



# CCSB

Financial Corp.

**2009 Annual  
Report**



Dear Shareholders:

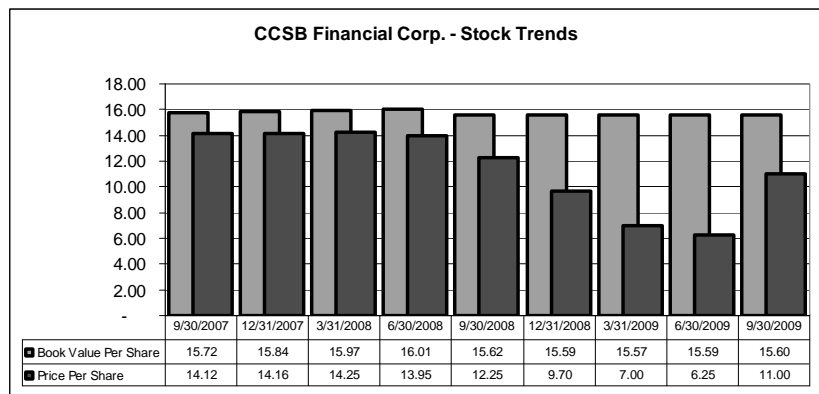
Last year at this time, there was a serious question that confronted us all:

*Are we at the beginning or the height of a global financial crisis?*

A year later, we still cannot answer that question with any degree of certainty. We are still faced with many of the same economic difficulties and the challenges remain the same or, in some respects, have increased. Real estate values have declined throughout the country; the economic crisis has crept into the commercial real estate market with an increase in vacancies; delinquency and foreclosures are still a concern; the national debt continues to grow; unemployment has teetered close to double digits; the number of bank failures has stressed the FDIC insurance fund; and the threat of terrorism continues to be in the forefront of our national security while our young men and women in the armed services are being asked to pay the ultimate sacrifice overseas.

The economic downturn has impacted us all and, while there are many challenges, we have identified five major issues facing our Company today:

- The price per share of our stock (OTC Bulletin Board: CCFC) continues to trade consistently below book value (see table to the right). While this is of utmost importance to you our shareholder, it is important to remember that our stock trades infrequently and the trade price may not be indicative of its true value.
- We continue to struggle with earnings as we post another net loss for the fiscal year; however, a positive sign is that a profit was experienced during the last six months of the fiscal year.
- The lack of prudent investment and lending opportunities has impacted growth strategies. Growth is an integral part of our overall strategic plan designed to improve operating efficiency, but we need to be careful in this current economy.
- The level of nonperforming assets has impacted earnings and resources. While we have worked hard to reduce the level of nonperforming assets, we cannot rely solely on an economic recovery. Asset quality will continue to be a significant focus as we work with borrowers, who have been impacted by the economy, to minimize any potential losses.
- The potential change in the regulatory landscape could lead to more costs and possibly changes to our strategic plan. Of most concern to us is the elimination of the thrift charter and our primary regulator, the Office of Thrift Supervision. This combined with a new "Consumer Protection Agency" are part of the proposed changes under a financial services industry restructuring plan.



Our commitment to you remains the same. Unfortunately, we must ask for your patience through these trying times. As stated last year, we believe our strong capital position will carry us through this current economic downturn, while we work to resolve our problem assets and until an economic turnaround is experienced. We continue to see improvement in core operations with the Bank reporting a profit for the fiscal year. In the upcoming fiscal year, management's focus will continue to be on reducing the level of problem assets and finding more areas of efficiency. Although we experienced some growth this past fiscal year, we have scaled back plans to leverage the Bank's capital position until there are signs of dramatic improvement in the economy. As a result, earnings will continue to be a challenge this upcoming fiscal year, but we believe the protection of shareholder value is more important than the return on shareholder value. Finally, we will need to remain flexible as yet another financial industry restructuring proposal will undoubtedly include more regulatory oversight and changes.

John R. Davis  
Chairman & Chief Executive Officer

Mario Usera  
President & Chief Operating Officer

## **Company Profile**

CCSB Financial Corp. (the "Company") is the parent company of Clay County Savings Bank (the "Bank"). Common shares of the Company's stock trades on the OTC (Over The Counter) Bulletin Board. The Company was formed in September 2002 to acquire the stock (through a mutual to stock conversion) of Clay County Savings Bank, a former mutual savings and loan association and previously known as Clay County Savings and Loan Association. The Bank was founded in 1922 as a state-chartered mutual savings and loan association with the name Clay County Building and Loan Association. The Bank is regulated by the Office of Thrift Supervision (the "OTS") and deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC").

The Bank primarily serves communities located in Clay and Platte Counties that are amongst the 15 counties in the metropolitan statistical area of Kansas City, Missouri. In addition to the main office and branch office in Liberty, it has branch offices in Kansas City north, Kearney and Smithville. Liberty is the county seat of Clay County and is located in the eastern part of the county.

The Bank is a community-oriented savings institution offering a variety of financial products and services to meet the needs of the communities it serves. The Bank was established primarily to serve the home financing needs of the public and now serves the expanded credit needs of area residents and businesses in its market area similar to a community bank, but with a focus on real estate lending. The Bank's principal business consists of attracting retail deposits from the general public in the areas surrounding its branches and investing those deposits, together with funds generated from operations and borrowings, primarily in one- to four-family residential mortgage loans, construction loans, multi-family and commercial real estate loans, mortgage-related securities and various other securities. The Bank also invests in commercial business loans and consumer and other loans, including home equity and automobile loans. The Bank's revenues are derived principally from the interest on mortgage, commercial and consumer loans, securities, loan origination and servicing fees, and service charges and fees collected on deposit accounts. The primary sources of funds are deposits, borrowings, and principal and interest payments on loans and securities.

## **Shareholder and Contact Information**

The annual meeting of shareholders will be held Thursday, January 28, 2010, at 10 a.m., at the executive office of CCSB Financial Corp. and Clay County Savings Bank located at 1178 West Kansas Street, Liberty, Missouri. The annual report is available electronically at [www.claycountysavings.com](http://www.claycountysavings.com). Copies are also available without charge upon written request to CCSB Financial Corp., Attention: Deborah A. Jones, Secretary, 1178 West Kansas Street, Liberty, Missouri 64068.

|   |   |
|---|---|
| <b>Transfer Agent</b>                               | Registrar and Transfer Company<br>10 Commerce Drive<br>Cranford, NJ 07016 |
| <b>Stock Trading Information</b>                    | Symbol: CCFC  |
| <b>Independent Certified<br/>Public Accountants</b> | BKD, LLP<br>211 North Broadway, Suite 600<br>St. Louis, Missouri 63102    |

## **Directors and Officers**

### **Board of Directors:**

John R. Davis, *Chairman and Chief Executive Officer*  
Mario Usera, *President, Chief Operating Officer and  
Chief Financial Officer*  
Larry L. Blosser, *Owner – Dental Manufacturing/  
Distributing Company*  
Robert F. Durden, *Furniture Manufacturer Representative  
and Realtor*  
George A. McKinley, *Owner – Heavy Equipment Construction Company*  
Keith A. Oberkrom, *Underwriter – Title Company*  
Paul D. Wheeler, *M.D.*  
William J. Turpin (Advisory Director), *Attorney*

### **Additional Officers:**

Deborah A Jones, *Senior Vice President and Secretary*  
Debra S. Coltman, *Senior Vice President*  
Mary D. Gray, *Vice President and Treasurer*  
Kathryn E. Varnon, *Vice President (Bank Only)*  
David C. Wilmshorst, *Vice President (Bank Only)*

## 2009 Fiscal Year in Review

The Company continued to struggle with earnings, reporting its fourth consecutive fiscal year loss in 2009, but in a year of financial uncertainty and economic turmoil there were a number of positive signs. The Company had positive earnings for the second half of the fiscal year. The Bank had a profitable fiscal year despite a substantial increase in FDIC assessments. Total assets topped \$100 million and deposits increased to more than \$80 million for the first time ever. There was loan growth of \$2.1 million in an otherwise weak market. The Company remains very liquid and its capital position is very strong.

And despite the loss, the operating results represent a significant improvement over the prior fiscal year. The Company had a net loss of \$30,045, or \$0.04 per share basic and diluted, for fiscal year 2009 compared to a net loss of \$295,947, or \$0.39 per share basic and diluted, for fiscal year 2008. The loss before credit for income taxes was \$74,983 for fiscal year 2009 compared to \$427,704 for fiscal year 2008. In the second half of the fiscal year, the Company realized net income of \$27,108. Among the highlights:

**Net interest income after the provision for loan losses increased \$194,000, or 7.44%**, from \$2.6 million for the fiscal year ended September 30, 2008, to \$2.8 million for the fiscal year ended September 30, 2009. While interest income and interest expense both declined due to lower interest rates, the most significant contributing factor for the improvement was a lower provision for loan loss. The provision for loan loss for fiscal year 2009 was \$40,000 compared to \$279,000 in fiscal year 2008.

