

Ben Franklin Financial, Inc.
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Financial Report
For the Six Months Ended June 30, 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 June 30, 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 Six Months Ended
June 30, 2014

Table of Contents

Financial Statements and Footnotes.....	1
Management’s Discussion and Analysis of Financial Condition and Results of Operations	15

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

	June 30, <u>2014</u>	December 31, <u>2013</u>
ASSETS		
Cash and due from banks	\$ 937	\$ 1,019
Interest-earning deposit accounts and federal funds sold	<u>19,483</u>	<u>18,941</u>
Cash and cash equivalents	20,420	19,960
Securities available-for-sale	4,821	2,904
Loans receivable, net of allowance for loan losses of \$1,294 at June 30, 2014 and \$1,302 at December 31, 2013	64,044	70,560
Federal Home Loan Bank stock	921	921
Premises and equipment, net	602	636
Repossessed assets	965	1,088
Accrued interest receivable	196	230
Other assets	<u>125</u>	<u>62</u>
 Total assets	 <u>\$ 92,094</u>	 <u>\$ 96,361</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Demand deposits - noninterest-bearing	\$ 2,558	\$ 2,749
Demand deposits - interest-bearing	9,252	9,465
Savings deposits	10,108	9,534
Money market deposits	14,839	15,989
Certificates of deposit	<u>45,219</u>	<u>48,007</u>
Total deposits	81,976	85,744
Advances from borrowers for taxes and insurance	598	579
Other liabilities	333	342
Common stock in ESOP subject to contingent purchase obligation	<u>87</u>	<u>79</u>
 Total liabilities	 82,994	 86,744
Stockholders' equity		
Preferred stock, no par value; authorized 1,000,000 shares no shares issued and outstanding:		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares issued and outstanding, net of treasury shares, at:		
June 30, 2014 – 1,949,956 shares		
December 31, 2013 – 1,949,956 shares	20	20
Additional paid-in-capital	8,250	8,269
Treasury stock, at cost – 68,270 shares at June 30, 2014 and December 31, 2013	(462)	(462)
Retained earnings, substantially restricted	1,748	2,271
Unearned Employee Stock Ownership Plan (ESOP) shares	(380)	(406)
Accumulated other comprehensive income	11	4
Reclassification of ESOP shares	<u>(87)</u>	<u>(79)</u>
Total stockholders' equity	<u>9,100</u>	<u>9,617</u>
 Total liabilities and stockholders' equity	 <u>\$ 92,094</u>	 <u>\$ 96,361</u>

See accompanying notes to consolidated financial statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Interest income				
Loans	\$ 790	\$ 975	\$ 1,625	\$ 2,001
Securities	17	15	31	30
Federal funds sold and interest earning deposit accounts	<u>8</u>	<u>7</u>	<u>16</u>	<u>11</u>
	815	997	1,672	2,042
Interest expense				
Deposits	<u>113</u>	<u>142</u>	<u>231</u>	<u>293</u>
	113	142	231	293
Net interest income	702	855	1,441	1,749
Provision for loan losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest income after provision for loan losses	702	855	1,441	1,749
Non-interest income				
Service fee income	24	21	48	48
Gain (loss) on sale of other assets, net	(9)	(5)	(7)	64
Other	<u>15</u>	<u>1</u>	<u>34</u>	<u>3</u>
	30	17	75	115
Non-interest expense				
Compensation and employee benefits	456	425	897	882
Occupancy and equipment	147	142	297	292
Data processing services	83	75	172	150
Professional fees	85	88	168	228
FDIC insurance premiums	51	53	102	115
Reposessed asset expenses, net	142	40	164	50
Other	<u>117</u>	<u>86</u>	<u>244</u>	<u>185</u>
	1,081	909	2,044	1,902
Loss before income taxes	(349)	(37)	(528)	(38)
Income tax	<u>(2)</u>	<u>25</u>	<u>(5)</u>	<u>25</u>
Net loss	<u>(347)</u>	<u>(62)</u>	<u>\$ (523)</u>	<u>\$ (63)</u>
Loss per common share	(0.18)	(0.03)	(0.27)	(0.03)

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		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net loss	\$ (347)	\$ (62)	\$ (523)	\$ (63)
Other comprehensive income (loss)				
Unrealized holding gains (losses) arising during the period	3	(60)	11	(64)
Tax effect	<u>1</u>	<u>(23)</u>	<u>4</u>	<u>(25)</u>
Net of tax	2	(37)	7	(39)
Comprehensive loss	<u>\$ (345)</u>	<u>\$ (99)</u>	<u>\$ (516)</u>	<u>\$ (102)</u>

See accompanying notes to consolidated financial statements

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

For the Six Months Ended June 30, 2014 and 2013 – (Unaudited)

