2011 Annual Report

To Our Shareholders:

The challenges and changes in the past year made 2011 a difficult year for Ben Franklin Financial, Inc. A difficult operating environment plagued by stubborn unemployment, a sideways real estate market resulting in reduced loan demand and a changing regulatory environment complicated by additional new regulation have combined to mute our forward progress.

The challenges of the market in 2011 saw both loans and deposits decline approximately $9.8 million, while net interest income before the provision for losses increased nearly $50,000 over the prior year. This increase reflects improvement in the net interest spread as the Federal Reserve continues to hold interest rates low in an effort to spur economic activity. In spite of economic conditions locally that continue to impact real estate values and negatively impact our borrowers', non-performing assets decreased during the year. The provision for loan losses and valuation allowances made during 2011 also decreased by nearly 42% to $815,000. The impact of this prolonged economic recession, however, continued to impact our financial operations in 2011 as we reported a net loss of $703,000.

Total deposit balances decreased, however, primarily in the certificate of deposit balances as customers sought alternatives for their funds in this low interest environment. This shift, along with the re-pricing of other high cost certificate of deposit accounts, contributed significantly to the improvement in the net interest spread during the year to 3.60%.

While our economy show signs of forward progress, the disruption and uncertainty in the financial markets is likely to continue and all indications are that these challenges will remain with us for most of 2012. We believe now more than ever, the conservative policies, essential values and integrity of this company will benefit our shareholders, customers and employees.

This year marks the 118th year of continued operations and service to our customers, and we are proud of this milestone. We gratefully acknowledge the efforts of our directors, officers and employees who have contributed to the success through their creativity, loyalty and dedication.

We are managing through these critical times, but we are also operating with a view to the long-term future of this company. We anticipate a period of increased regulation and intensified competition for all retail financial institutions. In this environment, our continued focus on the gradual expansion of our commercial banking services and quality customer service will be critical.

In closing we wish to thank our shareholders for their commitment and support, our customers for their loyalty and trust and to our employees who are the face of Ben Franklin Bank to our customers every day.

Sincerely,

C. Steven Sjogren

Ben Franklin Financial, Inc.
Annual Report
For The Year Ended
December 31, 2011

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Business

Forward Looking Statements

This Annual Report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include:

- 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.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- our ability to manage the risk in our loan portfolio including our construction and commercial real estate loans;
- 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 Federal Deposit Insurance Corporation;
- changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments and inflation;
- general economic conditions, either nationally or in our market area;
- adverse changes in the securities and national and local real estate markets (including real estate values);
- legislative or regulatory changes including Dodd-Frank that may adversely affect our business and increase our compliance costs;
- our ability to enter new markets successfully and take advantage of growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- the effect of the stagnant economy on our lending portfolio including our construction, multi-family, commercial real estate, and automobile loans;
- increases in our deposit insurance costs;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the authoritative accounting and auditing bodies; and
- changes in our bank regulator and organization, compensation and benefit plans.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Ben Franklin Financial, MHC

Ben Franklin Financial, MHC is the federally-chartered mutual holding company parent of Ben Franklin Financial, Inc. Ben Franklin Financial, MHC's only business is the ownership of 56.0% of the outstanding shares of common stock of Ben Franklin Financial, Inc. So long as Ben Franklin Financial, MHC exists, it will own a majority of the voting stock of Ben Franklin Financial, Inc. At December 31,

2011, Ben Franklin Financial, MHC had assets of $12.6 million. Ben Franklin Financial, MHC's executive office is located at 830 East Kensington Road, Arlington Heights, Illinois 60004, and its telephone number is (847) 398-0990.

Ben Franklin Financial, Inc.

Ben Franklin Financial, Inc. (the "Company") is the mid-tier stock holding company for Ben Franklin Bank of Illinois. Ben Franklin Financial, Inc. is chartered under federal law and owns 100% of the outstanding shares of common stock of Ben Franklin Bank of Illinois. Ben Franklin Financial, Inc. has not engaged in any significant business activity other than owning all of the shares of common stock of Ben Franklin Bank of Illinois. At December 31, 2011, Ben Franklin Financial, Inc. had consolidated assets of $106.0 million, total deposits of $92.6 million and stockholders' equity of $12.5 million. Ben Franklin Financial, Inc.'s net loss for the year ended December 31, 2011 was $703,000. At December 31, 2011, apart from its ownership of shares of common stock of Ben Franklin Bank of Illinois, Ben Franklin Financial, Inc. had assets of $3.6 million, which were invested primarily in a savings account at the Bank and the employee stock ownership plan loan with Ben Franklin Bank of Illinois. On January 27, 2011, the Company filed a Form 15 with the Securities and Exchange Commission to deregister its common stock under the Securities Exchange Act of 1934, as amended. As a result, the Company is no longer considered a public company with periodic reporting requirements. The executive offices of Ben Franklin Financial, Inc. are located at 830 East Kensington Road, Arlington Heights, Illinois 60004, and its telephone number is (847) 398-0990.

Ben Franklin Bank of Illinois

Ben Franklin Bank of Illinois (the "Bank") is a federally-chartered savings bank headquartered in Arlington Heights, Illinois. Ben Franklin Bank of Illinois 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. The executive offices of Ben Franklin Bank of Illinois are located at 830 East Kensington Road, Arlington Heights, Illinois 60004, and its telephone number is (847) 398-0990.

General

Our principal business consists of attracting retail deposits from the general public in our market and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage loans and, to a lesser extent, home equity lines-of-credit, commercial real estate loans, multi-family real estate loans, commercial business loans, construction and land loans and other loans. We also invest in mortgage-backed and other securities and automobile loans. Our revenues are derived principally from the interest on loans and securities, fees for loan origination services, loan fees, and fees levied on deposit accounts. Our primary sources of funds are deposits and principal and interest payments on loans and securities. A continuation of the current economic slowdown may impact the Company's lending operations by affecting origination volume and credit quality. Also the decline in real estate values may adversely affect the realizable value of the Company's real estate collateral.

Our website address is www.benfrankbank.com.

Market Area

We conduct business through our main office located at 830 East Kensington Road, Arlington Heights, Illinois and our branch office located at 3148 Kirchoff Road, Rolling Meadows, Illinois.

Our offices are located in relatively affluent suburban communities located approximately 15 miles to the northwest of Chicago, Illinois. Over the last 20 years, these communities have experienced per capita income levels which are well above the state and national averages. However, we believe that Arlington Heights and, to a lesser extent, Rolling Meadows may be classified as "mature" suburbs and that more rapid growth is occurring in the collar counties surrounding Chicago.

Our market area has been affected by the current economic downturn and slow recovery which has caused the real estate values to decline over the past several years. In our immediate area, the residential development contiguous to our main office which was scheduled to start in 2008, resumed during 2011 with the first phase of residential townhomes near completion which should provide an economic boost to the area surrounding the main office.

Competition

We face intense competition within our market area both in making loans and attracting deposits. The Chicago metropolitan area has a high concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. As of the June 30, 2011, according to the Federal Deposit Insurance Corporation's annual deposit report, our market share of deposits represented less than 1% of deposits in Cook County, Illinois.

Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to develop and build profitable customer relationships across all lines of business while maintaining our role as a community bank.

Recent Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011 (the "Dodd-Frank Act") made extensive changes in the regulation of federal savings banks such as the Bank. Under the Dodd-Frank Act, the Office of Thrift Supervision, our former primary regulator, was eliminated. Responsibility for the supervision and regulation of federal savings banks was transferred to the Office of the Comptroller of the Currency, which is the agency that is primarily responsible for the regulation and supervision of national banks. The Office of the Comptroller of the Currency has assumed responsibility for implementing and enforcing many of the laws and regulations applicable to federal savings banks. The responsibility for the regulation and supervision of savings and loan holding companies, such as the Company has been transferred to the Federal Reserve Board, which currently supervises bank holding companies.

Additionally, the Dodd-Frank Act created a new Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function currently assigned to prudential regulators, and will have authority to impose new requirements. However, institutions of less than $10 billion in assets, such as the Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be

subject to the primary enforcement authority of, their prudential regulator rather than the Consumer Financial Protection Bureau.

In addition to eliminating the Office of Thrift Supervision and creating the Consumer Financial Protection Bureau, the Dodd-Frank Act, among other things, directs changes in the way that institutions are assessed for deposit insurance, mandates the imposition of consolidated capital requirements on savings and loan holding companies after a five year phase in period, requires originators of securitized loans to retain a percentage of the risk for the transferred loans, regulatory rate-setting for certain debit card interchange fees, repeals restrictions on the payment of interest on commercial demand deposits and contains a number of reforms related to mortgage originations. Many of the provisions of the Dodd-Frank Act are subject to delayed effective dates and/or require the issuance of implementing regulations. Their impact on operations cannot yet be fully assessed. However, there is significant possibility that the Dodd-Frank Act will, at a minimum, result in increased regulatory burden, compliance costs and interest expense for the Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The summary information presented below at each date or for each of the years presented is derived in part from the audited consolidated financial statements of Ben Franklin Financial, Inc. The financial condition data at December 31, 2011 and 2010, and the operating data for the years ended December 31, 2011 and 2010 are derived from the audited consolidated financial statements of Ben Franklin Financial, Inc.

