Ben Franklin Financial, Inc.
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Financial Report
For the Three Months Ended March 31, 2014

Note: This report is intended to be read in conjunction with our Annual Report for the year ended December 31, 2013. This report is dated March 31, 2014 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report.

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

Ben Franklin Financial, Inc.
Quarterly Report
For The Three Months Ended
March 31, 2014

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

	March 31, 2014	December 31, 2013
ASSETS		
Cash and due from banks	$ 939	$ 1,019
Interest-earning deposit accounts and federal funds sold	21,057	18,941
Cash and cash equivalents	21,996	19,960
Securities available-for-sale	2,869	2,904
Loans receivable, net of allowance for loan losses of $1,450 at March 31, 2014 and $1,302 at December 31, 2013	66,450	70,560
Federal Home Loan Bank stock	921	921
Premises and equipment, net	622	636
Repossessed assets	1,154	1,088
Accrued interest receivable	218	230
Other assets	144	62
Total assets	$ 94,374	$ 96,361
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Demand deposits - noninterest-bearing	$ 2,786	$ 2,749
Demand deposits - interest-bearing	9,320	9,465
Savings deposits	9,744	9,534
Money market deposits	15,388	15,989
Certificates of deposit	46,808	48,007
Total deposits	84,046	85,744
Advances from borrowers for taxes and insurance	416	579
Other liabilities	383	342
Common stock in ESOP subject to contingent purchase obligation	77	79
Total liabilities	84,922	86,744
Stockholders' equity		
Common stock, par value $0.01 per share; authorized 20,000,000 shares issued and outstanding, net of treasury shares, at: March 31, 2014 – 1,949,956 shares December 31, 2013 – 1,949,956 shares	20	20
Additional paid-in-capital	8,260	8,269
Treasury stock, at cost – 68,270 shares at March 31, 2014 and December 31, 2013	(462)	(462)
Retained earnings, substantially restricted	2,095	2,271
Unearned Employee Stock Ownership Plan (ESOP) shares	(393)	(406)
Accumulated other comprehensive income	9	4
Reclassification of ESOP shares	(77)	(79)
Total stockholders' equity	9,452	9,617
Total liabilities and stockholders' equity	$ 94,374	$ 96,361

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,	
	2014	2013
Interest income		
Loans	$ 835	$ 1,026
Securities	14	15
Federal funds sold and interest earning deposit accounts	8	4
	857	1,045
Interest expense		
Deposits	118	151
	118	151
Net interest income	739	894
Provision for loan losses	-	-
Net interest income after provision for loan losses	739	894
Non-interest income		
Service fee income	24	27
Gain on sale of other assets, net	2	69
Other	19	2
	45	98
Non-interest expense		
Compensation and employee benefits	441	457
Occupancy and equipment	150	150
Data processing services	89	75
Professional fees	83	140
FDIC insurance premiums	51	62
Repossessed asset expenses, net	22	10
Other	127	99
	963	993
Loss before income taxes	(179)	(1)
Income tax benefit	(3)	-
Net loss	$ (176)	$ (1)
Loss per common share	(0.09)	(0.00)

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net loss	$ (176)	$ (1)
Other comprehensive income loss		
Unrealized holding gains (losses) arising during the period	8	(4)
Tax effect	3	(2)
Net of tax	5	(2)
Comprehensive loss	$ (171)	$ (3)

See accompanying notes to consolidated financial statements

BEN FRANKLIN FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2014 and 2013 – (Unaudited)
(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
Balance at January 1, 2013	$ 20	$ 8,278	$ (462)	$ 3,098	$ (456)	$ 54	$ (50)	$ 10,482
Net loss	-	-	-	(1)	-	-	-	(1)
Other comprehensive loss	-	-	-	-	-	(2)	-	(2)
Earned ESOP shares and other stock based compensation	-	16	-	-	12	-	-	28
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	-	-	-	-	-	-	(12)	(12)
Balance at March 31, 2013	20	8,294	(462)	3,097	(444)	52	(62)	10,495
Balance at January 1, 2014	$ 20	$ 8,269	$ (462)	$ 2,271	$ (406)	$ 4	$ (79)	$ 9,617
Net loss	-	-	-	(176)	-	-	-	(176)
Other comprehensive loss	-	-	-	-	-	5	-	5
Earned ESOP shares and other stock based compensation	-	(9)	-	-	13	-	-	4
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	-	-	-	-	-	-	2	2
Balance at March 31, 2014	$ 20	$ 8,260	$ (462)	$ 2,095	$ (393)	$ 9	$ (77)	$ 9,452