**Noninterest income increased \$112,000, or 18.15%**, from \$612,000 for the fiscal year ended September 30, 2008, to \$724,000 for the fiscal year ended September 30, 2009. The Company realized a net gain on sale of loans of \$138,000 in fiscal year 2009 compared to \$40,000 in fiscal year 2008. In 2009, the Company also had a net gain on the sale of securities of \$21,000 and a net gain on the disposition of other real estate owned of \$6,000. In fiscal year 2008, these gains were insignificant.

**Noninterest expense decreased \$47,000, or 1.30%**, from \$3,649,000 for the fiscal year ended September 30, 2008, to \$3,602,000 for the fiscal year ended September 30, 2009. The decrease in expenses is despite a six-fold increase in FDIC insurance premiums. Including a special assessment of \$46,000 during the third quarter ended June 30, 2009, **overall FDIC insurance premiums increased \$132,000, or 541.11%**, in fiscal year 2009 from fiscal year 2008. The increase in the FDIC assessments were offset primarily by lower compensation and benefits (\$103,000, or 4.97%) and because the Company had recognized an "Other Than Temporary Impairment" on securities available for sale in the amount \$41,000 in fiscal year 2008. The Company also had lower correspondent banking service charges and less loss on the operations of other real estate owned. Audit, legal and other professional services were the only other areas where there was an increase of any significance that was experienced (\$19,000, or 16.56%).

\*\*\*\*\*

**Total assets for the Company increased \$4.2 million, or 4.23%**, from \$98.3 million at September 30, 2008, to \$102.5 million at September 30, 2009. **Loans, net of the allowance for loan losses, increased \$2.1 million, or 2.91%**, from \$70.6 million at September 30, 2008, to \$72.6 million at September 30, 2009. The growth in loans was primarily in one-to-four family real estate loans (\$2.1 million, or 6.32%), nonresidential real estate loans (\$1.3 million, or 7.32%) and commercial nonmortgage loans (\$1.1 million, or 45.14%). In contrast, construction, land and land development loans (net of loans-in-process) decreased \$1.6 million, or 18.66%, and consumer loans (other than loans secured by deposits) decreased \$706,000, or 10.23%, for the fiscal year. This is consistent with the trend over the past five years, where there has been a fundamental shift in the portfolio composition as reflected in the following table:

|  | 2005          | 2006          | 2007          | 2008          | 2009          |
|--|---------------|---------------|---------------|---------------|---------------|
| Single-family, 1-4 units, loans              | \$ 32,812,930 | \$ 34,715,097 | \$ 33,882,735 | \$ 33,749,329 | \$ 35,881,984 |
| Multi-family, 5 or more units, loans         | 2,166,511     | 2,983,937     | 2,480,618     | 2,559,018     | 2,405,079     |
| Construction, land & land development loans* | 16,366,448    | 10,222,163    | 11,326,576    | 8,481,554     | 6,898,531     |
| Commercial real estate loans                 | 9,779,793     | 12,528,746    | 14,744,096    | 17,076,584    | 18,326,692    |
| Consumer loans                               | 6,512,477     | 5,616,089     | 6,072,944     | 6,909,281     | 6,202,451     |
| Commercial non-real estate loans             | 1,302,618     | 1,861,451     | 2,170,015     | 2,364,419     | 3,431,646     |
| Loans secured by deposits                    | 271,416       | 193,653       | 317,292       | 165,025       | 114,970       |
|  | 69,212,193    | 68,121,136    | 70,994,276    | 71,305,210    | 73,261,353    |
| Allowance for losses                         | (360,000)     | (375,000)     | (382,554)     | (661,000)     | (574,184)     |
| Deferred loan fees, net                      | (125,737)     | (129,524)     | (98,864)      | (82,738)      | (74,967)      |
|  | \$ 68,726,456 | \$ 67,616,612 | \$ 70,512,858 | \$ 70,561,472 | \$ 72,612,202 |

\* Net of loans-in-process

As the above table reflects, **construction, land and land development loans have decreased \$9.5 million over the past five years.** More importantly, these loans comprise 9.42% of the portfolio at September 30, 2009, compared to 23.65% of the portfolio at September 30, 2005. This is primarily the result of the economic downturn and an oversupply of new home inventory. With the exception of one project, the Bank did not engage in any significant new construction or development loan activity in fiscal year 2009. The Bank originated four construction loans totaling \$3.0 million and no development loans during the past 12 months. Of those four loans originated, three were custom construction loans. The other loan was a \$2.1 million loan for the construction of 12 units in a proposed 24-unit townhouse project in Liberty, Missouri.

In an effort to improve earnings, the Bank became more active in the origination of commercial real estate loans. At September 30, 2009, \$20.7 million, or 28.30% of the Bank's total loan portfolio, consisted of loans secured by commercial real estate properties, including loans secured by improved property such as multi-family properties, offices, churches, small business facilities, motels and other income-producing, non-residential real estate. **The commercial real estate portfolio has increased 73.54% in the past five years.** The Bank typically offers commercial real estate loans with adjustable rates, short-term fixed rates (10 years or less) or longer-term (with amortization schedules up to 25 years) loans with balloon features. At September 30, 2009, the average commercial real estate loan was \$423,100; however, three loans total \$6.1 million and comprise 29.39% of the commercial real estate portfolio.

The Bank plans to remain active in commercial real estate lending, but, as with many financial institutions, likely will be constrained by the regulatory guidance provided by federal regulators. Federal regulators have issued several policy statements and letters addressing an ongoing regulatory concern over an increased concentration of credit exposure in commercial real estate loans given the vulnerability and increased inherent risk in commercial real estate. The Board believes it has complied with the regulatory guidance, but subsequent regulatory examinations may lead to a curtailment of future activity if the federal regulators believe that the Board has not adequately addressed the guidance. Further economic decline could also lead to less opportunity in this area. Management cautions that either could impact future earnings.

\*\*\*\*\*

**Total deposits increased \$5.7 million, or 7.58%,** from \$75.6 million at September 30, 2008, to \$81.4 million at September 30, 2009. The most significant increase was in money market deposit accounts (MMDA). **MMDAs increased \$2.5 million, or 17.30%,** from \$14.2 million at September 30, 2008, to \$16.7 million at September 30, 2009. Management believes that this can be attributed to the uncertainty and risk of the financial markets and the undesirable interest rates of time deposits. As a result, these funds likely are susceptible to movement should there a substantive increase in interest rates. At September 30, 2009, MMDAs had a weighted average interest rate of 1.06%. Time deposits increased \$1.5 million, or 3.74%, from \$40.2 million at September 30, 2008, to \$41.7 million at September 30, 2009. Demand deposits increased \$320,000, or 5.54%, from \$5.8 million at September 30, 2008, to \$6.1 million at September 30, 2009. Interest-bearing checking accounts (e.g., NOW accounts) increased \$823,000, or 8.17%, from \$10.1 million at September 30, 2008, to \$10.9 million at September 30, 2009. The increase in other savings accounts was \$625,000, or 11.76%, from \$5.3 million at September 30, 2008, to \$5.9 million at September 30, 2009.

On October 3, 2008, pursuant to the Emergency Economic Stabilization Act (EESA) of 2008, **the FDIC temporarily increased the basic FDIC insurance coverage from \$100,000 to \$250,000.** The increased coverage to \$250,000 was originally set to expire on December 31, 2009, but in May 2009, it was extended to December 31, 2013. In addition, the Bank is participating in the FDIC's Transaction Account Guarantee Program, which was established on November 21, 2008, when **the FDIC expanded the coverage by providing full coverage for**

**non-interest bearing deposit transaction accounts, regardless of dollar amount**, under the Troubled Asset Relief Program (TARP) established by the EESA. Banks were not required to participate in the Transaction Account Guarantee Program and such coverage expires December 31, 2009.

The increase in deposits has allowed the Bank the opportunity to pay off higher-costing Federal Home Loan Bank (FHLB) advances. FHLB Advances decreased from \$9.3 million, with a weighted average interest rate 3.54%, at September 30, 2008, to \$8.0 million, with a weighted average interest rate of 3.00%, at September 30, 2009.