The following information is only a summary, and should be read in conjunction with our audited consolidated financial statements and notes beginning on page 17 of this annual report.

	At December 31,	
	2011	**2010**
	(in thousands)	
Selected Financial Condition Data:		
Total assets	$ 106,005	$ 116,071
Cash and cash equivalents	10,771	14,019
Loans receivable, net	84,289	94,119
Securities	5,621	3,972
Deposits	92,561	102,363
Stockholders' Equity	12,536	13,096

	For the Year Ended December 31,	
	2011	2010
	(in thousands)	
Selected Operating Data:		
Interest income	$ 4,784	$ 5,360
Interest expense	954	1,578
Net interest income	3,830	3,782
Provision for loan losses	815	1,397
Net interest income after provision for loan losses	3,015	2,385
Non-interest income	87	174
Non-interest expense	3,815	3,416
Loss before income taxes	(713)	(857)
Income tax benefit	10	2
Net loss	$ (703)	$ (855)

	At or For the Year Ended December 31,	
	2011	2010
Selected Financial Ratios and Other Data:		
Performance Ratios:		
Return on assets (ratio of net income (loss) to average total assets)	(0.64)%	(0.73)%
Return on equity (ratio of net income (loss) to average equity)	(5.32)%	(6.07)%
Interest rate spread [(1)]	3.60%	3.21%
Net interest margin [(2)]	3.70%	3.38%
Efficiency ratio [(3)]	94.52%	86.33%
Non-interest expense to average total assets	3.48%	2.91%
Average interest-earning assets to average interest-bearing liabilities	111.01%	111.83%
Loans to deposits	92.29%	93.29%
Asset Quality Ratios:		
Non-performing assets and troubled debt restructurings to total assets	8.31%	9.07%
Non-performing loans to total loans	2.08%	6.23%
Non-performing loans and troubled debt restructurings to total loans	7.48%	10.19%
Allowance for loan losses to non-performing loans and troubled debt restructurings	17.79%	14.14%
Allowance for loan losses to total loans	1.33%	1.44%
Capital Ratios:		
Equity to total assets at end of year	11.83%	11.28%
Average equity to average assets	12.04%	11.99%
Other Data:		
Number of full service offices	2	2
Number of full time equivalent employees	22	22

(1) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
(2) Represents net interest income as a percent of average interest-earning assets for the year.
(3) Represents non-interest expense divided by the sum of net interest income and non-interest income excluding net gains (losses) on the sale of other assets.

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

General. The real estate market continues to exhibit signs of weakness as market values showed little sign of improvement during the recent modest economic recovery. This problem will continue for some time as policy makers and financial institutions struggle with the issues of: a backlog of foreclosures, borrowers with negative equity in their property and the various government proposals related to loan modifications, the resolution of the various Government Sponsored Entities (GSEs), and ultimately the role of the federal government in the mortgage business. With our primary focus on real estate lending, we have continued to experience weak loan demand during 2011 given the current economic environment. During the year-ended December 31, 2011 we experienced a decrease in assets primarily due to a decrease in our loan portfolio due to repayments and the low volume of loan originations. During the year, our deposit balance decreased primarily due to a decrease in our certificates of deposit. With loan demand weak and investment yields low, we have focused on controlling our cost of funds and reducing some excess liquidity. During 2011, a number of foreclosure proceedings were finalized on several properties resulting in an increase in the balance of our repossessed assets. We are actively working to liquidate the balance of our repossessed assets. Management is also planning several steps to increase other non-real estate lines of business, primarily commercial business lending and indirect automobile lending. Through these initiatives, management intends to improve assets quality and preserve the current capital levels of the Company and the Bank.

Assets. At December 31, 2011, total assets decreased by $10.1 million or 8.7% to $106.0 million compared to $116.1 million at December 31, 2010 primarily due to a $9.8 million decrease in our net loan portfolio and a $3.2 million decrease in our cash and cash equivalents. These decreases were partially offset by an increase of $1.6 million in our securities portfolio and a $1.6 million increase in the balance of our repossessed assets.

Our loan portfolio was $84.3 million at December 31, 2011 compared to $94.1 million at December 31, 2010 primarily due to repayments exceeding loan originations and purchases and the transfer of $3.2 million of foreclosed loans to repossessed assets. During 2011, our loan origination and purchase activity, excluding home equity lines-of-credit, was $12.5 million compared to $9.8 million during 2010. Originations of our home equity-lines-of-credit loans were $4.3 million in 2011 compared to $5.0 million in 2010. The weak demand for loans contributed to a decrease of $2.3 million in our construction loans, a $2.2 million decrease in our automobile loans, a $2.1 million decrease in our one- to four- family residential mortgage loans, a $1.6 million decrease in our commercial business loans, and a $915,000 decrease in our multi-family residential loans for between the year ends 2011 and 2010. Management anticipates resuming the purchase of approximately $4.5 million of automobile loans from another financial institution and expanding commercial business lending through additional staffing and product development during 2012.

At December 31, 2011 our allowance for loan losses was $1.1 million or 1.33% of total loans compared to $1.4 million or 1.44% of total loans at December 31, 2010. The decrease in our allowance reflected the decrease in our provision for loan losses due to a decrease in our loan portfolio balance and declining balance of our non-performing loans, partially offset by the impact of an increase in the estimated loss factors applied to certain loan segments in our portfolio. Loan charge-offs net of recoveries totaled $1.1 million for the year ended December 31, 2011 compared to $961,000 for the prior year. Our non-performing loans totaled $1.8 million or 2.08% of total loans at December 31, 2011 compared to $6.0 million or 6.23% of total loans at December 31, 2010. Our loans classified as troubled debt restructurings totaled $4.6 million or 5.40% of total loans at December 31, 2011 compared to $3.8 million of troubled debt restructurings or 3.96% of total loans at December 31, 2010.

Our securities portfolio increased $1.6 million to $5.6 million at December 31, 2011 compared to $4.0 million at the prior year end primarily due to the purchase of $3.0 million in U.S. government sponsored entities. This increase in securities was partially offset by the call of a $1.0 million note and repayments on our mortgage-backed securities. The balance of our Federal Home Loan Bank of Chicago stock remained unchanged from the prior year end at $1.3 million.

Cash and cash equivalents decreased $3.2 million to $10.8 million at December 31, 2011 from $14.0 million at December 31, 2010. We anticipate reducing the level of cash and cash equivalents during 2012 to increase our interest income.

The balance of our repossessed assets increased $1.6 million to $2.4 million at December 31, 2011 compared to $796,000 at December 31, 2010. During 2011, $3.2 million of assets were transferred from loans to repossessed assets, partially offset by the sale of $1.2 million of repossessed assets and the charge-off of $309,000 due to a decline in value of one commercial property and one residential one- to four- family property.

Liabilities. Total deposits decreased $9.8 million or 9.6% to $92.6 million at December 31, 2011 compared to $102.4 million at December 31, 2010. Our savings, demand, and money market account balances increased $733,000 to $35.0 million at December 31, 2011 compared to $34.3 million at the prior year end. Our certificate of deposit accounts decreased $10.5 million or 15.4% to $57.6 million at December 31, 2011 compared to $68.1 million at the prior year end as depositors sought alternatives for their funds in the low interest rate environment.

Stockholders' Equity. Total stockholders' equity decreased $560,000 or 4.3% to $12.5 million at December 31, 2011 compared to $13.1 million at December 31, 2010. The decrease resulted from the net loss of $703,000 in 2011 partially offset by a $128,000 increase in ESOP and stock incentive compensation amounts and a $15,000 increase in the unrealized gain on available-for-sale securities in 2011.

Comparison of Operating Results for the Years Ended December 31, 2011 and December 31, 2010

General. We continue to focus our efforts on returning to profitability as quickly as possible. Our net interest margin has continued to improve as deposit costs have decreased, however, our results continue to be impacted by the real estate market and the resulting loan losses and costs related to the resolution of our problem assets. At the beginning of 2011, we made the decision to deregister our stock to help reduce the costs associated with being a public company. Our net loss for the year ended December 31, 2011 was $703,000 compared to a net loss of $855,000 for the prior year. The economic downturn and slow recovery continued to impact the value of real estate collateral in our market area and our provision for loan losses. Our net loss for the year ended December 31, 2011 was lower than the prior year primarily due to a decrease in our provision for loan losses and an increase in our net interest income partially offset by an increase in our non-interest expense.

