LIBERTY BANCORP, INC.

2011
ANNUAL REPORT

LIBERTY BANCORP, INC. 16 West Franklin • Liberty, Missouri 64068 • 816.781.4822

Dear Fellow Shareholder,

I am pleased to report the Company was again profitable in Fiscal Year 2011 producing net earnings of $3.7 million, or $1.07 per basic and diluted common share. We are in sound financial condition with strong capital levels and core earnings which allowed us to reward shareholders with the payment of a special dividend of $0.10 per share in November 2011. During the past year, we introduced new lines of business and services to diversify our revenue base, resolved many of the problem assets acquired in the 2010 failed bank acquisition, increased the tangible book value per share of common stock by over 10%, and continued growing core deposit market share. We also took advantage of an unexpected opportunity to exit the St. Louis market profitably and concentrate our resources to pursue growth in the Kansas City Market.

Although we are satisfied with the results and accomplishments of the past year, we are not content and still see challenges ahead. In 2011, we continued to see the sluggish economy, high unemployment, and pervasive uncertainty hinder the demand for real estate. This lack of demand has kept values depressed and continues to negatively affect businesses reliant on the real estate industry. Like the majority of community banks, our loan portfolio is primarily comprised of real estate based loans, both residential and commercial. As a result, we expect to experience elevated levels of non-performing assets and loan defaults until the real estate sector rebounds. Improving asset quality and reducing non-performing assets will continue to be a major focus of management.

During 2012 we will continue to focus on putting in place the building blocks we feel are necessary for the Company to produce consistent, solid returns and deliver long-term shareholder value. The $16.1 million investment from the US Treasury in the form of preferred stock issued under the terms of the Small Business Lending Fund provides the capital to pursue growth opportunities to leverage our existing infrastructure, personnel, and branch network.

The long-term challenges confronting the community banking industry are considerable and include declining revenue sources, escalating costs, increasing competition, and narrowing margins; however, we will continue to provide our customers and neighborhoods with a true community banking experience. Technology allows us to affordably offer a wide range of convenient and useful services while our dedicated staff is empowered to make decisions and find solutions to our customers' needs. This approach has been critical to our recent success in the most challenging economic circumstances of at least a generation.

While we expect many of the economic and regulatory pressures on our profits to continue, we are confident we are well-positioned to prosper in an improved economy and remain optimistic about the future of community banking.

Sincerely,

Brent M Giles

Brent M. Giles
President & Chief Executive Officer

Selected Consolidated Financial Data

Selected Financial Data:

	At September 30th,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Total assets	$ 462,354	$ 457,996	$ 392,398	$ 336,185	$ 333,186
Securities and mortgage-backed securities	$ 13,793	$ 12,655	$ 29,721	$ 40,043	$ 67,260
Loans receivable, net	$ 302,862	$ 339,797	$ 302,246	$ 256,713	$ 232,308
Deposits	$ 325,569	$ 338,170	$ 276,203	$ 219,764	$ 252,305
Total borrowings	$ 67,304	$ 69,123	$ 69,688	$ 70,053	$ 27,652
Stockholders' equity (1)	$ 65,175	$ 47,413	$ 43,785	$ 44,009	$ 50,195

Operating Results

	For the Years Ended September 30th,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Total interest income	$ 23,721	$ 21,711	$ 19,959	$ 20,156	$ 20,563
Total interest expense	4,660	5,412	6,619	9,384	10,494
Net interest income	19,061	16,299	13,340	10,772	10,069
Provision for loan losses	2,033	2,642	1,569	1,881	602
Net interest income after provision for loan losses	17,028	13,657	11,771	8,891	9,467
Total noninterest income	2,966	6,712	2,251	2,124	1,477
Total noninterest expense	14,505	13,256	11,575	8,387	8,046
Earnings before income taxes	5,489	7,113	2,447	2,628	2,898
Income taxes	1,781	2,367	671	706	954
Net earnings	$ 3,708	$ 4,746	$ 1,776	$ 1,922	$ 1,944

Other Financial Data

	At or For the Years Ended September 30th,				
	2011	2010	2009	2008	2007
	(dollars in thousands, except per share amounts)				
Return on assets (2)	0.84 %	1.12 %	0.47 %	0.57 %	0.63 %
Return on stockholders' equity (3)	7.21 %	10.44 %	4.07 %	4.18 %	3.94 %
Stockholders' equity to total assets ratio (4)	11.60 %	10.69 %	11.65 %	13.61 %	16.00 %
Non-performing non-covered assets as a % of total assets	3.47 %	4.43 %	1.41 %	3.91 %	1.53 %
Allowance for loan losses as a % of non-covered loans	1.58 %	1.44 %	1.16 %	1.02 %	1.28 %
Efficiency ratio	65.85 %	57.61 %	74.24 %	65.04 %	69.68 %
Dividend payout ratio (5)	9.16 %	7.48 %	20.62 %	20.97 %	23.86 %
Cash dividends (actual dollar amount)	$ 339,599	$ 355,069	$ 366,120	$ 402,956	$ 463,842
Common shares outstanding - end of year	3,326,514	3,564,769	3,621,875	3,936,710	4,761,187

Per Share Data

	2011	2010	2009	2008	2007
Basic earnings per common share	$ 1.07	$ 1.33	$ 0.50	$ 0.48	$ 0.42
Diluted earnings per common share	$ 1.07	$ 1.32	$ 0.49	$ 0.47	$ 0.42
Tangible common equity per share (6)	$ 14.10	$ 12.71	$ 11.30	$ 11.04	$ 10.54
Cash dividends per share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10

(1) Includes the issuance of $16.2 million in preferred stock pursuant to the Treasury's Small Business Lending Fund program.

(2) Net earnings divided by average assets.

(3) Net earnings divided by average stockholders' equity.

(4) Average stockholders' equity divided by average total assets.

(5) Represents dividends paid to stockholders as a percent of net earnings.

(6) Represents consolidated tangible common equity per outstanding common shares at end of year.

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Independent Accountants' Report

Audit Committee, Board of Directors
and Stockholders
Liberty Bancorp, Inc.
Liberty, Missouri

We have audited the accompanying consolidated balance sheet of Liberty Bancorp, Inc. subsidiary ("the Company") as of September 30, 2011, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of and for the year ended September 30, 2010 were audited by other accountants whose report dated January 12, 2011, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ **BKD, LLP**

December 29, 2011

LIBERTY BANCORP, INC.

Consolidated Balance Sheets

September 30, 2011 and 2010

Assets	2011	2010
Cash and due from banks	$ 6,174,655	$ 13,014,980
Federal funds sold	75,947,252	20,592,000
Total cash and cash equivalents	82,121,907	33,606,980
Interest-bearing time deposits due from depository institutions	992,000	-
Securities available for sale, at market value (amortized cost of $6,791,658 and $8,390,161, at September 30, 2011 and 2010, respectively)	6,715,060	7,957,325
Mortgage-backed securities ("MBS") - available for sale, at market value (amortized cost of $6,921,945 and $4,586,247, at September 30, 2011 and 2010, respectively)	7,078,098	4,698,029
Stock in Federal Home Loan Bank of Des Moines ("FHLB")	3,516,100	3,500,100
Loans receivable, excluding covered loans, net of allowance for loan losses of $4,241,556 and $4,091,963, at September 30, 2011 and 2010, respectively	263,997,172	280,563,944
Covered loans receivable, net of discounts	38,865,114	59,233,356
Total loans receivable, net	302,862,286	339,797,300
Loans held for sale	2,793,780	5,664,906
Premises and equipment, net	12,242,851	13,142,303
Bank-owned life insurance ("BOLI")	12,849,232	9,407,219
Non-covered foreclosed assets, net	10,855,215	4,610,636
Covered foreclosed assets, net	5,963,034	7,771,980
Total foreclosed assets, net	16,818,249	12,382,616
Interest receivable	1,453,266	1,399,747
Goodwill	1,191,603	1,191,603
Core deposit intangibles, net	695,847	894,917
Deferred tax asset	632,829	434,886
FDIC indemnification asset	9,111,646	21,921,688
Other assets	1,278,961	1,996,675
Total assets	$ 462,353,715	$ 457,996,294
Liabilities and Stockholders' Equity		
Deposits	$ 325,568,913	$ 338,169,664
Interest payable	151,902	217,632
Advances from FHLB	66,406,753	68,228,169
Securities sold under agreements to repurchase	896,750	895,101
Advances from borrowers for taxes and insurance	1,362,638	1,186,744
Other liabilities	2,791,780	1,886,425
Total liabilities	397,178,736	410,583,735
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; shares issued and outstanding - none	-	-
Preferred stock, Series A, par value $0.01, 16,169 shares issued and outstanding at September 30, 2011 and no shares authorized, issued and outstanding at September 30, 2010	161	-
Common stock, $0.01 par value; 20,000,000 shares authorized; 4,765,212 and 4,761,712 shares issued at September 30, 2011 and 2010, respectively	47,652	47,617
Treasury stock at cost, 1,438,698 and 1,196,943 shares at September 30, 2011 and 2010, respectively	(13,993,828)	(11,651,934)
Additional paid-in capital	49,406,726	32,918,721
Accumulated other comprehensive earnings (loss), net	88,574	(158,922)
Retained earnings - substantially restricted	29,625,694	26,257,077
Total stockholders' equity	65,174,979	47,412,559
Total liabilities and stockholders' equity	$ 462,353,715	$ 457,996,294

