Clay County
Savings Bank

Community Bank, Community Proud Since 1922

CCSB

Financial Corp

2016 ANNUAL REPORT

Dear Stockholder:

Last year marked the first full year as a "bank" for our subsidiary, Clay County Savings Bank, and the benefits of being a state-chartered bank were immediately felt. The calendar year began with the Kansas City Business Journal[(1)] naming the subsidiary bank the third strongest small bank in the Kansas City metro area. Earnings continued to trend favorably; solid growth was achieved; asset quality improved, and shareholder value increased. Among the highlights:

- Net Income improved 155.6%, from $61,479, or $0.08 per share, for the fiscal year ended September 30, 2015, to $157,154, or $0.20 per share, for the fiscal year ended September 30, 2016. It was our fourth consecutive year of profitability. Core earnings improved $173,479. The subsidiary bank realized net income of $247,646 for 2016.
- Total assets increased $4.9 million, or 5.6%, to $93.6 million at September 30, 2016, from $88.7 million at September 30, 2015. More significantly, net loans receivable increased 10.7% from 2015 to 2016, while achieving greater diversification.
- The Company ended the year with no other real estate owned. The Company had only one loan over 30 days past due[(2)] at September 30, 2016.
- The Company paid its first dividend, $0.05 per share, to shareholders in March 2016.
- Tangible book value[(3)] per share increased $0.23, from $13.49 per share at September 30, 2015, to $13.72 per share at September 30, 2016, due to earnings and the repurchase of common stock.

The increase in core earnings and net income is attributed to an improved net interest margin resulting from the growth in loans and changes in the loan and deposit mix. The subsidiary bank has become less reliant on loans secured by owner-occupied single-family real estate as it has been transitioning from a traditional savings association. Demand deposits and interest-bearing checking accounts comprise 35.9% of total deposits at September 30, 2016, compared to 33.5% at September 30, 2015, and 27.6% at September 30, 2014.

We plan to build upon the progress we made this past year. We will continue to focus our efforts on improving shareholder value. Ultimately this has to be accomplished through improved earnings, which makes retaining capital a necessity in order to achieve growth. The Board of Directors currently expects that the Company may be in a position to pay dividends more regularly in the coming years, and it may periodically repurchase stock. Such decisions, however, will be subject to the discretion of the Board of Directors, after taking into consideration the nature and levels of the Company's earnings, capital and other relevant factors.

Community banking has its challenges; however, at this time our Board of Directors believes that remaining independent is in the best interests of the Company and its shareholders. While we are publicly traded, investors should be aware that the common stock of the Company is not listed on any national stock exchange. The common stock is not widely held and there is a substantial employee ownership. As a result, the common stock is infrequently traded and, accordingly, the most recent public trading price may not be reflective of the fair value of the stock.

On behalf of the Board of Directors, we appreciate your continued support.

President &
Chief Executive Officer

(1) Based on 2015 calendar year end data for problem loans and capital. Article appeared in Kansas City Business Journal on March 23, 2016.
(2) The Company had one single-family real estate loan for $69,394 past due 59 days at September 30, 2016. It also had one nonresidential loan on nonaccrual with a net book value of $501,124, but it was performing under agreed upon terms.
(3) Total stockholders' equity less accumulated other comprehensive income (loss).

Loans

"We have transformed our lending, but we have not forgotten our roots."

Kathy Varnon,
Senior Vice President
Lending

The transition to a commercial bank began several years ago. Founded in 1922, the Bank operated as a traditional savings and loan for 75 years, funding primarily single-family real estate loans with fixed-maturity deposits. A strategy to convert operations from a traditional thrift to a full-service financial institution ultimately led to a conversion to a stock savings bank in 2003 and to a commercial bank in 2015. With the expanded commercial loan authority, and no longer being subject to the qualified thrift lender test, the Bank has increased the amount of loans secured by nonowner-occupied-single-family, multi-family and nonresidential real estate, particularly in the last couple of years (See chart below, Loan Mix).

In fiscal year 2016, the Bank originated $31.7 million in loans, a 42% increase over the preceding fiscal year. Approximately two thirds of loans originated in fiscal year 2016 were loans secured by nonowner-occupied-single-family, multi-family and nonresidential real estate. In addition, with an improved real estate market, the Bank also increased the amount of loans for the construction of single-family real estate. Nevertheless, loans secured by owner-occupied, single-family dwellings remain the largest concentration. The Bank plans to remain active in home loan financing; however, growth will likely occur in other lending areas as the historically low interest rate environment has resulted in most owner-occupied, single-family loan activity being fixed-rate loans, which the Bank typically sells in the secondary market. The Bank maintains servicing of loans sold in the secondary market; as a result, such activity also provides a source of noninterest income.

LOAN MIX

Type	9/30/2014 Amount	9/30/2014 % of Total	9/30/2015 Amount	9/30/2015 % of Total	9/30/2016 Amount	9/30/2016 % of Total
Single-family (owner-occupied)	$ 25,542,274	40.0%	$ 25,611,660	40.6%	$ 23,466,385	32.5%
Single-family, 1-4 units (nonowner-occupied)	8,385,146	13.1%	9,028,030	14.3%	9,859,999	13.6%
Multi-family, 5 or more units	5,778,243	9.0%	5,090,661	8.1%	6,240,230	8.6%
Construction & land	3,128,058	4.9%	3,767,801	6.0%	7,272,584	10.1%
Commercial real estate	13,470,343	21.1%	14,658,866	23.2%	20,816,655	28.8%
Commercial non-real estate	2,504,372	3.9%	1,991,008	3.2%	2,383,139	3.3%
Consumer, home equity	437,214	0.7%	253,839	0.4%	158,799	0.2%
Consumer, other	4,534,388	7.1%	2,574,073	4.1%	1,994,559	2.8%
Consumer, loans secured by deposits	116,069	0.2%	93,577	0.1%	68,706	0.1%
Total	$ 63,896,107	100.0%	$ 63,069,515	100.0%	$ 72,261,056	100.0%
Loan (Reduction) Growth				-1.3%		14.6%

Deposits

"We pride ourselves on customer service,
but it is also about building relationships."
Deb Jones,
Executive Vice President

As a community bank, customer service is extremely important in distinguishing ourselves from the larger banks. We have customers whose families have banked with Clay County Savings Bank for many years, from great-grandparents to great-grandchildren.

Clay County Savings Bank offers a wide range of deposit products and services for personal and business needs so our customers need only one place to bank. The Bank provides real time processing, with no afternoon cutoffs. Personal checking options range from totally free checking accounts (Premier Checking) to interest-bearing checking accounts (Premier Plus). Our business checking accounts are designed for small businesses. We have specialized checking and savings accounts for the young (Premier Student Checking and Kids Adventure Club Savings Account) and accounts designed specifically for seniors (Premier 55 Checking). Our Premier Rewards Checking account provides cross-promotional opportunities for our business customers. We are one of the few banks in the area offering Health Savings Accounts. We also offer traditional savings accounts, money market accounts, certificates of deposit, and ROTH and traditional individual retirement accounts (IRAs).

Due to the continuance of historically low interest rates, the cost of funds has continued to decline; however, the lower cost of funds can also be attributed to a change in deposit mix. As we have transitioned to a bank, transactional checking and savings accounts have become an increasingly higher percentage of funding sources: 48.4% of deposits and 45.7% of total funding sources at September 30, 2016, compared to 44.3% of deposits and 42.9% of funding sources at September 30, 2015, and 37.7% of deposits and 36.5% of funding sources at September 30, 2014.

