VERSAILLES FINANCIAL CORPORATION
Versailles, Ohio

FINANCIAL STATEMENTS
June 30, 2013 and 2012

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CONTENTS

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Versailles Financial Corporation
Versailles, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Versailles Financial Corporation, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' 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 entity'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 entity'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 Versailles Financial Corporation as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Cleveland, Ohio
September 27, 2013

(Continued)

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2013 and June 30, 2012

	2013	2012
ASSETS		
Cash and cash equivalents due from financial institutions	$ 2,959,517	$ 2,241,915
Overnight deposits	2,700,000	2,700,000
Total cash and cash equivalents	5,659,517	4,941,915
Interest-bearing time deposits in other financial institutions	2,305,000	833,000
Securities available-for-sale	682,755	697,042
Securities held to maturity (fair value of $473,043 at June 30, 2013 and $576,957 at June 30, 2012)	446,597	544,025
Federal Home Loan Bank stock	397,500	397,500
Loans, net of allowance of $255,432 at June 30, 2013 and 2012	36,771,155	35,489,351
Premises and equipment, net	1,506,455	1,548,882
Accrued interest receivable	113,112	92,679
Other assets	688,430	715,517
Total assets	$ 48,570,521	$ 45,259,911
LIABILITIES		
Savings and checking accounts	$ 14,049,877	$ 10,225,442
Certificates of deposit	16,961,094	17,600,303
Total deposits	31,010,971	27,825,745
Federal Home Loan Bank advances	5,000,000	5,000,000
Other liabilities	1,319,502	1,482,269
Common stock in ESOP subject to repurchase obligation	-	41,313
SHAREHOLDERS' EQUITY		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $.01 par value, 10,000,000 shares authorized, 427,504 shares issued	4,275	4,275
Additional paid-in capital	3,824,523	3,778,470
Retained earnings	8,462,239	8,321,153
Treasury stock, 35,460 shares, at cost	(354,600)	(354,600)
Unearned employee stock ownership plan shares	(282,150)	(299,250)
Accumulated other comprehensive loss	(414,239)	(539,464)
Total shareholders' equity	11,240,048	10,910,584
Total liabilities and shareholders' equity	$ 48,570,521	$ 45,259,911

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended June 30, 2013 and 2012

	2013	2012
Interest and dividend income		
Loans, including fees	$ 1,708,172	$ 1,857,060
Securities available for sale	13,089	13,364
Securities held to maturity	13,892	18,823
FHLB dividends	17,359	16,681
Deposits with banks	20,303	11,881
Total interest and dividend income	1,772,814	1,917,809
Interest expense		
Deposits	193,520	264,858
Federal Home Loan Bank advances	126,525	164,366
Total interest expense	320,045	429,224
Net interest income	1,452,769	1,488,585
Provision for loan losses	-	48,500
Net interest income after provision for loan losses	1,452,769	1,440,085
Noninterest income		
Other income	5,588	5,253
Gain (loss) on sale of premises and equipment	59,431	(637)
Total noninterest income	65,019	4,616
Noninterest expense		
Salaries and employee benefits	627,067	571,198
Occupancy and equipment	85,739	30,297
Directors' fees	64,025	61,200
Data processing	120,261	92,189
Franchise taxes	106,001	103,878
Legal, accounting and exam fees	191,377	253,648
Federal deposit insurance	19,700	20,300
Other	89,132	77,176
Total noninterest expense	1,303,302	1,209,886
Income before income taxes	214,486	234,815
Income tax expense	73,400	79,100
Net income	$ 141,086	$ 155,715
Earnings per common share	$ 0.35	$ 0.39

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended June 30, 2013 and 2012

	2013	2012
Net income	$ 141,086	$ 155,715
Other comprehensive income (loss):		
Unrealized holding losses on available for sale securities	(14,287)	(2,255)
Reclassification adjustments for gains (losses) later recognized in income	-	-
Net unrealized losses on available for sale securities	(14,287)	(2,255)
Tax effect	4,858	767
Net of tax amount	(9,429)	(1,488)
Unrealized gains (losses) on defined benefit pension plan	161,493	(349,394)
Amortization of unrecognized net loss for defined benefit pension plan	39,629	18,927
Amortization of prior service cost for defined benefit pension plan	2,898	2,898
Amortization of prior service cost for supplemental retirement plan	-	5,518
Net unrealized gains (losses) on defined benefit pension and supplemental retirement plans	204,020	(322,051)
Tax effect	(69,366)	109,497
Net of tax amount	134,654	(212,554)
Other comprehensive income (loss)	125,225	(214,042)
Comprehensive income (loss)	$ 266,311	$ (58,327)