\*\*\*\*\*

**Cash and cash equivalents totaled \$11.8 million, or 11.48% of total assets**, as of September 30, 2009, which is an increase of \$5.5 million from September 30, 2008. This can be attributed to two factors, an influx of funds from deposits and the lack of yield opportunity on investments. **The Bank also maintains substantive borrowing capacity from the FHLB.**

\*\*\*\*\*

As of September 30, 2009, the Bank far exceeds minimum capital requirements required by federal banking agencies. At September 30, 2009, the Bank had total risk-based capital of \$11.3 million, or 16.21% of risk-weighted assets, and tier 1 capital of \$10.7 million, or 15.44% of risk-weighted assets. **The Bank's risk-based capital position exceeds the amount needed to be categorized by regulatory agencies as "well capitalized" by \$4.3 million and its tier 1 capital position exceeds the amount needed to be categorized as "well capitalized" by \$6.6 million.** The Bank's capital position decreased from the prior fiscal year. During fiscal year 2009, the Bank made a non-cash distribution of its other real estate owned to the Company in the amount of \$829,000.

Due to the strength of the Bank's capital position, **the Board chose not to participate in the TARP Capital Purchase Program**, where the U.S. Treasury was granted authority to invest up to \$350 billion in eligible financial institutions.

\*\*\*\*\*

The Bank does not and has not engaged in subprime lending (i.e., loans to borrowers with high debt to income ratios, poor credit history and high loan to value ratios) that has plagued the industry. Nevertheless, the current economy had an impact on performance of the loan portfolio during fiscal year 2009. The level of delinquencies and the amount of nonperforming assets were historically high and, while historical losses have been minimal, losses within the loan portfolio increased in fiscal year 2009. The provision for loan losses recorded in the last quarter of fiscal year 2008 had a material impact on earnings in fiscal year 2008 but provided protection in fiscal year 2009. While the provision for loan losses still impacted earnings in 2009, it was to a lesser degree.

The nonearning capacity of nonperforming assets also has an impact on earnings. During fiscal year 2009, **total delinquent and past due (30 days or more) loans averaged \$4.3 million, or 5.97% of average loans** (net of the allowance for loan losses). During this same period, **nonperforming loans (delinquent or past due 90 days or more) averaged \$2.4 million, or 3.35% of average net loans.** Other real estate owned also averaged \$1.0 million during fiscal year 2009. Other real estate owned is currently held at the parent company level.

Some improvement in the portfolio is being realized. As of September 30, 2009, the level of delinquencies and nonperforming assets are down compared to the average for the fiscal year. The Company had 11 nonperforming loans totaling \$1.5 million, or 2.04% of net loans, and loans past due totaled \$3.9 million, or 5.32% of net loans, at September 30, 2009. The Company had \$830,000 in other real estate owned (consisting of four properties) at September 30, 2009, compared to \$1.3 million at September 30, 2008. The Bank also has not acquired a property through foreclosure (or in lieu of foreclosure) since November 2008, although it acquired one property in a trade involving a disposition of an asset previously acquired through foreclosure.

During fiscal year 2009, the Bank had net charge-offs of \$126,805 compared to \$377 in fiscal year 2008, \$3,290 in fiscal year 2007 and no charge-offs in fiscal years 2006 or 2005.

## Independent Accountants' Report

Audit Committee, Board of  
Directors and Stockholders  
CCSB Financial Corp.  
Liberty, Missouri

We have audited the accompanying consolidated balance sheets of CCSB Financial Corp. ("Company") as of September 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCSB Financial Corp. as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, in 2009 the Company changed its method of accounting for fair value measurements in accordance with FASB Accounting Standards Codification (ASC) Topic 820, formerly Statement of Financial Accounting Standards No. 157.

*BKD, LLP*

December 21, 2009

CCSB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
September 30, 2009 and 2008

|   | <b>2009</b>           | <b>2008</b>           |
|---|-----------------------|-----------------------|
| <b>ASSETS:</b>  |                       |                       |
| Cash and due from banks   | \$ 1,806,610          | \$ 4,235,732          |
| Interest-bearing deposits in banks  | 9,961,073             | 52,269                |
| Federal funds sold  | -                     | 1,990,000             |
| Total cash and cash equivalents   | 11,767,683            | 6,278,001             |
| Interest-bearing time deposits  | -                     | 2,257,000             |
| Available-for-sale securities   | 7,136,350             | 7,878,277             |
| Federal Home Loan Bank stock  | 574,200               | 553,500               |
| Loans, net of allowance for loan losses of \$574,184 and \$661,000 at September 30, 2009 and 2008, respectively | 72,612,202            | 70,561,472            |
| Other real estate owned and other repossessed assets  | 830,029               | 1,300,388             |
| Premises and equipment, net   | 5,471,267             | 5,578,897             |
| Accrued interest receivable   | 361,770               | 424,951               |
| Bank-owned life insurance - cash surrender value  | 3,077,440             | 2,960,447             |
| Other assets  | 660,213               | 535,194               |
| <b>TOTAL ASSETS</b>   | <b>\$ 102,491,154</b> | <b>\$ 98,328,127</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>  |                       |                       |
| Deposits  |                       |                       |
| Demand  | \$ 6,095,502          | \$ 5,775,690          |
| Savings, NOW and money market   | 33,516,455            | 29,608,362            |
| Time deposits   | 41,744,713            | 40,238,460            |
| Total deposits  | 81,356,670            | 75,622,512            |
| Federal Home Loan Bank advances   | 8,000,000             | 9,322,000             |
| Advances from borrowers for taxes and insurance   | 675,119               | 682,338               |
| Interest payable and other liabilities  | 235,258               | 461,273               |
| <b>TOTAL LIABILITIES</b>  | 90,267,047            | 86,088,123            |
| <i>Commitments and contingencies</i>  | -                     | -                     |
| Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued                                       | -                     | -                     |
| Common stock, \$0.01 par value; 2,500,000 shares authorized; 978,650 shares issued                              | 9,787                 | 9,787                 |
| Additional paid-in capital  | 9,297,659             | 9,305,553             |
| Treasury stock, at cost, of 195,120 shares  |                       |                       |
| Unearned ESOP shares  | (372,176)             | (427,066)             |
| Unearned RRP shares   | (277)                 | (19,421)              |
| Retained earnings - substantially restricted  | 6,301,510             | 6,331,555             |
| Accumulated other comprehensive loss  | (131,170)             | (79,178)              |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | 15,105,333            | 15,121,230            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 105,372,380</b> | <b>\$ 101,209,353</b> |

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Years Ended September 30, 2009 and 2008

|   | 2009               | 2008                |
|---|--------------------|---------------------|
| <b>INTEREST AND DIVIDEND INCOME:</b>                                      |                    |                     |
| Loans   | \$ 4,232,347       | \$ 4,721,211        |
| Investment and mortgage-backed securities                                 | 390,493            | 438,017             |
| Federal Home Loan Bank stock  | 6,505              | 20,028              |
| Federal funds sold  | 5,371              | 45,103              |
| Other interest-earning assets   | 12,076             | 109,669             |
| <b>TOTAL INTEREST AND DIVIDEND INCOME</b>                                 | <b>4,646,792</b>   | <b>5,334,028</b>    |
| <b>INTEREST EXPENSE:</b>  |                    |                     |
| Deposits  | 1,501,107          | 2,152,352           |
| Borrowings  | 302,559            | 293,872             |
| <b>TOTAL INTEREST EXPENSE</b>   | <b>1,803,666</b>   | <b>2,446,224</b>    |
| <b>NET INTEREST INCOME</b>  | <b>2,843,126</b>   | <b>2,887,804</b>    |
| Provision for loan losses   | 39,989             | 278,823             |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>                | <b>2,803,137</b>   | <b>2,608,981</b>    |
| <b>NONINTEREST INCOME:</b>  |                    |                     |
| Charges and other fees on loans   | 121,205            | 104,689             |
| Charges and other fees on deposit accounts                                | 323,110            | 338,348             |
| Amortization of mortgage-servicing rights                                 | (42,464)           | (23,385)            |
| Net gain on sale of loans   | 138,488            | 40,020              |
| Net gain on sale of securities available-for-sale                         | 20,868             | -                   |
| Net gain on disposition of other real estate owned and repossessed assets | 5,537              | 284                 |
| Increase in cash surrender value of bank-owned life insurance             | 116,993            | 111,653             |
| Other   | 39,825             | 40,808              |
| <b>TOTAL NONINTEREST INCOME</b>   | <b>723,562</b>     | <b>612,417</b>      |
| <b>NONINTEREST EXPENSE:</b>   |                    |                     |
| Compensation and benefits   | 1,978,021          | 2,081,368           |
| Occupancy and equipment   | 539,850            | 539,049             |
| Data processing   | 282,724            | 281,003             |
| Federal Deposit Insurance Corporation insurance premium                   | 156,047            | 24,340              |
| Audit, legal and other professional services                              | 132,236            | 113,451             |
| Advertising & marketing   | 75,786             | 79,143              |
| Correspondent banking service charges                                     | 33,452             | 42,810              |
| Net loss on operations of other real estate owned                         | 8,310              | 47,970              |
| Other than temporary impairment on securities available-for-sale          | -                  | 41,247              |
| Other   | 395,256            | 398,721             |
| <b>TOTAL NONINTEREST EXPENSE</b>  | <b>3,601,682</b>   | <b>3,649,102</b>    |
| <b>LOSS BEFORE INCOME TAXES</b>   | <b>(74,983)</b>    | <b>(427,704)</b>    |
| <b>CREDIT FOR INCOME TAXES</b>  | <b>(44,938)</b>    | <b>(131,757)</b>    |
| <b>NET LOSS</b>   | <b>\$ (30,045)</b> | <b>\$ (295,947)</b> |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>                                   | <b>\$ (0.04)</b>   | <b>\$ (0.39)</b>    |