DEPOSIT MIX

	9/30/2014		9/30/2015		9/30/2016	
Type	Amount	% of Total	Amount	% of Total	Amount	% of Total
Demand	$ 7,817,381	10.7%	$ 9,945,355	13.4%	$ 9,924,999	12.9%
NOW/Interest-bearing checking	12,341,699	16.9%	14,893,122	20.1%	17,707,284	23.0%
Savings	7,030,047	9.6%	7,676,554	10.3%	9,227,605	12.0%
Health savings accounts	305,489	0.4%	347,199	0.5%	370,456	0.5%
Money market	21,637,758	29.7%	20,744,930	28.0%	21,700,979	28.2%
Time deposits	23,779,529	32.6%	20,582,454	27.7%	17,995,941	23.4%
Total	$ 72,911,903	100.0%	$ 74,189,614	100.0%	$ 76,927,264	100.0%
Deposit Growth				1.8%		3.7%

Community

"Community Bank, Community Proud since 1922" is not just a slogan.

Clay County Savings Bank is proud of its support of the communities it serves and its partnerships with local nonprofit associations. The Bank's success is driven by the relationships built with families, businesses and organizations that make northland Kansas City a great place to live, work and play.

This past year, the Bank's Employee Committee organized a food drive for a local food pantry, collected school supplies for area school districts and held a toy drive for children at a nearby children's hospital. Voluntary employee "paid dress-down" days have raised money to fund local programs for disadvantaged kids and families in need. Bank employees continue to be involved, and have served in leadership roles, for local service organizations such as Rotary, Sertoma, Kiwanis and Soroptimist. The Bank is also a proud member of regional area chambers of commerce and various business organizations.

The Bank received recognition from the American Bankers Association for its promotion of financial education for kindergarten students through senior adults. This included the Bank opening its doors for a field trip for 90 third grade students. In April, utilizing a pre-designed curriculum from the Federal Reserve Bank, Bank employees participated in a "Teach Children to Save Day" event at a local elementary school. At the high school level, the Bank spearheaded a Reality U$ (a financial literacy) simulation for students, with a total of over 1,400 students participating. In June, Assistant Vice Presidents Jackie Murtha and Bill Grotts presented a session on "Senior Scams", a financial fraud prevention program to a group of senior adults.

SYMBOL (OTC Pink Sheets)

CCFC

DIRECTORS

John R. Davis, Chairman
Mario Usera
Larry L. Blosser
Debra S. Coltman
Robert F. Durden
George A. McKinley
Keith A. Oberkrom

CORPORATE OFFICERS

Mario Usera
President & Chief Executive Officer
Deborah A. Jones
Executive Vice President & Corporate Secretary
Mary D. Gray
Senior Vice President & Treasurer
Kathryn E. Varnon
Senior Vice President

SHAREHOLDER & CONTACT INFORMATION

The annual meeting of stockholders will be held on January 26, 2017, at 10 a.m., at the executive offices of CCSB Financial Corp. and Clay County Savings Bank
1178 West Kansas Street
Liberty, Missouri

BKD LLP
CPAs & Advisors

One Metropolitan Square // 211 N. Broadway, Suite 600 // St. Louis, MO 63102-2733
314.231.5544 // fax 314.231.9731 // bkd.com

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of CCSB Financial Corp. (the "Company") and its subsidiary, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCSB Financial Corp. and its subsidiary as of September 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The 2016 Annual Report Information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

St. Louis, Missouri
December 8, 2016

CCSB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
September 30, 2016 and 2015

	2016	2015
ASSETS:		
Cash and due from banks	$ 5,053,899	$ 4,684,030
Interest-bearing deposits in banks	6,067,576	5,903,942
Total cash and cash equivalents	11,121,475	10,587,972
Interest-bearing time deposits	2,941,915	1,479,823
Available-for-sale securities	3,760,012	7,251,547
Federal Home Loan Bank stock	290,700	204,400
Loans, net of allowance for loan losses of $1,505,466 and $1,494,932 at September 30, 2016 and 2015, respectively	66,490,354	60,066,389
Loans held for sale	65,000	-
Other real estate owned and other repossessed assets	-	60,000
Premises and equipment, net	4,147,102	4,259,888
Accrued interest receivable	204,794	204,260
Bank-owned life insurance - cash surrender value	3,863,080	3,768,103
Deferred tax asset (net)	483,895	481,194
Other assets	247,572	303,580
TOTAL ASSETS	$ 93,615,899	$ 88,667,156
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Deposits		
Demand	$ 9,924,999	$ 9,945,355
Savings, NOW and money market	49,006,324	43,661,805
Time deposits	17,995,941	20,582,454
Total deposits	76,927,264	74,189,614
Federal Home Loan Bank advances	4,500,000	2,500,000
Other borrowings	223,000	-
Advances from borrowers for taxes and insurance	1,044,113	946,914
Interest payable and other liabilities	397,866	465,288
TOTAL LIABILITIES	83,092,243	78,101,816
Commitments and contingencies	-	-
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	9,384,178	9,378,734
Treasury stock, at cost, 214,021 and 198,347 shares at September 30, 2016 and 2015, respectively	(3,088,397)	(2,914,922)
Unearned ESOP shares	(10,739)	(24,191)
Retained earnings - substantially restricted	4,197,565	4,079,426
Accumulated other comprehensive income	31,262	36,506
TOTAL STOCKHOLDERS' EQUITY	10,523,656	10,565,340
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 93,615,899	$ 88,667,156

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended September 30, 2016 and 2015

	2016	2015
INTEREST AND DIVIDEND INCOME:		
Loans	$ 2,946,648	$ 2,847,981
Investment and mortgage-backed securities	74,553	110,844
Federal Home Loan Bank stock	7,621	4,036
Other interest-earning assets	69,514	39,533
TOTAL INTEREST AND DIVIDEND INCOME	3,098,336	3,002,394
INTEREST EXPENSE:		
Deposits	191,960	248,889
Borrowings	71,211	34,269
TOTAL INTEREST EXPENSE	263,171	283,158
NET INTEREST INCOME	2,835,165	2,719,236
Provision for loan losses	-	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,835,165	2,719,236
NONINTEREST INCOME:		
Charges and other fees on loans	79,089	92,709
Charges and other fees on deposit accounts	306,917	311,517
Amortization of mortgage-servicing rights	(19,965)	(31,476)
Net gain on sale of loans	71,237	37,622
Gains on sale of securities available-for-sale	11,010	143,284
Net gain on disposition of other real estate owned and repossessed assets	59,168	4,698
Increase in cash surrender value of bank-owned life insurance	94,977	98,689
Other	17,441	19,260
TOTAL NONINTEREST INCOME	619,874	676,303
NONINTEREST EXPENSE:		
Compensation and benefits	2,048,246	2,002,810
Occupancy and equipment	402,542	433,184
Data processing	303,538	300,904
Federal Deposit Insurance Corporation insurance premium	53,455	68,418
Audit, legal and other professional services	97,930	112,551
Advertising & marketing	35,719	36,160
Correspondent banking service charges	2,987	6,535
Expenses related to other real estate owned	2,958	23,526
Other	350,510	349,972
TOTAL NONINTEREST EXPENSE	3,297,885	3,334,060
NET INCOME BEFORE INCOME TAXES	157,154	61,479
PROVISION FOR INCOME TAXES	-	-
NET INCOME	$ 157,154	$ 61,479
BASIC AND DILUTED NET INCOME PER SHARE	$ 0.20	$ 0.08

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended September 30, 2016 and 2015