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2013 and 2012

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance, July 1, 2011	$ 4,275	$ 3,794,894	$ 8,165,438	$ (354,600)	$ (316,350)	$ (325,422)	$10,968,235
Net income	-	-	155,715	-	-	-	155,715
Other comprehensive income (loss)	-	-	-	-	-	(214,042)	(214,042)
Commitment to release 1,710 employee stock ownership plan shares at fair value	-	2,659	-	-	17,100	-	19,759
Transfer of 1,710 allocated ESOP common shares subject to repurchase obligation	-	(17,100)	-	-	-	-	(17,100)
Change in fair value of 3,420 allocated ESOP common shares subject to repurchase obligation	-	(1,983)	-	-	-	-	(1,983)
Balance, June 30, 2012	4,275	3,778,470	8,321,153	(354,600)	(299,250)	(539,464)	10,910,584
Net income	-		141,086	-	-		141,086
Other comprehensive income (loss)	-		-	-	-	125,225	125,225
Commitment to release 1,710 ESOP common shares, at fair value	-	4,740	-	-	17,100	-	21,840
Transfer of 1,710 allocated ESOP common shares subject to repurchase obligation	-	(17,100)	-	-	-	-	(17,100)
Change in fair value of 5,130 allocated ESOP common shares subject to repurchase obligation	-	(1,813)	-	-	-	-	(1,813)
Reclassification of 5,130 common shares subject to repurchase obligation no longer required to be reported outside of permanent equity	-	60,226	-	-	-	-	60,226
Balance, June 30, 2013	$ 4,275	$ 3,824,523	$ 8,462,239	$ (354,600)	$ (282,150)	$ (414,239)	$11,240,048

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net income	$ 141,086	$ 155,715
Adjustments to reconcile net income to net cash provided from operating activities		
Provision for loan losses	-	48,500
Depreciation on premises and equipment	58,789	11,223
Net premium amortization on securities	365	265
(Gain) loss on sale or disposal of premises and equipment	(59,431)	637
Compensation expense related to ESOP shares	21,840	19,759
Deferred taxes	(10,222)	(54,124)
Change in:		
Deferred loan costs	15,809	2,978
Accrued interest receivable	(20,433)	30,318
Other assets	(27,199)	(150,727)
Other liabilities	41,253	120,856
Net cash from operating activities	161,857	239,524
Cash flow from investing activities		
Maturities of interest bearing time deposits	-	194,000
Purchase of interest bearing time deposits	(1,472,000)	(735,000)
Maturities, repayments and calls of securities held to maturity	97,063	149,628
Loan originations and payments, net	(1,297,613)	1,973,975
Proceeds from sale of premises and equipment	71,034	-
Property and equipment purchases	(27,965)	(1,301,626)
Net cash used in investing activities	(2,629,481)	280,977
Cash flow from financing activities		
Net change in deposits	3,185,226	1,350,013
Proceeds from FHLB advances	-	1,000,000
Repayments of FHLB advances	-	(2,000,000)
Net cash used in financing activities	3,185,226	350,013
Net change in cash and cash equivalents	717,602	870,514
Cash and cash equivalents, beginning of period	4,941,915	4,071,401
Cash and cash equivalents at end of period	$ 5,659,517	$ 4,941,915

	2013	2012
Cash paid during the year for		
Interest	$ 328,681	$ 440,969
Income taxes	128,418	245,109
Supplemental noncash disclosures		
Transfers from Common stock in ESOP subject to repurchase obligation to Additional paid-in capital	$ 60,226	$ -

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying audited consolidated financial statements include the accounts of Versailles Financial Corporation ("Versailles") and its wholly owned subsidiary, Versailles Savings and Loan Company ("Association"). Versailles and its subsidiary are collectively referred to as the ("Company"). All material intercompany transactions have been eliminated.

On January 14, 2013, the Company filed a Form 15 with the Securities and Exchange Commission ("SEC") to deregister its common stock under Section 12(g) of the Securities Exchange Act of 1934, as amended, ("deregistration"). The Company successfully deregistered from the SEC on that date.

Nature of Operations: Versailles is a thrift holding company incorporated under the laws of the state of Maryland that owns all the outstanding shares of common stock of the Association. The Association is an Ohio chartered savings and loan company engaged primarily in the business of making residential mortgage loans and accepting checking account, passbook savings, statement savings and time deposits. Its operations are conducted through its only office located in Versailles, Ohio. Accordingly, all of its operations are reported in one segment, banking. The Company primarily grants one- to four-family residential loans to customers located in Darke and the western half of Shelby counties. This area is strongly influenced by agriculture, but there is also a substantial manufacturing base. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and commercial and residential real estate. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Use of Estimates: To prepare financial statements in conformity with generally accepted accounting principles in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses and fair values of certain financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash and due from financial institutions and overnight deposits. Net cash flows are reported for customer loan and deposit transactions and advances from the Federal Home Loan Bank with original maturities of 90 days or less.

Interest-bearing Time Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions have original maturities of greater than 90 days and are carried at cost. Scheduled maturities of interest-bearing time deposits in other financial institutions were as follows:

Year ended June 30,	2014	$ 343,000
	2015	490,000
	2016	490,000
	2017 and beyond	982,000
		$ 2,305,000

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

<u>Federal Home Loan Bank (FHLB) Stock</u>: The Association is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

<u>Loans</u>: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipation prepayments.

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days on non-payment.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such 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.

<u>Allowance for Loan Losses</u>: The allowance for loan losses is a valuation allowance for probable incurred credit losses. 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. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified in a manner representing a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

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 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.

Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan’s effective rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan’s effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent eighteen months. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: 1-4 family real estate, commercial real estate, commercial and consumer.

1-4 Family real estate: 1-4 family mortgage loans represent loans to consumers for the purchase, refinance or improvement of a residence. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values may impact the severity of losses. Factors considered by management include unemployment levels, credit history and real estate values in the Company’s market area.

