VERSAILLES FINANCIAL CORPORATION
Versailles, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

VERSAILLES FINANCIAL CORPORATION
Versailles, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS 2

CONSOLIDATED STATEMENTS OF INCOME 3

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 4

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY 5

CONSOLIDATED STATEMENTS OF CASH FLOWS 6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 7

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2015 and 2014, 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, 2015 and 2014, 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 23, 2015

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and due from financial institutions	$ 2,838,350	$ 2,665,161
Overnight deposits	4,200,000	5,000,000
Total cash and cash equivalents	7,038,350	7,665,161
Interest-bearing time deposits in other financial institutions	1,472,000	1,962,000
Securities held to maturity (fair value of $301,997 at June 30, 2015 and $367,913 at June 30, 2014)	284,509	350,596
Federal Home Loan Bank stock	397,500	397,500
Loans, net of allowance of $255,432 at June 30, 2015 and 2014	42,028,401	39,991,658
Premises and equipment, net	1,422,977	1,465,899
Accrued interest receivable	136,920	115,719
Other assets	772,943	564,309
Total assets	$ 53,553,600	$ 52,512,842
LIABILITIES		
Savings and checking accounts	$ 19,463,663	$ 18,266,138
Certificates of deposit	14,701,281	15,430,912
Total deposits	34,164,944	33,697,050
Federal Home Loan Bank advances	6,000,000	6,000,000
Other liabilities	1,898,140	1,313,274
Total liabilities	42,063,084	41,010,324
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 and 441,104 shares issued	4,308	4,275
Additional paid-in capital	3,977,489	3,887,441
Retained earnings	8,779,618	8,555,922
Treasury stock, 35,460 shares, at cost	(354,600)	(354,600)
Unearned employee stock ownership plan shares	(247,950)	(265,050)
Accumulated other comprehensive loss	(668,349)	(325,470)
Total shareholders' equity	11,490,516	11,502,518
Total liabilities and shareholders' equity	$ 53,553,600	$ 52,512,842

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended June 30, 2015 and 2014

	2015	2014
Interest and dividend income		
Loans, including fees	$ 1,865,549	$ 1,766,855
Securities available for sale	-	5,176
Securities held to maturity	8,169	10,684
FHLB dividends	15,900	16,147
Deposits with banks	19,632	25,598
Total interest and dividend income	1,909,250	1,824,460
Interest expense		
Deposits	131,966	151,420
Federal Home Loan Bank advances	98,698	126,842
Total interest expense	230,664	278,262
Net interest income	1,678,586	1,546,198
Provision for loan losses	-	-
Net interest income after provision for loan losses	1,678,586	1,546,198
Noninterest income		
Other income	10,629	8,828
Loss on sale of securities available for sale	-	(13,535)
Total noninterest income	10,629	(4,707)
Noninterest expense		
Salaries and employee benefits	685,875	743,800
Occupancy and equipment	94,636	90,627
Directors' fees	67,450	74,700
Data processing	129,998	120,579
Franchise taxes	86,432	97,551
Legal, accounting and exam fees	151,309	145,013
Federal deposit insurance	23,245	21,560
Other	106,974	102,778
Total noninterest expense	1,345,919	1,396,608
Income before income taxes	343,296	144,883
Income tax expense	119,600	51,200
Net income	$ 223,696	$ 93,683
Basic and diluted earnings per common share	$ 0.54	$ 0.23

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended June 30, 2015 and 2014

	2015	2014
Net income	$ 223,696	$ 93,683
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available for sale securities	-	(2,256)
Reclassification adjustments for losses later recognized in income	-	13,535
Net unrealized gains (losses) on available for sale securities	-	11,279
Tax effect	-	(3,835)
Net of tax amount	-	7,444
Unrealized gains (losses) on defined benefit pension plan	(537,801)	95,037
Amortization of unrecognized net loss for defined benefit pension plan[1]	18,288	26,574
Amortization of prior service cost for defined benefit pension plan	-	1,608
Net unrealized gains (losses) on defined benefit pension plan	(519,513)	123,219
Tax effect	176,634	(41,894)
Net of tax amount	(342,879)	81,325
Other comprehensive income (loss)	(342,879)	88,769
Comprehensive income (loss)	$ (119,183)	$ 182,452

[1] Amount is included in salaries and employee benefits on the consolidated statements of income. $6,218 and $9,035 reduction of income tax expense was recognized on the consolidated statements of income related to this reclassification, respectively.