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Cash flows from operating activities		
Net loss	$ (176)	$ (1)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation	29	30
ESOP and other stock based compensation	3	28
Amortization of premiums and discounts	-	1
Gain on sale of repossessed assets	(2)	(69)
Changes in:		
Deferred loan costs	1	-
Accrued interest receivable	12	22
Other assets	(83)	(4)
Other liabilities	41	(81)
Net cash from operating activities	(175)	(74)
Cash flows from investing activities		
Principal repayments on mortgage-backed securities	44	62
Calls of securities available for sale	-	1,000
Net decrease in loans	4,040	4,964
Sales of repossessed assets	3	792
Expenditures for premises and equipment	(15)	(9)
Net cash from investing activities	4,072	6,809
Cash flows from financing activities		
Net decrease in deposits	(1,698)	(1,007)
Net change in advances from borrowers for taxes and insurance	(163)	(189)
Net cash from financing activities	(1,861)	(1,196)
Net change in cash and cash equivalents	2,036	5,539
Cash and cash equivalents at beginning of year	19,960	12,236
Cash and cash equivalents at end of period	$ 21,966	$ 17,775
Supplemental disclosures		
Interest paid	$ 117	$ 150
Transfers from loans to repossessed assets	67	-

See accompanying notes to consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements of Ben Franklin Financial, Inc. (the "Company") and its wholly owned subsidiary Ben Franklin Bank of Illinois (the "Bank") have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto that were included in the Company's Annual Report for the year ended December 31, 2013. All significant intercompany transactions are eliminated in consolidation. In the opinion of the Company's management, all adjustments necessary (i) for a fair presentation of the financial statements for the interim periods included herein and (ii) to make such financial statements not misleading have been made and are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year.

In preparing the financial statements, management is required to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates. For further information with respect to significant accounting policies followed by the Company in preparation of the financial statements, refer to the Company's 2013 Annual Report.

We are not subject to the reporting requirements of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities and Exchange Commission rules. This report is intended to cover the three months ended March 31, 2014 and should not be read to cover any other periods.

The Bank is a federally chartered stock savings bank and a member of the Federal Home Loan Bank ("FHLB") system. The Bank maintains insurance on deposit accounts with the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC"). Ben Franklin Financial, MHC (the "MHC"), a federally chartered mutual holding company, owns 1,091,062 shares of the Company's common stock and will continue to own at least a majority of the Company's common stock as long as the MHC exists.

Note 2 – Securities Available-for-Sale

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
March 31, 2014				
U.S. Government sponsored entities	$ 2,000	$ 6	$ (40)	$ 1,966
Residential mortgage-backed securities	853	50	-	903
Total	$ 2,853	$ 56	$ (40)	$ 2,869
December 31, 2013				
U.S. Government sponsored entities	$ 2,000	$ 9	$ (52)	$ 1,957
Residential mortgage-backed securities	897	50	-	947
Total	$ 2,897	$ 59	$ (52)	$ 2,904

Note 3 – Loans

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

	March 31, 2014		December 31, 2013	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
First mortgage loans:				
Secured by one- to four- family	$ 31,507	46.40%	$ 32,301	44.94%
Secured by multi-family	12,179	17.93	12,567	17.48
Secured by commercial real estate	9,658	14.22	10,929	15.21
Secured by land	330	0.49	335	0.47
Total first mortgage loans	53,674	79.04	56,132	78.10
Commercial, consumer and other loans:				
Home equity lines-of-credit	10,476	15.42	11,506	16.01
Commercial business loans	1,571	2.31	1,755	2.44
Automobile loans	2,163	3.18	2,481	3.45
Other consumer loans	33	0.05	3	0.00
Total commercial, consumer and other loans	14,243	20.96	15,745	21.90
Gross loans	67,917	100.00	71,877	100.00
Premiums and net deferred loan costs	(17)		(15)	
Allowance for loan losses	(1,450)		(1,302)	
Total loans, net	$ 66,450		$ 70,560	

The following table presents the activity in the allowance for loan losses by portfolio segment and class for the three months ended March 31, 2014 and 2013.