Commercial real estate: Non-residential and multi-family loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the farm, business or property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and property types. Management specifically considers real estate values, credit history, unemployment levels, crop prices and yields.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial: Commercial credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customer's doing business in the Company's primary market area. These loans are generally underwritten individually and secured with the assets of the company and the personal guarantee of the business owners. Commercial business loans are made based primarily on the borrower's ability to make repayment from the historical and projected cash flow of the borrower's business and the underlying collateral provided by the borrower. Management specifically considers unemployment, credit history and the nature of the business.

Consumer: Consumer loans are primarily comprised of secured loans including automobile loans, loans on deposit accounts, home improvement loans and to a lesser extent, unsecured personal loans. These loans are underwritten based on several factors including debt-to-income, type of collateral and loan to value, credit history and relationship with the borrower. Unemployment rates are specifically considered by management

Premises and Equipment: Premises and equipment are reported at cost less accumulated depreciation. Depreciation is computed on both the straight-line and accelerated methods over the estimated useful lives of the assets. Building and improvements have useful lives ranging from five to forty years. Furniture and equipment have useful lives ranging from five to ten years.

These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Maintenance and repairs are charged to expense as incurred and improvements are capitalized.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Earnings Per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Employee Stock Ownership Plan shares are considered outstanding for this calculation unless unearned. The Company had no common shares issued under its stock option plan or other agreements for the periods presented.

The Company established a Rabbi Trust and participants in the Association's deferred compensation and supplemental retirement plans could elect to use all or some of the amounts in their accounts to purchase shares in the Company's mutual to stock conversion. These shares are held in the trust and the obligation under the deferred compensation and supplemental retirement plans will be settled with these shares. As such, the shares are carried as treasury stock in the consolidated balance sheet and the shares are considered outstanding for the purpose of calculating earnings per share.

Employee Stock Ownership Plan: The cost of shares issued to the Employee Stock Ownership Plan ("ESOP"), but not yet allocated to participants, is shown as a reduction of shareholders' equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings. Dividends on unearned ESOP shares reduce debt and accrued interest. Participants may exercise a put option and require the Company to repurchase their ESOP shares upon termination. As a result, an amount of equity equal to the fair value of the allocated shares was reclassified out of shareholders' equity prior to the Company's deregistration from the SEC. Accordingly, upon deregistration, the Company was permitted to reclassify the repurchase obligation back into shareholders' equity and record an increase to additional paid-in capital of $60,226.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Stock Options: The Company's 2011 Equity Incentive Plan (the "Plan"), which was approved by shareholders on November 15, 2011, permits the grant of share options to its employees for up to an aggregate of 42,750 shares of common stock. Provisions of the plan indicate option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant with vesting periods defined by the Board of Directors. The fair value of options awarded is estimated on the date of grant using a closed form option valuation (Black-Scholes) model. As of June 30, 2013 and 2012, no grants of stock options related to the Plan have occurred and thus no compensation expense has been recognized related to the Plan for the years ended June 30, 2013 and 2012.

The Plan also provides for the issuance of restricted shares to directors and officers. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. Total shares issuable under the plan are 17,100 at June 30, 2013 and 2012. No shares have been issued nor any expense recorded for the years ended June 30, 2013 and 2012.

Income Taxes: Income tax expense is the total of the current year income due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the net of tax impact of unrealized gains and losses on securities available for sale and changes in the funded status of the defined benefit pension plan, which are also recognized as separate components of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Some items in prior financial statements have been reclassified to conform to the current presentation. Reclassifications had no affect on prior year net income or shareholders' equity.

NOTE 2 - SECURITIES

The amortized cost and fair value of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows.

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AMF Short US Government Fund	$ 694,034	$ -	$ (11,279)	$ 682,755

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AMF Short US Government Fund	$ 694,034	$ 3,008	$ -	$ 697,042

There were no sales of available-for-sale securities during the years ended June 30, 2013 or 2012.

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows.

	2013			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Government sponsored entities residential mortgage-backed:				
FHLMC	$ 255,507	$ 15,948	$ -	$ 271,455
GNMA	73,968	3,284	-	77,252
FNMA	117,122	7,214	-	124,336
	$ 446,597	$ 26,446	$ -	$ 473,043

	2012			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Government sponsored entities residential mortgage-backed:				
FHLMC	$ 278,118	$ 16,187	$ -	$ 294,305
GNMA	82,665	2,905	-	85,570
FNMA	183,242	13,840	-	197,082
	$ 544,025	$ 32,932	$ -	$ 576,957

(Continued)

NOTE 2 – SECURITIES (Continued)

Securities of the Company are not due at a single maturity date, thus they are not presented by contractual maturity.

The Company's AMF Short US Government Fund is in an unrealized loss position at June 30, 2013. The unrealized loss of $11,279 has not been recognized into income because management believes they have the intent and ability to hold the security until recovery and it is likely that management will not be required to sell the securities prior to their anticipated recovery. The security has been in an unrealized loss for less than 12 months. There were no securities with unrealized losses as of June 30, 2012.

At June 30, 2013 and June 30, 2012, there were no holdings of securities of any one issuer in an amount greater than 10% of shareholders' equity.