	2016	2015
Net income	$ 157,154	$ 61,479
Other comprehensive income (loss):		
Unrealized appreciation on available-for-sale securities, net of taxes of $1,445 and $68,719, for 2016 and 2015, respectively	2,803	133,397
Less: reclassification adjustment for realized gains included in net income, net of taxes of $2,963 and $48,717, for 2016 and 2015, respectively	8,047	94,567
	(5,244)	38,830
Comprehensive income	$ 151,910	$ 100,309

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended September 30, 2016 and 2015

	Common Stock	Additional Paid-In Capital	Treasury Stock	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total Stockholders' Equity
Balance at September 30, 2014	$ 9,787	$ 9,381,519	$ (2,914,922)	$ (78,453)	$ 4,017,947	$ (2,324)	$ 10,413,554
Net income	-	-	-	-	61,479	-	61,479
Other comprehensive income	-	-	-	-		38,830	38,830
Expiration of Stock Options	-	(13,174)	-	-	-	-	(13,174)
ESOP share transactions	-	(1,378)	-	496	-	-	(882)
Amortization of ESOP	-	11,767	-	53,766	-	-	65,533
Balance at September 30, 2015	9,787	9,378,734	(2,914,922)	(24,191)	4,079,426	36,506	10,565,340
Net income	-	-	-	-	157,154	-	157,154
Other comprehensive loss	-	-	-	-	-	(5,244)	(5,244)
Dividends, $0.05 per share					(39,015)		(39,015)
Purchase (Net) of Treasury Stock (15,674 shares)	-	-	(173,475)	-	-	-	(173,475)
ESOP share transactions	-	-	-	(28,638)	-	-	(28,638)
Amortization of ESOP	-	5,444	-	42,090	-	-	47,534
Balance at September 30, 2016	$ 9,787	$ 9,384,178	$ (3,088,397)	$ (10,739)	$ 4,197,565	$ 31,262	$ 10,523,656

See accompanying notes to consolidated financial statements.

CCSB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2016 and 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 157,154	$ 61,479
Items not requiring (providing) cash:		
Depreciation	166,512	169,042
Amortization of premiums and discounts on securities	(635)	(1,710)
Amortization of mortgage-servicing rights	19,965	31,476
Compensation related to incentive plans	-	(13,174)
Compensation related to ESOP	47,534	65,533
Deferred loans fees, net	(21,939)	(5,031)
Cash surrender value of bank-owned life insurance	(94,977)	(98,689)
Originations of mortgage loans held for sale	(3,237,325)	(1,443,010)
Proceeds from the sale of mortgage loans	3,243,562	1,480,632
Net realized gains on loans sold	(71,237)	(37,622)
Net realized gains on the sale of other securities	(11,010)	(143,284)
Net realized gain on the sale of other real estate owned and repossessed assets	(59,168)	(4,698)
Changes in:		
Accrued interest receivable	(534)	17,152
Other assets	36,043	(48,753)
Interest payable and other liabilities	(67,422)	(13,378)
NET CASH PROVIDED BY OPERATING ACTIVITIES	106,523	15,965
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(500,000)	(3,742,803)
Repayment of principal on and proceeds from sales, maturity or call of available-for-sale securities	3,995,235	3,884,404
Investment of interest-bearing time deposits	(1,960,000)	(490,000)
Reinvestment of interest on interest-bearing time deposits	(3,072)	(2,278)
Proceeds from maturity of interest-bearing time deposits	500,980	245,000
Purchase (Redemption) of FHLB stock	(86,300)	3,900
Net change in loans	(6,402,026)	2,231,108
Net proceeds from sale of other real estate owned and repossessed assets	119,168	83,020
Net purchase of premises and equipment	(53,726)	(63,974)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(4,389,741)	2,148,377
CASH FROM FINANCING ACTIVITIES:		
Net change in deposits	2,737,650	1,300,695
Proceeds from Federal Home Loan Bank fixed-maturity advances	3,000,000	-
Repayments of Federal Home Loan Bank fixed-maturity advances	(1,000,000)	-
Net proceeds from other borrowings	223,000	-
Acquisition of ESOP shares	(28,638)	(882)
Acquisition of Treasury Stock	(173,475)	-
Net change in advances from borrowers for taxes and insurance	97,199	114,292
Cash dividends	(39,015)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,816,721	1,414,105
NET INCREASE IN CASH AND CASH EQUIVALENTS	533,503	3,578,447
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,587,972	7,009,525
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,121,475	$ 10,587,972

Supplemental cash flow information:		
Interest paid	**$ 263,150**	**$ 283,170**
Sale and financing of other real estate owned and other repossessed assets	**$ -**	**$ 702,000**
Real estate and other repossessed assets acquired in settlement of loans	**$ -**	**$ 139,792**

See accompanying notes to consolidated financial statements.

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, valuation of deferred tax assets, and fair value of financial instruments.

CASH EQUIVALENTS

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2016 and 2015, cash equivalents consisted of cash and accounts, noninterest-bearing and interest-bearing, with banks including the Federal Home Loan Bank and the Federal Reserve.

At September 30, 2016, the Company's cash accounts exceeded federally insured limits by approximately $9,427,000.

INTEREST-BEARING TIME DEPOSITS

Interest-bearing time deposits range in maturity from within one year to four years and are carried at cost, which approximates fair value.

SECURITIES

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, net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the 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. 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. There was no other than temporary impairment recognized for the fiscal years 2016 and 2015.

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.

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 and is based upon management's periodic review of the collectability 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. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company 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 commercial and construction 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.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

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.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Building and improvements	30-40 Years
Furniture, fixtures and equipment (non-computer related)	3-10 Years
Computer related equipment and software	2-5 Years

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, carried at cost and evaluated for impairment.

OTHER REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS

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 periodically performed by management and the assets are carried at 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 assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Bank are initially measured at fair value at the date of transfer. The Bank subsequently measures each class of servicing asset using either the fair value or the amortization method. Amortized mortgage servicing rights include commercial mortgage servicing rights. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. There was no impairment, and resulting valuation allowances, in the years ended September 30, 2016 and 2015. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized. Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

INCENTIVE PLANS

In accordance with ASC 718, 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 Accounting Standards Codification 718-40. 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

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

TRANSFERS OF FINANCIAL ASSETS

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy of other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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.

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. With a few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013.

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.

EARNINGS PER SHARE

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Treasury stock shares are not deemed outstanding for earnings per share calculations.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation on available-for-sale securities.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on net income.

NOTE 2: SECURITIES

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of available-for-sale securities are as follows:

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Government - sponsored enterprises (GSEs)	$ 3,700,742	$ 48,668	$ (1,255)	$ 3,748,155
SBA-backed securities	11,903	-	(46)	11,857
	$ 3,712,645	$ 48,668	$ (1,301)	$ 3,760,012

	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Government - sponsored enterprises (GSEs)	$ 7,182,650	$ 58,220	$ (2,811)	$ 7,238,059
SBA-backed securities	13,585	-	(97)	13,488
	$ 7,196,235	$ 58,220	$ (2,908)	$ 7,251,547

The amortized cost and fair value of available-for-sale securities at September 30, 2016, 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.

