Ben Franklin Financial, Inc.
830 E. Kensington Road
Arlington Heights, IL 60004
(847) 398-0990

Financial Report At and For the Year Ended December 31, 2019

Note: This report is dated December 31, 2019 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.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands except share data)
(Unaudited)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 763	$ 893
Interest-earning deposit accounts and federal funds sold	17,145	10,611
Cash and cash equivalents	17,908	11,504
Securities available-for-sale	3,531	5,559
Loans receivable, net of allowance for loan losses of $830 at December 31, 2019 and $871 at December 31, 2018	71,996	74,535
Federal Home Loan Bank stock	209	212
Premises and equipment, net	1,681	856
Repossessed assets	1,213	1,239
Accrued interest receivable	209	225
Other assets	143	136
Total assets	$ 96,890	$ 94,266
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	$ 6,059	$ 5,337
Interest bearing	73,248	69,559
Total deposits	79,307	74,896
Federal Home Loan Bank Advances	5,000	7,000
Advances from borrowers for taxes and insurance	852	726
Other liabilities	1,280	370
Total liabilities	86,439	82,992
Stockholders' equity		
Preferred stock, no par value; authorized 1,000,000 no shares issued and outstanding December 31, 2019 and 2018		
Common stock, par value $0.01 per share; authorized 30,000,000 shares issued and outstanding, - 1,307,195 shares at December 31, 2019 and 2018	13	13
Additional paid-in-capital	14,536	14,481
Retained deficit	(3,785)	(2,752)
Unearned Employee Stock Ownership Plan (ESOP) shares	(306)	(371)
Accumulated other comprehensive income	(7)	(97)
Total equity	10,451	11,274
Total liabilities and stockholders' equity	$ 96,890	$ 94,266

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

	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income		
Loans	$ 3,892	$ 3,966
Securities	84	85
Federal funds sold and interest earning deposit accounts	263	227
	4,239	4,278
Interest expense		
Deposits	834	646
Federal Home Loan Bank advances	156	72
	990	718
Net interest income	3,249	3,560
Credit for loan losses	(135)	(98)
Net interest income after credit for loan losses	3,384	3,658
Non-interest income		
Service fee income	54	51
Other	46	35
	100	86
Non-interest expense		
Compensation and employee benefits	2,146	2,002
Occupancy and equipment	698	690
Data processing	323	301
Professional fees	900	407
FDIC insurance premiums	16	143
Repossessed asset expenses, net	88	112
Other	356	395
	4,527	4,050
Loss before income taxes	(1,043)	(306)
Income tax	(10)	-
Net loss	$ (1,033)	$ (306)
Weighted average common shares outstanding	1,281,511	1,231,152
Loss per common share, basic and diluted	(0.81)	(0.25)

	For the Year Ended December 31, 2019	2018
Selected Financial Ratios:		
Performance Ratios [1]:		
Return on assets (ratio of net loss to average total assets)	(1.07)%	(0.31)%
Return on equity (ratio of net loss to average equity)	(9.39)%	(2.90)%
Interest rate spread [2]	3.32%	3.65%
Net interest margin [3]	3.51%	3.78%
Efficiency ratio [4]	135.17%	111.08%
Non-interest expense to average total assets	4.68%	4.16%
Average interest-earning assets to average interest-bearing liabilities	117.89%	117.34%
Loans to deposits	91.83%	100.68%
Average equity to average total assets	11.38%	10.81%

	At December 31 2019	At December 31 2018
Asset Quality Ratios:		
Non-performing loans to gross loans	0.00%	0.00%
Non-performing assets to total assets	1.26%	1.34%
Allowance for loan losses to non-performing loans	7,545.45%	3,110.71%
Allowance for loan losses to total loans	1.14%	1.16%
Capital Ratios:		
Equity to total assets at end of period	10.79%	11.96%
Total capital (to risk-weighted assets) [5]	15.74%	16.76%
Common equity Tier I capital (to risk-weighted assets) [5]	14.49%	15.51%
Tier I capital (to risk-weighted assets) [5]	14.49%	15.51%
Tier I capital (to total adjusted assets) [5]	9.54%	11.17%

(1) All ratios are expressed as percentages.
(2) The interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the period.
(3) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.
(4) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income excluding net gains (losses) on the sale of other assets.
(5) Capital ratios are for Ben Franklin Bank only.

On February 5, 2019, the Office of the Comptroller of the Currency (OCC) terminated the consent order that the Bank was subject to and entered into a formal agreement (the "Formal Agreement") with the Bank covering strategic planning, capital planning, reporting and corporate governance. With the termination of the consent order, the Bank is no longer subject to certain restrictions on the rates it can pay for new and renewed deposits. While subject to the consent order, the Bank could not accept new deposits, or renew or rollover existing deposits, with rates more than 75 basis points above the national deposit rate published by the FDIC.

On July 17, 2019, Corporate America Family Credit Union ("CAFCU"), Ben Franklin Financial, Inc. (the "Company"), and Ben Franklin Bank of Illinois (the "Bank") signed a definitive purchase and assumption agreement (the "Agreement") whereby CAFCU will acquire the assets and assume the liabilities of the Bank in an all-cash transaction. Following the completion of this transaction, the existence of Bank and the Company will end and their remaining assets, after all obligations are settled, will be distributed to the Company's stockholders.