See accompanying notes to consolidated financial statements.

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Years Ended September 30, 2009 and 2008**

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Treasury<br>Stock | Unearned<br>ESOP<br>Shares | Unearned<br>RRP<br>Shares | Total<br>Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss, Net | Total<br>Stockholders'<br>Equity |
|---|-----------------|----------------------------------|-------------------|----------------------------|---------------------------|-------------------------------|--|----------------------------------|
| Balance at October 1, 2007  | \$ 9,787        | \$ 9,284,004                     | \$ (2,167,373)    | \$ (484,102)               | \$ (133,772)              | \$ 6,627,502                  | \$ (27,692)  | \$ 13,108,354                    |
| Net loss  | -               | -                                | -                 | -                          | -                         | (295,947)                     | -  | (295,947)                        |
| Unrealized loss on securities<br>available for sale               | -               | -                                | -                 | -                          | -                         | -                             | (78,008)   | (78,008)                         |
| Income taxes  | -               | -                                | -                 | -                          | -                         | -                             | 26,522   | 26,522                           |
| Unrealized loss on securities<br>available for sale, net of taxes | -               | -                                | -                 | -                          | -                         | -                             | (51,486)   | (51,486)                         |
| Comprehensive loss  | -               | -                                | -                 | -                          | -                         | (295,947)                     | (51,486)   | (347,433)                        |
| Amortization of ESOP  | -               | 21,549                           | -                 | 57,036                     | -                         | -                             | -  | 78,585                           |
| Amortization of RRP   | -               | -                                | -                 | -                          | 114,351                   | -                             | -  | 114,351                          |
| Purchase of Treasury<br>Stock (50,389 shares)                     | -               | -                                | (713,853)         | -                          | -                         | -                             | -  | (713,853)                        |
| Balance at September 30, 2008                                     | 9,787           | 9,305,553                        | (2,881,226)       | (427,066)                  | (19,421)                  | 6,331,555                     | (79,178)   | 12,240,004                       |
| Net loss  | -               | -                                | -                 | -                          | -                         | (30,045)                      | -  | (30,045)                         |
| Unrealized loss on securities<br>available for sale               | -               | -                                | -                 | -                          | -                         | -                             | (78,778)   | (78,778)                         |
| Income taxes  | -               | -                                | -                 | -                          | -                         | -                             | 26,786   | 26,786                           |
| Unrealized loss on securities<br>available for sale, net of taxes | -               | -                                | -                 | -                          | -                         | -                             | (51,992)   | (51,992)                         |
| Comprehensive loss  | -               | -                                | -                 | -                          | -                         | (30,045)                      | (51,992)   | (82,037)                         |
| Amortization of ESOP  | -               | (7,894)                          | -                 | 54,890                     | -                         | -                             | -  | 46,996                           |
| Amortization of RRP   | -               | -                                | -                 | -                          | 19,144                    | -                             | -  | 19,144                           |
| Balance at September 30, 2009                                     | \$ 9,787        | \$ 9,297,659                     | \$ (2,881,226)    | \$ (372,176)               | \$ (277)                  | \$ 6,301,510                  | \$ (131,170)                                       | \$ 12,224,107                    |

See accompanying notes to consolidated financial statements.

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended September 30, 2009 and 2008

|  | <b>2009</b>          | <b>2008</b>         |
|--|----------------------|---------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>  |                      |                     |
| Net loss   | \$ (30,045)          | \$ (295,947)        |
| Items not requiring (providing) cash:  |                      |                     |
| Depreciation   | 256,077              | 247,710             |
| Provision for loan losses  | 39,989               | 278,823             |
| Amortization of premiums and discounts on securities   | 6,014                | 11,461              |
| Amortization of mortgage-servicing rights  | 42,464               | 23,385              |
| Compensation related to incentive plans  | 19,144               | 114,351             |
| Compensation related to ESOP   | 46,996               | 78,585              |
| Deferred income taxes  | (48,016)             | (131,757)           |
| Deferred loans fees, net   | (42,260)             | (53,817)            |
| Cash surrender value of bank-owned life insurance  | (116,993)            | (111,653)           |
| Originations of mortgage loans held for sale   | (9,183,970)          | (3,279,250)         |
| Proceeds from the sale of mortgage loans   | 9,322,458            | 3,319,270           |
| Net realized gains on loans sold   | (138,488)            | (40,020)            |
| Net realized gains on the sale of available-for-sale securities                                      | (20,868)             | -                   |
| Net realized gains on the sale of other real estate owned and repossessed assets                     | (5,537)              | (284)               |
| Changes in:  |                      |                     |
| Accrued interest receivable  | 63,181               | 37,089              |
| Other than temporary impairment of available-for-sale securities                                     | -                    | 41,247              |
| Fair value of other real estate owned and repossessed assets   | -                    | 20,589              |
| Other assets   | (95,760)             | (31,606)            |
| Accrued income taxes   | 3,078                | 28,292              |
| Interest payable and other liabilities   | (226,015)            | 261,570             |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>   | <b>(108,551)</b>     | <b>518,038</b>      |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>  |                      |                     |
| Purchases of available-for-sale securities   | (9,706,383)          | (1,925,000)         |
| Repayment of principal on and proceeds from sales, maturity or call of available-for-sale securities | 9,547,526            | 3,006,640           |
| Repayment of principal on mortgage-backed securities   | 836,861              | 1,186,472           |
| Purchases of interest-bearing time deposits  | -                    | (2,455,000)         |
| Proceeds from maturity of interest-bearing time deposits   | 2,257,000            | 198,000             |
| Purchase of FHLB stock   | (20,700)             | (22,500)            |
| Net change in loans  | (1,610,204)          | (824,300)           |
| Net change to other real estate owned and repossessed assets   | 959                  | (66,631)            |
| Net proceeds from sale of other real estate owned and repossessed assets                             | 36,682               | -                   |
| Purchase of premises and equipment   | (148,447)            | (118,525)           |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>   | <b>1,193,294</b>     | <b>(1,020,844)</b>  |
| <b>CASH FROM FINANCING ACTIVITIES:</b>   |                      |                     |
| Net increase in deposits   | 5,734,158            | 439,360             |
| Proceeds from Federal Home Loan Bank fixed-maturity advances   | 2,000,000            | 5,750,000           |
| Repayments of Federal Home Loan Bank fixed-maturity advances   | (3,322,000)          | (4,640,012)         |
| Acquisition of treasury stock  | -                    | (713,853)           |
| Net change in advances from borrowers for taxes and insurance  | (7,219)              | 4,171               |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>   | <b>4,404,939</b>     | <b>839,666</b>      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>5,489,682</b>     | <b>336,860</b>      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b>6,278,001</b>     | <b>5,941,141</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <b>\$ 11,767,683</b> | <b>\$ 6,278,001</b> |
| <b>Supplemental cash flow information:</b>   |                      |                     |
| <b>Interest paid</b>   | <b>\$ 1,806,369</b>  | <b>\$ 2,444,060</b> |
| <b>Sale and financing of foreclosed assets and other repossessed assets</b>                          | <b>\$ 700,250</b>    | <b>\$ 379,272</b>   |
| <b>Real estate and other repossessed assets acquired in settlement of loans</b>                      | <b>\$ 326,272</b>    | <b>\$ 929,952</b>   |

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

CCSB Financial Corp. (the "Company"), a Delaware corporation incorporated in September 2002, is a financial holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Clay County Savings Bank ("Bank"). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in the northern part of metropolitan Kansas City, Missouri. The Bank is subject to competition from other financial institutions. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

**CASH EQUIVALENTS**

The Bank considers all liquid investments with original maturities of three months or less to be cash equivalents.