NOTE 3 - LOANS

Loans at year-end were as follows:

	2013	2012
1-4 family real estate	$ 25,774,869	$ 26,153,817
Commercial real estate:		
Business	2,570,139	2,567,944
Agricultural	5,865,923	4,939,042
Multi-family	81,159	290,557
Commercial	1,072,738	499,619
Consumer:		
Auto	547,045	446,910
Other secured	493,607	303,956
Unsecured	595,996	502,018
Total loans	37,001,476	35,703,863
Deferred loan costs	25,111	40,920
Allowance for loan losses	(255,432)	(255,432)
	$ 36,771,155	$ 35,489,351

Loans to principal officers, directors, and their affiliates during fiscal 2013 and 2012 were as follows.

	2013	2012
Beginning balance	$ 388,182	$ 194,651
Additions	145,000	-
Effect of changes in the composition of related parties	-	258,212
Repayments	(164,932)	(64,681)
Ending balance	$ 368,250	$ 388,182

NOTE 3 – LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended June 30, 2013 and 2012:

	Allowance at June 30, 2012	Provision for Loan Losses	Loans Charged-off	Recoveries	Allowance at June 30, 2013
1-4 family real estate	$ 226,960	$ (27,590)	$ -	$ -	$ 199,370
Commercial real estate	15,045	15,712	-	-	30,757
Commercial	1,599	6,099	-	-	7,698
Consumer	4,009	5,779	-	-	9,788
Unallocated	7,819	-	-	-	7,819
Total	$ 255,432	$ -	$ -	$ -	$ 255,432

	Allowance at June 30, 2011	Provision for Loan Losses	Loans Charged-off	Recoveries	Allowance at June 30, 2012
1-4 family real estate	$ 186,736	$ 54,109	$ (13,885)	$ -	$ 226,960
Commercial real estate	24,939	(9,894)	-	-	15,045
Commercial	1,557	42	-	-	1,599
Consumer	3,349	660	-	-	4,009
Unallocated	4,236	3,583	-	-	7,819
Total	$ 220,817	$ 48,500	$ (13,885)	$ -	$ 255,432

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2013 and 2012:

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated	Collectively Evaluated	Total Allowance	Individually Evaluated	Collectively Evaluated	Total Loans
June 30, 2013						
1-4 family real estate	$ -	$ 199,370	$ 199,370	$ -	$25,833,041	$25,833,041
Commercial real estate	-	30,757	30,757	-	8,563,984	8,563,984
Commercial	-	7,698	7,698	-	1,080,677	1,080,677
Consumer	-	9,788	9,788	-	1,652,665	1,652,665
Unallocated	-	7,819	7,819	-	-	-
Total	$ -	$ 255,432	$ 255,432	$ -	$37,130,367	$37,130,367
June 30, 2012						
1-4 family real estate	$ -	$ 226,960	$ 226,960	$ 66,675	$26,156,642	$26,223,317
Commercial real estate	-	15,045	15,045	-	7,353,628	7,353,628
Commercial	-	1,599	1,599	483,897	503,338	987,235
Consumer	-	4,009	4,009	-	1,267,490	1,267,490
Unallocated	-	7,819	7,819	-	-	-
Total	$ -	$ 255,432	$ 255,432	$ 550,572	$35,281,098	$35,831,670

Included in recorded investment in 2013 is $25,111 of deferred loan costs and $103,780 of accrued loan interest. Included in recorded investment in 2012 is $40,920 of deferred loan costs and $86,887 of accrued loan interest.

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents information related to loans individually evaluated for impairment by class of loans as of and for the years ended June 30, 2013 and 2012:

	June 30, 2013		June 30, 2012	
	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment
1-4 family real estate	$ -	$ -	$ 66,475	$ 66,475
Commercial real estate				
Business	-	-	481,067	483,897
Total	$ -	$ -	$ 547,542	$ 550,372

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
June 30, 2013			
1-4 family real estate	$ 66,261	$ 2,225	$ 2,225
Commercial real estate			
Business	119,922	7,866	7,866
Total	$ 186,183	$ 10,091	$ 10,091
June 30, 2012			
1-4 family real estate	$ 5,557	$ 199	$ -
Commercial real estate			
Business	487,333	31,747	29,126
Total	$ 492,890	$ 31,946	$ 29,126

Loan Performance and Credit Quality Indicators: The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For all loan classes, the Company primarily evaluates credit quality based on the aging status of the loan and by payment activity.

There were no nonaccrual loans or loans past due over 90 days still on accrual as of June 30, 2013 and 2012.

There were no loans past due over 30 days as of June 30, 2013.

Past due loans as of June 30, 2012 were only 1-4 family real estate. The following table presents the aging of the recorded investment in these past due loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
1-4 family real estate	$ 36,436	$58,696	$ -	$ 95,132	$26,128,185	$26,223,317

Troubled Debt Restructurings:
The Company had no loans classified as troubled debt restructures (TDRs) at June 30, 2013. At June 30, 2012 the Company had one residential real estate loan and one nonresidential real estate loan with a combined recorded investment of $550,572 classified as troubled debt restructures (TDRs) at June 30, 2013, which were individually evaluated for impairment.

(Continued)

NOTE 3 – LOANS (Continued)

The Company did not allocate specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of June 30, 2012.

There were no loans modified as troubled debt restructurings that occurred during the year ending June 30, 2013. One modification was classified as a troubled debt restructuring during the year ending June 30, 2012, as shown below:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
1-4 family real estate	1	$ 58,004	$ 66,675

The troubled debt restructuring described above did not increase the allowance for loan losses and did not result in charge offs during the year ending June 30, 2012.

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ending June 30, 2013 and 2012.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

NOTE 4 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows.