Interest Income. Interest income decreased $576,000 or 10.8% to $4.8 million for 2011. Interest income from loans decreased $610,000 or 11.6% to $4.6 million for the year ended December 31, 2011 compared to the prior year. This decrease was primarily due to the decrease in the average balance of our loan portfolio to $89.1 million during 2011 compared to $100.0 million in 2010. The decrease in the average balance of our loan portfolio was primarily due to decreases in the average balance of: $2.6 million in our consumer loans; $2.4 million in our one- to four- family real estate loans; $2.1 million in our multi-family loans; $2.0 million in our construction loans; and $1.1 million in our commercial business loans. These decreases in the average balance of our loans were primarily due to the weak demand for loans. The

average yield on loans for the year ended December 31, 2011 decreased four basis points to 5.22% in 2011. To offset the anticipated weakness in real estate loan demand in 2012, management anticipates resuming purchases of automobile loans from another financial institution and expanding commercial business lending through additional staffing and product development.

Interest income from securities increased $33,000 or 35.1% to $127,000 for the year ended December 31, 2011 compared to the prior year. The average balance of our securities portfolio for 2011 was $6.4 million compared to $4.0 million for the prior year primarily due to the purchase of $3.0 million of government sponsored entities during 2011, partially offset by the pay down of our mortgage-backed securities and the call of a $1.0 million note. The average yield on our securities portfolio for the year ended December 31, 2011 was 1.99% compared to 2.32% for the prior year due to the downward pricing of the adjustable rate mortgage backed securities and the lower yield on the new security purchases. The average balance of our stock in the Federal Home Loan Bank of Chicago remained unchanged at $1.3 million. The Federal Home Loan Bank of Chicago resumed dividend payments during 2011 at an annual rate of 0.10%.

For the year ended December 31, 2011, interest from other interest-earning assets was $8,000 compared to $7,000 the prior year. The average balance was $8.0 million for 2011 compared to $7.9 million for the prior year.

Interest Expense. Interest expense for the year ended December 31, 2011 was $954,000, a decrease of $624,000 or 40.0% from the prior year. This decrease was primarily due to our interest expense on deposit accounts which decreased $585,000 or 38.0% to $954,000 for the year ended December 31, 2011 compared to the prior year. The decrease was primarily due to the decrease in the average cost of deposits to 1.02% for 2011 compared to 1.55% for 2010 as the average cost of our certificates of deposit decreased to 1.39% for the year ended December 31, 2011 compared to 1.97% for the prior year as the general low market rates led to the downward repricing of maturing certificate of deposit accounts. The average balance of our deposits decreased $5.9 million to $93.3 million for 2011 due to a decrease of $8.7 million in the average balance of our certificate of deposit accounts to $61.5 million, partially offset by a $2.8 million increase in the average balance of our savings, demand, and money market accounts to $31.8 million for the year ended December 31, 2011.

Interest expense on advances from the Federal Home Loan Bank of Chicago decreased $39,000 as there were no advances outstanding for the year ended December 31, 2011 compared to an average balance of $986,000 for the prior year.

Net Interest Income. Net interest income for the year ended December 31, 2011 increased $48,000 or 1.27% to $3.8 million from the prior year. The average yield on interest-earning assets for 2011 was 4.62% compared to 4.79% for the prior year. The average cost of interest-bearing liabilities decreased to 1.02% in 2011 from 1.58% in 2010. The result was a net interest rate spread of 3.60% for the year ended December 31, 2011 compared to 3.21% for the prior year. Our net interest margin increased to 3.70% in 2011 compared to 3.38% in 2010 due to the increase in the net interest rate spread.

Provision for Loan Losses. Our provision for loan losses was $815,000 for the year ended December 31, 2011 compared to $1.4 million in 2010. Our loan charge-offs net of recoveries totaled $1.1 million for the year ended December 31, 2011 compared to $961,000 for the prior year. The decrease in our provision for loan losses was primarily due to a decrease in our loan portfolio balance and declining non-performing loans, partially offset by the impact of an increase in the estimated loss factors applied to certain loan segments in our portfolio due to the continued declining real estate values in our portfolio. Our provision for 2011 included $415,000 related to loans secured by commercial business loans, $237,000 related to loans secured by commercial real estate, and $160,000 related to our one- to four-

family real estate. Our provision for 2010 included $580,000 related to loans secured by commercial real estate, $336,000 related to loans secured by our one- to four- family real estate, $229,000 related to a loan secured by multi-family real estate, and $184,000 related to construction loans. To the best of our knowledge, we have provided for all losses that are both probable and reasonable to estimate at December 31, 2011.

Non-interest Income. Non-interest income decreased $87,000 or 50.0% to $87,000 for the year ended December 31, 2011 compared to the prior year primarily due to the $119,000 loss on the sale of repossessed assets partially offset by an increase of $16,000 in fees for originating loans for other financial institutions to $60,000 for the year ended December 31, 2011 compared to the prior year.

Non-interest Expense. Non-interest expense totaled $3.8 million for the year ended December 31, 2011, an increase of $399,000 or 11.7% from the prior year. Our repossessed asset expense increased $275,000 to $480,000 compared to the prior year primarily due to write-downs of $248,000 for a commercial real estate property and $61,000 for a one- to four- family real estate property. Write downs of repossessed assets during 2010 included $96,000 for a multi- family property and $22,000 for a one- to four- family real estate property. Our compensation and employee benefits expense increased $89,000 to $1.6 million in 2011 due to staffing changes. Occupancy expenses increased $56,000 primarily due to certain one-time charges related to our leased office. Professional fees increased $27,000 primarily due to a $72,000 increase in foreclosure related legal fees partially offset by a $40,000 decrease in auditing fees due to the effect of the deregistration of our stock with the Securities and Exchange Commission. These increases were partially offset by a decrease of $47,000 for our FDIC deposit insurance premiums to $127,000 for the year ended December 31, 2011 primarily due to changes in the FDIC premium structure. All other expenses decreased $1,000 on a net basis.

Income Tax Benefit. Our tax benefit was $10,000 for the year ended December 31, 2011 compared to $2,000 for the prior year. Our tax benefit was primarily impacted by the change in our valuation allowance that we established in 2009 based on our tax losses.

Analysis of Net Interest Income

The following table sets forth average balance sheets, average yields and costs, and certain other information for the years 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.

	Year Ended December 31,					
	2011			2010		
	Average Outstanding Balance	Interest	Yield/ Cost	Average Outstanding Balance	Interest	Yield/ Cost
	(Dollars in thousands)					
Assets:						
One- to four-family	$ 35,520	$ 1,770	4.98%	$ 37,874	$ 1,961	5.18%
Multi-family, commercial real estate and land	29,138	1,845	6.33	31,245	1,906	6.10
Construction	299	22	7.35	2,336	142	6.10
Commercial business	5,176	297	5.74	6,247	366	5.86
Home equity lines-of-credit	15,804	516	3.27	16,559	531	3.20
Automobile and other consumer	3,186	199	6.24	5,749	353	6.13
Total loans	89,123	4,649	5.22	100,010	5,259	5.26
Securities [1]	6,382	127	1.99	4,043	94	2.32
Other interest-earning assets	8,018	8	0.10	7,899	7	0.09
Total interest-earning assets	103,523	$ 4,784	4.62	111,952	$ 5,360	4.79
Non-interest-earning assets	6,178			5,468		
Total assets	$ 109,701			$ 117,420		
Liabilities and stockholders' equity:						
Savings deposits	$ 8,033	$ 12	0.15%	$ 7,324	$ 14	0.20%
Money market/demand accounts	23,702	85	0.36	21,608	143	0.66
Certificates of deposit	61,522	857	1.39	70,186	1,382	1.97
Total interest-bearing deposits	93,257	954	1.02	99,118	1,539	1.55
FHLB advances	-	-	0.00	987	39	3.93
Total interest-bearing liabilities	93,257	954	1.02	100,105	1,578	1.58
Non-interest-bearing deposits	2,444			2,426		
Other liabilities	791			805		
Total liabilities	96,492			103,336		
Stockholders' equity	13,209			14,084		
Total liabilities and stockholders' equity	$ 109,701			$ 117,420		
Net interest income		$ 3,830			$ 3,782	
Net interest rate spread			3.60%			3.21%
Net interest-earning assets	$ 10,266			$ 11,847		
Net interest margin			3.70%			3.38%
Average of interest-earning assets to interest-bearing liabilities	111.01%			111.83%		

(1) Securities include Federal Home Loan Bank stock with an average balance of $1.3 million for the years ended December 31, 2011 and 2010 with an annual yield of 0.10% and 0.00% for 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 our 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-year average rate) and (ii) changes attributable to rate (i.e., changes in average rate multiplied by prior-year 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.