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2015 and 2014

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance, July 1, 2013	$ 4,275	$ 3,824,523	$ 8,462,239	$ (354,600)	$ (282,150)	$ (414,239)	$ 11,240,048
Net income	-	-	93,683	-	-	-	93,683
Other comprehensive income	-	-	-	-	-	88,769	88,769
Commitment to release 1,710 ESOP common shares, at fair value	-	8,848	-	-	17,100	-	25,948
Issuance of 13,600 shares under restricted stock award plan	-	-	-	-	-	-	-
Stock-based compensation expense	-	54,070	-	-	-	-	54,070
Balance, June 30, 2014	4,275	3,887,441	8,555,922	(354,600)	(265,050)	(325,470)	11,502,518
Net income	-	-	223,696	-	-	-	223,696
Other comprehensive loss	-	-	-	-	-	(342,879)	(342,879)
Commitment to release 1,710 ESOP common shares, at fair value	-	11,304	-	-	17,100	-	28,404
Vesting of 3,256 shares under restricted stock award plan and related tax benefit	33	2,071	-	-	-	-	2,104
Stock-based compensation expense	-	76,673	-	-	-	-	76,673
Balance, June 30, 2015	$ 4,308	$ 3,977,489	$ 8,779,618	$ (354,600)	$ (247,950)	$ (668,349)	$ 11,490,516

See accompanying notes.

VERSAILLES FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net income	$ 223,696	$ 93,683
Adjustments to reconcile net income to net cash provided from operating activities		
Provision for loan losses	-	-
Depreciation on premises and equipment	63,691	59,392
Loss on sale of securities available for sale	-	13,535
Compensation expense related to share based plans	105,077	80,018
Deferred taxes	(23,303)	(64,513)
Change in:		
Deferred loan costs	649	4,205
Accrued interest receivable	(21,201)	(2,607)
Other assets	(8,698)	142,905
Other liabilities	65,354	116,991
Net cash from operating activities	405,265	443,609
Cash flow from investing activities		
Maturities of interest bearing time deposits	490,000	343,000
Proceeds from sale of securities available for sale	-	680,499
Maturities, repayments and calls of securities held to maturity	66,087	96,001
Loan originations and payments, net	(2,037,392)	(3,224,708)
Property and equipment purchases	(20,769)	(18,836)
Net cash used in investing activities	(1,502,074)	(2,124,044)
Cash flow from financing activities		
Net change in deposits	467,894	2,686,079
Proceeds from FHLB advances	3,000,000	2,000,000
Repayments of FHLB advances	(3,000,000)	(1,000,000)
Tax benefit from restricted stock award vesting	2,104	-
Net cash from financing activities	469,998	3,686,079
Net change in cash and cash equivalents	(626,811)	2,005,644
Cash and cash equivalents, beginning of period	7,665,161	5,659,517
Cash and cash equivalents at end of period	$ 7,038,350	$ 7,665,161
Cash paid during the year for		
Interest	$ 231,176	$ 285,585
Income taxes paid (refunded)	158,500	(16,667)

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying 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 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.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through September 23, 2015, which is the date the financial statements were available to be issued.

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.

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 time 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,	2016	$ 490,000
	2017	735,000
	2018	247,000
		$ 1,472,000

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.

<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.

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. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. 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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on loans individually identified as impaired.

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 thirty-six 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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: Land is carried at cost. 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.

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. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation.

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.

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-Based Compensation: Compensation cost is recognized for restricted stock awards issued to directors and officers based on the fair value of these awards at the date of grant, which is the market price of the Company's common stock at the date of grant.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over each requisite service period.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: Comprehensive income 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, net of tax. As of June 30, 2015 and 2014, other comprehensive income is composed of only unrealized gains (losses) in the funded status of the defined pension plan.

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.

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

Adoption of New Accounting Standards: In February 2013, the FASB amended existing guidance related to reporting amounts reclassified out of accumulated other comprehensive income (loss). These amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional details about those amounts. The adoption of this standard did not have a material effect on the Company’s operating results or financial condition.