	2013	2012
Land	$ 150,429	$ 153,328
Building and improvements	1,247,126	1,468,040
Furniture and equipment	268,933	265,376
Total	1,666,488	1,886,744
Accumulated depreciation	(160,033)	(337,862)
	$ 1,506,455	$ 1,548,882

During fiscal 2013, the Company sold its former corporate headquarters building, which had a carrying value of $11,603 and recognized a gain upon sale of $59,431. During fiscal 2012, the Company completed construction of its new corporate headquarters building with a net book value of approximately $1.2 million at June 30, 2012. A firm owned by a member of the Board of Directors acted in the capacity of general contractor for the newly constructed headquarters building. Amounts paid to the firm were approximately $1.1 million.

NOTE 5 - DEPOSITS

Deposits from principal officers, directors, and their affiliates at June 30, 2013 and 2012 were $1,179,306 and $916,565. The aggregate amount of certificates of deposit accounts with balances greater than $100,000 at year-end 2013 and 2012 was $3,979,767 and $3,453,501.

NOTE 5 – DEPOSITS (Continued)

Scheduled maturities of certificates of deposit were as follows.

Year ended June 30,	2014	$ 10,410,629
	2015	4,408,372
	2016	1,159,007
	2017	983,086
		$ 16,961,094

NOTE 6 – FEDERAL HOME LOAN BANK ADVANCES

Year-end advances from the Federal Home Loan Bank were as follows.

	Rate	2013	2012
Fixed rate advance, due July 2014	1.02%	$ 1,000,000	$ 1,000,000
Fixed rate advance, due October 2014	1.14%	1,000,000	1,000,000
Fixed rate advance, due September 2014	2.89%	1,000,000	1,000,000
Fixed rate advance, due March 2017	3.36%	1,000,000	1,000,000
Putable advance, next call date September 2013, due March 2014	4.26%	1,000,000	1,000,000
		$ 5,000,000	$ 5,000,000

Fixed rate advances are payable at maturity and subject to prepayment penalties if paid off prior to maturity.

Putable advances are fixed rate advances which may be called quarterly by the FHLB following an initial lockout period. If the advances are called, the Company must repay the advance. The FHLB will offer replacement funding at the then prevailing rate of interest for an advance product then offered by the FHLB.

Required payments over the next five years are as follows:

Year ended June 30,	2014	$ 1,000,000
	2015	3,000,000
	2016	-
	2017	1,000,000
		$ 5,000,000

Advances under the borrowing agreements are collateralized by a blanket pledge of the Company's residential mortgage loan portfolio and FHLB stock. At June 30, 2013 and 2012, the Company had approximately $24,536,000 and $24,994,000 of qualifying first-mortgage loans and $81,000 and $291,000 of multi-family mortgage loans pledged, in addition to FHLB stock, as collateral for FHLB advances. At June 30, 2013, based on the Association's current FHLB stock ownership, total assets and pledgable first-mortgage and multi-family mortgage loan portfolios, the Association had the ability to obtain borrowings up to an additional $11,307,000.

NOTE 7 - INCOME TAXES

Income tax expense was as follows.

	2013	2012
Current	$ 83,622	$ 133,242
Deferred	(10,222)	(54,142)
Total	$ 73,400	$ 79,100

Effective tax rates differ from the federal statutory rate of 34% applied to income before income taxes due to the following.

	2013	2012
Federal statutory rate times financial statement income	$ 72,925	$ 79,837
Effect of:		
Tax exempt interest income	(1,140)	(1,271)
Other, net	1,615	534
Total	$ 73,400	$ 79,100
Effective tax rate	34.22%	33.69%

Year-end deferred tax assets and liabilities were due to the following.

	2013	2012
Deferred tax assets:		
Allowance for loan losses	$ 86,847	$ 86,847
Accrued compensation	346,493	322,979
Impairment loss on securities	35,528	35,528
Net unrealized gains on securities available for sale	3,835	-
Pension	176,126	231,191
Total deferred tax asset	648,829	676,544
Deferred tax liabilities:		
Deferred loan fees and costs	(8,538)	(13,913)
FHLB stock	(75,070)	(75,070)
Accrual to cash	(39,863)	(16,002)
Accumulated depreciation	(13,276)	(4,105)
Net unrealized gains on securities available for sale	-	(1,023)
Total deferred tax liability	(136,747)	(110,113)
Net deferred tax asset	$ 512,082	$ 566,430

The Company has not recorded a deferred tax liability of approximately $265,000 related to approximately $778,000 of cumulative special bad debt deductions arising prior to December 31, 1987, the end of the Company's base year for purposes of calculating the bad debt deduction. If the Company were liquidated or otherwise ceases to be a financial institution or if the tax laws were to change, this amount would be expensed.

(Continued)

NOTE 7 - INCOME TAXES (Continued)

At June 30, 2013 and 2012, the Company had no unrecognized tax benefits recorded. The Company does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months. There were no penalties or interest related to income taxes recorded in the income statement for the years ended June 30, 2013 and 2012 and no amounts accrued for penalties and interest as of June 30, 2013 or June 30, 2012.

The Company is subject to U.S. federal income tax. The Company is no longer subject to examination by the federal taxing authority for years prior to 2009. The tax years 2009-2012 remain open to examination by the U.S. taxing authority.