	Year Ended December 31, 2011 vs. 2010		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans:			
One- to four-family	$ (118)	$ (73)	$ (191)
Multi-family, commercial real estate, and land	(131)	70	(61)
Construction	(145)	25	(120)
Commercial business	(62)	(7)	(69)
Home equity lines-of-credit	(25)	10	(15)
Automobile and other consumer	(160)	6	(154)
Total loans	(641)	31	(610)
Securities	52	(19)	33
Interest-earning deposits	-	1	1
Total interest-earning assets	(589)	13	(576)
Interest-bearing liabilities:			
Savings deposits	2	(4)	(2)
Money market/demand accounts	12	(70)	(58)
Certificates of deposit	(155)	(370)	(525)
Total deposits	(141)	(444)	(585)
FHLB Advances	(39)	-	(39)
Total interest-bearing Liabilities	(180)	(444)	(624)
Change in net interest income	$ (409)	$ 457	$ 48

Originations, Purchases and Sales of Loans

The following table shows our loan origination, purchase, sale and principal repayment activity during the years indicated. Loans are presented net of loans in process and the allowance for loan losses.

	Year Ended December 31,	
	2011	2010
	(In thousands)	
Total loans at beginning of year	$ 94,119	$ 104,594
Loans originated:		
Real estate:		
One- to four-family	5,527	3,155
Multi-family	2,740	1,760
Commercial	4,000	1,483
Construction	-	2,575
Land	-	75
Commercial, consumer and other loans:		
Commercial business	197	359
Other	8	14
Total loans originated	12,472	9,421
Loans purchased:		
Commercial business	-	415
Total loans purchased	-	415
Add (Deduct)		
Principal repayments	(17,803)	(17,480)
Home equity lines-of-credit net	(576)	(405)
Provision for loan losses	(815)	(1,397)
Transfer from loans to repossessed assets	(3,232)	(971)
Net other	124	(58)
Net loan activity	(9,830)	(10,475)
Total loans at end of year	$ 84,289	$ 94,119

Non-performing assets and Troubled debt restructurings

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

	December 31, 2011		December 31, 2010	
	Number	Amount	Number	Amount
Non-performing loans				
One-to four-family	3	$ 961	9	$ 1,780
Multi-family	-	-	2	851
Land	2	519	2	767
Commercial real estate	2	170	4	1,632
Home equity line-of-credit	1	125	-	-
Commercial business	-	-	3	907
Other	-	-	2	14
Total non-performing loans	8	1,775	22	5,951
Troubled debt restructurings				
One-to four-family	2	432	1	196
Multi-family	4	3,365	3	2,888
Commercial business [1]	2	819	1	693
Total troubled debt restructurings	8	4,616	5	3,777
Repossessed assets				
Foreclosed real estate	9	2,354	3	779
Repossessed automobiles	-	-	1	17
Repossessed other	2	68	-	-
Total non-performing assets	11	2,422	4	796
Total non-performing loans, troubled debt restructurings, and repossessed assets	27	$ 8,813	31	$ 10,524
Non-performing loans to total loans		2.08%		6.23%
Non-performing loans and troubled debt restructurings to total loans		7.48%		10.19%
Non-performing assets and troubled debt restructurings to total assets		8.31%		9.07%

(1) One commercial loan with a balance of $179 at December 31, 2011 is considered non-accrual and a TDR and is reflected in the TDR section in the above table.

Management of Market Risk

Our asset/liability management strategy attempts to manage the impact on net interest income, our primary source of earnings, of changes in interest rates.

An important measure of interest rate risk is the amount by which the net present value of an institution's cash flow from assets, liabilities and off balance sheet items (the institution's net portfolio value or "NPV") changes in the event of a range of assumed changes in market interest rates. We have utilized the former Office of Thrift Supervision net portfolio value model ("NPV") to provide an analysis of estimated changes in our NPV under the assumed instantaneous changes in the United States Treasury yield curve. The financial model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of the NPV. Set forth on the following page is an analysis of the estimated changes that would occur to our NPV as of December 31, 2011 in the event of designated changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Estimated NPV (2)	Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets (3)	
		Amount	Percent	NPV Ratio (4)	Change in Basis Points
		(Dollars in thousands)			
+300	$ 13,384	$ 109	1%	12.23%	32
+200	13,614	339	3	12.34	43
+100	13,660	385	3	12.30	39
0	13,275	-	-	11.91	-
-50	12,944	(331)	(2)	11.62	(29)
-100	12,685	(590)	(4)	11.41	(50)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NPV Ratio represents NPV divided by the present value of assets.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Market Price

On January 27, 2011, Ben Franklin Financial, Inc. filed a Form 15 with the Securities and Exchange Commission to deregister its common stock under the Securities Exchange Act of 1934, as amended. As a result, the Company will no longer be considered a public company with periodic reporting requirements.

Our common stock is traded on the OTC Electronic Bulletin Board under the symbol "BFFI.OB." The approximate number of holders of record of Ben Franklin Financial, Inc.'s common stock as of December 31, 2011 was 158. Certain shares of Ben Franklin Financial, Inc. are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. The following table presents quarterly market information for Ben Franklin Financial, Inc.'s common stock for the last two years. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. The following information was provided by the OTC Electronic Bulletin Board.

Fiscal 2011	High Bid	Low Bid	Dividends
Quarter ended December 31, 2011	$ 1.36	$ 1.02	$ 0.00
Quarter ended September 30, 2011	1.75	1.36	0.00
Quarter ended June 30, 2011	2.02	1.65	0.00
Quarter ended March 31, 2011	2.15	1.80	0.00

Fiscal 2010	High Bid	Low Bid	Dividends
Quarter ended December 31, 2010	$ 3.30	$ 2.00	$ 0.00
Quarter ended September 30, 2010	3.30	3.00	0.00
Quarter ended June 30, 2010	3.50	2.10	0.00
Quarter ended March 31, 2010	2.60	2.00	0.00

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Ben Franklin Financial, Inc.
Arlington Heights, Illinois

We have audited the accompanying consolidated statements of financial condition of Ben Franklin Financial, Inc. ("the Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ben Franklin Financial, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Oak Brook, Illinois
March 28, 2012

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2011 and 2010
(Dollars in thousands except per share amounts)

	2011	2010
ASSETS		
Cash and due from banks	$ 1,833	$ 3,519
Interest-earning deposit accounts	458	2,740
Federal funds sold	8,480	7,760
Cash and cash equivalents	10,771	14,019
Securities available-for-sale	5,621	3,972
Loans receivable, net of allowance for loan losses of $1,137 and $1,376 at December 31, 2011 and 2010	84,289	94,119
Federal Home Loan Bank stock	1,337	1,337
Premises and equipment, net	806	917
Repossessed assets	2,422	796
Accrued interest receivable	318	362
Prepaid FDIC premiums	332	450
Other assets	109	99
Total assets	$ 106,005	$ 116,071
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Demand deposits - non-interest-bearing	$ 2,364	$ 2,467
Demand deposits - interest-bearing	8,394	7,873
Savings deposits	8,116	7,529
Money market deposits	16,125	16,397
Certificates of deposit	57,562	68,097
Total deposits	92,561	102,363
Advances from borrowers for taxes and insurance	572	308
Other liabilities	310	263
Common stock in ESOP subject to contingent purchase obligation	26	41
Total liabilities	93,469	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 December 31, 2011 and 2010 - 1,949,956 shares	20	20
Additional paid-in-capital	8,217	8,156
Treasury stock, at cost (68,270 shares at December 31, 2011 and 2010)	(462)	(462)
Retained earnings, substantially restricted	5,218	5,921
Unearned Employee Stock Ownership Plan (ESOP) shares	(507)	(559)
Accumulated other comprehensive income	76	61
Reclassification of ESOP shares	(26)	(41)
Total equity	12,536	13,096
Total liabilities and stockholders' equity	$ 106,005	$ 116,071

See accompanying notes to financial statements

BEN FRANKLIN FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2011 and 2010
(Dollars in thousands except per share amounts)

	2011	2010
Interest income		
Loans	$ 4,649	$ 5,259
Securities	127	94
Federal funds sold and interest-earning deposit accounts	8	7
	4,784	5,360
Interest expense		
Deposits	954	1,539
Borrowings	-	39
	954	1,578
Net interest income	3,830	3,782
Provision for loan losses	815	1,397
Net interest income after provision for loan losses	3,015	2,385
Non-interest income		
Service fees	171	165
Loss on sale of repossessed assets, net	(119)	(1)
Other	35	10
	87	174
Non-interest expense		
Compensation and employee benefits	1,610	1,521
Occupancy and equipment	653	597
Data processing	264	255
Professional fees	409	382
FDIC insurance premiums	127	174
Repossessed assets expense, net	480	205
Other	272	282
	3,815	3,416
Loss before income taxes	(713)	(857)
Income tax benefit	10	2
Net loss	$ (703)	$ (855)
Loss per common share	$ (0.37)	$ (0.45)

