

CCSB

FINANCIAL CORP.

FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2011

1178 West Kansas Street
Liberty, Missouri 64068

(816) 781-4500

CCSB FINANCIAL CORP. CONSOLIDATED BALANCE SHEETS

December 31, 2011 and September 30, 2011

	December 31 2011 (Unaudited)	September 30, 2011
ASSETS:		
Cash and due from banks	\$ 5,540,787	\$ 4,290,585
Interest-bearing deposits in banks	869,703	4,525,363
Total cash and cash equivalents	6,410,490	8,815,948
Interest-bearing time deposits	2,213,042	2,208,678
Available-for-sale securities	3,901,478	2,516,059
Federal Home Loan Bank stock	333,000	333,000
Loans, net of allowance for loan losses of \$910,482 and \$1,000,000 at December 31, 2011, and September 30, 2011, respectively	73,102,832	72,864,145
Mortgage loans held for sale	-	296,500
Other real estate owned and repossessed assets	2,307,936	1,597,384
Premises and equipment, net	4,972,640	5,173,272
Accrued interest receivable	293,158	279,042
Bank-owned life insurance - cash surrender value	3,362,814	3,331,852
Deferred tax asset (net)	487,840	484,336
Other assets	551,342	594,530
TOTAL ASSETS	\$ 97,936,572	\$ 98,494,746
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Deposits:		
Demand	\$ 6,943,137	\$ 6,603,510
Savings, NOW and money market	39,476,945	38,684,071
Time deposits	36,437,998	37,530,620
Total deposits	82,858,080	82,818,201
Federal Home Loan Bank advances	3,750,000	3,750,000
Advances from borrowers for taxes and insurance	115,519	824,212
Interest payable and other liabilities	452,388	439,287
TOTAL LIABILITIES	87,175,987	87,831,700
<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	9,356,765	9,336,189
Treasury stock, at cost, of 198,347 shares at December 31, 2011, and September 30, 2011.	(2,914,922)	(2,914,922)
Unearned ESOP shares	(253,222)	(268,777)
Retained earnings - substantially restricted	4,538,573	4,470,364
Accumulated other comprehensive loss	23,604	30,405
TOTAL STOCKHOLDERS' EQUITY	10,760,585	10,663,046
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 97,936,572	\$ 98,494,746

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended December 31, 2011 and 2010 (Unaudited)

	Three Months Ended December 31,	
	2011	2010
INTEREST AND DIVIDEND INCOME:		
Loans	\$ 928,348	\$ 938,108
Investment and mortgage-backed securities	17,817	20,541
Federal Home Loan Bank stock	2,170	4,629
Other interest-earning assets	8,985	6,704
TOTAL INTEREST AND DIVIDEND INCOME	957,320	969,982
INTEREST EXPENSE:		
Deposits	193,540	224,021
Borrowings	11,398	31,182
TOTAL INTEREST EXPENSE	204,938	255,203
NET INTEREST INCOME	752,382	714,779
Provision for loan losses	(30,000)	(90,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	722,382	624,779
NONINTEREST INCOME:		
Charges and other fees on loans	22,028	35,946
Amortization of mortgage servicing rights	(12,032)	(17,989)
Charges and other fees on deposit accounts	94,992	79,360
Increase in cash surrender value of bank-owned life insurance	30,962	31,719
Net gain on the sale of loans	35,556	42,553
Net gain on disposition of other real estate owned and repossessed assets	-	995
Net gain on disposition of other fixed assets	118,037	-
Other	4,526	4,998
TOTAL NONINTEREST INCOME	294,069	177,582
NONINTEREST EXPENSE:		
Compensation and benefits	524,351	536,162
Occupancy and equipment	129,013	130,890
Data processing	80,269	63,397
Federal Deposit Insurance Corporation insurance premium	20,690	29,701
Audit, legal and other professional services	59,127	34,789
Advertising & marketing	5,708	30,663
Correspondent banking service charges	2,732	2,360
Net gain on disposition of other real estate owned and repossessed assets	1,188	-
Net loss on operations of other real estate owned	16,686	20,051
Other	108,478	93,837
TOTAL NONINTEREST EXPENSE	948,242	941,850
NET INCOME (LOSS) BEFORE INCOME TAXES	68,209	(139,489)
CREDIT FOR INCOME TAXES	-	(42,571)
NET INCOME (LOSS)	\$ 68,209	\$ (96,918)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.09	\$ (0.13)

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

For the Three Months Ended December 31, 2011 and 2010 (Unaudited)

	Three Months Ended December 31	
	<u>2011</u>	<u>2010</u>
Net income (loss)	\$ 68,209	\$ (96,918)
Other comprehensive income (loss):		
Unrealized loss on securities available for sale, net	(6,801)	(16,249)
Comprehensive income (loss)	<u>\$ 61,408</u>	<u>\$ (113,167)</u>