	First Mortgages					Commercial, Consumer and Other				
	(Dollars in thousands)									
	One-to-four family	Multi-family	Commercial real estate	Land	Construction	Home equity lines-of-credit	Commercial	Automobile	Other Consumer	Total
For the three months ended March 31, 2014										
Allowance for loan losses										
Beginning balance	$ 589	$ 252	$ 300	$ 7	$ -	$ 78	$ 20	$ 56	$ -	$ 1,302
Provision for loan losses	82	(6)	(229)	6	-	77	1	69	-	-
Loans charged-off	-	-	-	(6)	-	(18)	-	(16)	-	(40)
Recoveries	-	-	186	-	-	-	-	2	-	188
Total ending allowance balance March 31, 2014	$ 671	$ 246	$ 257	$ 7	$ -	$ 137	$ 21	$ 111	$ -	$ 1,450
For the three months ended March 31, 2013										
Allowance for loan losses										
Beginning balance	$ 786	$ 440	$ 601	$ 31	$ 14	$ 86	$ 108	$ 29	$ -	$ 2,095
Provision for loan losses	(82)	80	(5)	7	(4)	16	(2)	10	-	-
Loans charged-off	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Total ending allowance balance March 31, 2012	$ 704	$ 520	$ 596	$ 38	$ 10	$ 102	$ 106	$ 19	$ -	$ 2,095

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

	Loan Balance			Allowance		
	(Dollars in thousands)					
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment
March 31, 2014						
One-to-four-family	$ 1,080	$ 30,427	$ 31,507	$ 147	$ 524	$ 671
Multi-family	3,290	8,889	12,179	73	173	246
Commercial real estate	198	9,460	9,658	-	257	257
Land	102	228	330	-	7	7
Home equity lines of credit	-	10,476	10,476	-	137	137
Commercial	214	1,357	1,571	-	21	21
Automobile	-	2,163	2,163	-	111	111
Other consumer	-	33	33	-	-	-
Total	$ 4,884	$ 63,033	$ 67,917	$ 220	$ 1,230	$ 1,450
December 31, 2013						
One-to-four-family	$ 1,084	$ 31,217	$ 32,301	$ 111	$ 478	$ 589
Multi-family	3,328	9,239	12,567	212	140	252
Commercial real estate	487	10,442	10,929	71	229	300
Land	102	233	335	-	7	7
Home equity lines of credit	-	11,506	11,506	-	78	78
Commercial	269	1,486	1,755	-	20	20
Automobile	-	2,481	2,481	-	56	56
Other consumer	-	3	3	-	-	-
Total	$ 5,270	$ 66,607	$ 71,877	$ 294	$ 1,008	$ 1,302

The following table presents information related to loans individually evaluated for impairment by class of loans at the dates indicated.

	March 31, 2014			December 31, 2013		
	(Dollars in thousands)					
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded						
One-to-four-family	$ 889	$ 514	$ -	$ 889	$ 514	$ -
Multi-family	2,870	2,518	-	1,287	936	-
Commercial real estate	236	198	-	241	203	-
Land	131	102	-	131	102	-
Home equity line of credit	-	-	-	-	-	-
Commercial	417	214	-	472	269	-
Automobile	-	-	-	-	-	-
Other consumer	-	-	-	-		-
Total with no related allowance recorded	4,543	3,546	-	3,020	2,024	-
With an allowance record						
One-to-four-family	566	566	147	570	570	111
Multi-family	772	772	73	2,392	2,392	112
Commercial real estate	-	-	-	823	284	-
Land	-	-	-	-	-	-
Home equity line of credit	-	-	-	-	-	-
Commercial	-	-	-	-	-	71
Automobile	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-
Total with a related allowance recorded	1,338	1,338	220	3,785	3,246	294
Total	$ 5,881	$ 4,884	$ 220	$ 6,805	$ 5,270	$ 294