(Continued)

NOTE 2 - SECURITIES

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

	2015			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Government sponsored entities residential mortgage-backed:				
FHLMC	$ 169,716	$ 12,364	$ -	$ 182,080
GNMA	54,891	2,152	-	57,043
FNMA	59,902	2,972	-	62,874
	$ 284,509	$ 17,488	$ -	$ 301,997

	2014			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Government sponsored entities residential mortgage-backed:				
FHLMC	$ 206,835	$ 9,753	$ -	$ 216,588
GNMA	60,009	2,253	-	62,262
FNMA	83,752	5,311	-	89,063
	$ 350,596	$ 17,317	$ -	$ 367,913

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

At June 30, 2015 and June 30, 2014, 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:

	2015	2014
1-4 family real estate	$ 29,783,112	$ 28,508,674
Commercial real estate:		
Business	2,066,131	2,858,922
Agricultural	6,637,946	5,247,950
Multi-family	77,059	79,175
Commercial	1,499,619	1,636,098
Consumer:		
Auto	693,798	621,379
Other secured	970,719	796,187
Unsecured	535,192	477,799
Total loans	42,263,576	40,226,184
Deferred loan costs	20,257	20,906
Allowance for loan losses	(255,432)	(255,432)
	$ 42,028,401	$ 39,991,658

(Continued)

NOTE 3 – LOANS (Continued)

Loans to principal officers, directors, and their affiliates during fiscal 2015 and 2014 were as follows.

	2015	2014
Beginning balance	$ 426,294	$ 368,250
Additions	-	255,000
Repayments	(25,486)	(196,956)
Ending balance	$ 400,808	$ 426,294

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended June 30, 2015 and 2014:

	Allowance at June 30, 2014	Provision for Loan Losses	Loans Charged-off	Recoveries	Allowance at June 30, 2015
1-4 family real estate	$ 208,296	$ (23,300)	$ -	$ -	$ 184,996
Commercial real estate	17,136	28,664	-	-	45,800
Commercial	10,277	(7,162)	-	-	3,115
Consumer	11,904	1,798	-	-	13,702
Unallocated	7,819	-	-	-	7,819
Total	$ 255,432	$ -	$ -	$ -	$ 255,432

	Allowance at June 30, 2013	Provision for Loan Losses	Loans Charged-off	Recoveries	Allowance at June 30, 2014
1-4 family real estate	$ 199,370	$ 8,926	$ -	$ -	$ 208,296
Commercial real estate	30,757	(13,621)	-	-	17,136
Commercial	7,698	2,579	-	-	10,277
Consumer	9,788	2,116	-	-	11,904
Unallocated	7,819	-	-	-	7,819
Total	$ 255,432	$ -	$ -	$ -	$ 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, 2015 and 2014:

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated	Collectively Evaluated	Total Allowance	Individually Evaluated	Collectively Evaluated	Total Loans
June 30, 2015						
1-4 family real estate	$ -	$ 184,996	$ 184,996	$ -	$ 29,917,085	$ 29,917,085
Commercial real estate	-	45,800	45,800	-	8,793,657	8,793,657
Commercial	-	3,115	3,115	-	1,501,757	1,501,757
Consumer	-	13,702	13,702	-	2,202,845	2,202,845
Unallocated	-	7,819	7,819	-	-	-
Total	$ -	$ 255,432	$ 255,432	$ -	$ 42,415,344	$ 42,415,344

(Continued)

NOTE 3 – LOANS (Continued)

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated	Collectively Evaluated	Total Allowance	Individually Evaluated	Collectively Evaluated	Total Loans
June 30, 2014						
1-4 family real estate	$ -	$ 208,296	$ 208,296	$ -	$ 28,615,557	$ 28,615,557
Commercial real estate	-	17,136	17,136	-	8,201,460	8,201,460
Commercial	-	10,277	10,277	-	1,639,178	1,639,178
Consumer	-	11,904	11,904	-	1,898,934	1,898,934
Unallocated	-	7,819	7,819	-	-	-
Total	$ -	$ 255,432	$ 255,432	$ -	$ 40,355,129	$ 40,355,129

Included in recorded investment in 2015 is $20,257 of deferred loan costs and $131,511 of accrued loan interest. Included in recorded investment in 2014 is $20,906 of deferred loan costs and $108,039 of accrued loan interest.

There were no loans individually evaluated for impairment at June 30, 2015 or 2014 or during the years ending June 30, 2015 and 2014.

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, 2015 and 2014.

At June 30, 2015, the Company had one consumer auto loan totaling $659 that was 32 days delinquent and one consumer unsecured loan totaling $4,251 that was 33 days delinquent. At June 30, 2014, the Company had one consumer auto loan totaling $2,127 that was 32 days delinquent.