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Earnings

Years Ended September 30, 2011 and 2010

	2011	2010
Interest income:		
Loans receivable	$ 22,933,455	$ 20,707,806
Mortgage-backed securities	171,476	252,166
Securities - taxable	162,458	295,259
Securities - non-taxable	351,633	437,535
Other interest-earning assets	102,007	18,262
Total interest income	23,721,029	21,711,028
Interest expense:		
Deposits	3,130,603	3,758,053
Securities sold under agreement to repurchase	18,800	16,749
Advances from FHLB	1,510,668	1,637,258
Total interest expense	4,660,071	5,412,060
Net interest income	19,060,958	16,298,968
Provision for loan losses	2,032,904	2,641,748
Net interest income after provision for loan losses	17,028,054	13,657,220
Noninterest income:		
Loan service charges	97,945	104,788
Gains on sales of loans, net of costs	646,320	559,366
Gains on sales of securities and MBS available for sale	159,638	583,393
Bargain purchase gain from acquisition of Champion Bank	-	3,284,359
Change in cash surrender value of BOLI	442,013	431,657
Deposit account service charges	1,377,901	1,380,452
Gain on extinguishment of debt	146,102	-
Increase in indemnification asset	96,286	368,350
Total noninterest income	2,966,205	6,712,365
Noninterest expense:		
Compensation and benefits	6,200,550	6,391,284
Occupancy	1,209,887	1,011,040
Equipment and data processing	1,355,034	1,616,888
Foreclosed assets, net	2,629,795	552,749
FDIC premiums	449,117	494,999
Professional and regulatory services	821,870	901,694
Advertising	129,690	140,032
Correspondent banking charges	113,059	115,527
Supplies	152,844	154,210
Amortization of core deposit intangibles	199,070	557,416
Impairment of bank premises	-	161,143
Other	1,244,127	1,159,166
Total noninterest expense	14,505,043	13,256,148
Earnings before income taxes	5,489,216	7,113,437
Income taxes:		
Current	2,119,000	1,406,000
Deferred	(338,000)	961,000
Total income taxes	1,781,000	2,367,000
Net earnings	$ 3,708,216	$ 4,746,437
Basic earnings per share	$ 1.07	$ 1.33
Diluted earnings per share	$ 1.07	$ 1.32

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Comprehensive Earnings

Years Ended September 30, 2011 and 2010

	2011	2010
Net earnings	$ 3,708,216	$ 4,746,437
Other comprehensive earnings:		
Unrealized gains (losses) on securities and MBSs available for sale, net:		
Reclassification adjustment for gains included in earnings, net of tax of $(56,344) and $(204,283), respectively	(103,294)	(379,110)
Unrealized gains (losses) arising during the year, net of tax of $203,644 and $(233,213), respectively	363,846	(407,392)
Decrease in unrealized gain on benefit plans, net of tax of $(7,030) and $(7,030), respectively	(13,056)	(13,056)
Comprehensive earnings	$ 3,955,712	$ 3,946,879

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Stockholders' Equity

Years Ended September 30, 2011 and 2010

		Preferred Stock	Common Stock	Tresury Stock	Additional Paid-In Capital	Common Stock Acquired by ESOP	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Stockholders' Equity
Balance at September 30, 2009	$	-	47,617	(11,100,506)	32,600,040	(268,805)	21,865,709	640,636	43,784,691
Treasury stock		-	-	(551,428)	-	-	-	-	(551,428)
Amortization of ESOP award		-	-	-	23,454	268,805	-	-	292,259
Amortization of stock awards		-	-	-	253,368	-	-	-	253,368
Amortization of stock option grants		-	-	-	41,859	-	-	-	41,859
Unrealized loss on securities									
available for sale, net		-	-	-	-	-	-	(786,502)	(786,502)
Decrease in unrealized gain on									
benefit plans, net		-	-	-	-	-	-	(13,056)	(13,056)
Cash dividends of $.10 per share		-	-	-	-	-	(355,069)	-	(355,069)
Net earnings		-	-	-	-	-	4,746,437	-	4,746,437
Balance at September 30, 2010	$	-	47,617	(11,651,934)	32,918,721	-	26,257,077	(158,922)	47,412,559
Shares issued under stock-based									
incentive plan, 3,500 shares		-	35	-	23,940	-	-	-	23,975
Treasury stock		-	-	(2,341,894)	-	-	-	-	(2,341,894)
Amortization of stock awards		-	-	-	253,368	-	-	-	253,368
Amortization of stock option grants		-	-	-	41,858	-	-	-	41,858
Unrealized gain on securities									
available for sale, net		-	-	-	-	-	-	260,552	260,552
Decrease in unrealized gain on									-
benefit plans, net		-	-	-	-	-	-	(13,056)	(13,056)
Cash dividends of $.10 per share		-	-	-	-	-	(339,599)	-	(339,599)
Issuance of preferred stock		161	-	-	16,168,839	-	-	-	16,169,000
Net earnings		-	-	-	-	-	3,708,216	-	3,708,216
Balance at September 30, 2011	$	161	47,652	(13,993,828)	49,406,726	-	29,625,694	88,574	65,174,979

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net earnings	$ 3,708,216	$ 4,746,437
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation expense	696,709	719,640
Amortization of core deposit intangibles	199,070	557,416
Accretion of discount on loans acquired	(5,000)	(29,000)
Accretion of discount on FDIC indemnification asset	(640,000)	(368,350)
Accretion of discount on FDIC true-up liability	20,467	8,308
Amortization of premium on FHLB advances assumed	(1,221,408)	(97,685)
ESOP expense	-	292,259
Incentive Plan expense	295,226	295,227
Amortization of premiums on investments, net	14,826	15,174
Amortization of premiums (discounts) on uncovered loans	(15,333)	10,000
Amortization of deferred loan fees, net	(78,573)	(56,319)
Provision for loan losses	2,032,904	2,641,748
Loans held for sale - originated	(34,825,090)	(48,695,564)
Loans held for sale - proceeds from sale	38,342,536	44,049,294
Loss on foreclosed assets, net	2,030,727	377,674
Gain on sale of premises	(24,131)	-
Gain on sale of securities and MBSs available for sale	(159,638)	(583,393)
Impairment loss on bank premises	-	161,143
Gains on sales of loans, net	(646,320)	(559,366)
Change in cash surrender value of BOLI	(442,013)	(431,657)
Bargain purchase gain from acquisition of Champion Bank	-	(3,284,359)
Decrease (increase) in:		
Interest receivable	(53,519)	158,223
Other assets	717,714	(823,240)
Deferred tax assets	(338,000)	961,000
Increase (decrease) in:		
Interest payable and other liabilities	806,102	(242,993)
Net cash provided by (used in) operating activities	$ 10,415,472	$ (178,383)

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Years Ended September 30, 2011 and 2010

(Continued)

	2011	2010
Cash flows from investing activities:		
Net change in loans receivable	$ 20,204,553	$ 21,779,744
Increase in interest-bearing deposits	(992,000)	-
MBSs available for sale:		
Purchased	(7,153,488)	(4,000,623)
Proceeds from sales, maturities and collections	4,921,386	8,233,093
Securities available for sale:		
Purchased	(35,810,895)	(21,961,392)
Proceeds from sales, maturities, calls and collections	37,450,614	45,501,134
Purchase of stock in FHLB	(882,200)	(2,494,700)
Redemption of stock in FHLB	866,200	2,904,700
Proceeds from the sales of foreclosed assets, net	8,498,221	4,964,324
Purchases of premises and equipment	(111,287)	(1,320,459)
Proceeds from sale of premises	338,161	-
Payments received from FDIC under Loss Share Agreement	13,281,924	2,395,840
Purchase of BOLI	(3,000,000)	-
Cash received in acquisition of Champion Bank	-	79,893,307
Net cash provided by investing activities	37,611,189	135,894,968
Cash flows from financing activities:		
Net decrease in deposits	(12,600,751)	(96,474,661)
Increase in advances from borrowers for taxes and insurance	175,894	107,480
Proceeds from advances from FHLB	20,000,000	55,346,672
Repayments of advances from FHLB	(20,600,008)	(87,043,008)
Securities sold under agreement to repurchase:		
Proceeds	16,712,127	12,709,667
Repayments	(16,710,478)	(12,361,585)
Repurchases of common stock	(2,341,894)	(551,428)
Proceeds from exercise of stock options	23,975	-
Issuance of preferred stock	16,169,000	-
Cash dividends	(339,599)	(355,069)
Net cash provided by (used in) financing activities	488,266	(128,621,932)
Net increase in cash and cash equivalents	48,514,927	7,094,653
Cash and cash equivalents at beginning of year	33,606,980	26,512,327
Cash and cash equivalents at end of year	$ 82,121,907	$ 33,606,980

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Years Ended September 30, 2011 and 2010

	2011	2010
(Continued)		
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on deposits	$ 3,196,351	$ 3,848,332
Interest on advances from FHLB	1,510,668	1,637,703
Interest on securities sold under agreement to repurchase	18,819	16,749
Income taxes	1,205,000	1,428,818
Real estate acquired in settlement of loans	15,058,081	9,851,275
Loans originated to finance the sale of foreclosed real estate	93,500	13,855
Net cash received in acquisition of Champion Bank:		
Cash received from FDIC in acquisition	$ -	$ 51,256,000
Cash and cash equivalents acquired	-	28,637,307
Net cash received in acquisition	$ -	$ 79,893,307

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Liberty Bancorp, Inc. (the “Company”) is a Missouri corporation and holding company for BankLiberty (the “Bank”).