(Dollars in thousands)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Unearned ESOP Shares</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Amount Reclassified on ESOP Shares</u>	<u>Total</u>
Balance at January 1, 2013	\$ 20	\$ 8,278	\$ (462)	\$ 3,098	\$ (456)	\$ 54	\$ (50)	\$ 10,482
Net loss	-	-	-	(63)	-	-	-	(63)
Other comprehensive loss	-	-	-	-	-	(39)	-	(39)
Earned ESOP shares and other stock based compensation	-	10	-	-	25	-	-	35
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Balance at June 30, 2013	20	8,288	(462)	3,035	(431)	15	(65)	10,400
Balance at January 1, 2014	\$ 20	\$ 8,269	\$ (462)	\$ 2,271	\$ (406)	\$ 4	\$ (79)	\$ 9,617
Net loss	-	-	-	(523)	-	-	-	(523)
Other comprehensive loss	-	-	-	-	-	7	-	7
Earned ESOP shares and other stock based compensation	-	(19)	-	-	26	-	-	7
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Balance at June 30, 2014	<u>\$ 20</u>	<u>\$ 8,250</u>	<u>\$ (462)</u>	<u>\$ 1,748</u>	<u>\$ (380)</u>	<u>\$ 11</u>	<u>\$ (87)</u>	<u>\$ 9,100</u>

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$ (523)	\$ (63)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation	59	60
ESOP and other stock based compensation	7	35
Amortization of premiums and discounts	-	3
Gain on sale of repossessed assets	7	(64)
Write-down of repossessed assets	122	-
Changes in:		
Deferred loan costs	16	14
Accrued interest receivable	34	32
Other assets	(66)	211
Other liabilities	(8)	(39)
Net cash from operating activities	(352)	189
Cash flows from investing activities		
Principal repayments on mortgage-backed securities	93	147
Calls of securities available for sale	-	1,000
Purchase of securities available for sale	(2,000)	(1,000)
Net decrease in loans	6,433	6,381
Sales of repossessed assets	60	805
Expenditures for premises and equipment	(25)	(9)
Net cash from investing activities	4,561	7,324
Cash flows from financing activities		
Net decrease in deposits	(3,768)	(1,289)
Net change in advances from borrowers for taxes and insurance	19	(29)
Net cash from financing activities	(3,749)	(1,318)
Net change in cash and cash equivalents	460	6,195
Cash and cash equivalents at beginning of year	19,960	12,236
Cash and cash equivalents at end of period	\$ 22,420	\$ 18,431
Supplemental disclosures		
Interest paid	\$ 230	\$ 292
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 six months ended June 30, 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)			
<u>June 30, 2014</u>				
U.S. Government sponsored entities	\$ 4,000	\$ 4	\$ (30)	\$ 3,974
Residential mortgage-backed securities	<u>803</u>	<u>44</u>	<u>-</u>	<u>847</u>
Total	<u>\$ 4,803</u>	<u>\$ 48</u>	<u>\$ (30)</u>	<u>\$ 4,821</u>
<u>December 31, 2013</u>				
U.S. Government sponsored entities	\$ 2,000	\$ 9	\$ (52)	\$ 1,957
Residential mortgage-backed securities	<u>897</u>	<u>50</u>	<u>-</u>	<u>947</u>
Total	<u>\$ 2,897</u>	<u>\$ 59</u>	<u>\$ (52)</u>	<u>\$ 2,904</u>

Note 3 – Loans

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

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
First mortgage loans:				
Secured by one- to four- family	\$ 32,036	49.01%	\$ 32,301	44.94%
Secured by multi-family	10,637	16.27	12,567	17.48
Secured by commercial real estate..	9,701	14.84	10,929	15.21
Secured by land	<u>326</u>	<u>0.50</u>	<u>335</u>	<u>0.47</u>
Total first mortgage loans.....	52,700	80.62	56,132	78.10
Commercial, consumer and other loans:				
Home equity lines-of-credit.....	9,643	14.75	11,506	16.01
Commercial business loans	1,104	1.69	1,755	2.44
Automobile loans	1,892	2.89	2,481	3.45
Other consumer loans.....	<u>30</u>	<u>0.05</u>	<u>3</u>	<u>0.00</u>
Total commercial, consumer and other loans	<u>12,669</u>	<u>19.38</u>	<u>15,745</u>	<u>21.90</u>
Gross loans.....	65,369	100.00	71,877	100.00
Premiums and net deferred loan costs	(31)		(15)	
Allowance for loan losses.....	<u>(1,294)</u>		<u>(1,302)</u>	
Total loans, net	<u>\$ 64,044</u>		<u>\$ 70,560</u>	

The following table presents the activity in the allowance for loan losses by portfolio segment and class for the three and six months ended June 30, 2014 and 2013.