NOTE 8 - RETIREMENT PLANS

The Company has a funded noncontributory defined benefit pension plan that covers substantially all of its employees. The plan provides defined benefits based on years of service and final average salary. The Company uses June 30 as the measurement date for its pension plan.

Information about obligations and plan assets of defined benefit pension plan follows:

	2013	2012
Benefit obligation	$ 1,529,004	$ 1,536,674
Change in plan assets, at fair value:		
Beginning plan assets	856,881	830,944
Actual return	86,247	(21,970)
Employer contribution	97,578	80,860
Benefits paid	(29,724)	(32,953)
Ending plan assets	1,010,982	856,881
Funded status at end of year (benefit obligations less plan assets)	$ (518,022)	$ (679,793)

Amounts recognized in accumulated other comprehensive loss at June 30 consist of the following.

	2013	2012
Net actuarial loss	$ 614,748	$ 815,870
Prior service cost	1,608	4,506
	$ 616,356	$ 820,376

The accumulated benefit obligation was $1,192,872 and $1,165,437 at the measurement date of June 30, 2013 and June 30, 2012.

	2013	2012
Net periodic benefit cost	$ 139,827	$ 100,853
(Gain) loss recognized in other comprehensive income	(204,020)	327,569
Net (gain) loss recognized in net periodic benefit cost and other comprehensive income	$ (64,193)	$ 428,422

The estimated net loss and prior service costs for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $26,574 and $1,608.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

	2013	2012
Weighted-average assumptions used to determine net cost		
Discount rate on benefit obligation	4.13%	5.67%
Long-term expected rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine benefit obligation at year-end		
Discount rate	4.81%	4.13%
Rate of compensation increase	4.00%	4.00%

There are no investments that are prohibited by the pension plan.

The Company's pension plan asset allocation by asset class at year-end 2013 and 2012 are as follows:

	Percentage of Plan Assets at Year End	
	2013	2012
Mutual Funds:		
S&P 500 growth	13.8%	14.3%
S&P 500 value	13.2	12.8
S&P International dividend	4.9	6.7
S&P Midcap 400 growth	7.9	7.7
S&P Midcap 400 value	7.5	7.1
S&P Smallcap 600 growth	2.0	2.0
S&P Smallcap 600 value	1.9	1.8
International equity funds	8.2	6.9
Emerging markets equity funds	6.1	5.7
U.S. core fixed income funds	4.9	5.7
U.S. corporate stock	0.2	0.1
Cash and cash equivalents	29.4	29.2
Total Plan Assets	100.0%	100.0%

The Company's pension plan asset allocation at year-end 2013 and 2012, target allocation for 2013, and expected long-term rate of return by asset class are as follows:

Asset Category	Target Allocation 2013	Percentage of Plan Assets at Year-end 2013	2012	Weighted-Average Expected Long-Term Rate of Return-2013
Investment funds	80%	71%	71%	6.5%
Cash and cash equivalents	20	29	29	4.0

The Pension Trustees work with an outside investment advisor to establish an appropriate asset allocation based upon stated objectives and risk tolerance. The outside investment advisor also assists in identifying, selecting and monitoring investments and investment managers within each asset class. The expectation for long-term rate of return on the plan assets is reviewed periodically by the Pension Trustees in consultation with the outside investment advisor. Factors considered in setting and adjusting this rate are historic and projected rates of return on the portfolio, an investment time horizon that exceeds five years and the Pension Trustees tolerance for risk which is deemed to be moderate.

The Company expects to contribute between $89,200 - $102,500 to its pension plan in 2013.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

Fair Value of Plan Assets: The Company used the following methods and significant assumptions to estimate the fair value of each type of plan asset:

Equity, Investment Funds and Other Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to swap and LIBOR curves that are updated to incorporate loss severities, volatility, credit spread and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

The fair value of the plan assets at June 30, 2013 and 2012, by asset category, is as follows:

		Fair Value Measurements		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013 Plan Assets				
Mutual Funds:				
S&P 500 growth	$ 139,961	$ 139,961	$ -	$ -
S&P 500 value	133,507	133,507	-	-
S&P International dividend	49,162	49,162	-	-
S&P Midcap 400 growth	80,003	80,003	-	-
S&P Midcap 400 value	75,446	75,446	-	-
S&P Smallcap 600 growth	20,532	20,532	-	-
S&P Smallcap 600 value	18,968	18,968	-	-
International equity funds	83,085	83,085	-	-
Emerging markets equity funds	61,716	61,716	-	-
U. S. core fixed income funds	49,717	49,717	-	-
U. S. corporate stock	1,785	1,785	-	-
Cash and cash equivalents	297,100	297,100	-	-
Total Plan Assets	$ 1,010,982	$ 1,010,982	$ -	$ -
June 30, 2012 Plan Assets				
Mutual Funds:				
S&P 500 growth	$ 122,467	$ 122,467	$ -	$ -
S&P 500 value	109,737	109,737	-	-
S&P International dividend	57,253	57,253	-	-
S&P Midcap 400 growth	65,739	65,739	-	-
S&P Midcap 400 value	60,807	60,807	-	-
S&P Smallcap 600 growth	17,115	17,115	-	-
S&P Smallcap 600 value	15,089	15,089	-	-
International equity funds	59,003	59,003	-	-
Emerging markets equity funds	49,193	49,193	-	-
U. S. core fixed income funds	48,833	48,833	-	-
U. S. corporate stock	1,203	1,203	-	-
Cash and cash equivalents	250,442	250,442	-	-
Total Plan Assets	$ 856,881	$ 856,881	$ -	$ -

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

The following pension benefit payments are expected, which reflect expected future service.