On April 30, 2010 (“Acquisition Date”), BankLiberty entered into a Purchase and Assumption Agreement (“Loss Share Agreement”) with the Federal Deposit Insurance Corporation (“FDIC”) to acquire certain assets and assume all deposits of Champion Bank, headquartered in Creve Coeur, Missouri. Under the Loss Share Agreement, the FDIC has agreed to reimburse the Bank for 80% of the losses on loans and foreclosed real estate acquired (“covered assets”). On October 21, 2011, the Bank entered into a branch asset purchase and assumption agreement with Enterprise Bank & Trust (EBT) to sell certain furniture and equipment associated with its branch office (the former Champion Bank) in Creve Coeur, Missouri. Additionally, EBT agreed to assume all deposit liabilities located at this branch.

Subsequent events have been evaluated through the date of the Independent Accountants’ Report, which is the date the consolidated financial statements were available to be issued.

The following comprise the significant accounting policies, which the Company and Bank follow in preparing and presenting their consolidated financial statements:

a. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, BankLiberty. The Company’s principal business is the business of the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

b. For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-bearing funds in other banks with original maturities of three months or less. Effective July 21, 2010, the FDIC’s insurance limit was permanently increased to $250,000. The Company has approximately $1,218,000 in cash in bank accounts that exceed federally insured limits. The Company does not believe it is exposed to any significant credit risk. Interest-bearing funds in other banks, including federal funds sold and the excess balance account at the Federal Reserve Bank, were $78,281,597 and $22,475,186 at September 30, 2011 and 2010, respectively. A restricted cash account of $560,510 related to clearing of checks was held in a correspondent bank at September 30, 2011 and 2010.

c. Securities are classified as available for sale and are reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Net unrealized gains on securities, net of tax of $22,157, amounted to $57,398 at September 30, 2011. Net unrealized losses on securities, net of tax of $117,899, amounted to $203,155 at September 30, 2010.

   The cost of securities sold is determined by specific identification. Declines in fair values of securities available for sale deemed to be other-than-temporary are charged to earnings as realized losses. In estimating other-than-temporary impairment, management of the Company considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the Company's intent to sell the security or whether it is more likely than not it will be required to sell the security before the anticipated recovery of its remaining amortized cost basis and adverse changes to expected cash flows.

Stock in the FHLB is recorded at cost, which represents redemption value. Dividends received on such stock are reported as income. The Bank is a member of the Federal Home Loan Bank system. BankLiberty is required by Federal law to own FHLB common stock based on a certain percentage of the Bank's assets and FHLB advances.

FHLB stock is evaluated for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 942-325-35, "Financial Services - Depository and Lending – Investments - Other." Determination of whether the FHLB stock is impaired is based on the assessment of the ultimate recoverability of cost rather than by recognizing declines in value. The determination of whether a decline affects the ultimate recoverability of costs is influenced by the significance of the decline in net assets compared to the capital of the FHLB and the length of time this situation has persisted, the ability of the FHLB to make payments required by law or regulation and operating performance, the impact of legislative and regulatory changes on member institutions and customer base and the liquidity position of the FHLB.

Management believes no impairment charge on FHLB stock is necessary at September 30, 2011.

Collateralized mortgage obligations ("CMOs") included in mortgage-backed securities are mortgage derivatives and the type owned by the Bank is classified as "low risk" under regulatory guidelines. CMOs are subject to the effects of interest rate risk. The Bank has not purchased CMOs at any significant premium over par value to limit certain prepayment risks.

d. Loans receivable, net are carried at unpaid principal balances, less loans in process, net deferred loan fees, unearned discounts and allowance for losses.

Loans acquired in the FDIC assisted acquisition of Champion Bank are included in the Loss Share Agreement and are reported exclusive of the cash flow reimbursements expected from the FDIC.

Loans originated and held for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Gains on sales of loans are recognized once title has passed to the purchaser, substantially all risks and rewards of ownership have irrevocably passed to the purchaser and recourse obligations, if any, are minor and can be reasonably estimated.

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized to interest income over the contractual lives of the loans using the interest method.

e. Valuation allowances are established for impaired loans for the differences between the loan amounts and the fair values of collateral less estimated selling costs. The Bank considers a loan to be impaired when, based on current information and events, it is probable the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement on a timely basis. The types of loans for which impairment is measured include nonaccrual income property loans (excluding those loans included in the homogenous portfolio which are collectively reviewed for impairment), large, nonaccrual single-family loans and troubled debt restructurings. Such loans are placed on nonaccrual status at the point deemed uncollectible. Impairment losses are recognized through an increase in the allowance for loan losses. A loan is considered delinquent when a payment has not been made by the contractual due date.

f. Allowances for losses are available to absorb losses incurred on loans receivable and foreclosed real estate and represent additions charged to expense, less net charge-offs. Loans are charged-off in the period deemed uncollectible. Recoveries of loans previously charged-off are recorded when received. The allowance consists of specific and general components. The specific component relates to loans individually classified as impaired, for which the carrying value of the loan exceeds the fair value of the collateral or the present value of expected future cash flows, or loans otherwise adversely classified. The general component covers non-impaired loans and is based on the historical loan loss experience, including adjustments to cover uncertainties that affect the Bank's estimate of probable losses for each loan type. The adjustments to historical loss experience are based on evaluations of several factors, including primarily changes in lending policies and procedures; changes in collection, charge-off and recovery practices; changes in the nature and volume of the loan portfolio; changes in the volume and severity of nonperforming loans; the existence and effect of any concentrations of credit and changes in the level of such concentrations; and changes in current, national and local economic and business conditions. Management believes that all known losses in the loan portfolio that are probable and reasonable to estimate have been recorded as of each balance sheet date.

g. The Bank follows FASB ASC 310-30, "Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality," and reviews each loan acquired in a business combination to determine whether there is evidence of deterioration of credit quality since origination and it is probable the Bank will be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, such loans are accounted for individually or pooled based upon common characteristics, including loan type. The excess of the scheduled contractual payments over all cash flows expected at acquisition of the individual loans or pools is a nonaccretable difference. The amount representing the excess of the loan's cash flows expected to be collected over the amount paid for the loans is accreted into interest income over the remaining life of the loan or pool as an accretable yield with consideration of actual prepayments. Over the remaining life or pool, the Bank continues to estimate cash flows expected to be collected. For loans with decreases in cash flows expected to be collected, a loss is recognized. For loans with increases in cash flows expected to be collected, the accretable yield is increased and recognized on a prospective basis over the remaining life of the loan or pool. Allowance for losses on acquired loans reflects only losses incurred after acquisition.

h. Premises and equipment are carried at cost, less accumulated depreciation. Depreciation of premises and equipment is computed using the straight-line method based on the estimated useful lives of the related assets. Estimated lives are five to 40 years for buildings and improvements, and three to 10 years for furniture and equipment.

i. Foreclosed assets are carried at the lower of cost or fair value less estimated selling costs based upon an appraisal or internal valuation of the property. Costs related to improvements of foreclosed assets are capitalized. Foreclosed assets may also include properties for which the Bank has taken physical possession, even though formal foreclosure proceedings have not taken place.

Covered foreclosed assets represent real estate acquired in the FDIC assisted acquisition of Champion Bank. Such real estate is recorded at fair value at the date of acquisition and subject to the terms of the Loss Share Agreement.

j. Interest on securities and loans receivable is accrued as earned. Interest on loans receivable contractually delinquent is excluded from income when deemed uncollectible. When a loan is classified as nonaccrual, accrued interest is reversed against current income. Subsequent collection of interest on nonaccrual loans is recorded as income when received or applied to reduce the loan balance. Accrual of interest is resumed on previously classified nonaccrual loans, when there is no longer any reasonable doubt as to the timely collection of interest.