	First Mortgages					Commercial, Consumer and Other					Total
	One-to-four family	Multi-family	Commercial real estate	Land	Construction	Home equity lines-of-credit	Commercial	Automobile	Other Consumer		
(Dollars in thousands)											
<u>For the three months ended June 30, 2014</u>											
Allowance for loan losses											
Beginning balance	\$ 671	\$ 246	\$ 257	\$ 7	\$ -	\$ 137	\$ 21	\$ 111	\$ -	\$ 1,450	
Provision for loan losses	(59)	(60)	16	-	(1)	(17)	146	(25)	-	-	
Loans charged-off	(3)	-	-	-	-	-	(166)	-	-	(169)	
Recoveries	-	-	-	-	1	-	10	2	-	13	
Total ending allowance balance June 30, 2014	<u>\$ 609</u>	<u>\$ 186</u>	<u>\$ 273</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 11</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 1,294</u>	
<u>For the three months ended June 30, 2013</u>											
Allowance for loan losses											
Beginning balance	\$ 704	\$ 520	\$ 596	\$ 38	\$ 10	\$ 102	\$ 106	\$ 19	\$ -	\$ 2,095	
Provision for loan losses	52	(218)	201	(2)	(10)	(5)	(13)	(5)	-	-	
Loans charged-off	(49)	-	-	(30)	-	-	-	-	-	(79)	
Recoveries	-	-	-	-	-	-	-	2	-	2	
Total ending allowance balance June 30, 2013	<u>\$ 707</u>	<u>\$ 302</u>	<u>\$ 797</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ 93</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 2,018</u>	
<u>For the six months ended June 30, 2014</u>											
Allowance for loan losses											
Beginning balance	\$ 589	\$ 252	\$ 300	\$ 7	\$ -	\$ 78	\$ 20	\$ 56	\$ -	\$ 1,302	
Provision for loan losses	23	(66)	(213)	6	(1)	60	147	44	-	-	
Loans charged-off	(3)	-	-	(6)	-	(18)	(166)	(16)	-	(209)	
Recoveries	-	-	186	-	1	-	10	4	-	201	
Total ending allowance balance June 30, 2014	<u>\$ 609</u>	<u>\$ 186</u>	<u>\$ 273</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 11</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 1,294</u>	
<u>For the six months ended June 30, 2013</u>											
Allowance for loan losses											
Beginning balance	\$ 786	\$ 440	\$ 601	\$ 31	\$ 14	\$ 86	\$ 108	\$ 29	\$ -	\$ 2,095	
Provision for loan losses	(30)	(138)	196	5	(14)	11	(15)	(15)	-	-	
Loans charged-off	(49)	-	-	(30)	-	-	-	-	-	(79)	
Recoveries	-	-	-	-	-	-	-	2	-	2	
Total ending allowance balance June 30, 2013	<u>\$ 707</u>	<u>\$ 302</u>	<u>\$ 797</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ 93</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 2,018</u>	

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		
	Individually Evaluated for <u>Impairment</u>	Collectively Evaluated for <u>Impairment</u>	(Dollars in thousands) Total Recorded <u>Investment</u>	Individually Evaluated for <u>Impairment</u>	Collectively Evaluated for <u>Impairment</u>	Total Recorded <u>Investment</u>
<u>June 30, 2014</u>						
One-to-four-family	\$ 1,076	\$ 30,960	\$ 32,036	\$ 107	\$ 502	\$ 609
Multi-family	3,257	7,380	10,637	67	119	186
Commercial real estate	-	9,701	9,701	-	273	273
Land	102	224	326	-	7	7
Home equity lines of credit	-	9,643	9,643	-	120	120
Commercial	176	928	1,104	-	11	11
Automobile	-	1,892	1,892	-	88	88
Other consumer	-	30	30	-	-	-
Total	<u>\$ 4,611</u>	<u>\$ 60,758</u>	<u>\$ 65,369</u>	<u>\$ 174</u>	<u>\$ 1,120</u>	<u>\$ 1,294</u>
<u>December 31, 2013</u>						
One-to-four-family	\$ 1,084	\$ 31,217	\$ 32,301	\$ 111	\$ 478	\$ 589
Multi-family	3,328	9,239	12,567	112	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	<u>\$ 5,270</u>	<u>\$ 66,607</u>	<u>\$ 71,877</u>	<u>\$ 294</u>	<u>\$ 1,008</u>	<u>\$ 1,302</u>

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

	June 30, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
(Dollars in thousands)						
With no related allowance recorded						
One-to-four-family	\$ 889	\$ 514	\$ -	\$ 889	\$ 514	\$ -
Multi-family	2,841	2,489	-	1,287	936	-
Commercial real estate	-	-	-	241	203	-
Land	131	102	-	131	102	-
Home equity line of credit	-	-	-	-	-	-
Commercial	379	176	-	472	269	-
Automobile	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-
Total with no related allowance recorded	4,240	3,281	-	3,020	2,024	-
With an allowance record						
One-to-four-family	562	562	107	570	570	111
Multi-family	768	768	67	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	1,330	1,330	174	3,785	3,246	294
Total	<u>\$ 5,570</u>	<u>\$ 4,611</u>	<u>\$ 174</u>	<u>\$ 6,805</u>	<u>\$ 5,270</u>	<u>\$ 294</u>