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

	30 -59 Days Past due	60 - 89 Days Past due	Greater than 90 Days Past Due Still on Accrual	Nonaccrual	Loans Not Past Due	Total
			(Dollars in thousands)			
March 31, 2014						
One-to-four-family	$ -	$ -	$ -	$ 514	$ 30,993	$ 31,507
Multi-family	-	-	-	908	11,271	12,179
Commercial real estate	-	-	-	198	9,460	9,658
Land	-	-	-	102	228	330
Home equity line of credit	25	-	-	-	10,451	10,476
Commercial	-	-	-	214	1,357	1,571
Automobile	6	-	-	-	2,157	2,163
Other consumer	-	-	-	-	33	33
Total	$ 31	$ -	$ -	$ 1,936	$ 65,950	$ 67,917
December 31, 2013						
One-to-four-family	$ 315	$ -	$ -	$ 514	$ 31,472	$ 32,301
Multi-family	-	-	-	935	11,632	12,567
Commercial real estate	-	-	-	487	10,442	10,929
Land	-	-	-	102	233	335
Home equity line of credit	-	-	-	-	11,506	11,506
Commercial	-	-	-	270	1,485	1,755
Automobile	28	-	-	-	2,453	2,481
Other consumer	-	-	-	-	3	3
Total	$ 343	$ -	$ -	$ 2,308	$ 69,226	$ 71,877

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

Credit Quality Indicators

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

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

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

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

	Pass	Substandard	Doubtful	Total
		(Dollars in thousands)		
March 31, 2014				
One-to-four-family	$ 30,993	$ 514	$ -	$ 31,507
Multi-family	11,271	908	-	12,179
Commercial real estate	9,460	198	-	9,658
Land	228	102	-	330
Home equity lines of credit	10,476	-	-	10,476
Commercial	1,357	214	-	31,571
Automobile	2,163	-	-	2,163
Other consumer	33	-	-	33
Total	$ 65,981	$ 1,936	$ -	$ 67,917
December 31, 2013				
One-to-four-family	$ 31,787	$ 514	$ -	$ 32,301
Multi-family	10,631	936	-	12,567
Commercial real estate	11,442	203	284	10,929
Land	233	102	-	335
Home equity lines of credit	11,506	-	-	11,506
Commercial	1,486	269	-	1,755
Automobile	2,481	-	-	2,481
Other consumer	3	-	-	3
Total	$ 69,569	$ 2,024	$ 284	$ 71,877

Note 4 - Non-Performing Assets and Troubled Debt Restructurings

There were no loans modified as troubled debt restructurings during the three months ended March 31, 2014.

There were five loans modified as troubled debt restructurings but paying as agreed under the terms of the modification with a balance of $1,122 at March 31, 2014 and $1,205 at December 31, 2013 which are being reported as non-accrual at both dates.

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

	March 31, 2014		December 31, 2013	
	Number	Amount	Number	Amount
Non-performing loans				
One-to four-family	2	$ 413	2	$ 413
Multi-family	-	-	-	-
Land	1	102	1	102
Commercial real estate	1	198	2	487
Commercial business	-	-	-	-
Other	-	-	-	-
Total non-performing loans	4	713	5	1,002
Non-performing troubled debt restructurings				
One-to four-family	1	101	1	101
Multi-family	3	908	3	935
Land	-	-	-	-
Commercial real estate	-	-	-	-
Commercial business	2	214	2	270
Other	-	-	-	-
Total non-performing troubled debt restructuring	6	1,223	6	1,306
Total non-performing loans				
One-to four-family	3	514	3	514
Multi-family	3	908	3	935
Land	1	102	1	102
Commercial real estate	1	198	2	487
Home equity line-of-credit	-	-	-	-
Commercial business	2	214	2	270
Other	-	-	-	-
Total non-performing loans	10	1,936	11	2,308
Repossessed assets				
Foreclosed real estate	4	1,087	4	1,087
Repossessed automobiles	3	67	1	1
Total non-performing assets	7	1,154	5	1,088
Total non-performing loans, troubled debt restructurings, and repossessed assets	17	$ 3,090	16	$ 3,396
Performing troubled debt restructurings				
One-to four-family	2	$567	2	$ 570
Multi-family	2	2,382	2	2,393
Commercial business	-	-	-	-
Total performing troubled debt restructurings	4	$ 2,949	4	$ 2,963
Non-performing loans to total loans [1]		2.85%		3.21%
Non-performing assets to total assets [2]		3.27%		3.52%
Performing troubled debt restructurings to total loans		4.34%		4.12%

(1) Non-performing loans consist of non-accruing loans and non-accruing trouble debt restructurings
(2) Non-performing assets consist of non-performing loans and repossessed assets