Troubled Debt Restructurings:
The Company had no loans classified as troubled debt restructures (TDRs) at June 30, 2015 and 2014, and there were no loans modified as troubled debt restructurings that occurred during the year ending June 30, 2015 and 2014.

NOTE 4 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows.

	2015	2014
Land	$ 150,429	$ 150,429
Building and improvements	1,250,206	1,247,126
Furniture and equipment	298,321	287,769
Total	1,698,956	1,685,324
Accumulated depreciation	(275,979)	(219,425)
	$ 1,422,977	$ 1,465,899

(Continued)

NOTE 5 - DEPOSITS

Deposits from principal officers, directors, and their affiliates at June 30, 2015 and 2014 were $1,233,615 and $1,308,945. The aggregate amount of certificates of deposit accounts with balances greater than $250,000 at year-end 2015 and 2014 was $310,774 and $307,682.

Scheduled maturities of certificates of deposit were as follows.

Year ended June 30,	2016	$ 8,343,599
	2017	4,438,302
	2018	1,019,675
	2019	899,705
		$ 14,701,281

NOTE 6 – FEDERAL HOME LOAN BANK ADVANCES

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

	Rate	2015	2014
Fixed rate advance, due July 2014	1.02%	$ -	$ 1,000,000
Fixed rate advance, due October 2014	1.14%	-	1,000,000
Fixed rate advance, due September 2014	2.89%	-	1,000,000
Fixed rate advance, due March 2017	3.36%	1,000,000	1,000,000
Fixed rate advance, due June 2017	1.15%	2,000,000	2,000,000
Fixed rate advance, due October 2019	1.91%	1,000,000	-
Fixed rate advance, due February 2025	2.40%	2,000,000	-
		$ 6,000,000	$ 6,000,000

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

Required payments over the next five years and thereafter are as follows:

Year ended June 30,	2016	$ -
	2017	3,000,000
	2018	-
	2019	-
	2020	1,000,000
	Thereafter	2,000,000
		$ 6,000,000

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, 2015 and 2014, the Company had approximately $28,651,000 and $26,318,000 of qualifying first-mortgage loans and $77,000 and $79,000 of multi-family mortgage loans pledged, in addition to FHLB stock, as collateral for FHLB advances. At June 30, 2015, 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 $10,825,980.

NOTE 7 - INCOME TAXES

Income tax expense was as follows.

	2015	2014
Current	$ 142,903	$ 115,713
Deferred	(23,303)	(64,513)
Total	$ 119,600	$ 51,200

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

	2015	2014
Federal statutory rate times financial statement income	$ 116,721	$ 49,260
Effect of:		
Tax exempt interest income, net of interest expense disallowance	(967)	(1,001)
Other, net	3,846	2,941
Total	$ 119,600	$ 51,200
Effective tax rate	34.84%	35.34%

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

	2015	2014
Deferred tax assets:		
Allowance for loan losses	$ 86,847	$ 86,847
Accrued compensation	409,503	380,958
Restricted stock expense	27,523	18,384
Capital loss carryforward	40,130	40,130
Pension	312,205	142,071
Total deferred tax asset	876,208	668,390
Deferred tax liabilities:		
Deferred loan fees and costs	(6,887)	(7,108)
FHLB stock	(75,070)	(75,070)
Accrual to cash	(44,653)	(37,773)
Accumulated depreciation	(18,795)	(17,573)
Total deferred tax liability	(145,405)	(137,524)
Net deferred tax asset	$ 730,803	$ 530,866

At June 30, 2015, the Company had $118,030 of capital loss carry forwards which may be carried forward for up to five years. The capital loss carry forwards expire June 30, 2019 and may only be deducted to the extent the Company generates capital gains. No valuation allowance has been recorded against the capital loss carry forwards as the Company believes it is more likely than not that the benefit will be realized.

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, 2015 and 2014, 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, 2015 and 2014 and no amounts accrued for penalties and interest as of June 30, 2015 or June 30, 2014.

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 2011. The tax years 2011-2014 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.