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 <u>Past due</u>	60 - 89 Days <u>Past due</u>	Greater than 90 Days Past Due <u>Still on Accrual</u> (Dollars in thousands)	<u>Nonaccrual</u>	<u>Loans Not Past Due</u>	<u>Total</u>
<u>June 30, 2014</u>						
One-to-four-family	\$ 113	\$ 6	\$ -	\$ 514	\$ 31,408	\$ 32,036
Multi-family	-	-	-	601	10,036	10,637
Commercial real estate	-	-	-	-	9,701	9,701
Land	-	-	-	102	224	326
Home equity line of credit	-	-	-	-	9,643	9,643
Commercial	-	-	-	176	928	1,104
Automobile	-	-	-	-	1,892	1,892
Other consumer	-	-	-	-	30	30
Total	<u>\$ 111</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1,393</u>	<u>\$ 63,862</u>	<u>\$ 65,369</u>
<u>December 31, 2013</u>						
One-to-four-family	\$ 315	\$ -	\$ -	\$ 514	\$ 31,472	\$ 32,301
Multi-family	-	-	-	936	11,631	12,567
Commercial real estate	-	-	-	487	10,442	10,929
Land	-	-	-	102	233	335
Home equity line of credit	-	-	-	-	11,506	11,506
Commercial	-	-	-	269	1,486	1,755
Automobile	28	-	-	-	2,453	2,481
Other consumer	-	-	-	-	3	3
Total	<u>\$ 343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308</u>	<u>\$ 69,226</u>	<u>\$ 71,877</u>

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.

	<u>Pass</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
(Dollars in thousands)				
<u>June 30, 2014</u>				
One-to-four-family	\$ 31,411	\$ 625	\$ -	\$ 32,036
Multi-family	10,036	601	-	10,637
Commercial real estate	9,701	-	-	9,701
Land	224	102	-	326
Home equity lines of credit	9,643	-	-	9,643
Commercial	928	176	-	1,104
Automobile	1,892	-	-	1,892
Other consumer	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Total	<u>\$ 63,865</u>	<u>\$ 1,504</u>	<u>\$ -</u>	<u>\$ 65,369</u>
<u>December 31, 2013</u>				
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	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total	<u>\$ 69,569</u>	<u>\$ 2,024</u>	<u>\$ 284</u>	<u>\$ 71,877</u>

Note 4 - Non-Performing Assets and Troubled Debt Restructurings

There were no loans modified as troubled debt restructurings during the six months ended June 30, 2014.

There were four loans modified as troubled debt restructurings but paying as agreed under the terms of the modification with a balance of \$877 which are being reported as non-accrual at June 30, 2014. There were six loans modified as troubled debt restructurings but paying as agreed under the terms of the modification with a balance of \$1,305 which are being reported as non-accrual at December 31, 2013.

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

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Non-accrual loans</u>				
One-to four-family	2	\$ 414	2	\$ 414
Multi-family	-	-	-	-
Land	1	102	1	102
Commercial real estate	-	-	2	487
Commercial business	-	-	-	-
Other	-	-	-	-
Total non-performing loans	<u>3</u>	<u>516</u>	<u>5</u>	<u>1,003</u>
<u>Non-accruing troubled debt restructurings</u>				
One-to four-family	1	100	1	100
Multi-family	2	601	3	936
Land	-	-	-	-
Commercial real estate	-	-	-	-
Commercial business	1	176	2	269
Other	-	-	-	-
Total non-performing troubled debt restructuring	<u>4</u>	<u>877</u>	<u>6</u>	<u>1,305</u>
<u>Total non-accruing loans</u>				
One-to four-family	3	514	3	514
Multi-family	2	601	3	936
Land	1	102	1	102
Commercial real estate	-	-	2	487
Home equity line-of-credit	-	-	-	-
Commercial business	1	176	2	269
Other	-	-	-	-
Total non-performing loans	<u>7</u>	<u>1,393</u>	<u>11</u>	<u>2,308</u>
<u>Reposessed assets</u>				
Foreclosed real estate	4	965	4	1,087
Reposessed automobiles	-	-	1	1
Total non-performing assets	<u>4</u>	<u>965</u>	<u>5</u>	<u>1,088</u>
Total non-performing loans, troubled debt restructurings, and reposessed assets	<u>11</u>	<u>\$ 2,358</u>	<u>16</u>	<u>\$ 3,396</u>
<u>Accruing troubled debt restructurings</u>				
One-to four-family	2	\$563	2	\$ 570
Multi-family	3	2,655	2	2,393
Commercial business	-	-	-	-
Total performing troubled debt restructurings	<u>5</u>	<u>\$ 3,218</u>	<u>4</u>	<u>\$ 2,963</u>
Non-performing loans to total loans ⁽¹⁾		2.13%		3.21%
Non-performing assets to total assets ⁽²⁾		2.56%		3.52%
Non-performing assets and accruing troubled debt restructurings to total assets		6.05%		6.60%

(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 reposessed 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		For the Six Months Ended	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Net income (loss)	\$ (347,000)	\$ (62,000)	\$ (523,000)	\$ (63,000)
Weighted average common shares outstanding	1,911,288	1,906,218	1,910,547	1,905,505
Basic and diluted income (loss) per share	\$ (0.18)	\$ (0.03)	\$ (0.27)	\$ (0.03)

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 June 30, 2014 and December 31, 2013

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis measured using enacted tax rates. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. We have established a full valuation allowance for our deferred tax assets. Our assessment of our ability to realize the deferred tax asset was primarily based on our net losses during recent years.