Interest receivable as of September 30, 2011 and 2010 is summarized as follows:

	2011	2010
Securities	$ 106,187	$ 113,376
Loans receivable	1,347,079	1,286,371
	$ 1,453,266	$ 1,399,747

k. Bank owned life insurance is carried at the cash surrender value. Changes in the cash surrender value, including interest income, increases and decreases in value and policy expenses, are recognized as a component of noninterest income.

l. The Bank accounts for the reimbursement of covered assets under the FDIC Loss Share Agreement ("FDIC indemnification asset") in accordance with FASB ASC 805-20, "Business Combinations-Identifiable Assets and Liabilities, and Any Noncontrolling Interest." The FDIC indemnification asset represents the present value of all the cash flows from covered assets the Bank expects to collect from the FDIC. The discount on the indemnification asset is being accreted over the expected term until FDIC payment is received. As actual cash flows increase or decrease from what was expected at the acquisition date, the FDIC indemnification asset will decrease and increase, respectively, with the offset recognized in noninterest income in the statement of earnings. Covered assets that become impaired increase the indemnification asset.

m. Deferred tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities which will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense is the tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

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. No adjustments were recognized for uncertain tax positions at September 30, 2011 or 2010. The Company is subject to U.S. Federal and Missouri income taxes and special financial institution taxes. Tax years ending September 30, 2008 through 2011 remain open to examination by these jurisdictions. The Company recognizes interest and penalties related to tax positions in income tax expense. At September 30, 2011, there was no accrual for uncertain tax positions or related interest.

n. Under the measurement provisions of FASB ASC 718-10-30 and FASB ASC 718-10-35, "Compensation – Stock Compensation," compensation expense is recognized based on the fair value of unvested stock awards at the implementation date and new awards granted thereafter, which includes restricted stock and stock options, at the grant date and is recognized on a straight–line basis over the requisite service period. The fair value of stock options is estimated at the date of grant using the Black–Scholes pricing model and related assumptions. The risk–free rate is based on the U.S. Treasury zero–coupon issue with a remaining term equal to the expected term used as an assumption in the model. The expected term is based on the average of the original contractual term and the vesting term. The expected volatility is based on historical volatility of the Company's stock.

o. For ESOP shares committed to be released, the Bank recognizes compensation expense equal to the average fair value of the shares committed to be released during the period in accordance with the provisions of FASB ASC 718-40-30, "Compensation – Stock Compensation – Employee Stock Ownership Plans."

p. Earnings per share are based upon the weighted-average shares outstanding. ESOP shares, which have been committed to be released and stock options, to the extent dilutive, are considered outstanding. Under the treasury stock method, stock options are dilutive when the average market price of the Company's common stock and effect of any unamortized compensation expense exceeds the option price during the year. In addition, proceeds from the assumed exercise of dilutive stock options and related tax benefit are assumed to be used to repurchase common stock at the average market price during the period. FASB ASC 260-10, "Earnings Per Share," requires unvested restricted stock awards that contain non-forfeitable rights to dividends are participating securities and are included in the EPS computation using the two-class method. Prior period EPS data is adjusted retrospectively. Prior period per share amounts were not impacted materially.

Notes to Consolidated Financial Statements

Following is a summary of basic and diluted earnings per common share for the years ended September 30, 2011 and 2010:

	2011	2010
Basic earnings per share:		
Net earnings	$ 3,708,216	$ 4,746,437
Less dividends paid:		
Common stock	337,171	349,721
Participating securities	2,428	5,348
Undistributed earnings	$ 3,368,617	$ 4,391,368
Weighted-average basic securities outstanding	3,433,142	3,520,623
Add:weighted-average participating securities outstanding	24,280	53,480
Total weighted-average basic shares and participating securities outstanding	3,457,422	3,574,103
Distributed earnings per share	$ 0.10	$ 0.10
Undistributed earnings per share	$ 0.97	$ 1.23
Net earnings per share	$ 1.07	$ 1.33
Diluted earnings per share:		
Undistributed earnings	$ 3,368,617	$ 4,391,368
Total weighted-average basic shares and participating securities outstanding	3,457,422	3,574,103
Add: Dilutive stock options	4,976	18,347
Total weighted-average diluted shares and participating securities outstanding	3,462,398	3,592,450
Distributed earnings per share	$ 0.10	$ 0.10
Undistributed earnings per share	$ 0.97	$ 1.22
Net earnings per share	$ 1.07	$ 1.32
Anti-dilutive option shares	13,389	28,670

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

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

s. Comprensive earnings consists of net earnings and other comprehensive earnings, net of applicable income taxes. Other comprehensive earnings include unrealized appreciation (depreciation) on available-for-sale securities and changes in the funded status of defined benefit pension plans.

t. Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

u. Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on net earnings.

v. The following paragraphs summarize recent accounting guidance and references to the FASB ASC:

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (Topic 820).” ASC Topic 820 requires entities to disclose transfers in and out of levels 1 and 2, and to expand the reconciliation of level 3 fair value measurements by presenting separately information about purchases, sales, issuances and settlements. The updated guidance also clarifies disclosure requirements on the level of disaggregation (provide fair value measurement disclosures for each class of assets and liabilities) and inputs and valuation techniques (disclose for fair value measurements that fall in either level 2 or level 3). This guidance is effective for annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances and settlements in the reconciliation of level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of the new effective guidance did not significantly impact the Bank’s financial statements.

In July 2010, the FASB issued ASU 2010-20, “Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” Recent accounting guidance under ASC Topic 310, “Receivables,” provides additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosure guidance is amended to require an entity to provide more information about the credit quality indicators, past due information and modifications. Disclosures must be disaggregated by portfolio segment (level at which an entity develops a methodology to determine its allowance for credit losses) and class of financing receivable based upon initial measurement attribute, risk characteristics and assessment of credit risk. The disclosures are effective for annual reporting periods ending on or after December 15, 2011.

(2) Risks and Uncertainties

The Bank is a community oriented financial institution, which provides traditional financial services within the areas it serves. The Bank is engaged primarily in the business of attracting deposits from the general public and using these funds to originate residential real estate loans, commercial business, commercial real estate and consumer loans primarily to customers located in Clay, Clinton, Jackson, Platte and St. Louis Counties of Missouri. Senior management of the Bank monitors the level of net interest income and noninterest income from various products and services. Further, operations of the Bank are managed and financial performance is evaluated on an institution-wide basis. As a result, all of the Bank's operations are considered by management to be aggregated in one reportable operating segment.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions, which affect the reported amounts of assets and liabilities as of the balance sheet dates and income and expenses for the years covered. Actual results could differ significantly from these estimates and assumptions. Material estimates that are particularly susceptible to significant change in the near term relate to determination of the allowance for loan losses, valuation of assets acquired in connection with foreclosures or in satisfaction of loans, impairment of securities, FDIC indemnification asset and fair values of financial instruments.

The Bank's operations are affected by interest rate risk, credit risk and market risk. The Bank is subject to interest rate risk to the degree its interest-bearing liabilities mature or reprice more rapidly, or on a different basis, than its interest-earning assets. To better control the impact of changes in interest rates, the Bank has sought to improve the match between asset and liability maturities or repricing periods and rates by emphasizing the origination of adjustable-rate mortgage loans, other loans with greater interest rate sensitivities than long-term, fixed rate loans and maintaining securities and advances from FHLB primarily with maturities of less than 10 years. The Bank also emphasizes transaction accounts, which are core deposits and treated favorably in measurement of interest rate risk.

The Bank uses a net market value methodology provided by the Office of Thrift Supervision to measure its interest rate risk exposure. This exposure is a measure of the potential decline in the net portfolio value of the Bank based upon the effect of an assumed increase or decrease in interest rates in primarily 100 basis point increments. Net portfolio value is the expected net cash flows from the institution's assets, liabilities and off-balance sheet contracts. Credit risk is the risk of default on the Bank's loan portfolio that results from the borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the values of collateral underlying loans receivable and the valuations of foreclosed assets held by the Bank. The Bank is subject to regulation by certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The regulatory authorities may require the Bank to record increases in the allowance based on their evaluations of available information. There can be no assurance that the Bank's regulators will not require further increases to the allowances.

(3) Business Combinations

On April 30, 2010, BankLiberty entered into a Loss Share Agreement with the FDIC to acquire certain assets and assume all deposits of Champion Bank, headquartered in Creve Coeur, Missouri. Under the Loss Share Agreement, the FDIC has agreed to reimburse the Bank for 80% of the losses on covered assets, which include losses on loans at April 30, 2010, accrued interest up to 90 days, the book value of foreclosed real estate, capitalized expenditures and certain expenses. The term of the Loss Share Agreement for single-family loans is 10 years for both losses and recoveries and for non-single-family loans is five years for losses and eight years for recoveries.

