

VERSAILLES FINANCIAL CORPORATION
FINANCIAL STATEMENTS
December 31, 2012

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VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2012 and June 30, 2012

	December 31, <u>2012</u> (Unaudited)	June 30, <u>2012</u>
ASSETS		
Cash and cash equivalents due from financial institutions	\$ 3,162,301	\$ 2,241,915
Overnight deposits	<u>2,700,000</u>	<u>2,700,000</u>
Total cash and cash equivalents	5,862,301	4,941,915
Interest-bearing time deposits in other financial institutions	1,570,000	833,000
Securities, available-for-sale	695,538	697,042
Securities held to maturity (fair value of \$520,607 at December 31, 2012 and \$576,957 at June 30, 2012)	491,485	544,025
Federal Home Loan Bank stock	397,500	397,500
Loans, net of allowance of \$255,432 and \$255,432	36,388,919	35,489,351
Premises and equipment, net	1,534,777	1,548,882
Accrued interest receivable	93,449	92,679
Other assets	<u>669,742</u>	<u>715,517</u>
Total assets	<u>\$ 47,703,711</u>	<u>\$ 45,259,911</u>
LIABILITIES		
Non-interest bearing checking accounts	\$ 95,731	\$ 50
Interest bearing checking accounts	364,391	63,277
Savings/MMDA accounts	12,135,542	10,162,115
Certificates of deposit	<u>17,535,416</u>	<u>17,600,303</u>
Total deposits	30,131,080	27,825,745
Federal Home Loan Bank advances	5,000,000	5,000,000
Other liabilities	1,541,586	1,482,269
Common stock in ESOP subject to repurchase obligation	60,919	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	3,760,913	3,778,470
Retained earnings	8,390,694	8,321,153
Treasury stock, 35,460 shares, at cost	(354,600)	(354,600)
Unearned employee stock ownership plan shares	(290,700)	(299,250)
Accumulated other comprehensive loss	<u>(540,456)</u>	<u>(539,464)</u>
Total shareholders' equity	<u>10,970,126</u>	<u>10,910,584</u>
Total liabilities and shareholders' equity	<u>\$ 47,703,711</u>	<u>\$ 45,259,911</u>

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
Three months and six months ended December 31, 2012 and 2011

	Three months ended December 31,		Six months ended December 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Interest and dividend income				
Loans, including fees	\$ 425,079	\$ 468,638	\$ 860,192	\$ 950,045
Securities available for sale	3,473	2,978	7,057	6,193
Securities held-to-maturity	3,587	4,843	7,372	10,151
FHLB dividends	4,746	4,007	8,946	7,972
Deposits with banks	<u>4,532</u>	<u>2,588</u>	<u>7,613</u>	<u>5,748</u>
Total interest and dividend income	441,417	483,054	891,180	980,109
Interest expense				
Deposits	49,326	68,962	104,512	141,586
FHLB advances	<u>31,848</u>	<u>44,313</u>	<u>63,696</u>	<u>91,963</u>
Total interest expense	<u>81,174</u>	<u>113,275</u>	<u>168,208</u>	<u>233,549</u>
Net interest income	360,243	369,779	722,972	746,560
Provisions for loan losses	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>30,000</u>
Net interest income after provisions for loan losses	360,243	354,779	722,972	716,560
Noninterest income				
Other income	1,314	1,255	2,394	2,409
Gain on sale of fixed assets	<u>59,431</u>	<u>-</u>	<u>59,431</u>	<u>-</u>
Total noninterest income	60,745	1,255	61,825	2,409
Noninterest expense				
Salaries and employee benefits	160,245	157,569	312,734	299,013
Occupancy and equipment	20,133	5,491	41,482	11,091
Directors' fees	15,050	16,150	30,050	31,150
Data processing	26,567	18,258	57,476	36,439
Franchise taxes	26,858	25,081	53,716	50,163
Legal, accounting and exam fees	63,924	65,642	131,395	142,786
Federal deposit insurance	4,900	5,100	10,000	10,200
Other	<u>24,479</u>	<u>19,146</u>	<u>42,403</u>	<u>34,901</u>
Total noninterest expense	<u>342,156</u>	<u>312,437</u>	<u>679,256</u>	<u>615,743</u>
Income before income taxes	78,832	43,597	105,541	103,226
Income tax expense	<u>26,900</u>	<u>14,900</u>	<u>36,000</u>	<u>35,200</u>
Net income	<u>\$ 51,932</u>	<u>\$ 28,697</u>	<u>\$ 69,541</u>	<u>\$ 68,026</u>
Earnings per common share	<u>\$ 0.13</u>	<u>\$ 0.07</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
Three months and six months ended December 31, 2012 and 2011