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended December 31, 2011 and 2010 (Unaudited)

	Three Months Ended December 31,	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 68,209	\$ (96,918)
Items not requiring (providing) cash:		
Depreciation and amortization	59,500	63,020
Provision for loan losses	30,000	90,000
Amortization of premiums and discounts on securities	762	263
Amortization of mortgage-servicing rights	12,032	17,989
Compensation related to ESOP	36,131	18,136
Deferred income taxes	-	(42,571)
Deferred loan fees, net	(7,784)	(8,084)
Originations of mortgage loans held for sale	(1,702,250)	(2,056,150)
Proceeds from the sale of mortgage loans	2,034,306	2,098,703
Net gain on sale of loans	(35,556)	(42,553)
Net gain (loss) on sale of other real estate owned	1,188	(1,024)
Changes in:		
Accrued interest receivable	(14,116)	38,895
Cash surrender value of bank-owned life insurance	(30,962)	(31,719)
Other assets	(18,844)	(70,107)
Interest payable and other liabilities	13,101	(403,167)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	445,717	(425,287)
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in loans	(1,044,767)	(1,333,793)
Repayment of principal on mortgage-backed securities	52,909	64,204
Proceeds from call of available-for-sale securities	1,000,000	1,000,000
Purchases of available-for-sale securities	(2,400,000)	(2,000,000)
Principal collections on available-for-sale securities	605	596
Reinvestment of interest on interest-bearing time deposits	(4,364)	-
Redemption of FHLB stock, net	-	22,300
Proceeds from sale of other real estate owned	67,676	-
Sales (purchases) of premises and equipment	145,580	(4,227)
NET CASH USED IN INVESTING ACTIVITIES	(2,182,361)	(2,250,920)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net change in deposits	39,879	(319,665)
Repayments of Federal Home Loan Bank fixed-maturity advances	-	(500,000)
Net decrease in advances from borrowers for taxes and insurance	(708,693)	(516,002)
NET CASH USED IN FINANCING ACTIVITIES	(668,814)	(1,335,667)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,405,458)	(4,011,874)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,815,948	15,442,880
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,410,490	\$ 11,431,006

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Basis of Presentation

The accompanying consolidated financial statements include the accounts of CCSB Financial Corp. (Company) and its wholly owned subsidiary, Clay County Savings Bank (Bank). All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying unaudited interim consolidated financial statements have been prepared by management and have not been reviewed or audited by the Company's independent accountants. While management has intended to prepare the financial statements in accordance with generally accepted accounting principles, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The consolidated balance sheet of the Company, as of September 30, 2011, has been derived from the audited consolidated balance sheet for the Company as of that date. Operating results for the three-month period ended December 31, 2011, are not necessarily indicative of the results that may be expected for the entire fiscal year. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2011, contained in the Company's Annual Report.

Note 2 – 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.

Securities are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For available-for-sale securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Note 3 – 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 unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discounted at the time the loan is 90 days past due unless the credit is well-secured and in collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal and interest is considered doubtful.

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

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method.

Note 4 – Allowance for Loan Losses

The allowance for loan losses (ALLL) 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 ALLL is evaluated on a regular basis by management. The analysis is based on the federal regulatory interagency guidelines on ALLL issued in December 2009. The ALLL is to cover estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. The analysis is based on historical losses as well as qualitative factors such as economic conditions, trends, and concentrations. The recent downturn in the economy and decline in real estate values in general resulted in the qualitative factors being given substantially more weight than in prior fiscal years in assessing the future probability of collection of loans. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance also consists of allocated components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, a specific valuation allowance is established when collection in full is not probable and the level of impairment can be measured. As of December 31, 2011, pursuant to federal regulatory guidance, the subsidiary bank charged-off the amount established in specific valuation allowances and the fiscal year 2011 consolidated financial statements were adjusted to reflect the change.

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 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.

Loan 5 – Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary.

Note 6 – Earnings Per Share

Basic and diluted earnings (loss) per share are based upon the weighted-average shares outstanding. The options to purchase shares are not included in the computation of diluted earnings per share, since the exercise price was greater than the average market price of the common stock in each reporting period. ESOP shares that have been committed to be released are considered outstanding. Following is a summary of basic and diluted earnings per common share for the three months ended December 31, 2011:

	Three Months Ended	
	December 31,	
	2011	2010
Net income (loss)	<u>\$ 68,209</u>	<u>\$ (96,918)</u>
Weighted-average shares - Basic EPS	753,425	751,588
Stock options - treasury stock method	-	-
Weighted-average shares - Diluted EPS	<u>753,425</u>	<u>751,588</u>
Basic and diluted income (loss) per common share	<u>\$ 0.09</u>	<u>\$ (0.13)</u>