	2016	
	Amortized Cost	Fair Value
U.S. Government - sponsored enterprises (GSEs)		
One to five years	$ 3,012,408	$ 3,044,126
Over five years	688,334	704,029
SBA-backed securities	11,903	11,857
	$ 3,712,645	$ 3,760,012

There were no securities pledged as collateral as of September 30, 2016 and 2015. Gross gains of $11,010 and $143,284 on the sale of available-for-sale securities were realized in 2016 and 2015, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. The total fair value of these investments at September 30, 2016, was $510,602, which is 13.6% of the Company's available-for-sale investment portfolio compared to $1,787,104, at September 30, 2015, which was approximately 24.6% of the Company's available-for-sale investment portfolio. This is primarily the result of an increase 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.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of:

	September 30, 2016					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government - sponsored enterprises (GSEs)	$ 498,745	$ (1,255)	$ -	$ -	$ 498,745	$ (1,255)
SBA-backed securities	-	-	11,857	(46)	11,857	(46)
Total temporarily-impaired securities	$ 498,745	$ (1,255)	$ 11,857	$ (46)	$ 510,602	$ (1,301)

	September 30, 2015					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government - sponsored enterprises (GSEs)	$ 1,001,545	$ (920)	$ 772,071	$ (1,891)	$ 1,773,616	$ (2,811)
SBA-backed securities	-	-	13,488	(97)	13,488	(97)
Total temporarily-impaired securities	$ 1,001,545	$ (920)	$ 785,559	$ (1,988)	$ 1,787,104	$ (2,908)

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Categories of loans at September 30 include:

	2016	2015
Real estate loans:		
Single-family, 1-4 units	$ 33,326,384	$ 34,639,690
Multi-family, 5 or more units	6,240,230	5,090,661
Construction, land & land development	7,272,584	3,767,801
Commercial	20,816,655	14,658,866
Consumer loans	2,541,938	2,244,847
Commercial non-real estate loans	1,994,559	2,574,073
Loans secured by deposits	68,706	93,577
	72,261,056	63,069,515
Allowance for losses	(1,505,466)	(1,494,932)
Loans in process	(4,222,508)	(1,443,526)
Deferred loan fees, net	(42,728)	(64,668)
	$ 66,490,354	$ 60,066,389

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of September 30, 2016 and 2015:

	2016										
	Single-family, 1-4 units					Consumer loans					
	Owner-Occupied	Nonowner-Occupied	Multi-family, 5 or more units	Construction, land & land development	Commercial real estate	Home equity	Other consumer	Commercial non-real estate	Loans secured by deposits	Unallocated	Total Loans
Allowance for loan losses:											
Balance, beginning of year	$ 76,648	$ 194,467	$ 286,840	$ 41,239	$ 548,167	$ 15,962	$ 635	$ 65,732	$ -	$ 265,242	$ 1,494,932
Provision charged to expense	9,505	(48,940)	44,065	20,081	17,103	8,550	159	(36,434)	-	(14,089)	-
Loans charged off	-	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	10,534	-	-	10,534
Balance, end of year	$ 86,153	$ 145,527	$ 330,905	$ 61,320	$ 565,270	$ 24,512	$ 794	$ 39,832	$ -	$ 251,153	$ 1,505,466
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 125,281	$ -	$ -	$ -	$ -	$ -	$ 125,281
Ending balance: collectively evaluated for impairment	$ 86,153	$ 145,527	$ 330,905	$ 61,320	$ 439,989	$ 24,512	$ 794	$ 39,832	$ -	$ 251,153	$ 1,380,185
Loans:											
Ending balance	$ 23,466,385	$ 9,859,999	$ 6,240,230	$ 7,272,584	$ 20,816,655	$ 2,383,139	$ 158,799	$ 1,994,559	$ 68,706		$ 72,261,056
Ending balance: individually evaluated for impairment	$ -	$ 432,544	$ -	$ -	$ 501,124	$ -	$ -	$ -	$ -		$ 933,668
Ending balance: collectively evaluated for impairment	$ 23,466,385	$ 9,427,455	$ 6,240,230	$ 7,272,584	$ 20,315,531	$ 2,383,139	$ 158,799	$ 1,994,559	$ 68,706		$ 71,327,388

	2015										
	Single-family, 1-4 units					Consumer loans					
	Owner-Occupied	Nonowner-Occupied	Multi-family, 5 or more units	Construction, land & land development	Commercial real estate	Home equity	Other consumer	Commercial non-real estate	Loans secured by deposits	Unallocated	Total Loans
Allowance for loan losses:											
Balance, beginning of year	$ 72,717	$ 285,029	$ 248,732	$ 112,806	$ 576,252	$ 19,462	$ 2,531	$ 76,794	$ -	$ 157,562	$ 1,551,885
Provision charged to expense	3,902	(92,293)	(148,462)	168,710	(28,085)	(3,500)	(1,896)	(6,056)	-	107,680	-
Loans charged off	(19,792)	-	-	(240,277)	-	-	-	(19,239)	-	-	(279,308)
Recoveries	19,821	1,731	186,570	-	-	-	-	14,233	-	-	222,355
Balance, end of year	$ 76,648	$ 194,467	$ 286,840	$ 41,239	$ 548,167	$ 15,962	$ 635	$ 65,732	$ -	$ 265,242	$ 1,494,932
Ending balance: individually evaluated for impairment	$ -	$ 35,592	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,592
Ending balance: collectively evaluated for impairment	$ 76,648	$ 158,875	$ 286,840	$ 41,239	$ 548,167	$ 15,962	$ 635	$ 65,732	$ -	$ 265,242	$ 1,459,340
Loans:											
Ending balance	$ 25,611,660	$ 9,028,030	$ 5,090,661	$ 3,767,801	$ 14,658,866	$ 1,991,008	$ 253,839	$ 2,574,073	$ 93,577		$ 63,069,515
Ending balance: individually evaluated for impairment	$ -	$ 464,296	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 464,296
Ending balance: collectively evaluated for impairment	$ 25,611,660	$ 8,563,734	$ 5,090,661	$ 3,767,801	$ 14,658,866	$ 1,991,008	$ 253,839	$ 2,574,073	$ 93,577		$ 62,605,219

Internal Risk Categories

In general, classification of loans are to reflect the risk of non-repayment. In addition to the adoption of the interagency regulatory classifications of Special Mention, Substandard, Doubtful, and Loss, the Company has established an internal grading system for the loan portfolio. During the Company's fiscal year 2015, the Company modified its loan grading system from a 0 through 10 to a 1 through 10 system. The changes were not deemed significant. Loans are assigned grades from 1 through 10. Grades1 through 4 are considered satisfactory grades and are categorized as Pass. The grade of 5, or Watch, means the loan is being monitored closely. Grade 6, or Special Mention, represents loans that have a material documentation or credit weakness that, if goes uncorrected, will result in an adverse classification. The grades of 7 and 8 have been assigned to loans classified as Substandard and a loan grade of 9 is assigned to loans that are classified as Doubtful. A loan grade of 10 is classified as a Loss and the loan is charged off. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

The interagency regulatory classifications are defined as follows:

Special Mention: A Special Mention asset does not warrant adverse classification, but does possess credit deficiencies or potential weaknesses deserving management's close attention. If not corrected, the deficiency or weakness could weaken the asset and increase risk in the future.

Substandard: Substandard assets are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Assets so defined must have a well-defined weakness or weaknesses. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. An asset should not be classified as Substandard if successful collection of all debt is probable or if liquidation of the collateral at the asset's book value is expected in a reasonable time frame.

Doubtful: Assets classified as Doubtful have all the weaknesses inherent in Substandard assets. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable based on existing circumstances.

Loss: Any portion of any asset that is classified as Loss is considered uncollectible and of little value. A Loss classification does not mean that portion of the asset has no recovery or salvage value, but it is not practical or desirable to defer writing off or reserving all or a portion of the asset, even though partial recovery may be affected in the future.