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

	2015	2014
Benefit obligation	$ 2,249,418	$ 1,666,959
Change in plan assets, at fair value:		
Beginning plan assets	1,249,102	1,010,982
Actual return	9,754	165,302
Employer contribution	102,039	102,542
Benefits paid	(29,724)	(29,724)
Ending plan assets	1,331,171	1,249,102
Funded status at end of year (benefit obligations less plan assets)	$ (918,247)	$ (417,857)

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

	2015	2014
Net actuarial loss	$ 1,012,649	$ 493,137

The accumulated benefit obligation was $1,813,497 and $1,398,497 at the measurement date of June 30, 2015 and June 30, 2014.

Components of net periodic benefit cost and other amounts recognized in other comprehensive loss:

	2015	2014
Net periodic benefit cost	$ 82,918	$ 125,596
(Gain) loss recognized in other comprehensive income	519,513	(123,219)
Net (gain) loss recognized in net periodic benefit cost and other comprehensive income	$ 602,431	$ 2,377

The estimated net loss 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 is $48,089.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

	2015	2014
Weighted-average assumptions used to determine net cost		
Discount rate on benefit obligation	4.33%	4.81%
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	4.44%	4.33%
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 2015 and 2014 are as follows:

	Percentage of Plan Assets at Year End	
	2015	2014
Mutual funds	79.6%	76.0%
U.S. corporate stock	0.2	0.2
Cash and cash equivalents	20.2	23.8
Total Plan Assets	100.0%	100.0%

The Company's pension plan asset allocation at year-end 2015 and 2014, target allocation for 2015, and expected long-term rate of return by asset class are as follows:

	Target Allocation	Percentage of Plan Assets at Year-end		Weighted-Average Expected Long-Term Rate
Asset Category	2015	2015	2014	of Return-2015
Investment funds	80%	80%	76%	6.50%
Cash and cash equivalents	20%	20%	24%	4.00%

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 $97,000 to its pension plan for the year ended June 30, 2016.

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).

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

The fair value of the plan assets at June 30, 2015 and 2014, 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, 2015 Plan Assets				
Mutual funds	$ 1,060,300	$ 1,060,300	$ -	$ -
U. S. corporate stock	2,184	2,184	-	-
Cash and cash equivalents	268,687	268,687	-	-
Total Plan Assets	$ 1,331,171	$ 1,331,171	$ -	$ -
June 30, 2014 Plan Assets				
Mutual funds	$ 949,159	$ 949,159	$ -	$ -
U. S. corporate stock	2,167	2,167	-	-
Cash and cash equivalents	297,776	297,776	-	-
Total Plan Assets	$ 1,249,102	$ 1,249,102	$ -	$ -

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

2016	$ 29,722
2017	82,548
2018	81,212
2019	79,792
2020	130,455
2021-2025	768,293

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 2015 and 2014 expense related to this plan was $10,112 and $12,484 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 who retired effective June 30, 2014. 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 has been fully amortized. 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 $21,079 and $30,177 for the years ended June 30, 2015 and 2014. The accrued supplemental retirement liability included in other liabilities was $293,742 at June 30, 2015 and $280,533 at June 30, 2014. Distributions to participants or their beneficiary during fiscal 2015 and 2014 were $7,870 and $7,719, respectively.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

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 $528,423 at June 30, 2015 and $460,686 at June 30, 2014. Earnings on amounts deferred included in salaries and employee benefits totaled $7,987 and $8,411 for the years ended June 30, 2015 and 2014. There were no distributions to participants during fiscal 2015 or 2014. 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.

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, 2015 and 2014 were $23,506. ESOP expense was $28,404 and $25,948 for the year ended June 30, 2015 and 2014, respectively.

Shares held by the ESOP were as follows:

	2015	2014
Allocated	8,550	6,840
Committed to be released	855	855
Unearned	24,795	26,505
Total ESOP shares	34,200	34,200
Fair value of unearned shares	$ 410,357	$ 437,333
Fair value of allocated shares subject to repurchase obligation	$ 141,502	$ 112,860

The Company expects to allocate 1,710 shares for the December 31, 2015 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.

	2015		2014	
	Balance	Rate	Balance	Rate
1-4 family real estate – fixed rate	$ 395,900	3.50-4.50%	$ 466,550	3.99-5.75%
1-4 family real estate construction – fixed rate	-	-%	490,000	3.99-4.75%
Nonresidential real estate - fixed rate	375,000	4.75%	840,000	4.75-5.75%

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, 2015 and 2014, the Company had no unused lines of credit.