**SECURITIES**

Available-for-sale securities, which include any security for which the Bank has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

**LOANS**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on non-accrual status at 90 days past due and interest is considered a loss, unless the loan is well-secured and in the process of collection. If a loan is not placed on non-accrual status, but is otherwise considered impaired, a reserve is established for any uncollected interest.

**ALLOWANCE FOR LOAN LOSSES**

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. In fiscal year 2008, management established a grading system in which each individual loan is graded, assigned a factor and then aggregated to determine the adequacy of the allowance for loan losses. The factors are based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The recent downturn in the economy and decline in real estate values in general resulted in these factors being given substantially more weight than in prior fiscal years in assessing the future probability of collection of loans and in estimating the value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for all loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

#### PREMISES AND EQUIPMENT

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

#### FEDERAL HOME LOAN BANK STOCK

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula.

#### FORECLOSED ASSETS HELD FOR SALE

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

#### MORTGAGE SERVICING RIGHTS

Mortgage servicing rights on originated loans that have been sold are capitalized by allocating the total cost of the mortgage loans between the mortgage servicing rights and the loans based on their relative fair values. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristics currently used for stratification are type of loan, interest rate and remaining term to maturity. The amount of impairment is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value.

#### INCENTIVE PLANS

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, formerly Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, the Company expenses the fair value of stock options granted, modified, repurchased or cancelled. The aggregate purchase price of all shares owned by the incentive plan is reflected as a reduction of stockholders' equity. Compensation expense is based on the market price of the Company's stock on the date the shares are granted and is recorded over the vesting period. The difference between the aggregate purchase price and the fair value on the date granted of the shares earned is recorded as an adjustment to additional paid-in capital.

#### EMPLOYEE STOCK OWNERSHIP PLAN

The Company accounts for its employee stock ownership plan (ESOP) in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position 93-6. The cost of shares issued to the ESOP but not yet allocated to participants is presented in the consolidated balance sheet as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are reflected as a reduction of debt.

Shares are considered outstanding for earnings per share calculations when they are committed to be released; unallocated shares are not considered outstanding.

#### TREASURY STOCK

Treasury stock is stated at cost. Cost is determined by the first-in, first-out method.

#### INCOME TAXES

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. The Company files consolidated income tax returns with its subsidiary.

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

In accordance with FASB ASC Topic 740, formerly FASB Staff Position No. FIN 48-3, the Company has elected to defer the effective date of "Accounting for Uncertainty in Income Taxes" until its fiscal year ended September 30, 2010. The Company has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of "Accounting for Uncertainty in Income Taxes", such as ASC Topic 740, formerly FASB Statement No. 109, Accounting for Income Taxes, and FASB ASC Topic 450, formerly FASB Statement No. 5, Accounting for Contingencies.

**EARNINGS PER SHARE**

Earnings per share have been computed based upon the weighted-average common shares outstanding during each year. Unearned ESOP shares and unallocated incentive shares have been excluded from the computation of average shares outstanding.

**SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 21, 2009, which is the date the financial statements were issued.

**RECLASSIFICATIONS**

Certain reclassifications may have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. The reclassifications had no effect on net loss.

**NOTE 2: SECURITIES**

The amortized cost and approximate fair value of available-for-sale securities are as follows:

|                            | <b>September 30, 2009</b> |                                       |  |                                       |
|----------------------------|---------------------------|---------------------------------------|--|---------------------------------------|
|                            | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Approximate<br/>Fair<br/>Value</b> |
| U.S. Government Agencies   | \$ 4,126,452              | \$ 1,397                              | \$ -                                   | \$ 4,127,849                          |
| SBA-backed securities      | 34,710                    | -                                     | (851)                                  | 33,859                                |
| Mortgage-backed securities | 2,215,177                 | 28,030                                | (2,971)                                | 2,240,236                             |
| Equity securities          | 958,753                   | -                                     | (224,347)                              | 734,406                               |
|                            | <u>\$ 7,335,092</u>       | <u>\$ 29,427</u>                      | <u>\$ (228,169)</u>                    | <u>\$ 7,136,350</u>                   |
|                            | <b>September 30, 2008</b> |                                       |  |                                       |
|                            | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Approximate<br/>Fair<br/>Value</b> |
| U.S. Government Agencies   | \$ 3,924,792              | \$ 28,323                             | \$ (2,579)                             | \$ 3,950,536                          |
| SBA-backed securities      | 58,423                    | -                                     | (1,340)                                | 57,083                                |
| Mortgage-backed securities | 3,056,274                 | 17,585                                | (21,108)                               | 3,052,751                             |
| Equity securities          | 958,753                   | -                                     | (140,846)                              | 817,907                               |
|                            | <u>\$ 7,998,242</u>       | <u>\$ 45,908</u>                      | <u>\$ (165,873)</u>                    | <u>\$ 7,878,277</u>                   |

The amortized cost and fair value of available-for-sale securities at September 30, 2009, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

|                            | Amortized<br>Cost   | Fair<br>Value       |
|----------------------------|---------------------|---------------------|
| U.S. Government Agencies:  |                     |                     |
| Less than one year         | \$ -                | \$ -                |
| One to five years          | 3,000,833           | 3,000,849           |
| More than five years       | 1,125,619           | 1,127,000           |
| Mortgage-backed securities | 2,215,177           | 2,240,236           |
| SBA-backed securities      | 34,710              | 33,859              |
| Equity securities          | 958,753             | 734,406             |
|                            | <u>\$ 7,335,092</u> | <u>\$ 7,136,350</u> |

There were no securities pledged as collateral as of September 30, 2009. The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$2,724,320 at September 30, 2008.

A gross gain of \$20,868 from the sale of equity securities was realized in 2009. No sales of available-for-sale securities occurred in 2008.

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at September 30, 2009, was \$1,501,809, which is approximately 21% of the Company's available-for-sale investment portfolio compared to \$3,550,427, at September 30, 2008, which was approximately 45% of the Company's available-for-sale investment portfolio. This is primarily the result of a decline in market interest rates from the time these securities were purchased. Based on an evaluation of available evidence, including recent changes in market interest rates and credit rating information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary. During the fiscal year ended September 30, 2008, an other than temporary impairment of \$41,247 in equity securities was identified and recognized and the cost basis of the investment was reduced and the resulting loss recognized in net loss.

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of:

|                                       | September 30, 2009  |                      |                     |                      |                     |                      |
|---------------------------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
|                                       | Less than 12 Months |                      | 12 Months or More   |                      | Total               |                      |
|                                       | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value       | Unrealized<br>Losses |
| SBA-backed securities                 | \$ -                | \$ -                 | \$ 33,859           | \$ (851)             | \$ 33,859           | \$ (851)             |
| Mortgage-backed securities            | 522,875             | (1,633)              | 210,669             | (1,338)              | 733,544             | (2,971)              |
| Equity securities                     | -                   | -                    | 734,406             | (224,347)            | 734,406             | (224,347)            |
| Total temporarily-impaired securities | <u>\$ 522,875</u>   | <u>\$ (1,633)</u>    | <u>\$ 978,934</u>   | <u>\$ (226,536)</u>  | <u>\$ 1,501,809</u> | <u>\$ (228,169)</u>  |
|                                       | September 30, 2008  |                      |                     |                      |                     |                      |
|                                       | Less than 12 Months |                      | 12 Months or More   |                      | Total               |                      |
|                                       | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value       | Unrealized<br>Losses |
| U.S. Government Agencies              | \$ 425,000          | \$ (2,579)           | \$ -                | \$ -                 | \$ 425,000          | \$ (2,579)           |
| SBA-backed securities                 | -                   | -                    | 58,423              | (1,340)              | 58,423              | (1,340)              |
| Mortgage-backed securities            | 1,685,461           | (15,675)             | 422,790             | (5,433)              | 2,108,251           | (21,108)             |
| Equity securities                     | -                   | -                    | 958,753             | (140,846)            | 958,753             | (140,846)            |
| Total temporarily-impaired securities | <u>\$ 2,110,461</u> | <u>\$ (18,254)</u>   | <u>\$ 1,439,966</u> | <u>\$ (147,619)</u>  | <u>\$ 3,550,427</u> | <u>\$ (165,873)</u>  |

At September 30, 2009, the Company's investment in equity securities included a mutual fund in which the principal underlying investment was in mortgage-backed securities. At September 30, 2009, the mutual fund had a fair value of \$958,753, an unrealized loss of \$140,846, and had been in a continuous unrealized loss position for 12 months or more. During the fiscal year ended September 30, 2008, an other than temporary impairment of \$41,247 was identified and recognized and the cost basis of the investment was reduced. Management believes that subsequent unrealized losses are the result of a lack of demand or inactive market for the underlying investment in mortgage-backed securities, specifically the investment in non-government backed securities. Management believes that it is more than likely that the amortized cost of the underlying securities will be recovered given the intent not to sell the underlying securities. Analysis of the investment also reflects

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

that total assets per share have been equal or better since the other than temporary impairment charge-off and the amount of non-government backed securities as a percentage of the total investment has decreased. Because the Company does not intend to sell this security and it is not more-likely-than-not that the Company will be required to sell this security before recovery of its new, lower amortized cost basis, the Company does not consider the remainder of the investment in this security to be other than temporarily impaired at September 30, 2009.

**NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES**

Categories of loans at September 30, include:

|                                       | <u>2009</u>          | <u>2008</u>          |
|---------------------------------------|----------------------|----------------------|
| Real estate loans:                    |                      |                      |
| Single-family, 1-4 units              | \$ 35,881,984        | \$ 33,749,329        |
| Multi-family, 5 or more units         | 2,405,079            | 2,559,018            |
| Construction, land & land development | 7,725,096            | 10,115,983           |
| Commercial                            | 18,326,692           | 17,076,584           |
| Consumer loans                        | 6,202,451            | 6,909,281            |
| Commercial non-real estate loans      | 3,431,646            | 2,364,419            |
| Loans secured by deposits             | 114,970              | 165,025              |
|                                       | <u>74,087,918</u>    | <u>72,939,639</u>    |
| Allowance for losses                  | (574,184)            | (661,000)            |
| Loans in process                      | (826,565)            | (1,634,429)          |
| Deferred loan fees, net               | (74,967)             | (82,738)             |
|                                       | <u>\$ 72,612,202</u> | <u>\$ 70,561,472</u> |

Activity in the allowance for loan losses was as follows:

|                              | <u>2009</u>       | <u>2008</u>       |
|------------------------------|-------------------|-------------------|
| Balance, beginning of year   | \$ 661,000        | \$ 382,554        |
| Loan charge-offs             | (160,766)         | (556)             |
| Loan recoveries              | 33,961            | 179               |
| Provision charged to expense | 39,989            | 278,823           |
| Balance, end of year         | <u>\$ 574,184</u> | <u>\$ 661,000</u> |

The Company had 11 loans in the amount of \$1,494,349 considered impaired as of September 30, 2009. The amount of the allowance for loan losses related to impaired loans of \$470,379 totaled \$32,838, or approximately 6 percent of the aggregate allowance for loan losses, at September 30, 2009. At September 30, 2009, impaired loans of \$1,023,970 had no related allowance for loan losses. Gross interest income would have been \$67,953 on these loans for the year ended September 30, 2009, if the interest payments had been received in accordance with the original terms. Interest income of \$51,142 was recognized on a cash basis on these loans for the year ended September 30, 2009. The Company had 9 loans in the amount of \$2,933,623 considered impaired as of September 30, 2008, which included 3 loans to one borrower in the amount of \$2,729,514. At September 30, 2008, there was no related allowance for loan losses for impaired loans. Gross interest income would have been \$231,570 on these loans for the year ended September 30, 2008, if the interest payments had been received in accordance with the original terms. Interest income of \$181,284 was recognized on a cash basis on these loans for the year ended September 30, 2008. The average balance of impaired loans for 2009 and 2008 was \$2,409,801 and \$889,375, respectively.

At September 30, 2009 and 2008, the Company had no accruing loans delinquent 90 days or more. Non-accruing loans at September 30, 2009 and 2008, were \$980,741 and \$333,606, respectively.

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**NOTE 4: PREMISES AND EQUIPMENT**

Major classifications of premises and equipment, stated at cost, are as follows:

|                               | <u>2009</u>         | <u>2008</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 1,584,022        | \$ 1,584,022        |
| Buildings and improvements    | 4,793,008           | 4,876,691           |
| Equipment                     | 778,202             | 921,881             |
| Automobiles                   | 63,699              | 66,146              |
|                               | <u>7,218,931</u>    | <u>7,448,740</u>    |
| Less accumulated depreciation | 1,747,664           | 1,869,843           |
|                               | <u>\$ 5,471,267</u> | <u>\$ 5,578,897</u> |

**NOTE 5: LOAN SERVICING**

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were \$25,384,965 and \$21,512,383 at September 30, 2009 and 2008, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were \$550,207 and \$486,005 at September 30, 2009 and 2008, respectively.

The aggregate fair value of capitalized mortgage servicing rights at September 30, 2009 and 2008, totaled \$83,963 and \$34,587, respectively. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, risk characteristics, including type of loan, interest rate and remaining term to maturity, were used to stratify the originated servicing rights.

Activity in mortgage servicing rights were as follows:

|                                  | <u>2009</u>      | <u>2008</u>      |
|----------------------------------|------------------|------------------|
| Balance, beginning of year       | \$ 34,587        | \$ 25,181        |
| Servicing rights capitalized     | 91,840           | 32,791           |
| Amortization of servicing rights | (42,464)         | (23,385)         |
| Balance, end of year             | <u>\$ 83,963</u> | <u>\$ 34,587</u> |

**NOTE 6: INTEREST-BEARING DEPOSITS**

Interest-bearing deposits in denominations of \$250,000 or more at September 30, 2009, were \$8,082,764. Interest-bearing deposits in denominations of \$100,000 or more were \$27,122,834 and \$21,171,747 at September 30, 2009 and 2008, respectively.

At September 30, 2009, the scheduled maturities of time deposits are as follows:

|                                       |                      |
|---------------------------------------|----------------------|
| October 1, 2009 to September 30, 2010 | \$ 30,230,649        |
| October 1, 2010 to September 30, 2011 | 4,614,326            |
| October 1, 2011 to September 30, 2012 | 1,635,224            |
| October 1, 2012 to September 30, 2013 | 2,279,417            |
| October 1, 2013 to September 30, 2014 | 2,985,097            |
|                                       | <u>\$ 41,744,713</u> |

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**NOTE 7: FEDERAL HOME LOAN BANK ADVANCES & LETTERS OF CREDIT**

The Federal Home Loan Bank advances of \$8,000,000, bearing a weighted average interest rate of 3.00% and a letter of credit of \$1,250,000, to secure public unit fund deposits, at September 30, 2009, are secured by single-family loans of \$12,487,500 (135% of the amount of total indebtedness) and FHLB stock. Federal Home Loan Bank advances totaled 9,322,000, at September 30, 2008, bearing a weighted average rate of 3.54% and secured by single-family loans of \$11,186,000 (120% of the amount of total indebtedness) and FHLB stock.

Federal Home Loan Bank advances are summarized by maturity at September 30, 2009, as follows:

|                                       |           |                  |
|---------------------------------------|-----------|------------------|
| October 1, 2009 to September 30, 2010 | \$        | 5,250,000        |
| October 1, 2010 to September 30, 2011 |           | 2,750,000        |
|                                       | <u>\$</u> | <u>8,000,000</u> |

**NOTE 8: INCOME TAXES**

The credit for income taxes includes these components:

|                         | <u>2009</u>        | <u>2008</u>         |
|-------------------------|--------------------|---------------------|
| Taxes currently payable | \$ 3,078           | \$ -                |
| Deferred income taxes   | (48,016)           | (131,757)           |
| Income tax credit       | <u>\$ (44,938)</u> | <u>\$ (131,757)</u> |

A reconciliation of income tax credit at the statutory rate to the Company's actual income tax credit is shown below:

|                                     | <u>2009</u>        | <u>2008</u>         |
|-------------------------------------|--------------------|---------------------|
| Computed at the statutory rate      | \$ (23,245)        | \$ (145,419)        |
| Increase (decrease) resulting from: |                    |                     |
| Tax-exempt income                   | (36,268)           | (37,962)            |
| Other                               | 14,575             | 51,624              |
| Actual tax credit                   | <u>\$ (44,938)</u> | <u>\$ (131,757)</u> |