	Three months ended December 31,		Six months ended December 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income	\$ 51,932	\$ 28,697	\$ 69,541	\$ 68,026
Other comprehensive income:				
Unrealized gains/losses on securities:				
Unrealized holding gain/(loss) arising during the period	(6,767)	(3,759)	(1,504)	(3,007)
Tax effect	2,301	1,278	512	1,023
Net of tax	(4,466)	(2,481)	(992)	(1,984)
Supplemental retirement plans:				
Amortization of prior service for supplemental retirement plan	-	2,758	-	5,518
Tax effect	-	(938)	-	(1,876)
Net of tax	-	1,820	-	3,642
Total other comprehensive income	(4,466)	(661)	(992)	1,658
Comprehensive income	\$ 47,466	\$ 28,036	\$ 68,549	\$ 69,684

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
Six months ended December 31, 2012

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Unearned ESOP Shares</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, July 1, 2012	\$ 4,275	\$ 3,778,470	\$ 8,321,153	\$ (354,600)	\$ (299,250)	\$ (539,464)	\$ 10,910,584
Net income for the period ended December 31, 2012	-	-	69,541	-	-	-	69,541
Change in net unrealized gain (loss) on securities available for sale, net of tax effects of \$512	-	-	-	-	-	(992)	(992)
Commitment to release 855 employee stock ownership plan shares at fair value	-	2,049	-	-	8,550	-	10,599
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	-	(2,506)	-	-	-	-	(2,506)
Balance, December 31, 2012	<u>\$ 4,275</u>	<u>\$ 3,760,913</u>	<u>\$ 8,390,694</u>	<u>\$ (354,600)</u>	<u>\$ (290,700)</u>	<u>\$ (540,456)</u>	<u>\$ 10,970,126</u>

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Six months ended December 31, 2012 and 2011

	Six months ended December 31,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 69,541	\$ 68,026
Adjustments to reconcile net income to net cash provided from operating activities		
Provision for loan losses	-	30,000
Depreciation on premises and equipment	29,510	3,586
Net amortization of securities	177	130
Loss (gain) on sale or disposal of premises and equipment	(59,431)	-
Compensation expense related to ESOP shares	10,599	10,771
Change in:		
Deferred loan costs	6,148	(1,265)
Accrued interest receivable	(770)	13,769
Other assets	46,287	(64,482)
Other liabilities	59,317	(43,157)
Net cash from operating activities	161,378	17,378
Cash flow from investing activities		
Maturities of time deposits	-	194,000
Purchases of time deposits	(737,000)	(490,000)
Maturities, repayments and calls of securities held to maturity	52,363	81,127
Loan originations and payments, net	(905,716)	1,474,997
Proceeds from sale of premises and equipment	71,034	-
Property and equipment purchases	(27,008)	(767,970)
Net cash from investing activities	(1,546,327)	492,154
Cash flow from financing activities		
Net change in deposits	2,305,335	1,323,200
Proceeds from FHLB advances	-	1,000,000
Repayments of FHLB advances	-	(1,000,000)
Net cash from financing activities	2,305,335	1,323,200
Net change in cash and cash equivalents	920,386	1,832,732
Cash and cash equivalents, beginning of period	4,941,915	4,071,401
Cash and cash equivalents at end of period	\$ 5,862,301	\$ 5,904,133
Cash paid during the year for		
Interest	\$ 172,615	\$ 239,536
Income taxes	52,418	161,109