See accompanying notes to financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2011 and 2010
(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Amount Reclassified on ESOP Shares	Total	Comprehensive Income (Loss)
Balance at January 1, 2010	$ 20	$ 8,088	$ (461)	$ 6,776	$ (609)	$ 58	$ (43)	$ 13,829	
Comprehensive loss									
Net loss	-	-	-	(855)	-	-	-	(855)	$ (855)
Unrealized gain on securities available for-sale, net of deferred income taxes	-	-	-	-	-	3	-	3	3
Total comprehensive loss									$ (852)
Earned ESOP shares and other stock based compensation	-	68	-	-	50	-	-	118	
Purchase of common stock (427 shares)	-	-	(1)	-	-	-	-	(1)	
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	-	-	-	-	-	-	2	2	
Balance at December 31, 2010	20	8,156	(462)	5,921	(559)	61	(41)	13,096	
Comprehensive loss									
Net loss	-	-	-	(703)	-	-	-	(703)	$ (703)
Unrealized gain on securities available for-sale, net of deferred income taxes	-	-	-	-	-	15	-	15	15
Total comprehensive loss									$ (688)
Earned ESOP shares and other stock based compensation	-	61	-	-	52	-	-	113	
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	-	-	-	-	-	-	15	15	
Balance at December 31, 2011	$ 20	$ 8,217	$ (462)	$ 5,218	$ (507)	$ 76	$ (26)	$ 12,536	

See accompanying notes to financial statements

BEN FRANKLIN FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010
(Dollars in thousands)

	2011	2010
Cash flows from operating activities		
Net loss	$ (703)	$ (855)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	132	124
ESOP and other stock based compensation	113	118
Amortization of premiums and discounts	12	20
Provision for loan losses	815	1,397
Loss on sale of repossessed assets, net	119	1
Write down of repossessed assets	309	118
Deferred income taxes	(10)	(2)
Prepaid FDIC insurance premium	118	163
Changes in:		
Deferred loan costs	20	61
Accrued interest receivable	44	95
Other assets	(9)	368
Other liabilities	47	(1)
Net cash from operating activities	1,007	1,607
Cash flows from investing activities		
Principal repayments on mortgage-backed securities	373	491
Purchase of securities available-for-sale	(3,000)	(2,000)
Call of securities available-for-sale	1,000	-
Net decrease in loans	5,755	8,032
Sale of other assets	1,176	1,068
Expenditures to improve repossessed assets	-	(21)
Expenditures for premises and equipment	(21)	(78)
Net cash from investing activities	5,283	7,492
Cash flows from financing activities		
Net decrease in deposits	(9,802)	(750)
Repayment of advances from the Federal Home Loan Bank	-	(2,000)
Purchase of treasury stock	-	(1)
Net change in advances from borrowers for taxes and insurance	264	(125)
Net cash from financing activities	(9,538)	(2,876)
Net change in cash and cash equivalents	(3,248)	6,223
Cash and cash equivalents at beginning of year	14,019	7,796
Cash and cash equivalents at end of year	$ 10,771	$ 14,019
Supplemental disclosures of cash flow information		
Interest paid	$ 954	$ 1,597
Transfers from loans to repossessed assets	3,231	971

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Ben Franklin Financial, Inc. ("the Company") and its wholly owned subsidiary Ben Franklin Bank of Illinois ("the Bank"). All significant intercompany transactions and balances are eliminated in consolidation.

The Company was organized on October 18, 2006 and is a majority-owned subsidiary of Ben Franklin Financial, MHC ("the MHC"). The financial statements do not include the transactions and balances of the MHC.

The Board of Directors of the Bank adopted a Plan of Reorganization and Stock Issuance ("the Plan") to reorganize the Bank into the mutual holding company structure under which the MHC would become the federal mutual holding company parent of the Company, a federal corporation, which in turn would own 100% of the stock of the Bank. Concurrently with the reorganization, the Company offered and sold 892,688 shares of its common stock in a public offering (including 77,763 shares sold to its employee stock ownership plan) representing 45% of its shares outstanding after the offering. The MHC retained 1,091,062 shares representing 55% of the outstanding shares of common stock of the Company. The common stock was offered on a priority basis to eligible depositors. The MHC will continue to own at least a majority of the common stock of the Company as long as the MHC exists.

On January 27, 2011, the Company filed a Form 15 with the Securities and Exchange Commission to deregister its common stock under the Securities Exchange Act of 1934, as amended. As a result, the Company will no longer be considered a public company with periodic reporting requirements.

The Bank provides a full line of financial services to customers in the Cook County, Illinois area. Ben Franklin Bank of Illinois grants residential, commercial and consumer loans, substantially all of which are secured by specific items of collateral, including residences and consumer assets. 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.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 28, 2012 which is the date the financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period, and future results could differ. The allowance for loan losses, valuation allowance for deferred tax assets, carrying value of repossessed assets and fair values of financial instruments are particularly subject to change and the effect of the change could be material to the financial statements.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities of fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, and interest bearing deposits in other financial institutions.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

available-for-sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of deferred income tax. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment (OTTI) related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on first mortgage, home equity lines of credit and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Automobile and consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

First mortgage and commercial loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as home equity lines of credit, automobile, and consumer loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent three years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: first mortgage loans and consumer and other loans. The first mortgage portfolio segment is comprised of the following classes: one-to-four family, multifamily, commercial real estate, land, and construction. The commercial, consumer, and other portfolio segment is comprised of the following classes: home equity lines of credit, commercial, automobile, and other consumer loans.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company considers loan performance and collateral values in assessing risk in the loan portfolio. The primary risk factors for each loan segment are:

- First mortgage loans are affected by the local residential real estate market, the local economy, and movement in interest rates. The commercial real estate loan class is dependent on the industries tied to these loans as well as the local commercial real estate market. First mortgage loans are secured by the real estate and appraisals are obtained to support the loan amount. The Company evaluates the borrower's repayment ability through a review of cash flows, credit scores, debt services ratios, and debt to income ratios.
- Commercial, consumer, and other loans are dependent on the local economy and the strength of the related borrowers and for commercial loans, the success of their business. Consumer loans are generally secured by business and consumer assets, but may be unsecured. The Company evaluates the borrower's repayment ability through a review of credit scores, cash flows, and debt to income ratios.

Concentration of Credit Risk: Most of the Company's business activity is with customers located within Cook County and the surrounding collar counties. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in these areas.

FHLB Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowing and other factors, and may invest in additional amounts. FHLB stock is carried at cost and classified as a restricted security. Because the stock is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Buildings are depreciated using the straight-line method with useful lives of approximately 30 years.

Leasehold improvements are amortized on a straight-line basis over the estimated useful lives of the improvements or the remaining term of the leases, whichever is shorter. Furniture and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 7 years. The cost and accumulated depreciation of assets retired or sold are eliminated from the financial statements, and the gain or loss on disposition is credited or charged to operations when incurred.

Repossessed Assets: Real estate acquired through foreclosure and other repossessed assets are carried at fair value less estimated costs to sell. Expenditures to improve real estate are capitalized to the extent they do not exceed the fair value less estimated costs to sell. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. Losses on disposition, including expenses incurred in connection with the disposition, are charged to operations.

Employee Stock Ownership Plan: The cost of shares issued to the employee stock ownership plan ("ESOP") but not yet allocated to participants is presented in the consolidated statement of financial condition as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. Because participants may require the Company to purchase their ESOP shares upon termination of their employment, the appraised fair value of all earned and allocated ESOP shares is reclassified from stockholders' equity.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes: The provision for income taxes is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. A valuation allowance was established for our deferred tax asset based on our evaluation of our ability to realize the net deferred tax asset.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. The Company does not expect the total amount of unrecognized tax benefit to significantly change in the next twelve months. The Company recognizes interest related to income tax matters as interest expense and penalties related to tax matters as other expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2011 or 2010.

Earnings Per Share: Basic earnings per common share is net income (loss) divided by the weighted average number of common shares outstanding during the period, including allocated and committed-to-be released ESOP shares. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options using the treasury stock method. Because of the Company's net loss for the years ended December 31, 2011 and 2010, all stock options were excluded from the computation of diluted loss per share as they were considered anti-dilutive.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an option or an agreement to repurchase them before their maturity.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as unused lines of credit, commitments to make loans, and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Credit losses associated with off-balance sheet commitments are reflected as a liability and are based on estimated collateral values, economic conditions, and other factors. Such financial instruments are recorded when they are funded. Loan commitment fees received for a commitment to originate or purchase a loan are deferred and, if the commitment is exercised, recognized over the life of the loan as an adjustment of yield or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.

Comprehensive Income: Comprehensive income (loss) consists of net income (loss) and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

available-for-sale, net of deferred income tax, which are also recognized as separate components of stockholders' equity.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

NOTE 2 - SECURITIES AVAILABLE-FOR-SALE

The amortized cost and fair value of securities available-for-sale (consisting of U.S government sponsored entities and residential mortgage backed securities) and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011				
U.S. Government sponsored entities	$ 4,000	$ 35	$ -	$ 4,035
Residential mortgage-backed	1,497	89	-	1,586
Total	$ 5,497	$ 124	$ -	$ 5,621
December 31, 2010				
U.S. Government sponsored entities	$ 2,000	$ -	$ 10	$ 1,990
Residential mortgage-backed	1,872	110	-	1,982
Total	$ 3,872	$ 110	$ 10	$ 3,972

There were no sales of securities available-for-sale during the years ended December 31, 2011 and 2010. There were no securities pledged to secure any of the borrowings of the Company as of December 31, 2011 and 2010. The U.S. government sponsored enterprise securities are set to mature in one to five years. Anticipated maturities on mortgage-backed securities are not readily determinable as borrowers have the right to prepay their obligation with or without penalties.