Forty-five days following the tenth anniversary of the acquisition date, the Bank will be required to pay the FDIC a calculated amount if losses do not reach the projected level. Such calculated payment equals fifty-percent of the excess, if any of (i) 20 percent of the intrinsic loss estimate of $37,000,000 less (ii) the sum of (A) 25 percent of the asset discount plus (B) 25 percent of the cumulative loss share payments plus (C) the cumulative servicing amount. At September 30, 2011, the estimated liability ("FDIC true-up liability") of such amount is approximately $566,000, which is included in other liabilities in the consolidated balance sheets.

The acquisition of Champion Bank was accounted for under the purchase method of accounting in accordance with FASB ASC 805, "Business Combinations." The assets acquired and liabilities assumed were recorded at their respective acquisition date fair values based on a valuation prepared by an independent third party, and the core deposit intangible was recorded at fair value. The Company was permitted under FASB ASC 805 to recognized additional fair value adjustments based on new information about facts and circumstances that existed as of the acquisition date. The measurement period ended April 30, 2011.

The Bank determined the fair value of the loans acquired based upon several assumptions. Factors considered included estimated cash flows for loans acquired, types of loans, fixed or adjustable interest rates, terms of loans, current market discount rates and payment statuses of loans. Loans were pooled according to similar characteristics when valuing such loans. In addition, management estimated the amount of credit losses expected to be realized for the acquired loans and foreclosed assets. The discounted cash flow approach was generally utilized to value such assets.

Fair value yield adjustments on the assets acquired and liabilities assumed are amortized over the contractual lives of the related assets and liabilities. The core deposit intangible of $587,000 is amortized over four years using the straight-line method. A pre-tax bargain purchase gain totaling $3,284,359 resulted from the fair value of assets acquired exceeding liabilities assumed. The bargain purchase gain has been included as a component of noninterest income in the consolidated statements of earnings.

The fair value of the related indemnification asset was measured separately using the estimated cash flows for acquired loans and foreclosed real estate and the 80% loss share reimbursement rate included in the Loss Share Agreement with the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipts of such reimbursements.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at April 30, 2010, the date of acquisition of Champion Bank:

Assets		
Cash and cash equivalents	$	79,893,307
Securities		11,369,389
Loans, net		71,618,957
Foreclosed assets, net		5,064,771
Core deposit intangible		587,000
FDIC indemnification asset		24,065,017
Other assets		691,255
Total assets		193,289,696
Liabilities		
Deposits		158,441,051
Borrowings		30,881,328
Other liabilities		145,958
FDIC true-up liability		537,000
Total liabilities		190,005,337
Net assets acquired	$	3,284,359
Champion Bank's net assets acquired before fair valuation adjustments	$	15,098,386
Adjustments to reflect assets acquired and liabilities assumed at fair value:		
Loans, net		(28,458,044)
Foreclosed assets, net		(5,143,000)
FDIC indemnification asset		24,065,017
Core deposit intangible		587,000
Borrowings		(2,328,000)
FDIC true-up liability		(537,000)
Bargain purchase gain	$	3,284,359

Following is a summary of the FDIC indemnification asset at the acquisition date based upon the present value of the estimated cash flows covered by the FDIC loss share agreement:

	Loans	Foreclosed Assets	Total
Covered assets	$ 100,077,001	$ 10,207,771	$ 110,284,772
Fair value adjustment	(1,540,216)	-	(1,540,216)
Estimated fair value	(71,618,957)	(5,064,771)	(76,683,728)
Anticipated realized loss	26,917,828	5,143,000	32,060,828
Loss share recovery	80%	80%	80%
Estimated loss share	21,534,262	4,114,400	25,648,662
Accretable discount	(1,437,054)	(146,591)	(1,583,645)
FDIC indemnification asset	$ 20,097,208	$ 3,967,809	$ 24,065,017

Following is a summary of activity in the FDIC indemnification asset for the year ended September 30, 2011 and 2010:

	2011	2010
Balance, beginning of year	$ 21,921,688	-
At acquisition date	-	24,065,017
Net payments received from the FDIC	(13,025,965)	(2,395,840)
Write-downs resulting from loans sold or pay-offs	(424,077)	(115,839)
Accretion	640,000	368,350
Balance, end of year	$ 9,111,646	21,921,688

In accordance with FASB ASC 805, the proforma requirement was considered; however, due to the lack of information it was deemed impractical to provide the information required as the Company was unable to substantiate any of the significant assumptions of management prior to the acquisition.

Acquisition-related expenses, consisting primarily of appraiser costs, included in noninterest expense in the consolidated statements of earnings amounted to approximately $187,000 for the year ended September 30, 2010.

(4) Securities

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

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale - debt securities:				
State and municipal obligations	$ 6,552,320	$ 134,277	$ (230,545)	$ 6,456,052
Mortgage-backed: Government sponsored enterprises- residential	6,921,945	156,153	-	7,078,098
	13,474,265	290,430	(230,545)	13,534,150
Available for sale - equity securities	239,338	19,670	-	259,008
	$ 13,713,603	$ 310,100	$ (230,545)	$ 13,793,158
Weighted-average rate	4.08 %			

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale - debt securities:				
State and municipal obligations	$ 8,123,433	$ 283,607	$ (714,035)	$ 7,693,005
Mortgage-backed: Government sponsored enterprises- residential	4,586,247	111,782	-	4,698,029
	12,709,680	395,389	(714,035)	12,391,034
Available for sale - equity securities	266,728	-	(2,408)	264,320
	$ 12,976,408	$ 395,389	$ (716,443)	$ 12,655,354
Weighted-average rate	4.43 %			

Weighted-average rates are based on the coupon rates at the balance sheet dates. Actual yields are expected to be lower and are affected by prepayments and related premium amortization. At September 30, 2011 and 2010, mortgage-backed securities included adjustable-rate mortgage loans of $0 and $2,790,031, respectively. The fair value of mortgage-backed securities and other debt securities pledged as collateral to secure certain public deposits and for other purposes was $6,289,833 and $3,434,600, respectively, at September 30, 2011 and $4,381,036 and $4,204,604, respectively, at September 30, 2010.

Notes to Consolidated Financial Statements

Certain investments in debt and equity securities are reported in the consolidated financial statements at amounts less than their historical costs. Total fair value of these investments at September 30, 2011 and 2010, was $2,697,407 and $3,024,298, which is approximately 20% and 24%, respectively, of the Company's available-for-sale investment portfolio. These declines primarily resulted from recent changes in market interest rates and failure of certain investments to maintain consistent credit quality ratings.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2011 and 2010:

	Less than 12 Months		12 Months or Longer		Total	
September 30, 2011	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and municipal obligations	$ -	$ -	$ 2,697,407	$ (230,545)	$ 2,697,407	$ (230,545)
September 30, 2010						
State and municipal obligations	$ 261,060	$ (13,740)	$ 2,498,918	$ (700,295)	$ 2,759,978	$ (714,035)
Equity securities	264,320	(2,408)	-	-	264,320	(2,408)
	$ 525,380	$ (16,148)	$ 2,498,918	$ (700,295)	$ 3,024,298	$ (716,443)

One state and municipal obligation with a carrying value of approximately $2.3 million had an unrealized loss of approximately $213,000 at September 30, 2011. The Company continuously monitors this security which is collateralized by tax increment financing ("TIF") revenues generated by commercial real estate. The Company has concluded there is no other-than-temporary impairment as of September 30, 2011. The TIF district has generated sufficient cash flows from normal and special assessments in calendar year 2011 to meet debt service requirements. In addition, the TIF district has other cash reserves available for debt service.

Management of the Company does not intend to sell the securities with unrealized loss positions and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost bases, which may be upon maturity. Two state and municipal obligations amounting to approximately $234,000 had credit ratings of A or better. Three state and municipal obligations of approximately $2.5 million were not rated.

The amortized cost and fair value of available for sale debt securities at September 30, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Within one year	$ 491,420	$ 479,521
One to five years	1,097,321	1,135,138
Five to ten years	899,001	943,659
After ten years	4,064,578	3,897,734
	6,552,320	6,456,052
Agency mortgage-backed securities	6,921,945	7,078,098
	$ 13,474,265	$ 13,534,150

At September 30, 2011, securities with a carrying value of $2,779,576 are callable at the discretion of the issuer prior to the maturity date.

Gross proceeds, gross realized gains and gross realized losses from sales of available for sale securities were $6,554,994, $161,025 and $1,387, respectively, for the year ended September 30, 2011. Gross proceeds, gross realized gains and gross realized losses from sales of available for sale securities were $19,232,571, $604,874 and $21,481, respectively, for the year ended September 30, 2010.