Note 5 – Earnings (loss) Per Share

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
Net income (loss)	$ (176,000)	$ (1,000)
Weighted average common shares outstanding	1,910,031	1,904,961
Basic and diluted income (loss) per share	$ (0.09)	$ (0.00)

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

Forward-Looking Statements

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

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

General

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

Our principal business consists of attracting retail deposits from the general public in our market and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage

loans and, to a lesser extent, home equity lines-of-credit, commercial real estate loans, multi-family real estate loans, commercial business loans, construction and land loans, automobile, and other loans. We also invest in mortgage-backed and other securities. Our revenues are derived principally from the interest on loans and securities, fees for loan origination services, loan fees, and fees levied on deposit accounts. Our primary sources of funds are deposits and principal and interest payments on loans and securities. Our efforts to resolve the issues outlined in the Order, and ultimately terminate the Order, will impact our ability to implement our business plan and return the Company to sustained profitability in the future. At the end of 2013, the Bank's Board decided to split the position of Chief Executive Officer (CEO) and President into two positions to better meet the strategic goals of the Bank. Mr. Sjogren retained the position of Chief Executive Officer responsible for strategic planning while Mr. Olson, formerly the Senior Vice President of Commercial Lending assumed the position of President responsible for the daily oversight of the Bank.

New Capital Requirements

In July, 2013, the Office of the Comptroller of the Currency and the other federal bank regulatory agencies issued a final rule to revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets, to make them consistent with the agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more, and top-tier savings and loan holding companies ("banking organizations"). Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule becomes effective for us on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective.

Critical Accounting Policies

Certain of our accounting policies are important to the reporting of our financial results, since they require management to make difficult, complex and/or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in performance of the local economy, changes in the financial condition of borrowers, and changes in value of loan collateral such as real estate. As discussed in the Company's Annual Report for the year ended December 31, 2013, management believes that its critical accounting policies include determining the allowance for loan losses, determination of the fair value of stock options and accounting for stock based compensation under the Company's Equity Incentive Plan, and accounting for deferred income taxes.

Comparison of Financial Condition at March 31, 2014 and December 31, 2013

General. During the first quarter of 2014 a decrease in our certificates of deposit balances, and low loan origination volume due to management's continued focus on meeting Consent Order requirements, contributed to the reduction in our balance sheet.

Assets. Total assets at March 31, 2014 were $94.4 million compared to $96.4 million at December 31, 2013, a decrease of $2.0 million or 2.1%. This decrease was primarily due to the $4.1 million decrease in our loan portfolio, partially offset by the $2.0 million increase in the balance of our cash and cash equivalents.

During the first quarter of 2014, our commercial real estate loan portfolio decreased $1.3 million, our home equity line-of-credit loan portfolio decreased $1.0 million, and our one- to four-family residential loan portfolio decreased $794,000. These decreases were primarily due to the repayments from existing loans exceeding the $1.6 million of new loans originated during the first three months of 2014.

At March 31, 2014 our allowance for loan losses was $1.5 million or 2.14% of total loans compared to $1.3 million or 1.81% of total loans at December 31, 2013. The increase in our allowance was primarily due to the discounted payoff settlement of a non-performing loan which resulted in a recovery of $186,000. Our loans classified as substandard or doubtful decreased to $1.9 million or 2.85% of total loans at March 31, 2014 compared to $2.3 million or 3.21% of total loans at December 31, 2013 primarily due to the payoff of the aforementioned loan. Our non-performing loans totaled $1.9 million or 2.9% of total loans at March 31, 2014 compared to $2.3 million or 3.2% of total loans at December 31, 2013 and included $1.2 million of loans classified as troubled debt restructurings at March 31, 2014 which were current under their modified terms.

Our securities portfolio decreased $35,000 or 1.2% to $2.9 million at March 31, 2014 primarily due to the repayments on mortgage-backed securities. Cash and cash equivalents increased $2.0 million to $22.0 million at March 31, 2014. Given our weak lending activity that we are currently experiencing, we anticipate a continued strong liquidity position throughout the remainder of 2014.

Our repossessed assets increased $66,000 during the first three months of 2014 primarily due to the repossession of three automobiles totaling $67,000 partially offset by the sale of one automobile with a balance of $1,000.