Under the terms of the purchase and assumption agreement, the Company's stockholders are currently estimated to receive between $10.09 and $10.58 in cash consideration for each share of the Company's common stock (the "per share consideration"). The per share consideration is subject to significant variation based on various items, such as the Bank's ability to meet a minimum equity target at closing; the regulatory treatment of and costs associated with the liquidation accounts maintained by the Company and the Bank; the amount of cash held by the Company at closing; costs related to terminating the existence of the Bank and the Company and distributing the remaining assets to stockholders; and future operating results. Other factors that may cause a reduction in the per share consideration include, among others, final costs associated with terminating specific employee benefit plans including payments to participants in the Banks employee stock ownership plan and any Bank environmental problems with remediation costs over $500,000.

The transaction has been unanimously approved by the board of directors of each party and was approved by the Company's stockholders at a special meeting held February 18, 2020 and is expected to close the second calendar quarter of 2020, subject to customary closing conditions and regulatory approvals. The distribution of cash to Company stockholders is expected to occur within several months after completion of the sale of assets to CAFCU. Additional information regarding the proposed transaction with CAFCU was made available to stockholders in the proxy statement relating to the special meeting of stockholders.

Total assets for the Company at December 31, 2019 were $96.9 million, an increase of $2.6 million or 2.8% compared to the balance at December 31, 2018. The increase was primarily due to the $6.4 million increase in our n our cash and cash equivalents and the $825,000 increase in our fixed assets, partially offset by the $2.5 million decrease in our loan portfolio balance and the $2.0 million decrease in our securities available for sale. The increase in fixed assets was primarily due to the adoption in January 2019 of ASU 2016-02 Leases, which required that all leases, with the exception of short-term leases that have contractual terms no greater than one year, be recorded on the balance sheet. Our deposit balances increased $4.4 million primarily due to the $7.0 million increase in the balance of our certificate of deposits, partially offset by the $2.6 million decrease in checking, savings, and money market accounts. Our other liabilities increased $910,000 primarily due to the adoption of ASU 2016-02 Leases.

Our net loss for the year ended December 31, 2019 was $1.0 million compared to the net loss of $306,000 for the year ended December 31, 2018. The increase in our net loss was primarily due to the $477,000 increase in our non-interest expense and the $311,000 decrease in our net interest income, partially offset by the $37,000 increase in our credit for loan losses.

The decrease in our net interest income was primarily due to the $74,000 decrease in our interest income from loans and the $272,000 increase in our interest expense, partially offset by the $36,000 increase in our interest income from interest earning deposits. The average balance of our loan portfolio decreased $1.8 million for the year ended December 31, 2019 compared to the prior year. The average cost of our interest bearing deposits increased 32 basis points primarily due to the 52 basis point increase in the cost of our certificates of deposit due to higher market rates during 2019 and the lower rates we offered during 2018 while we were subject to certain rate restrictions. The average balance of our deposit accounts decreased $4.7 million for the year ended December 31, 2019 compared to the prior year. The average balance of our Federal Home Loan Bank advances increased $2.9 million while the average cost of such advances increased 45 basis points. Our net interest margin was 3.51% for the year ended December 31, 2019 compared to 3.78% for the prior year period.

Our non-interest income increased $14,000 for the year ended December 31, 2019 compared to the prior year period primarily due to the increase in our other real estate owned income.

Our non-interest expense increased $477,000 or 11.8% for the year ended December 31, 2019 compared to the prior year. Our professional fees increased $493,000 primarily due to the $529,000 increase in legal fees related to: the strategic initiative to market the Company, the costs associated with the resolution of regulatory issues, and the negotiation of the Agreement; and $75,000 for investment banker fees related to the Agreement. These increases were partially offset by the $114,000 decrease in audit related fees. Our FDIC insurance premium decreased $127,000 primarily due to adjustments related to the change in our assessment rate and the Small Bank Assessment Credit received in 2019. Our compensation and other employee benefits increased $144,000 primarily due to stay bonuses paid for certain employees as part of the Agreement. Our other expense decreased $39,000 primarily due to lower regulatory assessments.

For a discussion of risks that may affect our financial condition and results of operations, see the factors discussed in our annual report for the year ended December 31, 2018, under the heading "Forward-Looking Statements". In addition to the risks discussed in the annual report, our financial condition and results of operation may be negatively affected by:

An economic recession or a deterioration in economic conditions, including as a result of the recent global coronavirus outbreak, could adversely affect our business and results of operations.

In March 2020, the World Health Organization declared it a pandemic with respect to coronavirus (COVID-19). Since first being reported in China, the coronavirus has spread to numerous countries including the United States. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the coronavirus outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

If we are unable to recover from a business disruption on a timely basis or if the outbreak and its effects lead to recessionary conditions or a deterioration in economic conditions, we could be subject to any of the following consequences, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets, and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value;
- a work stoppage, forced quarantine, or other interruption of our business may occur;
- our allowance for loan losses may have to be increased, especially if we believe an increase in our qualitative factors is warranted;
- future borrowing power of our clients may be reduced;
- Federal Deposit Insurance Corporation premiums may increase if the agency experience additional resolution costs; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, our future success and profitability is substantially dependent upon the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations and prospects, which could result in losses on your investment in our stock.

These and other risks not presently known to us, or that we currently deem immaterial, could adversely affect our future results and prevent us from successfully implementing our strategic growth plan.