(5) Loans Receivable, Net

Non-covered loans receivable, net, at September 30, are summarized as follows:

	2011	2010
Real estate loans:		
Single-family, 1-4 units	$ 40,899,846	$ 49,752,006
Multi-family, 5 or more units	25,109,644	28,392,231
Construction	37,164,971	52,774,418
Commercial	130,535,346	120,961,928
Commercial business loans	23,384,162	23,420,590
Consumer loans	17,212,973	14,083,619
	274,306,942	289,384,792
Allowance for losses	(4,241,556)	(4,091,963)
Loans in process	(5,845,792)	(4,514,715)
Deferred loan fees, net	(222,422)	(214,170)
	$ 263,997,172	$ 280,563,944

Covered loans receivable, net, at September 30, are summarized as follows:

	2011	2010
Real estate loans:		
Single-family, 1-4 units	$ 3,911,213	$ 10,178,762
Multi-family, 5 or more units	15,966,737	8,929,988
Construction	3,933,324	6,796,814
Commercial	11,131,694	26,558,885
Commercial business loans	4,125,632	4,957,936
Consumer loans	5,554,911	8,954,472
	44,623,511	66,376,857
Allowance for losses	(181,361)	-
Loans in process	(2,396,066)	(2,464,289)
Accretable discount on covered loans	(434,007)	(434,007)
Credit quality discount on covered loans	(2,744,731)	(4,245,205)
Deferred loan fees, net	(2,232)	-
	$ 38,865,114	$ 59,233,356

The weighted-average rate on total loans receivable, net, at September 30, 2011 and 2010 was 6.34% and 6.17%, respectively.

Adjustable-rate loans included in the loan portfolio amounted to $97,729,157 and $121,470,573 at September 30, 2011 and 2010, respectively

Real estate construction loans at September 30, are secured by the following:

	2011	2010
Single-family, spec	$ 7,966,288	$ 7,472,965
Single-family, custom built	1,950,720	104,150
Multi-family, 5 or more units	1,540,412	4,231,000
Development	4,002,510	6,803,599
Commercial	25,638,365	40,959,518
	$ 41,098,295	$ 59,571,232

Following is a summary of activity in the allowance for loan losses on non-covered loans:

	2011	2010
Balance, beginning of year	$ 4,091,963	$ 3,536,837
Loan charge-offs	(1,653,300)	(2,187,227)
Loan recoveries	123,629	100,605
Provision charged to expense	1,679,264	2,641,748
Balance, end of year	$ 4,241,556	$ 4,091,963

The outstanding balance and related carrying amount of ASC 310-30 loans ("impaired covered loans") and loans not subject to the specific criteria of ASC 310-30, but accounted for under the guidance of ASC 310-30 ("other covered loans") at September 30, 2011, September 30, 2010 and the acquisition date are as follows:

	September 30, 2011			September 30, 2010		
	Impaired Covered Loans	Other Covered Loans	Total	Impaired Covered Loans	Other Covered Loans	Total
Outstanding balance	$ 2,824,987	48,412,078	$ 51,237,065	$ 10,474,633	$ 73,659,848	$ 84,134,481
Carrying amount	$ 2,494,362	$ 38,958,889	$ 41,453,251	$ 5,643,320	$ 56,054,325	$ 61,697,645

	April 30, 2010 (acquisition date)		
	Impaired Covered Loans	Other Covered Loans	Total
Outstanding balance	$ 20,253,042	$ 79,823,959	$ 100,077,001
Carrying amount	$ 9,460,386	$ 62,158,571	$ 71,618,957

Following is a summary of activity in the allowance for loan losses on covered loans:

	2011	2010
Balance, beginning of year	$ -	$ -
Loan charge-offs	(187,279)	-
Loan recoveries	15,000	-
Provision charged to expense	353,640	-
Balance, end of year	$ 181,361	$ -

The timing of disposition or sale of impaired loans, is not readily determinable. Accordingly, the Bank does not have the information necessary to reasonably estimate cash flows expected to be collected to compute its yield and has ceased recognition of accretion on such loans. These loans amounted to $2,494,362, $5,643,320 and $9,460,386 at September 30, 2011, September 30, 2010 and the acquisition date, respectively.

At the acquisition date, the outstanding principal balance and the estimated contractual cash flows not expected to be collected for all other covered loans was $79,823,959 and $17,665,388, respectively.

Following is a summary of the activity in accretion of discount for loans acquired for the years ended September 30:

	2011	2010
Balance, beginning of year	$ 434,007	$ -
Additions	-	1,540,216
Accretion	-	(29,000)
Disposals of loans	-	(575,591)
Reclassifications to nonaccretable difference	-	(501,618)
Balance, end of year	$ 434,007	$ 434,007

Included in certain loan categories in the impaired non-covered loans are troubled debt restructurings classified as impaired. At September 30, 2011 the Company had an approximate $1.3 million multi-family real estate loan and an approximate $2.8 million land loan that were modified in troubled debt restructurings and impaired. In addition to these amounts, the Company had troubled debt restructurings performing in accordance with their modified terms of $2.9 million of commercial real estate loans at September 30, 2011.

Included in certain loan categories in the impaired covered loans are troubled debt restructurings classified as impaired. At September 30, 2011 the Company had approximately $2.3 million of commercial real estate loans that were modified in troubled debt restructurings and impaired. In addition to these amounts, the Company had a troubled debt restructuring performing in accordance with its modified terms of an approximate $1.3 million land loan at September 30, 2011.

A summary of nonperforming loans, excluding covered loans as of September 30, follows:

	2011	2010
Nonaccrual loans	$ 3,826,335	$ 15,528,393
Accruing loans past due 90 days or more	-	-
Other impaired loans	1,350,000	144,599
Total nonperforming loans	$ 5,176,335	$ 15,672,992
Allowance for losses on nonperforming loans	$ 204,787	$ 925,300
Nonperforming loans with no allowance for loan losses	$ 69,617	$ 268,656
Average balance of nonperforming loans	$ 6,389,041	$ 4,197,208
Interest income that would have been recognized	$ 483,616	$ 114,605
Interest income recognized	$ 195,037	$ 86,529

A summary of nonperforming covered loans as of September 30, follows:

	2011	2010
Nonaccrual loans	$ 297,102	$ 4,354,492
Accruing loans past due 90 days or more	-	-
Other impaired loans	2,270,243	1,288,828
Total nonperforming covered loans	$ 2,567,345	$ 5,643,320
Allowance for losses on nonperforming loans	$ 4,917	$ -
Nonperforming loans with no allowance for loan losses	$ 108,715	$ -
Average balance of nonperforming loans	$ 5,759,575	$ 15,439,175
Interest income that would have been recognized	$ 2,464	$ 116,814
Interest income recognized	$ 2,060	$ 177,609

The Bank may originate single-family loans with loan to value ratios exceeding 90 percent. At September 30, 2011 and 2010 these loans amounted to $1,992,102 and $3,099,599, respectively.

Loans to directors, executive officers and associates of such persons did not exceed $60,000 in the aggregate for the years ended September 30, 2011 and 2010.

(6) Premises and Equipment, Net

Premises and equipment, net, are summarized as follows:

`	2011	2010
Land	$ 3,502,466	$ 3,644,951
Office buildings	9,678,222	10,357,027
Furniture and equipment	5,216,039	4,598,747
	18,396,727	18,600,725
Less accumulated depreciation	6,153,876	5,458,422
	$ 12,242,851	$ 13,142,303

Depreciation expense for 2011 and 2010 was $696,709 and $719,640, respectively.

The Bank leases the land for one branch office located in Kansas City. The lease expires in November 2021. The Bank has four successive options to extend the lease term for five years each and a fifth option for a three year period.

The Bank leases the land for one branch office located in Creve Coeur, Missouri. The lease expires in July 2032. The Bank has five successive options to extend the lease term for five years each.

Total land lease expense for 2011 and 2010 was $254,949 and $159,039, respectively.

Future minimum lease payments are summarized as follows:

October 1, 2011 to September 30, 2012	$	265,296
October 1, 2012 to September 30, 2013		278,854
October 1, 2013 to September 30, 2014		278,854
October 1, 2014 to September 30, 2015		278,854
October 1, 2015 to September 30, 2016		278,854
After September 30, 2016		3,912,314
	$	5,293,026

7) Foreclosed Assets, Net

Foreclosed assets, net, are summarized as follows:

	2011	2010
Non-covered foreclosed assets	$ 10,855,215	$ 4,610,636
Covered foreclosed assets	5,963,034	7,771,980
Valuation allowance	-	-
	$ 16,818,249	$ 12,382,616

At September 30, 2011, foreclosed assets consist primarily of land and multi-family property.