Comparison of Financial Condition at June 30, 2014 and December 31, 2013

Assets. Total assets at June 30, 2014 were \$92.1 million compared to \$96.4 million at December 31, 2013, a decrease of \$4.3 million or 4.4%. This decrease was primarily due to the \$6.5 million decrease in our loan portfolio, partially offset by the \$1.9 million increase in the balance of our securities available-for-sale.

During the first six months of 2014, our multi-family loan portfolio decreased \$1.9 million, our home equity line of credit loan portfolio decreased \$1.9 million, our commercial real estate loan portfolio decreased \$1.2 million, our commercial business loan portfolio decreased \$651,000, and our automobile loan portfolio decreased \$589,000. These decreases were primarily due to the repayments from existing loans exceeding the \$4.5 million of new loans and lines of credit originated and purchased during the first six months of 2014.

At June 30, 2014 our allowance for loan losses was \$1.3 million or 1.98% of total loans compared to \$1.3 million or 1.81% of total loans at December 31, 2013. Our allowance reflected \$209,000 of loans charged-off during the first six months of 2014 partially offset by \$201,000 of recoveries primarily due to the discounted payoff settlement of a non-performing loan, resulting in a recovery of \$186,000. Our loans classified as substandard or doubtful decreased to \$1.5 million or 2.3% of total loans at June 30, 2014 compared to \$2.3 million or 3.2% of total loans at December 31, 2013. Our nonaccrual loans totaled \$1.4 million or 2.1% of total loans at June 30, 2014 compared to \$2.3 million or 3.2% of total loans at December 31, 2013. Our loans classified as TDRs totaled \$4.1 million at June 30, 2014 of which \$3.2 million were accruing compared to \$4.3 million of TDRs at December 31, 2013 of which \$3.0 million were accruing.

Our securities portfolio increased \$1.9 million or 66.0% to \$4.8 million at June 30, 2014 primarily due to the purchase of \$2.0 million of callable government sponsored entities notes to increase interest income earned on our excess liquidity until loan origination volume begins to increase. These increases were partially offset by the repayments on mortgage-backed securities. The two \$1.0 million notes have rates of 1.25% and 2.14% and terms of 3.5 years and 5.75 years, respectively. Our cash and cash equivalents increased \$460,000 to \$20.4 million at June 30, 2014.

Our repossessed assets decreased \$123,000 during the first six months of 2014 primarily due to the \$122,000 write down of three real estate properties. During 2014, we repossessed three automobiles totaling \$66,000. All of our repossessed automobiles were sold during the first six months of 2014.

Liabilities. Our total liabilities decreased \$3.8 million or 4.3% to \$83.0 million at June 30, 2014. Our deposits decreased by \$3.8 million or 4.4% to \$82.0 million at June 30, 2014 compared to \$85.7 million at December 31, 2013, primarily due to the \$2.8 million or 5.8% decrease in our certificate of deposit accounts to \$45.2 million at June 30, 2014 and the \$1.2 million or 7.2% decrease in our money market accounts. Management has elected to not aggressively price deposits resulting in some deposit run-off to help manage the Company's capital and liquidity position over the past several years.

Stockholders' Equity. Total stockholders' equity at June 30, 2014 was \$9.1 million, a decrease of \$517,000 or 5.4% from December 31, 2013. The decrease resulted primarily from the net loss of \$523,000 for the six months ended June 30, 2014, partially offset by an increase of \$1,000 for ESOP and other stock-based compensation and the \$7,000 increase in the unrealized gains on available-for-sale securities.

Comparison of Operating Results for the Three Months Ended June 30, 2014 and 2013

General. For the three months ended June 30, 2014 our net loss was \$347,000 compared to a net loss of \$62,000 for the three months ended June 30, 2013. The increase in our net loss was primarily due to the decrease in our net interest income and an increase in our non-interest expenses partially offset by the increase in our non-interest income.

Interest Income. Interest income was \$815,000 for the three months ended June 30, 2014, \$182,000 or 18.3% less than the prior year period. Interest income from loans decreased \$185,000 or 19.0% to \$790,000 for the three months ended June 30, 2014 primarily due to a \$10.1 million decrease in the average balance of our loan portfolio to \$65.6 million for the three months ended June 30, 2014 compared to \$75.7 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 \$4.7 million decrease in the average balance of our multi-family and commercial real estate portfolio, a \$2.9 million decrease in the average balance of our home equity line-of-credit portfolio, and a \$1.8 million decrease in the average balance of our commercial business portfolio. The average yield of our loan portfolio was 4.85% for the second quarter of 2014 compared to 5.16% for the prior year period primarily due to the payoff of higher yielding loans.