2014	$ 29,729
2015	27,800
2016	25,834
2017	32,303
2018	72,614
2019-2023	649,191

Employee 401(k) and Profit Sharing Plan: The Company maintains a 401(k) and profit sharing plan for all eligible employees. To be eligible, an individual must have at least 1,000 hours of service. Eligible employees may contribute up to 15% of their compensation subject to a maximum statutory limitation. The Company provides a matching contribution on behalf of participants who make elective compensation deferrals, at the rate of 50% of the first 6% of the participant's discretionary contribution. Employee contributions are always 100% vested. Employer matching contributions vest on a graduated basis at the rate of 20% per year in years two through six so that the employee is 100% vested after six years of service. The 2013 and 2012 expense related to this plan was $11,918 and $11,333 respectively.

Deferred Compensation and Supplemental Retirement Plan: The Board of Directors adopted a deferred compensation and supplemental retirement plan for directors and an executive officer of the Company during fiscal 1999. Upon adoption, each nonemployee director was credited with $1,494 for each year of service as a director and the employee director was credited with $5,103 for each year of prior service. The total liability for prior service upon adoption of the Plan was $143,541. The prior service cost was being amortized over the estimated future service period (13 years) on a straight-line basis ending on December 31, 2011. On each December 31 after 1998, each nonemployee director receives a credit to their account equal to 24% of the cash compensation that a participant earned during that calendar year. The employee director receives an annual credit of 8%. At the participant's election, the participant's account earns interest at the rate of the Company's return on average equity for that year or at the rate the Company is paying on a certificate of deposit having a term of one year or less at January 1 of that year. Total expense related to the Plan was $27,771 and $33,735 for the years ended June 30, 2013 and 2012. The accrued supplemental retirement liability included in other liabilities was $258,075 at June 30, 2013 and $257,387 at June 30, 2012.

Distributions to participants or their beneficiary during fiscal 2013 and 2012 were $27,083 and $14,360, respectively. There were no amounts recognized in accumulated other comprehensive loss before federal income taxes for prior service cost for June 30, 2013 and 2012. There is no further amount of prior service cost for the supplemental retirement plan that will be amortized from accumulated other comprehensive income into supplemental retirement expense.

Additionally, each participant may elect to defer up to 25% in base salary and up to 100% of director's fees, bonuses or other cash compensation. Amounts in participant's accounts are vested at all times. The accrued deferred compensation liability included in other liabilities was $385,225 at June 30, 2013 and $320,638 at June 30, 2012. Earnings on amounts deferred included in salaries and employee benefits totaled $6,885 and $7,727 for the years ended June 30, 2013 and 2012. Distributions to participants during fiscal 2012 were $19,009. There were no distributions to participants during fiscal 2013. The Plan is unfunded and subject to the general claims of creditors.

In conjunction with the conversion to a stock company with concurrent formation of a holding company, the Company allowed participants in the supplemental retirement and deferred compensation plans to use all or a portion of their funds in an one time election to purchase shares of the holding company at conversion.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

The shares are held in a Rabbi Trust and the obligation under the plans will be settled with these shares. Participant stock held by the Rabbi Trust is classified in equity in a manner similar to the manner in which treasury stock is accounted for. Subsequent changes in the fair value of the stock are not recognized. The deferred compensation obligation is classified as an equity instrument and changes in the fair value of the amount owed to the participant are not recognized. These shares are considered outstanding for the purpose of both basic and diluted EPS. The participants elected to use $354,600 to purchase 35,460 shares of common stock.

NOTE 9 – EMPLOYEE STOCK OWNERSHIP PLAN

As part of the conversion to a stock company, the Company formed a leveraged ESOP. The plan has a December 31 year-end and the first allocation was December 31, 2010. The ESOP borrowed from the Company, totaling $342,000, to purchase 34,200 shares of stock at $10 per share. The Company may make discretionary contributions to the ESOP, as well as paying dividends on unallocated shares to the ESOP, and the ESOP uses funds it receives to repay the loan. When loan payments are made, ESOP shares are allocated to participants based on relative compensation and expense is recorded. Dividends on allocated shares increase participant accounts. The shares in the plan are expected to be allocated over a twenty year period.

Participants receive the shares at the end of employment. A participant may require stock received to be repurchased unless the stock is traded on an established market.

Contributions to the ESOP during each year ended June 30, 2013 and 2012 were $23,506. ESOP expense was $21,840 and $19,759 for the year ended June 30, 2013 and 2012, respectively.

Shares held by the ESOP were as follows:

	2013	2012
Allocated	5,130	3,420
Committed to be released	855	855
Unearned	28,215	29,925
Total ESOP shares	34,200	34,200
Fair value of unearned shares	$ 395,010	$ 361,494
Fair value of allocated shares subject to repurchase obligation	$ -	$ 41,313

As a result of the going-private transaction, the Company is no longer required to report common stock in ESOP subject to repurchase obligation outside of permanent equity. The Company reclassified the amounts relating to the repurchase obligation to permanent equity as of January 14, 2013.

The Company expects to allocate 1,710 shares for the December 31, 2013 plan year.

