$ 112,664</u>			<u>\$ 118,001</u>		
Liabilities and stockholders' equity:						
Savings deposits	\$ 7,917	\$ 6	0.15	\$ 7,279	\$ 7	0.20
Money market/demand deposits	23,611	42	0.36	20,038	74	0.75
Certificates of deposit.....	<u>64,707</u>	<u>478</u>	<u>1.49</u>	<u>71,565</u>	<u>766</u>	<u>2.16</u>
Total deposits	96,235	526	1.10	98,882	847	1.73
FHLB advances	-	-	-	<u>1,989</u>	<u>39</u>	<u>3.93</u>
Total interest-bearing liabilities.....	96,235	<u>526</u>	1.10	100,871	<u>886</u>	1.77
Non-interest-bearing deposits.....	2,532			2,369		
Other liabilities	<u>676</u>			<u>724</u>		
Total liabilities.....	99,443			103,964		
Stockholders' equity	<u>13,221</u>			<u>14,037</u>		
Total liabilities and stockholders' equity.....	<u>\$ 112,664</u>			<u>\$ 118,001</u>		
Net interest income.....		<u>\$ 1,943</u>			<u>\$ 1,894</u>	
Net interest rate spread			<u>3.61%</u>			<u>3.17%</u>
Net interest-earning assets	<u>\$ 9,227</u>			<u>\$ 12,296</u>		
Net interest margin			<u>3.70%</u>			<u>3.36%</u>
Average of interest-earning assets to interest-bearing liabilities.....			<u>109.59%</u>			<u>112.19%</u>

1 Securities include Federal Home Loan Bank stock with an average balance of \$1.3 million for the six months ended June 30, 2011 and 2010 with an annual yield of 0.10% and 0.00% for the six months ended June 30, 2011 and 2010, respectively.

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 June 30, 2011 vs. 2010			Six Months Ended June 30, 2011 vs. 2010		
	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:						
One- to four-family.....	\$ (35)	\$ (28)	\$ (63)	\$ (67)	\$ (46)	\$ (113)
Multi-family, commercial real estate, and land	(33)	11	(22)	(51)	16	(35)
Construction	(35)	6	(29)	(80)	16	(64)
Commercial business.....	(14)	1	(13)	(21)	(3)	(24)
Home equity lines-of- credit.....	(4)	2	(2)	(7)	3	(4)
Automobile and other consumer	<u>(43)</u>	<u>2</u>	<u>(41)</u>	<u>(86)</u>	<u>2</u>	<u>(84)</u>
Total loans	(164)	(6)	(170)	(312)	(12)	(324)
Securities	16	(5)	11	24	(12)	12
Other interest-earning assets.....	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total interest-earning assets	<u>(149)</u>	<u>(11)</u>	<u>(160)</u>	<u>(288)</u>	<u>(23)</u>	<u>(311)</u>
Interest-bearing liabilities:						
Savings deposits.....	-	-	-	1	(2)	(1)
Money market/demand accounts	4	(23)	(19)	12	(44)	(32)
Certificates of deposit	<u>(28)</u>	<u>(81)</u>	<u>(109)</u>	<u>(68)</u>	<u>(220)</u>	<u>(288)</u>
Total deposits.....	(24)	(104)	(128)	(55)	(266)	(321)
FHLB Advances	<u>(20)</u>	<u>-</u>	<u>(20)</u>	<u>(39)</u>	<u>-</u>	<u>(39)</u>
Total interest-bearing Liabilities	<u>(44)</u>	<u>(104)</u>	<u>(148)</u>	<u>(94)</u>	<u>(266)</u>	<u>(360)</u>
Change in net interest income.....	<u>\$ (105)</u>	<u>\$ 93</u>	<u>\$ (12)</u>	<u>\$ (194)</u>	<u>\$ 243</u>	<u>\$ 49</u>