The loan portfolio is mainly comprised of real estate loans. This includes primarily permanent and construction financing of single-family homes and the permanent financing of other one- to four-family, multi-family and nonresidential real estate. In addition, the Company originates consumer loans (primarily home equity term loans and lines of credit) and commercial non-real estate loans. In order to reduce interest-rate risk by making the loan portfolio more interest-rate sensitive, the Bank originates primarily adjustable-rate, balloon and short- and medium-term, fixed-rate loans for the loan portfolio. Generally, loans are collateralized by assets of the borrower and guaranteed by the principals of the borrowing entity. The primary lending market is within Clay and Platte Counties of the Kansas City Metropolitan Statistical Area.

The Company maintains lending policies and procedures designed to focus lending efforts on the type, location, duration and risk of loans most appropriate for its business model and markets. The Board of Directors reviews and approves the Company's lending policies on, at least, an annual basis. The Board reviews the allowance for loan losses quarterly and reviews reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans on a monthly basis.

The Company does not accrue interest on any asset which is maintained on a cash basis because of deterioration in the financial position of the borrower, any asset for which payment in full of interest or principal is not expected, or any asset upon which principal or interest has been in default for a period of ninety days or more unless it is both well secured and in the process of collection. A non-accrual asset may be restored to an accrual status when none of its principal and interest is due and unpaid, or when it otherwise becomes well secured and in the process of collection.

Periodic independent loan reviews of outstanding loans are performed by either a third party or the internal auditor. The primary objective of the independent loan review function is to ensure the maintenance of a quality loan portfolio and minimize the potential for loan losses. The loan review also determines compliance with internal policies and procedures. In addition to reviewing loans for compliance, loan review analyzes the appropriateness and timeliness of risk grading and problem loan identification by loan officers, the identification of individually impaired loans, the measurement of estimated loan impairment and timeliness of charge-offs, and overall adequacy of the allowance for loan losses.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

One-to-Four Family Residential Mortgage Loans

The Company's loan portfolio consists primarily of permanent financing of one- to four-family, residential real estate loans, secured by properties located in its market area. The large majority of these loans are secured by owner-occupied properties. One- to four-family real estate loans are offered with terms up to 30 years with adjustable or fixed interest rates. The adjustable-rate loans are intended for retention in the Bank's loan portfolio. In recent years there has been an increased demand for long-term fixed-rate loans, as market rates dropped and remained near historic lows. Most fixed-rate loans are sold in the secondary market directly to the Federal Home Loan Mortgage Corporation (FHLMC); however, the Company has retained a portion of fixed-rate, single-family residential mortgage loans with terms of 15 years or less. In addition, the Bank offers loans with a balloon feature, generally five years or less. It is the Bank's policy to retain servicing on all loans sold. All one-to-four family real estate loans are typically originated in conformity with FHLMC guidelines, regardless of whether the loan is sold or retained in the loan portfolio.

Construction, Land and Land Development Loans

The Company originates three types of residential construction loans: (1) construction/speculative loans, (2) construction/custom loans, and (3) construction/permanent loans. The Company also originates construction loans on multi-family or nonresidential properties, land development loans to area homebuilders that are secured by individual unimproved or improved residential building lots, and loans secured by land held for future development or speculative purposes.

Construction/speculative loans are made to area homebuilders who do not have, at the time the loan is originated, a signed contract with a homebuyer who has a commitment for permanent financing with either the Bank or another lender. The builder may enter into a purchase and sale contract with the homebuyer either during or after the construction period. These loans have the risk that the builder will have to make interest and principal payments on the loan and finance real estate taxes and other holding costs of the completed home for a significant time after the completion of construction. Funds are disbursed in phases as construction is completed. All construction/speculative loans require personal individual guarantees of the principals of the builder-borrower.

Construction/custom loans are made to either an individual who has contracted with a builder to construct their personal residence, or to a builder who has a signed contract to build a new home for the homeowner. The terms of construction/custom loans are similar to those of construction/speculative loans, except that the Bank may offer extended commitments to originate permanent financing on the construction/custom loans that are originated. These extended commitments are typically honored for terms up to one year, and are at interest rates 50 basis points above the prevailing interest rate at the time of the commitment. The Company offers construction/permanent financing to these individuals as well.

Commercial Real Estate and Multi-Family Real Estate Loans

Commercial real estate mortgage loans are primarily secured by owner-occupied commercial buildings, office buildings, strip shopping centers, restaurants, storage facilities and motels. In underwriting commercial real estate loans and multi-family real estate loans, the Company considers a number of factors which include the projected net cash flow to the loan's debt service requirement, the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Personal guarantees are typically obtained from commercial real estate and multi-family real estate borrowers. In addition, the borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates. The repayment of these loans is primarily dependent on the cash flows of the underlying property; however, the commercial real estate loan generally must be supported by an adequate underlying collateral value. The performance and the value of the underlying property may be adversely affected by economic factors or geographical and/or industry specific factors. These loans are subject to other industry guidelines that are closely monitored by the Company.

Commercial Business Loans

The Company originates commercial non-mortgage business (term) loans and adjustable lines of credit. These loans are generally originated to small and medium sized companies in the Company's primary market area. Commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture, and are primarily secured by business assets other than real estate, such as business equipment and inventory, accounts receivable or stock.

The commercial business loan portfolio consists primarily of secured loans. When making commercial business loans, the Company considers the financial statements, lending history and debt service capabilities of the borrower, the projected cash flows of the business and the value of collateral. The cash flows of the underlying borrower, however, may not perform consistent with historical or projected information. Further, the collateral securing the loans may fluctuate in value due to individual economic or other factors. Virtually all loans are guaranteed by the principals of the borrower. The Company has established minimum standards and underwriting guidelines for all commercial loan types.

Consumer Loans

In addition to traditional one-to-four family residential mortgage loans, the Company offers home equity term loans and home equity lines of credit that are secured by the borrower's primary or secondary residence. Home equity term loans and lines of credit are generally underwritten using the same criteria used to underwrite one-to-four family residential mortgage loans, but are considered consumer loans. As underwriting is subject to specific regulations, the Company typically underwrites its home equity term loans and lines of credit to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Other consumer loans consist of installment loans to individuals, including automotive loans. These loans are centrally underwritten utilizing the borrower's financial history, including the Fair Isaac Corporation ("FICO") credit scoring and information as to the underlying collateral. Repayment is expected from the cash flow of the borrower. Consumer loans may be underwritten with terms up to six years, fully amortized. Unsecured loans are limited to twenty four months. Loan-to-value ratios vary based on the type of collateral. The Company has established minimum standards and underwriting guidelines for all consumer loan types.

The following table presents the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of September 30, 2016 and 2015:

	2016							
	Single-family, 1-4 units	Multi-family, 5 or more units	Construction, land & land development	Commercial real estate	Consumer Loans	Commercial non-real estate	Loans secured by deposits	Total
Grade								
Pass	$ 31,292,346	$ 5,182,053	$ 6,535,990	$ 17,491,705	$ 2,490,525	$ 1,455,653	$ 68,706	$ 64,516,978
Watch	1,466,101	-	736,594	2,525,778	-	538,906	-	5,267,379
Special Mention	-	-	-	-	-	-	-	-
Substandard	567,937	1,058,177	-	799,172	51,413	-	-	2,476,699
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	$ 33,326,384	$ 6,240,230	$ 7,272,584	$ 20,816,655	$ 2,541,938	$ 1,994,559	$ 68,706	$ 72,261,056