NOTE 10 – COMMITMENTS, OFF-BALANCE-SHEET RISK AND CONTINGENCIES

Some financial instruments, such as loan commitments, credit lines and letters of credit are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

Commitments to make loans at current market rates at year-end were as follows.

	2013		2012	
	Balance	Rate	Balance	Rate
1-4 family real estate – fixed rate	$ 256,400	3.87-4.38%	$ 237,838	4.250%
Nonresidential real estate - fixed rate	-	-	254,365	4.625
Nonresidential real estate - variable rate	-	-	-	-

Commitments to make loans are generally made for periods of 60 days or less. The loan commitments have maturities ranging up to 30 years.

At June 30, 2013 and 2012, the Company had no unused lines of credit.

NOTE 11 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access as of the measurement date.

Level 2 – Significant other 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.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities available for sale are determined by quoted market prices (Level 1).

Securities available for sale are the only asset or liability measured at fair value on a recurring basis. The fair value of the Fund is determined using quoted prices in active markets for identical assets, a Level 1 input. The fair value is summarized below:

	2013	2012
AMF Short US Government Fund	$ 682,755	$ 697,042

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2013 or June 30, 2012.

(Continued)

NOTE 11 – FAIR VALUE (Continued)

The carrying amounts and estimated fair values of other financial instruments, at June 30, 2013 and June 30, 2012 are as follows (dollars in thousands):

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 5,659,517	$ 5,659,517	$ 4,941,915	$ 4,941,915
Interest bearing time deposits in other financial institutions	2,305,000	2,305,000	833,000	833,000
Securities held-to-maturity	446,597	473,043	544,025	576,957
Net loans	36,771,155	36,544,000	35,489,351	35,251,000
FHLB stock	397,500	N/A	397,500	N/A
Accrued interest receivable	113,112	113,112	92,679	92,679
Financial liabilities				
Deposits	$ (31,010,971)	$ (31,921,000)	$ (27,825,745)	$ (27,894,000)
FHLB advances	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Accrued interest payable	(32,394)	(32,394)	(41,030)	(41,030)

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents
The carrying amounts of cash and cash equivalents, interest-bearing time deposits in other financial institutions approximate fair values.

Securities Held to Maturity
The fair values of securities held to maturity are determined by quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Loans
Fair values of loans are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

FHLB Stock
It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Deposits
The fair values disclosed for savings and checking accounts are equal to the amount payable at the reporting date (i.e. carrying amount). Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

FHLB Advances
The fair values of the Company's long-term borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements.

(Continued)

NOTE 11 – FAIR VALUE (Continued)

Accrued Interest Receivable/Payable
The carrying amounts of accrued interest approximate fair value.

Off-balance Sheet Instruments
Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

NOTE 12 - REGULATORY MATTERS

The Association is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators. Failure to meet capital requirements can initiate regulatory action. Management believes as of June 30, 2013, the Association meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At June 30, 2013 and 2012, the most recent regulatory notifications categorized the Association as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

At year-end, the Association's actual capital levels and minimum required levels were as follows.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2013			(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 10,439	36.3%	$ 2,307	8.0%	$ 2,884	10.0%
Tier I (core) capital (to risk-weighted assets)	10,184	35.4	1,154	4.0	1,730	6.0
Tier I (core) capital (to adjusted total assets)	10,184	21.0	1,940	4.0	2,425	5.0
Tangible capital (to average assets)	10,184	21.0	728	1.5	N/A	N/A
June 30, 2012						
Total capital (to risk-weighted assets)	$ 10,217	38.2%	$ 2,141	8.0%	$ 2,677	10.0%
Tier I (core) capital (to risk-weighted assets)	9,961	37.2	1,071	4.0	1,606	6.0
Tier I (core) capital (to adjusted total assets)	9,961	22.1	1,802	4.0	2,253	5.0
Tangible capital (to average assets)	9,961	22.1	676	1.5	N/A	N/A

(Continued)

NOTE 12 - REGULATORY MATTERS (Continued)

The Qualified Thrift Lender test requires at least 65% of assets to be maintained in housing-related finance and other specified areas. If this test is not met, limits are placed on growth, branching, new investments and FHLB advances, or the Company must convert to a commercial bank charter. Management believes that this test is met.

The Association converted from a mutual to a stock institution, and a "liquidation account" was established at $7,378,641, which was net worth reported in the conversion prospectus. The liquidation account represents a calculated amount for the purposes described below, and it does not represent actual funds included in the consolidated financial statements of the Company. Eligible depositors who have maintained their accounts, less annual reductions to the extent they have reduced their deposits, would receive a distribution from this account if the Company liquidated. Dividends may not reduce shareholders' equity below the required liquidation account balance.

NOTE 13 – EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	2013	2012
Basic		
Net income available to common shareholders	$ 141,086	$ 155,715
Weighted average common shares outstanding	427,504	427,504
Less: Average unearned ESOP shares	(29,070)	(30,780)
Average shares	398,434	396,724
Earnings per common share	$ 0.35	$ 0.39

NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is a summary of the accumulated other comprehensive income (loss) balances, net of tax.

	Balance at June 30, 2012	Current Period Change	Balance at June 30, 2013
Unrealized gains (losses) on securities available for sale	$ 1,985	$ (9,429)	$ (7,444)
Unrealized loss and unamortized prior service cost on defined benefit pension plan	(541,449)	134,654	(406,795)
Total	$ (539,464)	$ 125,225	$ (414,239)