Liabilities. Our total liabilities decreased $1.8 million or 2.1% to $84.9 million at March 31, 2014. Our deposits decreased by $1.7 million or 2.0% to $84.0 million at March 31, 2014 compared to $85.7 million at December 31, 2013, primarily due to the $1.2 million or 2.5% decrease in our certificate of deposit accounts to $46.8 million at March 31, 2014.

Stockholders' Equity. Total stockholders' equity at March 31, 2014 was $9.5 million, a decrease of $165,000 or 1.7% from December 31, 2013. The decrease resulted primarily from the net loss of $176,000 for the three months ended March 31, 2014, partially offset by an increase of $6,000 for ESOP and other stock-based compensation and the $5,000 increase in the unrealized gains on available-for-sale securities.

Comparison of Operating Results for the Three Months Ended March 31, 2014 and 2013

General. For the three months ended March 31, 2014 our net loss was $176,000 compared to a net loss of $1,000 for the three months ended March 31, 2013. The increase in our net loss was primarily due to decreases in our net interest income and non-interest income partially offset by the decrease in our non-interest expenses.

Interest Income. Interest income was $857,000 for the three months ended March 31, 2014, $188,000 or 18.0% less than the prior year period. Interest income from loans decreased $191,000 or 18.6% to $835,000 for the three months ended March 31, 2014 primarily due to a $10.0 million decrease in the average balance of our loan portfolio to $69.0 million for the three months ended March 31, 2014 compared to $79.0 million for the prior year period. The decrease in the average balance of loans was due to repayments, pay-offs, transfers of loans to repossessed assets, and low origination volume for loans and included a $4.3 million decrease in the average balance of our multi-family portfolio, a $3.1 million decrease in the average balance of our commercial real estate portfolio, and a $2.2 million decrease in the average balance of our equity line-of-credit portfolio. The average yield of our loan portfolio was 4.87% for the first quarter of 2014 compared to 5.24% for the prior year period primarily due to the payoff of higher yielding loans and lower rates for new originations.

Interest income from interest earning deposits increased $4,000 to $8,000 for the three months ended March 31, 2014 compared to prior year period. The average balance of our interest earning deposits increased $7.8 million to $19.7 million for the three months ended March 31, 2014 compared to the prior year period primarily due to the decrease in our loan portfolio.

Interest Expense. Interest expense for the three months ended March 31, 2014 was $118,000, a decrease of $33,000 or 21.9% from the prior year period due to the decrease in interest expense on deposits. The average cost of deposits decreased to 0.58% for the three months ended March 31, 2014 compared to 0.71% for the prior year period as the average cost of our certificate of deposit and demand and money market accounts decreased to 0.92% and 0.12%, respectively, for the three months ended March 31, 2014 compared to 1.00% and 0.27% respectively, for the prior year period due to the general low market interest rates. The average balance of our certificate of deposit accounts decreased $5.8 million to $47.3 million for the first quarter of 2014 with a portion of that decrease being transferred into our non-certificate of deposit accounts which had an increase in the average balance of $1.1 million to $35.1 million for the first quarter of 2014 compared to the prior year period. Given our high liquidity and low loan originations, management has not aggressively priced our certificate of deposit accounts to stabilize the decline.

Net Interest Income. Net interest income for the three months ended March 31, 2014 was $739,000 compared to $894,000 for the three months ended March 31, 2013. For the three months ended March 31, 2014, the average yield on interest-earning assets was 3.73% and the average cost of interest-bearing liabilities was 0.58% compared to 4.48% and 0.71%, respectively, for the three months ended March 31, 2013. The decrease in the average yield of our interest earning assets was primarily due to the decline in the average balance of our higher yielding loans and the increase in the balance of our lower yielding interest earning deposits. These changes resulted in a decrease in our net interest rate spread and net interest margin to 3.15% and 3.22% respectively for the first quarter of 2014 compared to a net interest rate spread of 3.77% and net interest margin of 3.83% for the first quarter of 2013.

Provision for Loan Losses. We had no provision for loan losses for the three months ended March 31, 2014 and 2013. At March 31, 2014, management concluded that the balance in our allowance for loan losses appropriately reflected the probable incurred credit losses in the portfolio based on an analysis of the Bank's historical loss history and other current factors including market values and current economic conditions and trends.