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Deferred tax assets:   |                   |                   |
| Allowance for loan losses  | \$ 179,000        | \$ 205,000        |
| Unrealized loss on securities available for sale                 | 67,572            | 40,787            |
| Other than temporary impairment on securities available for sale | 13,000            | 13,000            |
| Recognition and retention plan                                   | -                 | 29,000            |
| Net operating loss carryforward                                  | 199,000           | 98,000            |
| Total deferred tax assets  | <u>458,572</u>    | <u>385,787</u>    |
| Deferred tax liabilities:  |                   |                   |
| FHLB stock dividends   | 70,000            | 70,000            |
| Mortgage-servicing rights  | 26,000            | 11,000            |
| Other  | 7,247             | 24,264            |
| Total deferred tax liabilities                                   | <u>103,247</u>    | <u>105,264</u>    |
| Net deferred tax asset   | <u>\$ 355,325</u> | <u>\$ 280,523</u> |

As of September 30, 2009, the Company had approximately \$773,000 of net operating loss carryforwards available to offset future income taxes. The carryforwards expire in various years through 2029.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**NOTE 9: STOCKHOLDERS' EQUITY AND REGULATORY MATTERS**

The Company is a Delaware holding company formed to acquire the Bank in 2003 as a result of the Bank's conversion from mutual to stock form. Deposit account holders and borrowers do not have voting rights in the Bank. Voting rights are vested exclusively with stockholders of the holding company. Deposit account holders are insured by the Federal Deposit Insurance Corporation. The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table that follows). Management believes, as of September 30, 2009 and 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2009, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table.

|  | Actual    |       | Minimum Required     |       |                          |       |
|--|-----------|-------|----------------------|-------|--------------------------|-------|
|  |           |       | for Capital Adequacy |       | to be "Well Capitalized" |       |
|  | Amount    | Ratio | Amount               | Ratio | Amount                   | Ratio |
| (Dollars in Thousands)                           |           |       |                      |       |                          |       |
| AS OF SEPTEMBER 30, 2009:                        |           |       |                      |       |                          |       |
| Total risk-based capital to risk-weighted assets | \$ 11,303 | 16.2% | \$ 5,577             | 8.0%  | \$ 6,971                 | 10.0% |
| Tier 1 capital to risk-weighted assets           | \$ 10,762 | 15.4% | \$ 2,788             | 4.0%  | \$ 4,183                 | 6.0%  |
| Tier 1 capital to adjusted total assets          | \$ 10,762 | 10.6% | \$ 4,064             | 4.0%  | \$ 5,080                 | 5.0%  |
| AS OF SEPTEMBER 30, 2008:                        |           |       |                      |       |                          |       |
| Total risk-based capital to risk-weighted assets | \$ 12,215 | 17.5% | \$ 5,573             | 8.0%  | \$ 6,967                 | 10.0% |
| Tier 1 capital to risk-weighted assets           | \$ 11,555 | 16.6% | \$ 2,787             | 4.0%  | \$ 4,180                 | 6.0%  |
| Tier 1 capital to adjusted total assets          | \$ 11,555 | 11.8% | \$ 3,925             | 4.0%  | \$ 4,906                 | 5.0%  |

The Bank's ability to pay dividends on its common stock to the Company is restricted to maintaining adequate capital as shown in the above table.

**NOTE 10: RELATED PARTY TRANSACTIONS**

At September 30, 2009 and 2008, the Bank had loans outstanding to executive officers, directors, significant stockholders of the Company and their associates (related parties), in the amount of \$995,476 and \$1,030,798, respectively. In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features. Deposits from related parties held by the Bank at September 30, 2009 and 2008, totaled \$1,525,948 and \$1,672,055, respectively.

**NOTE 11: EMPLOYEE BENEFITS**

The Bank has a defined contribution pension plan, which covers substantially all employees. Participants can contribute up to 75% of their salary, subject to certain restrictions imposed by Internal Revenue Code, which the Bank will match 50% of the employee contribution, up to a maximum employee contribution of 6% of salary. Pension plan expense was \$36,301 and \$36,987 for the years ended September 30, 2009 and 2008, respectively.

The Company has an ESOP covering substantially all employees. The ESOP acquired 78,292 shares of Company common stock at \$10 per share with funds provided by a loan from the Company. Accordingly, \$782,920 of common stock acquired by the ESOP was shown as a reduction of stockholders' equity. As of September 30, 2009 and 2008, there remained 73,267 and 76,115 shares, respectively, of Company common stock in the ESOP after distributions to employees no longer with the Company. Shares are released to participants proportionately

**CCSB FINANCIAL CORP. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares are used to repay the loan and are treated as compensation expense. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually, at December 31, by the Board of Directors of the Company, are made to the ESOP.

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Allocated shares                       | 31,973            | 29,169            |
| Shares ratably released for allocation | 4,076             | 4,239             |
| Unallocated shares                     | <u>37,218</u>     | <u>42,707</u>     |
| Total ESOP shares                      | <u>73,267</u>     | <u>76,115</u>     |
| Fair value of unreleased shares        | <u>\$ 409,398</u> | <u>\$ 523,161</u> |

The Company has a Recognition and Retention Plan (the "RRP"), which provides for the granting of shares of common stock to eligible directors, officers and employees. The RRP was approved for 39,146 shares of common stock of the Company. A total of 351 shares were not allocated and awards totaling 580 shares were forfeited due to employees' termination of employment prior to vesting. As of September 30, 2009 and 2008, the RRP had granted 38,215 shares to existing directors, officers and employees with 931 shares available for future grants. As of September 30, 2009 and 2008, shares vested under the plan were 38,115 and 31,388, respectively. Directors, officers, and employees granted shares retain voting rights and dividends (if dividends are paid) during the vesting period. The RRP will continue in effect for 10 years unless otherwise terminated. The Company's stock price was \$15.95 on the RRP approval date. Expense recognized under the RRP totaled \$19,144 and \$114,351 for the years ended September 30, 2009 and 2008, respectively.

**NOTE 12: STOCK OPTION PLAN**

The Company has a Stock Option Plan, providing for the awards in the form of stock options, reload options, dividend equivalent rights and/or limited stock appreciation rights to officers and employees of the Company and the Bank. The Stock Option Plan authorizes the granting of options to purchase up to 97,865 shares of common stock. On January 21, 2004, the Company awarded 92,500 shares under the Stock Option Plan to directors, officers and employees. All options awarded have been fully vested. Options to purchase 4,890 shares of common stock expired in each of the fiscal years ended September 30, 2009 and 2008. Options to purchase 11,164 shares of common stock have been forfeited in previous periods due to termination of employment, expiration or were forfeited voluntarily by individuals awarded the options and who are still active in the plan. As of September 30, 2009, there were outstanding unexercised fully vested options to purchase 71,556 shares of common stock at an exercise price of \$15.95 with a weighted average remaining contractual life of 4.3 years.

**NOTE 13: LOSS PER SHARE**

For the year ended September 30, 2009, the net loss, basic and diluted, per share was \$0.04 based upon weighted-average shares outstanding of 742,904. For the year ended September 30, 2008, the net loss, basic and diluted, per share was \$0.39 based upon weighted-average shares outstanding of 763,116. Options to purchase 71,556 and 76,446 shares of common stock at \$15.95 were outstanding at September 30, 2009 and 2008, respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

**NOTE 14: DISCLOSURES ABOUT FAIR VALUE OF ASSETS**

Effective October 1, 2008, the Company adopted SFAS 157, Fair Value Measurements, which was subsequently incorporated into the FASB ASC as Topic 820. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Topic 820 has been applied prospectively as of the beginning of the year.

Topic 820 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets;
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets; and
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**Available-for-sale Securities**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Government agency securities, SBA-backed securities and mortgage-backed securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2009, there are no securities classified within Level 3.

**Mortgage Servicing Rights**

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2009:

|                            | September 30, 2009  |                               |                         |                           |
|----------------------------|---------------------|-------------------------------|-------------------------|---------------------------|
|                            | Fair Value          | Fair Value Measurements Using |                         |                           |
|                            |                     | Active Markets<br>(Level 1)   | Observable<br>(Level 2) | Unobservable<br>(Level 3) |
| U.S. Government Agencies   | \$ 4,127,849        | \$ -                          | \$ 4,127,849            | \$ -                      |
| SBA-backed securities      | \$ 33,859           |                               | \$ 33,859               |                           |
| Mortgage-backed securities | 2,240,236           | -                             | 2,240,236               | -                         |
| Equity securities          | 734,406             | 734,406                       | -                       | -                         |
| Mortgage servicing rights  | 83,963              | -                             | -                       | 83,963                    |
|                            | <u>\$ 7,220,313</u> | <u>\$ 734,406</u>             | <u>\$ 6,401,944</u>     | <u>\$ 83,963</u>          |

The reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheet using significant unobservable (Level 3) inputs can be found in Footnote 5, Loan Servicing.