Interest income from securities was \$17,000 for the three months ended June 30, 2014 compared to \$15,000 the prior year period. The average balance of our securities portfolio increased \$689,000 to \$4.2 million for the three months ended June 30, 2014 compared to the prior year period primarily due to the purchase of \$2.0 million of government sponsored entity notes during the second quarter of 2014, partially offset by repayments on mortgage-backed securities. The average yield on our securities portfolio for the three months ended June 30, 2014 was 1.58% compared to 1.68% for the prior year period. Interest income from interest earning deposits increased \$1,000 to \$8,000 for the three months ended June 30, 2014 compared to prior year period. The average balance of our interest earning deposits increased \$3.7 million to \$20.7 million for the three months ended June 30, 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 June 30, 2014 was \$113,000, a decrease of \$29,000 or 20.4% from the prior year period due to the decrease in interest expense on deposits. The average cost of deposits decreased to 0.57% for the three months ended June 30, 2014 compared to 0.66% for the prior year period as the average cost of our certificate of deposit and money market accounts decreased to 0.91% and 0.15%, respectively, for the three months ended June 30, 2014 compared to 0.97% and 0.22% respectively, for the prior year period due to the general low market interest rates. The average balance of our certificate of deposit accounts decreased \$5.5 million to \$45.8 million for the second quarter of 2014 compared to the prior year period. We have not aggressively priced our certificate of deposit accounts to stabilize the decline, given our high level of liquidity and low loan origination volume.

Net Interest Income. Net interest income for the three months ended June 30, 2014 was \$702,000 compared to \$855,000 for the three months ended June 30, 2013. For the three months ended June 30, 2014, the average yield on interest-earning assets was 3.63% and the average cost of interest-bearing liabilities was 0.57% compared to 4.15% and 0.66%, respectively, for the three months ended June 30, 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 loan portfolio due to the payoff of 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 3.06% and 3.12% respectively for the second quarter of 2014 compared to a net interest rate spread of 3.49% and net interest margin of 3.56% for the second quarter of 2013.

Provision for Loan Losses. We had no provision for loan losses for the three months ended June 30, 2014 and 2013. At June 30, 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 June 30, 2014, non-interest income was \$30,000 compared to \$17,000 for the three months ended June 30, 2013 primarily due to \$12,000 of rental income received from other real estate owned for the three months ended June 30, 2014

Non-interest Expense. For the three months ended June 30, 2014, non-interest expense totaled \$1.1 million compared to \$900,000 for the three months ended June 30, 2013, an increase of 18.9%. Our repossessed asset costs increased \$102,000 primarily due to the \$122,000 of partial write downs for three real estate properties. Our compensation and employee benefit expense increased \$31,000 primarily due to the increase in staff. All other costs increased \$39,000 and included \$14,000 for costs related to the collateral reviews of our retail loan portfolio, and \$5,000 for our provision for losses related to our off-balance sheet unfunded lines of credit.

Income Tax. We recorded immaterial amounts for income taxes for the three months ended June 30, 2014 and 2013.

Comparison of Operating Results for the Six Months Ended June 30, 2014 and 2013

General. For the six months ended June 30, 2014 our net loss was \$523,000 compared to a net loss of \$63,000 for the six months ended June 30, 2013. The increase in our net loss was primarily due to the decreases in our net interest income and non-interest income and an increase in our non-interest expenses.

Interest Income. Interest income was \$1.7 million for the six months ended June 30, 2014, \$370,000 or 18.1% less than the prior year period. Interest income from loans decreased \$376,000 or 18.8% to \$1.6 million for the six months ended June 30, 2014 primarily due to the \$10.0 million decrease in the average balance of our loan portfolio to \$67.3 million for the six months ended June 30, 2014 compared to \$77.3 million for the prior year period. The decrease in the average balance of loan portfolio was due to repayments, pay-offs, transfers of loans to repossessed assets, and low origination volume for loans and included a \$4.4 million decrease in the average balance of our multi-family and commercial real estate loan portfolio, a \$2.6 million decrease in the average balance of our home equity line of credit portfolio, and a \$2.6 million decrease in the average balance of our commercial business loan portfolio. The average yield of our loan portfolio was 4.85% for the first six months of 2014 compared to 5.20% for the prior year period primarily due to the payoff of higher yielding loans.

Interest income from securities was \$31,000 for the six months ended June 30, 2014 compared to \$30,000 the prior year period. The average balance of our securities portfolio increased \$593,000 to \$4.0 million for the six months ended June 30, 2014 compared to the prior year period primarily due to the purchase of \$2.0 million of government sponsored entity notes during the second quarter of 2014 partially offset by repayments on mortgage-backed securities. The average yield on securities for the six months ended June 30, 2014 was 1.55% compared to 1.75% for the prior year period. Interest income from interest earning deposits increased \$5,000 to \$16,000 for the six months ended June 30, 2014 compared to prior year period. The average balance of our interest earning deposits increased \$4.7 million to \$20.2 million for the six months ended June 30, 2014 compared to the prior year period primarily due to the decrease in our loan portfolio.

Interest Expense. Interest expense for the six months ended June 30, 2014 was \$231,000, a decrease of \$62,000 or 21.2% from the prior year period due to the decrease in interest expense on deposits. The average cost of deposits decreased to 0.57% for the six months ended June 30, 2014 compared to 0.69% for the prior year period as the average cost of our certificate of deposit and money market accounts decreased to 0.91% and 0.15%, respectively, for the six months ended June 30, 2014 compared to 1.00% and 0.37%, respectively, for the prior year period due to the general low market interest rates. The average balance of our certificate of deposit accounts decreased \$5.3 million to \$46.6 million for the first six months of 2014. We have not aggressively priced our certificate of deposit accounts to stabilize the decline, given our high level of liquidity and low loan origination volume.