Following is a summary of activity in the valuation allowance:

	2011	2010
Balance, beginning of year	$ -	$ -
Gain on sale	91,920	138,004
Charge-offs	(2,301,388)	(515,678)
Provision charged to expense	2,209,468	377,674
Balance, end of year	$ -	$ -

(8) Goodwill and Core Deposit Intangibles, Net

Goodwill was recognized in connection with the acquisition of KLT Bancshares, Inc., the parent company of Farley State Bank, in November 2008. Under FASB ASC 350, “Intangibles - Goodwill and Other,” goodwill is tested for impairment annually or more frequently, if necessary, utilizing a two-step methodology.

The first step requires that the Company compare the fair value of a reporting unit with its carrying amount. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired. If the carrying value exceeds the fair value of the reporting unit, the second step is performed to determine the amount of impairment, if any. The second step compares the implied value of the reporting unit's goodwill with the carrying amount of such goodwill. The implied value of goodwill is the excess of the fair value of the reporting unit over the aggregate fair values of the individual assets, liabilities and identifiable assets as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit.

Management determined the Bank is the reporting unit for purposes of evaluating goodwill. Under the first step, the fair value of the reporting unit was determined using recent transactions from comparable banks from an independent third party, including transaction value to total assets, tangible book value, last twelve months net earnings and a control premium.

After weighting each valuation approach, the fair value of the Bank was determined to exceed the carrying amount. As a result, goodwill was not impaired at either September 30, 2011 or 2010.

The gross carrying value and accumulated amortization of the core deposit intangibles related to the acquisitions of Champion Bank and Farley State Bank is presented below:

	September 30, 2011	September 30, 2010
Core deposit intangibles	$ 1,643,000	$ 1,643,000
Accumulated amortization	(947,153)	(748,083)
	$ 695,847	$ 894,917

The core deposit intangible is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Amortization expense on core deposit intangibles for the years ended September 30, 2011 and 2010 was $199,070 and $557,416, respectively.

Estimated amortization expense on core deposit intangibles for the next five years is as follows:

Year ended September 30, 2012	$ 248,000
Year ended September 30, 2013	89,000
Year ended September 30, 2014	71,000
Year ended September 30, 2015	68,000
Year ended September 30, 2016	68,000

The estimated amortization expense for 2012 includes $138,000 related to the amortization of the remaining core deposit intangibles associated with the assumption by Enterprise Bank & Trust of approximately $43.0 million in deposits at the Bank's Creve Couer, Missouri branch.

(9) Deposits

Deposits are summarized as follows:

	2011	2010
Non-interest bearing NOW accounts	$ 28,538,248	$ 28,166,568
NOW accounts	29,824,713	41,833,165
Statement accounts	12,345,691	10,913,779
Money market accounts	105,405,635	106,071,197
Total transaction accounts	176,114,287	186,984,709
Certificates:		
0.08 - 0.99%	51,985,639	14,963,102
1.00 - 1.99%	54,183,298	94,041,927
2.00 - 2.99%	29,846,760	24,261,715
3.00 - 3.99%	12,066,852	14,765,278
4.00 - 4.99%	1,372,077	2,117,774
5.00 - 5.99%	-	1,035,159
Total certificates	149,454,626	151,184,955
Total deposits	$ 325,568,913	$ 338,169,664

At September 30, 2011 and 2010, deposits included brokered certificates of $10,810,000 and $10,909,000, respectively. Approximately $5.71 million of brokered deposits mature in 2012, $100,000 in 2013, $2.0 million in 2014 and $3.0 million in 2015.

Certificate maturities, including brokered certificates, are summarized as follows:

	2011	2010
October 1, 2011 to September 30, 2012	$ 93,700,841	$ 96,812,442
October 1, 2012 to September 30, 2013	26,490,167	25,864,974
October 1, 2013 to September 30, 2014	11,169,277	16,025,115
October 1, 2014 to September 30, 2015	8,160,934	5,456,103
October 1, 2015 to September 30, 2016	9,933,407	7,026,321
	$ 149,454,626	$ 151,184,955

Transaction accounts and certificates in denominations of $100,000 or more amounted to $84,451,516 and $72,225,793 at September 30, 2011, respectively, and $94,092,520 and $57,288,260 at September 30, 2010, respectively. Generally, deposits in excess of $250,000 are not Federally insured. Approximately $35.4 million of certificates of $100,000 or more mature within one year.

Interest expense on deposits is summarized as follows:

	2011	2010
NOW accounts	$ 90,154	$ 191,893
Passbook accounts	30,795	32,037
Money market accounts	850,558	1,007,642
Certificates	2,159,096	2,526,481
	$ 3,130,603	$ 3,758,053

Deposits from directors, executive officers and other affiliates were not material to total deposits at September 30, 2011 and 2010.

(10) Advances from FHLB

Advances from FHLB are summarized as follows:

Final Maturity Date	Average Interest Rate at September 30, 2011	2011	2010
Within one year	2.35%	$ 20,074,846	$ 11,000,000
One to three years	1.40%	32,000,000	27,174,854
After three to five years	3.12%	3,000,000	8,000,000
After five years	2.53%	11,331,907	22,053,315
		$ 66,406,753	$ 68,228,169
Weighted-average rate		1.95 %	2.59 %

Principal maturities at September 30, 2011 are summarized as follows:

October 1, 2011 to September 30, 2012	20,074,846
October 1, 2012 to September 30, 2013	27,000,000
October 1, 2013 to September 30, 2014	5,000,000
October 1, 2014 to September 30, 2015	3,000,000
After September 30, 2016	11,331,907
	$ 66,406,753

In the FDIC assisted acquisition with Champion Bank in 2010, the Bank assumed advances from the FHLB with a fair value of $30,728,000, including a premium of $2,328,000. Such premium is being recognized in interest expense using a method which approximates the interest method over the remaining term of such advances.

At September 30, 2011, advances from FHLB are secured by FHLB stock and loans amounting to $103,659,999. The Bank had unused credit available under the FHLB advance program of approximately $37.7 million at September 30, 2011.

At September 30, 2011, the Bank had an unused line of credit with another bank of $5.0 million.

(11) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as borrowings, are reflected at the amount of cash received in connection with transaction, plus interest credited. The Bank may be required to provide additional collateral based on the fair values of the underlying securities. The securities sold under agreements to repurchase are under the Bank's control. These agreements to repurchase are summarized as follows:

Maturity Date	Rate at September 30, 2011	2011	2010
June 26, 2012	3.34%	$ 390,269	$ 377,450
Open line	0.76%	506,481	517,651
Total, 1.88% and 1.82%		$ 896,750	$ 895,101
Fair value of securities		$ 1,899,263	$ 1,614,775
Average balance of borrowings		$ 979,782	$ 873,800
Maximum balance at any month end		$ 1,356,403	$ 1,233,387

(12) Income Taxes

The Company and Bank file consolidated income tax returns. The Bank is permitted to make additions to the tax bad debt reserve using the experience method.

The components of the net deferred tax asset are summarized as follows:

	2011	2010
Deferred tax liabilities:		
FHLB stock dividends	$ (140,625)	$ (140,625)
Net unrealized gain on securities available for sale	(22,157)	-
Purchase accounting adjustments-Farley State Bank	(406,481)	(472,645)
Purchase accounting adjustments-Champion Bank	(1,176,757)	(1,163,903)
Total deferred tax liabilities	(1,746,020)	(1,777,173)
Deferred tax assets:		
Accrued income and expense and deferred loan fees	189,281	191,428
Net unrealized losses on securities available for sale	-	119,492
Allowance for loan losses	1,493,271	1,437,174
Premises and equipment	114,730	131,452
Benefit plan expense recognition	259,421	211,117
Other	322,146	121,396
Total deferred tax assets	2,378,849	2,212,059
Net deferred tax asset	$ 632,829	$ 434,886

The provisions of FASB ASC 942-740-35, “Financial Services – Depository and Lending – Income Taxes,” require the Bank to establish a deferred tax liability for the effect of the tax bad debt reserves over the amounts at September 30, 1988. The Bank’s tax bad debt reserves were $3,588,000 at September 30, 1988. The estimated deferred tax liability on such amount is approximately $1,220,000, which has not been recorded in the accompanying financial statements. If these tax bad debt reserves are used for other than loan losses, the amount used will be subject to Federal income taxes at the then prevailing corporate rate.

Income taxes are summarized as follows:

	2011	2010
Current:		
Federal	$ 1,886,000	$ 1,230,000
State	233,000	176,000
	2,119,000	1,406,000
Deferred:		
Federal	(213,000)	838,000
State	(125,000)	123,000
	(338,000)	961,000
	$ 1,781,000	$ 2,367,000

The provision for income taxes differs from the Federal statutory corporate tax rate as follows:

	Percentage of Earnings Before Income Taxes	
	2011	2010
Federal statutory income tax rate	34.0%	34.0%
Increases (decreases) in tax rate:		
Tax exempt income	(2.2)	(2.0)
Change in cash surrender value of BOLI	(2.7)	(2.1)
Nondeductible stock option expense	0.2	0.2
State taxes, net of Federal tax benefit	2.4	2.6
Average fair value versus cost of ESOP shares	0.1	0.1
Other, net	0.7	0.5
Tax rate	32.5%	33.3%

(13) Employee Benefits

Defined Contribution Pension Plan (401(k) Plan)

The Bank maintains a defined contribution pension plan, which covers substantially all employees. Participants can contribute from 2% to 15% of their salary of which the Bank will match 50% of the employee contribution, up to a maximum of 5% of the employee's salary. Participants are fully vested after five years of service. Pension plan expense was $78,283 and $77,860 for 2011 and 2010, respectively.