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy.

**Impaired Loans**

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value.

Impaired loans are classified within Level 3 of the fair value hierarchy with a fair value of \$437,541 as of September 30, 2009.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheet at amounts other than fair value.

**Cash and Cash Equivalents and Federal Home Loan Bank Stock**

The carrying amount approximates fair value.

**Loans**

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**Deposits**

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

**Interest Payable and Advances from Borrowers for Taxes and Insurance**

The carrying amount approximates fair value.

**Federal Home Loan Bank Advances**

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

The following table presents estimated fair values of the Company's financial instruments not previously disclosed at September 30, 2009:

|   | <b>2009</b>                |                       |
|---|----------------------------|-----------------------|
|   | <b>Carrying<br/>Amount</b> | <b>Fair<br/>Value</b> |
| <b>FINANCIAL ASSETS</b>                               |                            |                       |
| Cash and cash equivalents                             | \$ 11,767,683              | \$ 11,767,683         |
| FHLB stock  | 574,200                    | 574,200               |
| Loans receivable, net of allowance<br>for loan losses | 72,612,202                 | 74,134,599            |
| Interest receivable                                   | 361,770                    | 361,770               |
| <b>FINANCIAL LIABILITIES</b>                          |                            |                       |
| Deposits  | \$ 81,356,670              | \$ 80,861,939         |
| FHLB advances   | 8,000,000                  | 8,181,288             |
| Interest payable                                      | 155                        | 155                   |
| Advances from borrowers for taxes and insurance       | 675,119                    | 675,119               |

**NOTE 15: SIGNIFICANT ESTIMATE AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk. Other significant estimates and concentrations not discussed in those footnotes include:

**Foreclosed Assets Held for Sale**

The Company had four foreclosed properties held for sale totaling \$830,029 at September 30, 2009. The carrying value reflects management's best estimate to be realized from the sale of the properties. While the estimate is based on valuations from independent appraisers, the volatility in the valuation of real estate under current economic conditions could result in an amount realized from the sale of the properties materially different from the carrying value reflected in these financial statements.

**Investments**

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheet.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**Current Economic Conditions**

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The consolidated financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses, capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity.

**NOTE 16: COMMITMENTS AND CREDIT RISK**

LETTERS OF CREDIT - In the normal course of business, the Bank issues various financial standby, performance standby and commercial letters of credit for its customers. As consideration for the letters of credit, the institution charges letter of credit fees based on the face amount of the letters and creditworthiness of the counterparties. These letters of credit are stand-alone agreements, and are unrelated to any obligation the depositor has to the Bank.

Standby letters of credit are irrevocable conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as the risk that is involved in extending loans to customers.

The Bank had total outstanding standby letters of credit amounting to \$37,715 and \$22,875 at September 30, 2009 and 2008, respectively.

LINES OF CREDIT - Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At September 30, 2009, unused lines of credit aggregated \$6,274,000, consisting of \$4,144,000 in home equity lines of credit, \$1,969,000 in commercial lines of credit and \$161,000 in other consumer lines of credit. At September 30, 2008, the Bank's unused lines of credit aggregated \$7,265,000, of which \$4,032,000 were home equity lines of credit, \$3,184,000 in commercial lines of credit and \$49,000 in other consumer lines of credit.

COMMITMENTS - Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At September 30, 2009 and 2008, the Bank had outstanding commitments to originate loans aggregating approximately \$574,000 and \$2,327,000, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to \$423,000 and at floating rates amounted to \$151,000 at September 30, 2009. All loan commitments at September 30, 2008, were at floating market rates. In addition, at September 30, 2009, loans in process totaled \$827,000, including \$291,000 with fixed interest rates between 4.75% and 6.25% and \$536,000 with adjustable rates. At September 30, 2008, loans in process totaled \$1.6 million including \$851,000 with fixed rates between 5.75% and 7.75% and \$783,000 with adjustable rates.

Mortgage loans in the process of origination represent amounts that the Bank plans to fund within a normal period of 60 to 90 days, which includes loans intended for sale to investors in the secondary market. The Bank had no mortgage loans in the process of origination or held for sale at either September 30, 2009 or 2008.

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

**NOTE 17: CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)**

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

CONDENSED BALANCE SHEETS  
September 30, 2009 and 2008

|  | <b>2009</b>          | <b>2008</b>          |
|--|----------------------|----------------------|
| <b>ASSETS:</b>   |                      |                      |
| Noninterest-bearing deposit in subsidiary bank   | \$ 119,680           | \$ 70,333            |
| Interest-bearing deposits in banks, including subsidiary bank  | 1,263                | 1,255                |
| Total cash and cash equivalents  | 120,943              | 71,588               |
| Loan participations with subsidiary bank, net of allowance for<br>loan losses of \$1,000 at September 30, 2008 | -                    | 166,965              |
| ESOP loan receivable   | 469,752              | 521,947              |
| Investment in subsidiary bank  | 10,778,829           | 11,475,610           |
| Other real estate owned  | 830,029              | -                    |
| Other assets   | 68,366               | 18,156               |
| <b>TOTAL ASSETS</b>  | <b>\$ 12,267,919</b> | <b>\$ 12,254,266</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>   |                      |                      |
| Total liabilities  | \$ 43,812            | \$ 14,262            |
| Stockholders' equity   | 12,224,107           | 12,240,004           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 12,267,919</b> | <b>\$ 12,254,266</b> |

CONDENSED STATEMENTS OF OPERATIONS  
Years Ended September 30, 2009 and 2008

|   | <b>2009</b>        | <b>2008</b>         |
|---|--------------------|---------------------|
| Interest income   | \$ 38,085          | \$ 58,455           |
| Provision for loan losses                                   | 1,000              | 14,000              |
| Noninterest expense   | (236,915)          | (228,967)           |
| Credit for income taxes                                     | 49,458             | 39,128              |
| Net loss before share in undistributed income               | (148,372)          | (117,384)           |
| (loss) of the subsidiary bank                               | (148,372)          | (117,384)           |
| Share of undistributed income (loss) of the subsidiary bank | 118,327            | (178,562)           |
| Net loss  | <b>\$ (30,045)</b> | <b>\$ (295,946)</b> |

CCSB FINANCIAL CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009 and 2008

CONDENSED STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2009 and 2008

|   | <u>2009</u>              | <u>2008</u>             |
|---|--------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                 |                          |                         |
| Net loss  | \$ (30,045)              | \$ (295,946)            |
| Items not requiring (providing) cash:                       |                          |                         |
| Share of undistributed (income) loss of the subsidiary bank | (118,327)                | 178,562                 |
| Provision for loan losses                                   | (1,000)                  | (14,000)                |
| Other   | (26,711)                 | (7,170)                 |
| Net cash used in operating activities                       | <u>(176,083)</u>         | <u>(138,554)</u>        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>                 |                          |                         |
| Net change in loans   | 170,243                  | 662,511                 |
| Net additions to other real estate owned                    | 3,000                    | -                       |
| Principal collected on ESOP loan                            | 52,195                   | 52,194                  |
| Net cash provided by investing activities                   | <u>225,438</u>           | <u>714,705</u>          |
| <b>CASH FLOW FROM FINANCING ACTIVITY:</b>                   |                          |                         |
| Dividends paid on common stock of the subsidiary bank       | -                        | 60,000                  |
| Acquisition of treasury stock                               | -                        | (713,853)               |
| Net cash used in financing activity                         | <u>-</u>                 | <u>(653,853)</u>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>49,355</b>            | <b>(77,702)</b>         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>         | <b>71,588</b>            | <b>149,290</b>          |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>               | <b><u>\$ 120,943</u></b> | <b><u>\$ 71,588</u></b> |
| Non-cash dividend from subsidiary bank                      | \$ 833,029               | \$ -                    |



# CCSB

**Financial Corp.**



---

**1178 West Kansas Street  
Liberty, MO 64068  
(816) 781-4500**

**134 North Water Street  
Liberty, MO 64068  
(816) 415-4500**

**303 South Jefferson Street  
Kearney, MO 64060  
(816) 628-4500**

**1101 South 169 Highway  
Smithville, MO 64089  
(816) 532-4500**

**8140 North Brighton Avenue  
Kansas City, MO 64119  
(816) 468-4400**

[www.claycountysavings.com](http://www.claycountysavings.com)

---