	2015							
	Single-family, 1-4 units	Multi-family, 5 or more units	Construction, land & land development	Commercial real estate	Consumer Loans	Commercial non-real estate	Loans secured by deposits	Total
Grade								
Pass	$ 31,253,953	$ 3,851,634	$ 3,210,139	$ 9,144,679	$ 2,181,617	$ 1,757,084	$ 93,577	$ 51,492,683
Watch	2,762,179	156,079	557,662	5,009,160	-	816,989	-	9,302,069
Special Mention	67,909	-	-	-	-	-	-	67,909
Substandard	555,649	1,082,948	-	505,027	63,230	-	-	2,206,854
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	$ 34,639,690	$ 5,090,661	$ 3,767,801	$ 14,658,866	$ 2,244,847	$ 2,574,073	$ 93,577	$ 63,069,515

The Company evaluates the loan risk rating system definitions and allowance for loan loss methodology on an ongoing basis. The general component of the allowance for loan loss calculations is based on historical loan losses and qualitative factors such as portfolio composition, trends, concentrations, economic conditions, and the adequacy of staffing and loan review. No significant changes were made to the loan risk grading system definitions and allowance for loan loss methodology during the past year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of September 30, 2016 and 2015:

	2016						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Real estate loans:							
Single-family, 1-4 units	$ 69,394	$ -	$ -	$ 69,394	$ 33,256,990	$ 33,326,384	$ -
Multi-family, 5 or more units	-	-	-	-	6,240,230	6,240,230	-
Construction, land & land development	-	-	-	-	7,272,584	7,272,584	-
Commercial	-	-	-	-	20,816,655	20,816,655	-
Consumer loans	-	-	-	-	2,541,938	2,541,938	-
Commercial non-real estate loans	-	-	-	-	1,994,559	1,994,559	-
Loans secured by deposits	-	-	-	-	68,706	68,706	-
Total	$ 69,394	$ -	$ -	$ 69,394	$ 72,191,662	$ 72,261,056	$ -

	2015						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Real estate loans:							
Single-family, 1-4 units	$ 50,673	$ -	$ -	$ 50,673	$ 34,589,017	$ 34,639,690	$ -
Multi-family, 5 or more units	-	-	-	-	5,090,661	5,090,661	-
Construction, land & land development	-	-	-	-	3,767,801	3,767,801	-
Commercial	-	-	-	-	14,658,866	14,658,866	-
Consumer loans	-	-	-	-	2,244,847	2,244,847	-
Commercial non-real estate loans	-	-	-	-	2,574,073	2,574,073	-
Loans secured by deposits	-	-	-	-	93,577	93,577	-
Total	$ 50,673	$ -	$ -	$ 50,673	$ 63,018,842	$ 63,069,515	$ -

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans, nonaccrual loans and loans in which a partial charge off has been taken.

The following table presents impaired loans for the years ended September 30, 2016 and 2015:

	2016					
	Unpaid Principal Balance	Recorded Balance	Allocated Allowance for Loan Loss	Average Investment in Impaired Loans	Interest Income Recognized	Interest Income Recognized Cash Basis
Loans without a specific valuation allowance						
Real estate loans:						
Single-family, 1-4 units	$ 511,269	$ 432,830	$ -	$ 446,805	$ 23,631	$ 23,631
Multi-family, 5 or more units	-	-	-	-	-	-
Construction, land & land development	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Commercial non-real estate	-	-	-	-	-	-
Loans with a specific valuation allowance						
Real estate loans:						
Single-family, 1-4 units	-	-	-	-	-	-
Multi-family, 5 or more units	-	-	-	-	-	-
Construction, land & land development	-	-	-	-	-	-
Commercial	527,904	501,124	125,281	504,806	12,329	12,329
Consumer	-	-	-	-	-	-
Commercial non-real estate	-	-	-	-	-	-
Total:						
Real estate loans	1,039,173	933,954	125,281	951,611	35,960	35,960
Consumer loans	-	-	-	-	-	-
Commercial non-real estate loans	-	-	-	-	-	-
Total impaired loans	$ 1,039,173	$ 933,954	$ 125,281	$ 951,611	$ 35,960	$ 35,960

	2015					
	Unpaid Principal Balance	Recorded Balance	Allocated Allowance for Loan Loss	Average Investment in Impaired Loans	Interest Income Recognized	Interest Income Recognized Cash Basis
Loans without a specific valuation allowance						
Real estate loans:						
Single-family, 1-4 units	$ 92,570	$ 50,703	$ -	$ 51,074	$ 3,929	$ 3,929
Multi-family, 5 or more units	-	-	-	230,178	-	-
Construction, land & land development	-	-	-	72,000	-	-
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Commercial non-real estate	-	-	-	7,891	-	-
Loans with a specific valuation allowance						
Real estate loans:						
Single-family, 1-4 units	450,165	413,593	35,592	529,776	18,311	18,311
Multi-family, 5 or more units	-	-	-	-	-	-
Construction, land & land development	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Commercial non-real estate	-	-	-	-	-	-
Total:						
Real estate loans	542,735	464,296	35,592	883,028	22,240	22,240
Consumer loans	-	-	-	-	-	-
Commercial non-real estate loans	-	-	-	7,891	-	-
Total impaired loans	$ 542,735	$ 464,296	$ 35,592	$ 890,919	$ 22,240	$ 22,240

At September 30, 2016, the Company had one commercial real estate loan on nonaccrual in the amount of $501,124. At September 30, 2015, the Company had no loans on nonaccrual.

As a result of adopting the amendments in Accounting Standards Update No. 2011-02 (the ASU), the Company reassessed all restructurings that occurred on or after the beginning of its fiscal year beginning October 1, 2011 for identification as troubled debt restructurings. The Company identified as troubled debt restructurings certain receivables for which the allowance for credit losses had previously been measured under a general allowance for credit losses methodology. Upon identifying those receivables as troubled debt restructurings, the Company identified them as impaired under the guidance in Accounting Standards Codification (ASC) 310-10-35. The ASU requires prospective application of the impairment measurement guidance in ASC 310-10-35 for those receivables newly identified as impaired.

At September 30, 2016 and 2015, the Company had loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan. At September 30, 2016, the Company had one commercial real estate loan in the amount of $501,124 that was modified in a troubled debt restructuring and impaired. At September 30, 2015, the Company had two single-family real estate loans totaling $413,593 that were modified in troubled debt restructurings and impaired. The Company had no other troubled debt restructurings.

The troubled debt restructuring at September 30, 2016, was on nonaccrual. There were no troubled debt restructurings that were on nonaccrual at September 30, 2015. During the fiscal year of September 30, 2016, the borrower with two single-family real estate loans previously designated as troubled debt restructurings totaling $413,593 met the criteria for placement back on accrual status. During the fiscal year of September 30, 2015, borrowers with loans previously designated as troubled debt restructurings totaling $1,400,577 ($249,687 in residential single-family real estate loans and $1,150,890 in multi-family loans) paid off, $20,252 in commercial non-real estate loans were charged off, and $1,379,428 ($1,133,936 in residential single-family real estate loans, $237,957 in land loans and $7,535 in consumer loans) met the criteria for placement back on accrual status. The criteria is a minimum of six months of payment performance under existing or modified terms. No troubled debt restructurings modified in the past 12 months have subsequently defaulted. The allowance for loan losses associated with troubled debt restructurings total $125,281 and $35,992 at September 30, 2016 and 2015, respectively.

There were no newly classified troubled debt restructurings in fiscal year 2016 or in fiscal year 2015.

NOTE 4: PREMISES AND EQUIPMENT

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

	2016	2015
Land	$ 1,556,522	$ 1,556,522
Buildings and improvements	4,215,248	4,207,557
Equipment	959,694	913,660
Automobiles	63,699	63,699
	6,795,163	6,741,438
Less accumulated depreciation	2,648,061	2,481,550
	$ 4,147,102	$ 4,259,888

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 $18,107,718 and $17,916,529 at September 30, 2016 and 2015, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were $430,857 and $406,340 at September 30, 2016 and 2015, respectively.