NOTE 11 – FAIR VALUE

There were no financial instruments measured at fair value on a recurring or non-recurring basis at June 30, 2015 or June 30, 2014. The carrying amounts and estimated fair values of other financial instruments, at June 30, 2015 and 2014 are as follows (dollars in thousands):

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 7,038,350	$ 7,038,350	$ 7,665,161	$ 7,665,161
Interest bearing time deposits in other financial institutions	1,472,000	1,472,000	1,962,000	1,962,000
Securities held-to-maturity	284,509	301,997	350,596	367,913
Net loans	42,028,401	41,666,000	39,991,658	39,640,000
FHLB stock	397,500	N/A	397,500	N/A
Accrued interest receivable	136,920	136,920	115,719	115,719
Financial liabilities				
Deposits	(34,164,944)	(34,237,000)	(33,697,050)	(33,799,000)
FHLB advances	(6,000,000)	(6,088,000)	(6,000,000)	(6,011,000)
Accrued interest payable	(24,559)	(24,559)	(25,071)	(25,071)

The methods and assumptions 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.

(Continued)

NOTE 11 – FAIR VALUE (Continued)

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.

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, 2015, 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, 2015 and 2014, 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.

Basel III Capital Rules became effective for the Bank on January 1, 2015 and certain provisions are subject to a phase-in period. The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four -year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to the Bank. The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

NOTE 12 - REGULATORY MATTERS (Continued)

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
			(Dollars in thousands)			
June 30, 2015						
Total capital (to risk-weighted assets)	$ 10,993	34.5%	$ 2,550	8.0%	$ 3,187	10.0%
Common equity Tier 1 capital (to risk-weighted assets)	10,738	33.7	1,434	4.5	2,072	6.5
Tier I (core) capital (to risk-weighted assets)	10,738	33.7	1,275	4.0	2,550	8.0
Tier I (core) capital (to adjusted total assets)	10,738	20.2	2,125	4.0	2,657	5.0
June 30, 2014						
Total capital (to risk-weighted assets)	$ 10,644	34.6%	$ 2,460	8.0%	$ 3,075	10.0%
Tier I (core) capital (to risk-weighted assets)	10,389	33.8	1,230	4.0	1,845	6.0
Tier I (core) capital (to adjusted total assets)	10,389	19.8	2,100	4.0	2,625	5.0

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 two-class method is used in the calculation of basic earnings per share. Under the two-class method, earnings available to common shareholders for the period are allocated between common shareholders and participating securities according to dividends declared (or accumulated) and participation rights in undistributed earnings. The factors used in the earnings per share computation follow:

	2015	2014
Basic		
Net income available to common shareholders	$ 223,696	$ 93,683
Less: earnings allocated to participating securities	(3,846)	(1,542)
Net income allocated to common shareholders	$ 219,850	$ 92,141
Weighted average common shares outstanding including participating securities	441,104	434,658
Less: Average participating securities	(7,584)	(5,946)
Less: Average unallocated ESOP shares	(25,650)	(27,360)
Weighted average shares	407,870	401,352
Basic and diluted earnings per common share	$ 0.54	$ 0.23

(Continued)

NOTE 14 - STOCK-BASED COMPENSATION

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, 2015 and 2014, 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, 2015 and 2014.

The Plan also provides for the issuance of up to 17,100 restricted shares to directors and officers. During the year ended June 30, 2014, the Company awarded 13,600 restricted stock awards ("RSA"). Total compensation cost that has been charged against income for the RSAs was $77,000 and $54,000 for the years ended June 30, 2015 and 2014. The total income tax benefit was $26,000 and $18,000, respectively. The fair value of the stock was determined using the Company's over the counter bulletin board stock price at the grant date. RSA shares vest ratably over a three-year period for directors and a five-year-period for officers on the anniversary of the grant date. The shares have voting rights and participants receive nonforfeitable dividends on the unvested shares. These shares are considered to be participating securities in the earnings per share calculation.

A summary of changes in the Company's nonvested shares for the year follows:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 1, 2014	13,600	$ 15.00
Granted	-	-
Vested	(3,256)	15.00
Forfeited	-	-
Nonvested at June 30, 2015	10,344	$ 15.00

The fair value of restricted stock awards which vested during the year ended June 30, 2015 totaled $55,026. As of June 30, 2015, there was $73,000 of total unrecognized compensation cost related to nonvested shares granted under the Plan. Compensation expense is expected to be recognized as follows:

Year ended June 30, 2016	$ 41,000
2017	21,000
2018	9,000
2019	2,000