There were no securities available-for-sale with unrealized losses at year-end 2011. The Company had one U.S. Government sponsored entity security with a fair value of $1,990 with an unrealized loss of $10 at year-ended 2010. This security had been in an unrealized loss for less than twelve months.

As of December 31, 2011 and 2010, all of the Company's securities available-for-sale were issued by U.S. government sponsored entities and agencies which the government has affirmed its commitment to support.

(Continued)

NOTE 3 - LOANS RECEIVABLE

Loans receivable at December 31 are summarized as follows:

	2011	2010
First mortgage loans		
Secured by one-to-four-family residences	$ 35,402	$ 37,503
Secured by multi-family residences	15,525	16,440
Secured by commercial real estate	12,221	12,197
Secured by land	783	1,179
Construction loans	-	2,260
Total first mortgage loans	63,931	69,579
Commercial, consumer, and other loans		
Home equity lines of credit	15,586	16,164
Commercial loans	3,635	5,266
Automobile loans	2,189	4,370
Other consumer loans	113	114
Total commercial, consumer, and other loans	21,523	25,914
Gross loans	85,454	95,493
Premiums and net deferred loan origination costs	(28)	2
Allowance for loan losses	(1,137)	(1,376)
	$ 84,289	$ 94,119

Loans serviced for others totaled approximately $1,100 at December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010 there were no loans outstanding to principal officers, directors and other affiliates.

Activity in the allowance for loan losses is as follows:

	2011	2010
Balance at beginning of year	$ 1,376	$ 940
Provision for loan losses	815	1,397
Loans charged off	(1,182)	(989)
Recoveries of loans previously charged off	128	28
	$ 1,137	$ 1,376

(Continued)

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment and class for the year-ended 2011:

	First Mortgages					Commercial, Consumer and Other				
	One-to-four family	Multi-family	Commercial real estate	Land	Construction	Home equity lines-of-credit	Commercial	Automobile	Other Consumer	Total
Allowance for loan losses										
Beginning balance	$ 487	$ 307	$ 330	$ 5	$ 40	$ 40	$ 126	$ 39	$ 2	$ 1,376
Provision for loan losses	160	(96)	237	110	(40)	27	415	5	(3)	815
Loans charged-off	(393)	(58)	(259)	-	-	(3)	(438)	(29)	(2)	(1,182)
Recoveries	16	100	7	-	-	-	-	2	3	128
Total ending allowance balance 31, 2011	$ 270	$ 253	$ 315	$ 115	$ -	$ 64	$ 103	$ 17	$ -	$ 1,137

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and class and based on impaired method as of year-end 2011. The recorded investment in loans excludes accrued interest and loan origination fees due to immateriality.

	Loan Balance			Allowance		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment
One-to-four-family	$ 1,394	$ 34,008	$ 35,402	$ 100	$ 170	$ 270
Multi-family	3,365	12,160	15,525	71	182	253
Commercial real estate	170	12,051	12,221	47	268	315
Land	519	264	783	109	6	115
Construction	-	-	-	-	-	-
Home equity lines of credit	125	15,461	15,586	26	38	64
Commercial	818	2,817	3,635	64	39	103
Automobile	-	2,189	2,189	-	17	17
Other consumer	-	113	113	-	-	-
Total	$ 6,391	$ 79,063	$ 85,454	$ 417	$ 720	$ 1,137

(Continued)

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents information related to loans individually evaluated for impairment by class of loans as of year-ended 2011.

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recorded	Cash Basis Interest Recorded
2011						
With no related allowance recorded						
One-to-four-family	$ 594	$ 594	$ -	$ 272	$ 11	$ -
Multi-family	-	-	-	-	-	-
Commercial real estate	-	-	-	-	-	-
Land	131	131	-	33	-	-
Construction	-	-	-	-	-	-
Home equity line of credit	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Automobile	-	-	-	-	-	-
Other consumer	-	-	-	-		-
Total with no related allowance recorded	725	725	-	305	$ 11	$ -
With an allowance recorded						
One-to-four-family	800	800	100	1,211	8	$ -
Multi-family	3,365	3,365	71	3,699	180	-
Commercial real estate	170	170	47	369	-	-
Land	388	388	109	703	-	-
Construction	-	-	-	-	-	-
Home equity line of credit	125	125	26	52	-	-
Commercial	818	818	64	1,462	56	-
Automobile	-	-	-	-	-	-
Other consumer	-	-	-	-		-
Total with a related allowance recorded	5,666	5,666	-	7,496	244	-
Total	$ 6,391	$ 6,391	$ 417	$ 7,801	$ 255	$ -

(Continued)

NOTE 3 - LOANS RECEIVABLE (Continued)

Individually impaired loans are as follows

	2010
Loans without allocated allowance for loan losses	$ 4,265
Loans with allocated allowance for loan losses	5,449
Total	$ 9,714

	2010
Allowance allocated to impaired loans at year-end	729
Average of individually impaired loans during the year	$ 8,300
Interest income recognized during impairment	186
Cash basis interest income recognized during impairment	-

The following table presents the aging of the recorded investment in past due loans as of year-ended 2011 by class of loans.

	30 -59 Days Past due	60 - 89 Days Past due	Greater than 90 Days Past Due Still on Accrual	Nonaccrual	Loans Not Past Due	Total
One-to-four-family	$ 277	$ -	$ -	$ 961	$ 34,164	$ 35,402
Multi-family	-	-	-	-	15,525	15,525
Commercial real estate	-	-	-	170	12,051	12,221
Land	-	-	-	519	264	783
Construction	-	-	-	-	-	-
Home equity line of credit	18	-	-	125	15,443	15,586
Commercial	-	-	-	179	3,456	3,635
Automobile	8	-	-	-	2,181	2,189
Other consumer	-	-	-	-	113	113
Total	$ 303	$ -	$ -	$ 1,954	$ 83,197	$ 85,454

	2010
Nonperforming loans were as follows:	
Loans past due over 90 days still on accrual	$ -
Non-accrual loans	5,951

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

(Continued)

NOTE 3 - LOANS RECEIVABLE (Continued)

Credit Quality Indicators

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

Substandard
Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful
Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of year-ended 2011 and based on the most recent analysis performed, the risk category by loans is as follows:

	Pass	Substandard	Doubtful	Total
One-to-four-family	$ 34,289	$ 1,113	$ -	$35,402
Multi-family	13,435	2,090	-	15,525
Commercial real estate	12,051	170	-	12,221
Land	264	519	-	783
Construction	-	-	-	-
Home equity lines of credit	15,461	125	-	15,586
Commercial	2,817	818	-	3,635
Automobile	2,189	-	-	2,189
Other consumer	113	-	-	113
Total	$ 80,619	$ 4,835	$ -	$85,454

NOTE 3 - LOANS RECEIVABLE (Continued)

Troubled Debt Restructurings

During the year ending December 31, 2011, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 12 months to five years. Modifications involving an extension of the maturity date were for periods of two years to three years.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2011:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
One-to-four family	1	$ 245	$ 245
Multi-family	3	2,535	2,535
Commercial real estate	-	-	-
Land	-	-	-
Construction	-	-	-
Home equity lines-of-credit	-	-	-
Commercial	2	1,102	852
Automobile	-	-	-
Other consumer	-	-	-
Total	6	$ 3,882	$ 3,632

The troubled debt restructurings described above increased the allowance for loan losses by $129 and resulted in charge offs of $250 during the year ending December 31, 2011.

There were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ending December 31, 2011.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

The Company has allocated $148 and $29 to specific reserves on $4,616 and $3,777 of loans to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2011 and 2010 respectively. The Company advanced $83 on loans classified as trouble debt restructurings during the year ending December 31, 2011. The Company has not committed to lend additional amounts as of December 31, 2011 and 2010 to customers with outstanding loans that are classified as troubled debt restructurings.

(Continued)

NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment consist of the following at December 31:

	2011	2010
Leasehold improvements	$ 884	$ 884
Furniture and fixtures	507	1,164
	1,391	2,048
Accumulated depreciation	(585)	(1,131)
	$ 806	$ 917

Depreciation expense for the years ended December 31, 2011 and 2010 was $132 and $124, respectively.

NOTE 5 - DEPOSITS

Deposit accounts with balances greater than $100 totaled $30,928 and $28,850 at December 31, 2011 and 2010, respectively.

The scheduled maturities of certificates of deposit are as follows at December 31:

2012	$ 33,751
2013	11,714
2014	6,825
2015	619
2016	4,653
	$ 57,562

Interest expense on deposits is summarized as follows at December 31:

	2011	2010
Demand-interest-bearing	$ 11	$ 17
Savings	12	14
Money market	74	126
Certificates of deposit	857	1,382
	$ 954	$ 1,539

Deposits from principal officers, directors and other affiliates were $237 and $215 at December 31, 2011 and 2010, respectively.