The aggregate fair value of capitalized mortgage servicing rights at September 30, 2016 and 2015, totaled $35,143 and $23,385, 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 was as follows:

	2016	2015
Balance, beginning of year	$ 23,385	$ 40,430
Servicing rights capitalized	31,723	14,431
Amortization of servicing rights	(19,965)	(31,476)
Balance, end of year	$ 35,143	$ 23,385

NOTE 6: INTEREST-BEARING DEPOSITS

Interest-bearing deposits in denominations of $250,000 or more at September 30, 2016 and 2015, were $9,498,560 and $7,302,723, respectively.

At September 30, 2016, the scheduled maturities of time deposits are as follows:

October 1, 2016 to September 30, 2017	$ 9,235,812
October 1, 2017 to September 30, 2018	2,440,130
October 1, 2018 to September 30, 2019	2,396,242
October 1, 2019 to September 30, 2020	1,727,204
October 1, 2020 to September 30, 2021	2,196,553
	$ 17,995,941

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

Federal Home Loan Bank advances totaled $4,500,000, bearing a weighted average interest rate of 1.32%, at September 30, 2016, and $2,500,000, bearing a weighted average interest rate of 1.35%, at September 30, 2015. Federal Home Loan Bank advances are secured by loans held by the Company. Collateralization requirements are based on a loan-to-value percentage, which varies depending on the type of loan pledged as collateral. At September 30, 2016, the Company, through its subsidiary bank, has a borrowing capacity (subject to collateralization) of $32,648,350.

Federal Home Loan Bank advances are summarized by maturity at September 30, 2016, as follows:

October 1, 2016 to September 30, 2017	750,000
October 1, 2018 to September 30, 2019	2,000,000
October 1, 2019 to September 30, 2020	500,000
October 1, 2020 to September 30, 2021	1,250,000
	$ 4,500,000

NOTE 8: OTHER BORROWINGS

During the fiscal year ended September 30, 2016, the Company obtained a line of credit in the amount of $500,000 from Missouri Independent Bank, Jefferson City, Missouri. The line of credit has a one-year term, a variable rate of interest of prime plus 1.00% and is secured by the common stock of the Company. Interest is due quarterly, with all unpaid principal and interest due at maturity on February 17, 2017. As of September 30, 2016, the amount drawn on the line of credit, was $223,000 and current interest rate was 4.50%.

NOTE 9: INCOME TAXES

The Company or its subsidiary files income tax returns in the U.S. federal jurisdiction and the state of Missouri. For fiscal years ended September 30, 2016 and 2015, the Company nor its subsidiary had any income taxes currently payable nor had an income tax credit. As of September 30, 2016, the Company had $2,828,404 of net operating loss carryforwards available to offset future income taxes. The carryforwards expire in various years through 2036.

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

	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 452,000	$ 448,000
Net operating loss carryforward	849,000	867,000
Other real estate owned	6,000	7,000
Charitable contributions	2,000	4,000
Other	6,000	6,000
Total deferred tax assets	1,315,000	1,332,000
Deferred tax liabilities:		
Mortgage-servicing rights	11,000	7,000
Unrealized gain on securities available for sale	16,105	18,806
Total deferred tax liabilities	27,105	25,806
Valuation Allowance - Tax Deferred Asset	804,000	825,000
Net deferred tax asset	$ 483,895	$ 481,194
Amount of NOL carryforwards	$ 2,828,404	$ 2,895,666

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

	2016	2015
Computed at the statutory rate	$ 39,290	$ 15,370
Increase (decrease) resulting from:		
Tax-exempt income	(23,744)	(24,672)
Change in valuation allowance	(21,000)	16,000
Other	5,454	(6,698)
Actual tax credit	$ -	$ -

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NOTE 10: 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 consolidated 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 U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table that follows). During the fiscal year ended September 30, 2014, the Bank's former regulatory, the Office of the Comptroller of the Currency, pursuant to its authority under 12 U.S.C. § 1464(s)(2) and 12 C.F.R § 167.3, had established a higher minimum capital requirement for the Bank than those set forth in 12 C.F.R. § 167.3. Specifically, the Bank was required to maintain Tier 1 capital equivalent to 9% of adjusted total assets and total risk-based capital equivalent to 12% of risk-weighted assets. During the fiscal year ended and at September 30, 2014, the Bank did meet the higher minimum required levels of capital. In December 2014, the Bank was informed that the Bank was no longer subject to the higher minimum capital requirement. As of September 30, 2016 and 2015, pursuant to Part 324 of the FDIC Rules and Regulations, the Bank was categorized 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, common equity Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table that follows. 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		Minimum Required to be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
AS OF SEPTEMBER 30, 2016:						
Total risk-based capital to risk-weighted assets	$ 11,171	18.1%	$ 4,940	8.0%	$ 6,175	10.0%
Tier 1 capital to risk-weighted assets	$ 10,390	16.8%	$ 3,705	6.0%	$ 4,940	8.0%
Common equity Tier 1 risk-based	$ 10,390	16.8%	$ 2,779	4.5%	$ 4,014	6.5%
Tier 1 capital to adjusted total assets	$ 10,390	11.1%	$ 3,746	4.0%	$ 4,682	5.0%
AS OF SEPTEMBER 30, 2015:						
Total risk-based capital to risk-weighted assets	$ 10,895	19.7%	$ 4,424	8.0%	$ 5,530	10.0%
Tier 1 capital to risk-weighted assets	$ 10,194	18.4%	$ 3,318	6.0%	$ 4,424	8.0%
Common equity Tier 1 risk-based	$ 10,194	18.4%	$ 2,489	4.5%	$ 3,595	6.5%
Tier 1 capital to adjusted total assets	$ 10,194	11.5%	$ 3,548	4.0%	$ 4,435	5.0%

The Bank converted to a state-chartered bank in May 2015. As a condition of its approval to convert to a state-chartered bank, the Bank has agreed not to declare or pay dividends to the Company without prior approval of the Federal Deposit Insurance Corporation for a three-year prior following the date of conversion to a bank. During the fiscal year ended September 30, 2016, the Bank did pay cash dividends of $60,000 to the Company, which were approved by the Federal Deposit Insurance Corporation. No dividends were paid from the Bank to the Company during fiscal year ended September 30, 2015. The Bank is also regulated by the Division of Finance of the State of Missouri. The Division of Finance has no restrictions or conditions on the declaration or payment of dividends. The Company is regulated by the Federal Reserve Bank and there are no current conditions or restrictions to declare or pay dividends by the Company.

In July 2013, the three federal bank regulatory agencies jointly published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. These rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. These rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules were effective for the Bank on January 1, 2015 (subject to a four-year phase-in period).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

Under the Basel III Capital Rules, the initial minimum capital ratios as of January 1, 2015, are as follows:

- 4.5% CET1 to risk-weighted assets
- 6.0% Tier 1 capital to risk-weighted assets
- 8.0% Total capital to risk-weighted assets
- 4.0% Minimum leverage ratio

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and will phase in over a four-year period (beginning at 40% on January 1, 2015, and an additional 20% per year thereafter). Under the new rule, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer begins on January 1, 2016, at the 0.625% level and will phase in over a four-year period (increasing by that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019).

NOTE 11: RELATED PARTY TRANSACTIONS

At September 30, 2016 and 2015, the Bank had loans outstanding to executive officers, directors, significant stockholders of the Company and their associates (related parties), in the amount of $923,146 and $967,278, respectively. Deposits from related parties held by the Bank at September 30, 2016 and 2015, totaled $765,992 and $679,451, 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 collectability or present other unfavorable features.