Non-interest Income. For the three months ended March 31, 2014, non-interest income was $45,000 compared to $98,000 for the three months ended March 31, 2013 primarily due to the $2,000 gain on the sale of a repossessed automobile for the first three months of 2014 compared to the $69,000 gain on sales for the prior year period due to the sale of a single family residential property and a commercial real estate property. This decrease was partially offset by the $17,000 increase in income from other real estate owned for the first three months of 2014 compared to the prior year period.

Non-interest Expense. For the three months ended March 31, 2014, non-interest expense totaled $963,000 compared to $993,000 for the three months ended March 31, 2013, a decrease of 3.0%. Our professional fees decreased $57,000 due to a $34,000 decrease in legal fees, primarily related to working out non-performing assets, a $20,000 decrease in consulting fees, and an $8,000 decrease in audit related fees. Our compensation and employee benefit expense decreased $16,000 primarily due to changed related to our federal unemployment tax. Our FDIC insurance premium decreased $11,000 due to the decrease in our assessment base. These decreases were partially offset by: a $14,000 increase in our data processing costs primarily related to upgrades and new applications, a $12,000 increase in our repossessed asset costs primarily due to the maintenance costs for our commercial real estate property, and $23,000 for costs related to collateral reviews for our retail loan portfolio.

Income Tax. Our review of the deferred tax asset for the three months ended March 31, 2014 resulted in a $3,000 benefit for income taxes.

Analysis of Net Interest Income

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

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

	Three Months Ended March 31,					
	2014			2013		
	Average Outstanding Balance	Interest	Yield/Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans:						
One- to four-family	$ 31,562	$ 375	4.75%	$ 30,912	$ 379	4.91%
Multi-family, commercial real estate, and land	22,133	302	5.54	26,399	402	6.18
Construction	-	-	-	300	5	7.03
Commercial business	1,914	28	5.93	5,015	77	6.18
Home equity lines-of-credit	11,129	101	3.69	13,327	120	3.64
Automobile and other consumer	2,300	29	5.10	3,031	43	5.81
Total loans	69,038	835	4.87	78,984	1,026	5.24
Securities (1)	3,799	14	1.51	3,302	15	1.82
Other interest-earning assets	19,664	8	0.16	11,881	4	0.15
Total interest-earning assets	92,501	$ 857	3.73	94,167	$ 1,045	4.48
Non-interest-earning assets	3,212			6,323		
Total assets	$ 95,713			$ 100,490		
Liabilities and stockholders' equity:						
Savings deposits	$ 9,739	$ 3	0.15	$ 9,102	$ 3	0.15
Money market/demand deposits	25,349	8	0.12	24,934	17	0.27
Certificates of deposit	47,289	107	0.92	53,085	131	1.00
Total deposits	82,377	118	0.58	87,121	151	0.71
Non-interest-bearing deposits	2,676			2,665		
Other liabilities	981			714		
Total liabilities	86,034			90,500		
Stockholders' equity	9,679			9,990		
Total liabilities and stockholders' equity	$ 95,713			$ 100,490		
Net interest income		$ 739			$ 894	
Net interest rate spread			3.15%			3.77%
Net interest-earning assets	$ 10,124			$ 7,046		
Net interest margin			3.22%			3.83%
Average of interest-earning assets to interest-bearing Liabilities			112.29%			108.09%

1 Securities include Federal Home Loan Bank stock with an average balance of $921,000for the three months ended March 31, 2014 and 2013, respectively.

Rate/Volume Analysis

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

	Three Months Ended March 31, 2014 vs. 2013		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(Dollars in thousands)		
Interest-earning assets:			
Loans:			
One- to four-family	$ 8	$ (12)	$ (4)
Multi-family, commercial real estate, and land	(61)	(39)	(100)
Construction	-	(5)	(5)
Commercial business	(46)	(3)	(49)
Home equity lines-of-credit	(20)	1	(19)
Automobile and other consumer	(10)	(4)	(14)
Total loans	(129)	(62)	(191)
Securities	2	(3)	(1)
Other interest-earning assets	3	1	4
Total interest-earning assets	(124)	(64)	(188)
Interest-bearing liabilities:			
Savings deposits	-	-	-
Money market/demand accounts	-	(9)	(9)
Certificates of deposit	(14)	(10)	(24)
Total deposits	(14)	(19)	(33)
Change in net interest income	$ (110)	$ (45)	$ (155)