NOTE 6 - REGULATORY CAPITAL MATTERS

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

The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to help ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital as defined in the regulations to risk-weighted assets as defined and of Tier I capital to adjusted total assets as defined. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios. The Bank was categorized as well capitalized at December 31, 2011 and 2010. In response to the current economic environment, the Bank has determined to maintain ratios of Tier 1 capital to total assets and total risk-based capital to risk-weighted assets at levels which are in excess of the minimum to be considered well capitalized. There are no conditions or events since that notification that management believes have changed the Bank's category. Management believes as of December 31, 2011, the Bank meets all capital adequacy requirements to which it subject.

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

The following is a reconciliation of the Bank's stockholder's equity under U.S. generally accepted accounting principles ("GAAP") to regulatory capital at December 31:

	2011	2010
Total stockholders' equity	$ 8,958	$ 9,607
Deferred tax asset limitation	-	-
Unrealized loss (gain) on securities available-for-sale, net of deferred income tax	(76)	(61)
Tier I capital	8,882	9,546
Allowance for loan losses	1,017	1,141
Total regulatory capital	$ 9,899	$ 10,687

The allowance for loan losses is limited to 1.25% of risk weighted assets. As of December 31, 2011 and 2010, $120 and $235 respectively, was excluded from the allowance for loan losses in the calculation of total regulatory capital.

(Continued)

NOTE 6 - REGULATORY CAPITAL MATTERS (Continued)

At year end, actual capital levels and minimum required levels for the Bank were:

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2011						
Total capital (to risk-weighted assets)	$ 9,899	12.2%	$ 6,512	8.0%	$ 8,140	10.0%
Tier 1 (core) capital (to risk-weighted assets)	8,882	10.9	3,256	4.0	4,884	6.0
Tier 1 (core) capital (to adjusted total assets)	8,882	8.4	4,235	4.0	5,293	5.0
December 31, 2010						
Total capital (to risk-weighted assets)	$ 10,687	11.7%	$ 7,299	8.0%	$ 9,124	10.0%
Tier 1 (core) capital (to risk-weighted assets)	9,546	10.5	3,650	4.0	5,475	6.0
Tier 1 (core) capital (to adjusted total assets)	9,546	8.2	4,644	4.0	5,805	5.0

(Continued)

NOTE 7 - EMPLOYEE BENEFITS

On October 18, 2006, the Company adopted an employee stock ownership plan ("the ESOP") for the benefit of substantially all employees. The ESOP borrowed $778 from the Company and used those funds to acquire 77,763 shares of the Company's stock in connection with the reorganization at a price of $10.00 per share.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and are allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. In 2011 and 2010, the Company made contributions to the ESOP of $69 and $69 respectively and the ESOP made the annual principal and interest payments on the loan of $69 and $69 respectively.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings-per-share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce accrued interest. Because participants may require the Company to purchase their ESOP shares upon termination of their employment, the fair value of all earned and allocated ESOP shares may become a liability. In 2011, no ESOP shares were distributed to participants. In 2010, the ESOP distributed 1,343 shares to participants that terminated their employment, of which 427 shares were repurchased by the Company and placed in treasury.

The ESOP has a plan year end of December 31. Expense related to the ESOP was $8 and $14 for the years ended December 31, 2011 and 2010 respectively.

Shares held by the ESOP at December 31, 2011 and 2010 respectively were as follows:

	2011	2010
Shares committed to be released	5,070	5,070
Allocated shares	20,160	15,090
Unearned ESOP shares	50,695	55,765
Total ESOP shares	75,925	75,925
Fair value of unearned ESOP shares	$ 52	$ 114
Fair value of allocated shares subject to repurchase obligation	$ 26	$ 41

(Continued)

NOTE 7 - EMPLOYEE BENEFITS (Continued)

On March 26, 2008, stockholders of the Company approved the Ben Franklin Financial, Inc. Equity Incentive Plan (the "Plan") which provides officers, employees, and directors of the Company and the Bank with stock based incentives to promote our growth and performance. The Plan shall remain in effect as long as any awards are outstanding provided, however, that no awards be granted under the plan after ten years from the date of adoption. The Plan authorizes the issuance of up to 136,085 shares of our common stock pursuant to grants of incentive and non-statutory stock options, stock appreciation rights, and restricted stock awards. No more than 38,881 shares may be issued as restricted stock awards. No more than 97,204 shares may be issued pursuant to stock options and stock appreciation rights, all of which may be granted pursuant to the exercise of incentive stock options. On April 17, 2008, we granted restricted stock awards for 34,476 common shares and stock options for 86,740 common shares under the Plan, all of which vest over a five year period. Awards under the Plan may also fully vest upon the participant's death or disability or change in control of the Company. All of the options granted have an exercise price of $9.36 per share, which was the closing price of the stock on the grant date. No options have been exercised or forfeited as of December 31, 2011 and 2010**.** The options have no intrinsic value as of December 31, 2011 and 2010.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes). Since the Company stock had been outstanding less than two years at the time of the grant, expected volatilities as of the April 17, 2008 grant date were based on historical stock price volatilities of other micro cap banks and bank holding companies. The expected term represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

No stock options were granted in 2011 and 2010. Stock option expense was $40 for the years ended December 31, 2011 and 2010 respectively. As of December 31, 2011, there was $51 of unrecognized compensation cost related to stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of approximately 1.3 years.

A summary of the activity in the stock option plan for 2011 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2011	86,740	$ 9.36	7.3	$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2011	86,740	$ 9.36	6.3	$ -
Fully vested and expected to vest	86,740	9.36	6.3	$ -
Exercisable at December 31, 2011	53,988	$ 9.36	6.3	$ -

NOTE 7 - EMPLOYEE BENEFITS (Continued)

The fair value of the restricted stock awards was $9.36 per share, which was the closing price of the stock on the April 17, 2008 grant date. At December 31, 2011 there were 21,465 restricted stock awards vested and none forfeited. At December 31, 2010 there were 13,792 restricted stock awards vested and none forfeited. Restricted stock award expense was $65 for the years ended December 31, 2011 and 2010 respectively. As of December 31, 2011, there was $83 of unrecognized compensation cost related to non vested shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of approximately 1.3 years.

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

A summary of changes in the Company's nonvested shares for 2011 follows:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2011	20,684	$ 9.36
Granted	-	-
Vested	7,673	9.36
Forfeited	-	-
Nonvested at December 31, 2011	13,011	$ 9.36

The total fair value of shares vested in 2011 and 2010 was $13 and $14.

NOTE 8 - INCOME TAXES

The income tax benefit consists of the following:

	2011	2010
Currently refundable taxes		
Federal	$ 1	$ (1)
State	-	-
Total refundable taxes	$ 1	$ (1)
Deferred tax benefit	261	333
Change in valuation allowance for deferred tax assets	(252)	(330)
Income tax benefit	$ 10	$ 2

(Continued)

NOTE 8 - INCOME TAXES (Continued)

The income tax benefit differs from the amounts determined by applying the statutory U.S. federal income tax rate of 34% to the loss before income taxes as a result of the following items:

	2011		2010	
	Amount	Percent	Amount	Percent
Income tax computed at the statutory federal rate	$ 242	34.0%	$ 291	34.0%
State tax and other items	20	2.8	41	4.8
Change in valuation allowance	(252)	(35.3)	(330)	(38.5)
	$ 10	1.5%	$ 2	0.3%

The net deferred tax asset consists of the following at December 31:

	2011	2010
Deferred tax assets		
Accumulated depreciation	$ 168	$ 132
Bad debts	445	534
Deferred loan fees	19	25
Federal net operating loss carryforwards	312	122
Illinois net operating loss carryforwards	171	132
ESOP	28	27
Deferred rent	46	39
Stock options and awards	28	24
Repossessed asset valuation allowance	121	46
Deferred tax liabilities		
Mortgage servicing rights	-	(5)
Unrealized gain on securities available for sale	(48)	(39)
FHLB stock dividends	(130)	(129)
	1,160	908
Valuation allowance for deferred tax assets	(1,160)	(908)
Net deferred tax asset	$ -	$ -

We established a valuation allowance for our net deferred tax assets based on our assessment of our ability to realize our deferred tax asset primarily based on the tax losses incurred in recent years and under current law, our inability to recover any additional taxes paid in prior years. State net operating losses of $3,535 are being carried forward and will be available to reduce future taxable income. These state net operating loss carryforwards will expire beginning in 2014 through 2021 if not utilized to reduce future taxable income.

The Company's net operating losses for federal income taxes in 2011 and 2010 of $603 and $313 respectively, are being carried forward to reduce taxable income in future years. These federal net operating loss carryforwards will begin to expire in 2030.

The Company is subject to federal income tax as well as income tax of the state of Illinois. The Company is no longer subject to examination by taxing authorities for years before 2008.