NOTE 12: 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 $37,904 and $43,874 for the years ended September 30, 2016 and 2015, respectively.

The Company has an ESOP covering substantially all employees. The ESOP acquired 78,292 shares of Company common stock at $10 per share at the initial public offering with funds provided by a loan from the Company. The cost of the ESOP shares acquired was shown as a reduction of stockholders' equity. Shares were released to participants proportionately as the loan was repaid. The loan was paid off during the fiscal year ended September 30, 2016, with all remaining shares acquired at the initial public offering being allocated to participants at December 31, 2015. During the fiscal year ended September 30, 2016, the ESOP re-purchased 41 shares at $12.50 per share from employees eligible for diversification. The Company also contributed 2,250 shares to the ESOP during the fiscal year ended September 30, 2016. The total of 2,291 shares will be subject to allocation to participants at December 31, 2016. During the fiscal year ended September 30, 2015, the ESOP re-purchased 72 shares at $12.25 per share from employees eligible for diversification. These shares were part of the allocation to participants at December 31, 2015. As of September 30, 2016 and 2015, there remained 58,538 and 65,721, respectively, of Company common stock in the ESOP after distributions to employees no longer with the Company or due to diversifications. Dividends on allocated shares are recorded as dividends and charged to retained earnings. 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.

	2016	2015
Allocated shares	65,721	59,246
Shares acquired	(9,474)	(72)
Shares ratably released for allocation	1,432	2,419
Unallocated shares	859	4,128
Total ESOP shares	58,538	65,721
Fair value of unreleased shares	$ 8,590	$ 40,165

NOTE 13: EARNINGS PER SHARE

For the year ended September 30, 2016, earnings, basic and diluted, per share was $0.20 based upon weighted-average shares outstanding of 772,888. For the year ended September 30, 2015, earnings, basic and diluted, per share was $0.08 based upon weighted-average shares outstanding of 774,273. There were no outstanding options to purchase shares of common stock at September 30, 2016 and 2015.

NOTE 14: DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets 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, 2016 and 2015:

	September 30, 2016			
		Fair Value Measurements Using		
	Fair Value	Quoting Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signficant Unobservable Inputs (Level 3)
U.S. Government - sponsored enterprises (GSEs)	$ 3,748,155	$ -	$ 3,748,155	$ -
SBA-backed securities	11,857	-	11,857	-

	September 30, 2015			
		Fair Value Measurements Using		
	Fair Value	Quoting Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signficant Unobservable Inputs (Level 3)
U.S. Government - sponsored enterprises (GSEs)	$ 7,238,059	$ -	$ 7,238,059	$ -
SBA-backed securities	13,488	-	13,488	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2016.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. 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, 2016 and 2015, there are no securities classified within Level 1 or Level 3.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016 and 2015:

	September 30, 2016			
		Fair Value Measurements Using		
	Fair Value	Quoting Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signficant Unobservable Inputs (Level 3)
Collateral-dependent impaired loans	$ 933,954	$ -	$ -	$ 933,954

	September 30, 2015			
		Fair Value Measurements Using		
	Fair Value	Quoting Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signficant Unobservable Inputs (Level 3)
Other real estate owned and other repossessed assets	$ 60,000	$ -	$ -	$ 60,000
Collateral-dependent impaired loans	464,296	-	-	464,296

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Other Real Estate Owned

Other real estate owned (OREO) is carried at the current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of OREO is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy.

Appraisals of OREO are obtained when the real estate is acquired and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management.

Collateral-dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value at 9/30/2016	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	$ 933,954	Internal or third party appraisal	Discount to reflect realizable value	9%

	Fair Value at 9/30/2015	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	$ 464,296	Internal or third party appraisal	Discount to reflect realizable value	9%
Other real estate owned and other repossessed assets	60,000	Third party appraisal	Marketability discount	10 - 15%

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:

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.

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 one outstanding standby letter of credit amounting to $15,000 at September 30, 2016, and two outstanding standby letters of credit amounting to $19,000 at September 30, 2015.

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, 2016, unused lines of credit aggregated $3,030,000, consisting of $2,534,000 in home equity lines of credit, $485,000 in commercial lines of credit and $11,000 in other consumer lines of credit. At September 30, 2015, unused lines of credit aggregated $5,102,000, consisting of $2,383,000 in home equity lines of credit, $2,704,000 in commercial lines of credit and $15,000 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, 2016, the Company had outstanding commitments to originate loans three consumer loans totaling $121,000 and on single-family real estate loan for $105,000 at variable rates of interest totaling $121,000 and no other outstanding commitments to originate loans. At September 30, 2015, the Company had outstanding commitments to originate loans aggregating approximately $888,000. Loan commitments included commitments to originate one single-family real estate loans at a fixed rate of interest totaling $216,000, three single-family real estate loans at variable rates of interest totaling $432,000 and two consumer loans at variable rates of interest totaling $240,000 at September 30, 2015. The commitments were extended over varying periods of time with all to be disbursed within 90 days. In addition, at September 30, 2016, loans in process totaled $4,223,000 with fixed rates between 3.75% and 5.25%. At September 30, 2015, loans in process totaled $1,444,000 with fixed rates between 4.50% and 5.25%.

Mortgage loans in the process of origination represent amounts that the Company 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 Company had one loan held for sale in the amount of $65,000 at September 30, 2016, and no loans held for sale at September 30, 2015.

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, 2016 and 2015

	2016	2015
ASSETS:		
Noninterest-bearing deposit in subsidiary bank	$ 22,964	$ 14,367
Total cash and cash equivalents	22,964	14,367
Net loans receivable	279,523	281,475
ESOP loan receivable	-	51,584
Investment in subsidiary bank	10,463,300	10,233,877
Other assets	219	908
TOTAL ASSETS	$ 10,766,006	$ 10,582,211
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Total liabilities	$ 242,350	$ 16,871
Stockholders' equity	10,523,656	10,565,340
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,766,006	$ 10,582,211

CONDENSED STATEMENTS OF INCOME
Years Ended September 30, 2016 and 2015

	2016	2015
Interest income	$ 16,643	$ 7,745
Interest expense	(4,774)	$ -
Noninterest expense	(102,361)	(98,468)
Credit for income taxes	-	-
Net loss before dividends and share in undistributed income of the subsidiary bank	(90,492)	(90,723)
Dividends from subsidiary bank	60,000	-
Share of undistributed income of the subsidiary bank	187,646	152,202
Net income	$ 157,154	$ 61,479

CONDENSED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2016 and 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 157,154	$ 61,479
Cash dividends	(39,015)	-
Items not requiring cash:		
Share of undistributed income of the subsidiary bank	(187,646)	(152,202)
Other	3,168	21,038
Net cash used in operating activities	(66,339)	(69,685)
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in loans	1,952	260,993
Net sale of other real estate owned	-	(282,000)
Principal collected on ESOP loan	51,584	82,195
Net cash provided by investing activities	53,536	61,188
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	223,000	-
Acquisition of Treasury Stock	(201,600)	-
Net cash provided by financing activities	21,400	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,597	(8,497)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,367	22,864
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,964	$ 14,367
Sale and financing of other real estate owned	$ -	$ 300,000

Locations

1178 West Kansas Street
Liberty, Missouri

303 South Jefferson Street
Kearney, Missouri

8140 North Brighton Avenue
Kansas City (North), Missouri

FDIC

EQUAL HOUSING LENDER

claycountysavings.com