Net Interest Income. Net interest income for the six months ended June 30, 2014 was \$1.4 million compared to \$1.7 million for the six months ended June 30, 2013. For the six months ended June 30, 2014, the average yield on interest-earning assets was 3.67% and the average cost of interest-bearing liabilities was 0.57% compared to 4.27% and 0.69%, respectively, for the six months ended June 30, 2013. The decrease in the average yield of our interest earning assets was primarily due to the decline in the average balance of our loan portfolio due to the payoff of 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 3.10% and 3.15% respectively for the first six months of 2014 compared to a net interest rate spread of 3.58% and net interest margin of 3.64% for the prior year period.

Provision for Loan Losses. We had no provision for loan losses for the six months ended June 30, 2014 and 2013. At June 30, 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. The improvement in the credit quality of our portfolio is reflected in the \$8,000 net charge-offs for the six months ended June 30, 2014

Non-interest Income. For the six months ended June 30, 2014, non-interest income was \$75,000 compared to \$115,000 for the six months ended June 30, 2013 primarily due to the \$7,000 loss on the sale of repossessed assets for the first six months of 2014 compared to the \$64,000 gain on sales for the prior year period which included the sale of a single family residential property and a commercial real estate property and loss on the sale of a repossessed automobile. This decrease was partially offset by the \$31,000 increase in income from repossessed assets for the first six months of 2014 compared to the prior year period.

Non-interest Expense. For the six months ended June 30, 2014, our non-interest expense totaled \$2.0 million compared to \$1.9 million for the six months ended June 30, 2013, an increase of 7.4%. Our repossessed asset costs increased \$114,000 primarily due to the \$122,000 partial write down of three real estate properties. Our data processing fees increased by \$22,000 primarily related to upgrades and new applications. Our compensation and employee benefit expense increased \$15,000 primarily due to the increase in staff during 2014. Our professional fees decreased \$60,000 due to a \$41,000 decrease in legal fees, primarily related to non-performing assets, a \$16,000 decrease in consulting fees, and a \$16,000 decrease in internal audit related fees. Our FDIC insurance premium decreased \$13,000 due to the decrease in our assessment base. Other costs increased \$58,000 and included \$38,000 for costs related to the collateral reviews of our retail loan portfolio.

Income Tax. We recorded immaterial amounts for income taxes for the six months ended June 30, 2014 and 2013.

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 June 30,					
	2014			2013		
	Average Outstanding Balance	Interest	Yield/Cost	Average Outstanding Balance	Interest	Yield/Cost
	(Dollars in thousands)					
Assets:						
Loans:						
One- to four-family	\$ 31,075	\$ 360	4.64%	\$ 30,831	\$ 382	4.95%
Multi-family, commercial real estate, and land	20,921	286	5.54	25,580	379	5.93
Construction	-	-	-	176	3	6.95
Commercial business.....	1,790	24	5.30	3,602	57	6.35
Home equity lines-of-credit.....	9,933	94	3.83	12,869	116	3.63
Automobile and other consumer.....	<u>1,927</u>	<u>26</u>	<u>5.54</u>	<u>2,621</u>	<u>38</u>	<u>5.82</u>
Total loans	65,646	790	4.85	75,679	975	5.16
Securities (1)	4,173	17	1.58	3,483	15	1.68
Other interest-earning assets.....	<u>20,710</u>	<u>8</u>	<u>0.17</u>	<u>17,007</u>	<u>7</u>	<u>0.17</u>
Total interest-earning assets	90,529	\$ 815	3.63	96,169	\$ 997	4.15
Non-interest-earning assets	<u>3,150</u>			<u>3,392</u>		
Total assets	<u>\$ 93,679</u>			<u>\$ 99,561</u>		
Liabilities and stockholders' equity:						
Savings deposits	\$ 10,021	\$ 4	0.15	\$ 9,300	\$ 4	0.15
Demand deposits	9,459	1	0.06	8,676	3	0.15
Money market deposits.....	15,025	6	0.15	16,426	11	0.22
Certificates of deposit.....	<u>45,844</u>	<u>102</u>	<u>0.91</u>	<u>51,300</u>	<u>124</u>	<u>0.97</u>
Total deposits	80,349	<u>113</u>	0.57	85,702	<u>142</u>	0.66
Non-interest-bearing deposits.....	2,975			2,629		
Other liabilities.....	<u>897</u>			<u>667</u>		
Total liabilities.....	84,221			88,998		
Stockholders' equity	<u>9,458</u>			<u>10,563</u>		
Total liabilities and stockholders' equity.....	<u>\$ 93,679</u>			<u>\$ 99,561</u>		
Net interest income.....		<u>\$ 702</u>			<u>\$ 855</u>	
Net interest rate spread			<u>3.06%</u>			<u>3.49%</u>
Net interest-earning assets	<u>\$ 10,180</u>			<u>\$ 10,467</u>		
Net interest margin			<u>3.12%</u>			<u>3.56%</u>
Average of interest-earning assets to interest-bearing Liabilities.....			<u>112.67%</u>			<u>112.21%</u>

1 Securities include Federal Home Loan Bank stock with an average balance of \$921,000 for the three months ended June 30, 2014 and 2013, respectively.