(Continued)

NOTE 9 - EARNINGS PER SHARE

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

	For the year ended December 31, 2011	2010
Net loss available to common stockholders	$ (703)	$ (855)
Weighted average common shares outstanding	1,896,733	1,891,973
Dilutive effect of non-vested stock awards and assumed exercises of stock options	-	-
Basic and diluted loss per share	$ (0.37)	$ (0.45)

NOTE 10 - COMMITMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to make loans and fund unused lines of credit and loans in process. The Bank follows the same credit policy to make such commitments as is followed for those loans recorded on the statement of financial condition. These financial instruments are summarized as follows:

	Contractual Amount December 31 2011	2010
Financial instruments whose contract amounts represent credit risk		
Unused lines of credit	$ 15,103	$ 15,733
Commitments to make loans	2,152	2,967

The contractual amount of fixed rate commitments to make loans at December 31, 2011 and 2010 was $1,762 and $2,917 respectively. Commitments to make loans are generally made for 60 days or less.

Financial instruments that potentially subject the Bank to concentrations of credit risk include deposit accounts in other financial institutions. At December 31, 2011, the Bank had non-interest-bearing deposits amounting to $1,526 and federal funds sold of $5,180 with the Bankers Bank and federal funds sold of $3,300 with JP Morgan Chase Bank.

(Continued)

NOTE 10 - COMMITMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (Continued)

The Bank leases its main office facility under a noncancelable fifteen-year operating lease that matures in 2022. The Bank leases its branch facility under a noncancelable three-year operating lease that matures on November 30, 2013. Minimum rental commitments under the leases are as follows as of December 31, 2011:

2012	$ 239
2013	241
2014	182
2015	186
2016	190
Thereafter	1,224
	$ 2,262

Rent expense for the years ended December 31, 2011 and 2010 was $311 and $301, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

(Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Repossessed Assets: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) and repossessed automobiles are measured at

the lower of carrying amount or fair value, less costs to sell. Fair values for OREO are generally based on third party appraisals of the property, while fair values for automobiles are based on published values of comparable models, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Assets Measured on a Recurring Basis

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

		Fair Value Measurements Using		
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011				
Assets				
Securities available for sale				
U.S. government sponsored entities	$ 4,035	$ -	$ 4,035	$ -
Residential mortgaged-backed	1,586	$ -	$ 1,586	$ -
	$ 5,621	$ -	$ 5,621	$ -
December 31, 2010				
Assets				
Securities available for sale				
U.S. government sponsored entities	$ 1,990	$ -	$ 1,990	$ -
Residential mortgaged-backed	1,982	$ -	$ 1,982	$ -
	$ 3,972	$ -	$ 3,972	$ -

(Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Non-Recurring Basis

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

		Fair Value Measurements Using		
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011				
Assets				
Impaired loans				
One-to-four-family	$ 519	$ -	$ -	$ 519
Commercial real estate	123	-	-	123
Home equity lines of credit	100	-	-	100
Land	279	-	-	279
Total impaired loans	$ 1,021	$ -	$ -	$ 1,021
Repossessed assets				
One-to-four-family	$ 568	$ -	$ -	$ 568
Multi-family	340	-	-	340
Commercial real estate	797	-	-	797
Land	649	-	-	649
Commercial	68	-	-	68
Total repossessed assets	$ 2,422	$ -	$ -	$ 2,422
December 31, 2010				
Assets				
Impaired loans				
One-to-four-family	$ 1,150	$ -	$ -	$ 1,447
Multi-family	750	-	-	750
Commercial real estate	1,279	-	-	1,279
Total impaired loans	$ 3,179	$ -	$ -	$ 3,179
Repossessed assets				
Multi-family	$ 126	$ -	$ -	$ 126
Commercial real estate	390	-	-	390
Land	263	-	-	263
Automobile	17	-	-	17
Total repossessed assets	$ 796	$ -	$ -	$ 796

Impaired loans, which are measured for impairment using the fair value of the collateral (less cost to sell) for collateral dependent loans, had a cost basis of $1,290 with a $269 valuation allowance at December 31, 2011. The provision for loan losses applicable to these loans was $269 for the year ended December

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

31, 2011. At December 31, 2010, impaired loans had an aggregate balance of $3,796, with a $617 valuation allowance resulting in an additional provision for loan losses of $542 for the year ended

December 31, 2010. The fair value of collateral is based on appraisals for impaired loans less sales commissions, legal fees, and other closing costs.

Repossessed assets, consisting of other real estate owned, repossessed automobiles, and other repossessed assets are measured at the lower of cost or fair value less costs to sell. Repossessed assets were carried at $2,422 at December 31, 2011, consisting of the cost basis of $2,731 and a valuation allowance of $309, and $796 at December 31, 2010 consisting of the cost basis of $892 and a valuation allowance of $96.

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

	December 31, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets				
Cash and cash equivalents	$ 10,771	$ 10,771	$ 14,019	$ 14,019
Securities available-for-sale	5,621	5,621	3,972	3,972
Loans receivable, net	84,289	84,384	94,119	94,119
FHLB stock	1,337	N/A	1,337	N/A
Accrued interest receivable	318	318	362	362
Financial liabilities				
Demand, money market, and savings	$ 34,999	34,999	$ 34,266	$ 34,266
Certificates of deposits	57,562	58,602	68,097	69,018
Accrued interest payable	1	1	1	1

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to determine fair values for each class of financial instrument not previously discussed are presented below.

The estimated fair values for: cash and cash equivalents; accrued interest receivable; demand, money market, and savings deposits; and accrued interest payable approximate their carrying values. It was not practicable to determine the fair value of FHLB stock due to the restriction placed on transferability. The estimated fair value for loans is based on current market rates for similar loans, applied for the time period until estimated payment. The estimated fair value of certificates of deposit is based on current market rates for such deposits, applied for the time period until maturity. The fair value of FHLB advances is based on current rates for similar financing. Loan commitments are not included in the table above as their estimated fair value is immaterial.

While the above estimates are based on management's judgment of the most appropriate factors, there is no assurance that were the Bank to have disposed of these items on December 31, 2011 and 2010, the fair values would have been achieved, because the market value may differ depending on the circumstances.

(Continued)

NOTE 12 - OTHER COMPREHENSIVE INCOME

Other comprehensive income components and related taxes were as follows:

	2011	2010
Unrealized holding gains on securities available-for-sale	$ 24	$ 6
Less reclassification adjustments for gains and losses recognized in income	-	-
	24	6
Deferred income tax effect	9	3
Other comprehensive income	$ 15	$ 3

(Continued)

NOTE 13 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of Ben Franklin Financial, Inc. is as follows:

CONDENSED BALANCE SHEETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 3,019	$ 2,899
Investment in bank subsidiary	8,958	9,607
ESOP loan	579	628
Other assets	6	5
Total assets	$ 12,562	$ 13,139
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities	$ -	$ 2
Common stock in ESOP subject to contingent purchase obligation	26	41
Stockholders' equity	12,536	13,096
Total liabilities and stockholders' equity	$ 12,562	$ 13,139

CONDENSED STATEMENTS OF INCOME
For the years ended December 31, 2011 and 2010

	2011	2010
Income		
Interest on ESOP loan	$ 20	$ 22
Other interest income	4	5
Total income	24	27
Expense		
Non-interest expense	63	73
Loss before income taxes and undistributed subsidiary loss	(39)	(46)
Income tax benefit	-	-
Equity in undistributed subsidiary loss	(664)	(809)
Net loss	$ (703)	$ (855)

(Continued)

NOTE 13 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net loss	$ (703)	$ (855)
Adjustments		
Earned ESOP shares and other stock based Compensation	113	118
Equity in undistributed subsidiary loss	664	809
Change in other assets	(1)	-
Change in other liabilities	(2)	2
Net cash from operating activities	71	74
Cash flows from investing activities		
Payments on ESOP loan	49	47
Net cash from investing activities	49	47
Cash flows from financing activities		
Purchase of common stock	-	(1)
Net cash from financing activities	-	(1)
Net change in cash and cash equivalents	120	120
Beginning cash and cash equivalents	2,899	2,779
Ending cash and cash equivalents	$ 3,019	$ 2,899

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Ben Franklin Financial, Inc.

Directors & Officers

C. Steven Sjogren
Chairman, President and
Chief Executive Officer

Robert E. DeCelles
Director; retired real estate manager

Bernadine Dziedzic
Director, Assistant Vice President
and Corporate Secretary

Nicholas J. Raino
Director; retired marketing executive

James M. Reninger
Director;
Owner, Whitfield & Reninger, Ltd.

Robin L. Jenkins
Senior Vice President and
Chief Lending Officer

Glen A. Miller
Vice President and
Chief Financial Officer

Angie Plesiotis
Vice President and
Chief Operations Officer

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Stock Listing
The common stock of Ben Franklin Financial, Inc. is quoted on the Over-the-counter Bulletin Board and traded under the symbol **"BFFI.OB".**