Six months Ended June 30,

	2014			2013		
	Average Outstanding Balance	Interest	Yield/Cost	Average Outstanding Balance	Interest	Yield/Cost
(Dollars in thousands)						
Assets:						
Loans:						
One- to four-family	\$ 31,286	\$ 735	4.70%	\$ 30,861	\$ 761	4.93%
Multi-family, commercial real estate, and land	21,552	588	5.50	25,995	781	6.06
Construction	-	-	-	238	8	6.98
Commercial business.....	1,887	52	5.49	4,305	134	6.25
Home equity lines-of-credit.....	10,514	195	3.74	13,098	236	3.64
Automobile and other consumer.....	<u>2,093</u>	<u>55</u>	<u>5.33</u>	<u>2,824</u>	<u>81</u>	<u>5.81</u>
Total loans	67,332	1,625	4.85	77,321	2,001	5.20
Securities (1).....	3,987	31	1.55	3,393	30	1.75
Other interest-earning assets.....	<u>20,190</u>	<u>16</u>	<u>0.16</u>	<u>15,508</u>	<u>11</u>	<u>0.15</u>
Total interest-earning assets	91,509	\$ 1,672	3.67	96,222	\$ 2,042	4.27
Non-interest-earning assets	<u>3,181</u>			<u>3,801</u>		
Total assets	<u>\$ 94,690</u>			<u>\$ 100,023</u>		
Liabilities and stockholders' equity:						
Savings deposits	\$ 9,881	\$ 7	0.15	\$ 9,044	\$ 7	0.15
Demand deposits	9,458	3	0.06	8,697	5	0.15
Money market deposits.....	15,457	12	0.15	16,432	26	0.24
Certificates of deposit.....	<u>46,562</u>	<u>209</u>	<u>0.91</u>	<u>51,867</u>	<u>255</u>	<u>1.00</u>
Total deposits	81,358	<u>231</u>	0.57	86,040	<u>293</u>	0.69
Non-interest-bearing deposits.....	2,826			2,670		
Other liabilities.....	<u>939</u>			<u>733</u>		
Total liabilities.....	85,123			89,443		
Stockholders' equity	<u>9,567</u>			<u>10,580</u>		
Total liabilities and stockholders' equity.....	<u>\$ 94,690</u>			<u>\$ 100,023</u>		
Net interest income.....		<u>\$ 1,441</u>			<u>\$ 1,749</u>	
Net interest rate spread			<u>3.10%</u>			<u>3.58%</u>
Net interest-earning assets	<u>\$ 10,151</u>			<u>\$ 10,182</u>		
Net interest margin			<u>3.16%</u>			<u>3.65%</u>
Average of interest-earning assets to interest-bearing liabilities.....			<u>112.48%</u>			<u>111.84%</u>

1 Securities include Federal Home Loan Bank stock with an average balance of \$921,000 for the six months ended June 30, 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 September 30, 2014 vs. 2013			Six Months Ended September 30, 2014 vs. 2013		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
(Dollars in thousands)						
Interest-earning assets:						
Loans:						
One- to four-family.....	\$ 2	\$ (24)	\$ (22)	\$ 10	\$ (36)	\$ (26)
Multi-family, commercial real estate, and land	(68)	(25)	(93)	(125)	(68)	(193)
Construction	-	(3)	(3)	(4)	(4)	(8)
Commercial business.....	(25)	(8)	(33)	(67)	(15)	(82)
Home equity lines-of- credit.....	(28)	6	(22)	(48)	7	(41)
Automobile and other consumer	<u>(10)</u>	<u>(2)</u>	<u>(12)</u>	<u>(20)</u>	<u>(6)</u>	<u>(26)</u>
Total loans	(129)	(56)	(185)	(254)	(122)	(376)
Securities	3	(1)	2	10	(9)	1
Other interest-earning assets	<u>1</u>	<u>-</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>5</u>
Total interest-earning assets	<u>(125)</u>	<u>(57)</u>	<u>(182)</u>	<u>(240)</u>	<u>(130)</u>	<u>(370)</u>
Interest-bearing liabilities:						
Savings deposits.....	-	-	-	-	-	-
Demand accounts.....	-	(2)	(2)	1	(3)	(2)
Money market accounts...	(1)	(4)	(5)	(2)	(12)	(14)
Certificates of deposit	<u>(14)</u>	<u>(8)</u>	<u>(22)</u>	<u>(25)</u>	<u>(21)</u>	<u>(46)</u>
Total deposits.....	<u>(15)</u>	<u>(14)</u>	<u>(29)</u>	<u>(26)</u>	<u>(36)</u>	<u>(62)</u>
Change in net interest income	<u>\$ (110)</u>	<u>\$ (43)</u>	<u>\$ (153)</u>	<u>\$ (214)</u>	<u>\$ (94)</u>	<u>\$ (308)</u>