Directors' Benefit Plans

The Bank has adopted a retirement plan for directors elected before 1994. The plan provides that each non-employee director (participant) shall receive upon retirement a benefit in equal annual installments over a ten-year period. The annual benefit will be based upon the product of the participant's vesting percentage and $8,000 for currently retired directors and surviving spouses. For three directors covered under the plan, the annual benefit was amended and is $15,000 per year for ten years.

Retirement plan expense was $21,396 for 2011 and 2010. The accumulated retirement plan benefit obligation was $195,817 and $202,857 at September 30, 2011 and 2010, respectively.

The Bank also provides postretirement medical benefits to directors, elected before 1994, and their spouses. The liability for such benefits is unfunded. The accumulated postretirement benefit obligation, which represents the present value of the estimated future benefits payable to plan participants attributed to service rendered to date, will be recognized on a delayed basis as a component of net periodic cost for postretirement medical benefits.

Postretirement medical benefits for three directors and their spouses have been amended from the current plan of lifetime health insurance coverage to benefits of $500 per month for each of the directors and spouses, not to exceed twenty years.

Postretirement medical benefits plan expense was $2,904 in 2011 and 2010. The accumulated postretirement medical benefit obligation was $164,857 and $188,765 at September 30, 2011 and 2010, respectively.

Employee Stock Ownership Plan (ESOP)

The Bank has established an ESOP for the benefit of participating employees. Effective September 30, 2010, the ESOP was amended such that no new employees would be eligible to participate in the ESOP and all current employees participating in the ESOP became 100% vested in their accounts. The ESOP loan from the Company was paid in full on September 30, 2010. Prior to this amendment and payoff, participating employees were employees who were normally scheduled to work at least twenty hours a week. After participants completed plan eligibility requirements they became 20% vested after one year of service, and 20% for each additional year of service until benefits were 100% vested after 5 years. The Bank made annual contributions to the ESOP equal to the ESOP's debt service less dividends on unallocated ESOP shares used to repay the ESOP loan. Dividends on allocated ESOP shares were paid to participants of the ESOP and charged to retained earnings. The ESOP shares were pledged as collateral on the ESOP loan. After repayment of the ESOP loan, all shares were released from collateral and were allocated to participating employees, based on the proportion of loan repaid and compensation of the participants. The Plan permits offsetting forfeitures against employer contributions. Benefits become payable upon a participant's retirement, death, disability or separation from service.

Additional ESOP disclosures are summarized as follows:

	2011	2010
Shares allocated at year end	225,389	199,338
Shares released for allocation at year end	-	36,134
Unreleased shares at year end	-	-
ESOP expense for the year	$ -	$ 292,259
Fair value of unreleased ESOP shares at year end	$ -	$ -

Stock Options

As authorized by the 2003 Incentive Equity and Deferred Compensation Plan (the "2003 Plan"), the Board of Directors granted 78,760 options to non-employee directors and 96,260 to certain officers and employees during fiscal year 2004. The Plan authorizes the award of up to 258,063 shares of common stock, subject to restrictions, to be issued to directors, officers and employees of the Bank. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock and unrestricted stock. Options expire 10 years from the date of the grant. Stock options to directors are fully vested on the grant date of June 16, 2004. Options granted to the Bank's CEO vested over three years and three months and options granted to certain other officers and employees vested over a five-year period. On January 27, 2005 the Board of Directors granted an additional 38,504 options to certain officers and employees. Options granted to the CEO vested over a period of three years and eight months and options granted to certain officers and employees vest over a five-year period. On November 23, 2005 the Board of

Directors granted an additional 42,440 options to directors and officers. Options granted to the board, CEO and certain officers were vested over a ten-month period.

As authorized by the Liberty Bancorp, Inc. 2007 Equity Incentive Plan (the “2007 Plan”), the Board of Directors granted 25,150 options to non-employee directors and 65,500 options to certain officers and employees on February 27, 2007. On April 1, 2009, 5,000 options were granted to one employee. The 2007 Plan authorizes the award of up to 100,691 options to purchase shares of common stock, subject to restrictions, to be issued to directors, officers and employees of the Bank. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock and unrestricted stock. Options expire ten years from the date of the grant. All 95,650 options granted vest over a five-year period.

The expected dividend yield is based on the current quarterly dividend in effect at the time of the grant. The risk-free interest rate is based on the seven-year U.S. Treasury Constant. The expected life of options is based on the average of the option life of 10 years and vesting period of five years. The expected volatility is based on historical volatility of the Company’s stock.

Stock option compensation expense is as follows:

	2011	2010
Pretax	$ 41,859	$ 41,859
After tax	$ 38,118	$ 38,034
Basic and diluted earnings per share	$ 0.01	$ 0.01

At September 30, 2011, the total unrecognized compensation expense related to nonvested stock options was $20,273 and is expected to be recognized over the weighted-average period of 1.46 years.

Stock options, granted, exercised or forfeited are as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term in Years
Outstanding at September 30, 2009	326,488	$ 8.37	5.78
Outstanding at September 30, 2010	326,488	$ 8.37	4.78
Exercised	(3,500)	-	-
Forfeited	(3,000)	-	-
Outstanding at September 30, 2011	319,988	$ 8.54	3.78
Exercisable at September 30, 2011	301,558	$ 8.31	3.65
Vested and expected to vest at September 30, 2011	301,558	$ 8.31	3.65

A summary of the total value of options exercised, the amount of cash received from the exercise of stock options and the fair value of shares vested is as follows for the years indicated:

	2011	2010
Cash received from the exercise of options	$ 33,250	$ -
Fair value of shares vested	$ 172,274	$ 167,467

Shares exercisable and weighted-average exercise prices were 301,558 and $8.31 at September 30, 2011, respectively and 286,828 and $8.03 at September 30, 2010, respectively.

Restricted Stock Awards

During fiscal year 2004, as authorized by the 2003 Plan, two directors each received a restricted stock award of 6,125 shares, which vested over three years. On February 27, 2007, as authorized by the 2007 Plan, the Board of Directors granted 31,400 restricted stock awards to non-employee directors and 78,000 awards to certain officers and employees. The 2007 Plan authorizes the award of up to 125,649 shares of common stock, subject to restrictions, to be issued to directors, officers and employees of the Bank. Subsequently, 125,649 shares were repurchased by a trust to fund the restricted stock awards. All awards vest over a five-year period.

A summary of the Company's restricted stock compensation expense is as follows:

	2011	2010
Pretax	$ 253,368	$ 253,368
After tax	$ 164,689	$ 164,689

At September 30, 2011, the total unrecognized expense was $119,694 and is expected to be recognized through 2014.

A summary of the Company's nonvested stock award activity for 2011 is as follows:

	Number of Nonvested Shares	Weighted-Average Grant Date Fair Value
Nonvested at October 1, 2010	47,760	$ 10.89
Vested	(22,280)	$ 11.07
Forfeited	(1,200)	$ 11.27
Nonvested at September 30, 2011	24,280	$ 10.72

(14) Participation in the Small Business Lending Fund of the U.S. Treasury Department

On August 23, 2011, the Company entered into a Securities Purchase Agreement with the Secretary of the Treasury, pursuant to which the Company issued and sold to the Treasury 16,169 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share, for aggregate proceeds of $16,169,000. The issuance was pursuant to the Treasury's Small Business Lending Fund program, a $30 billion fund established under the Small Business Jobs Act of 2010, which encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion. The Series A Preferred Stock is entitled to receive non-cumulative dividends payable quarterly on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The October 1, 2011 dividend was paid in the approximate amount of $85,000. This dividend was for accrued dividends due for the period August 23, 2011 through September 30, 2011. This preferred stock qualifies as Tier 1 capital. The dividend rate, which is calculated on the aggregate Liquidation Amount, has been initially set at five percent per annum based on the current level of "Qualified Small Business Lending" ("QSBL") by the Bank. The dividend rate for the initial period ending October 1, 2011 was five percent per annum. The dividend rate for future dividend periods will be set based upon the percentage change in qualified lending between each dividend period and the baseline QSBL level established at which time the Agreement was entered. Such dividend rate may vary from one percent per annum to five percent per annum for the second through tenth dividend periods, from one percent per annum to seven percent per annum for the eleventh quarter through four and one half years after issuance. If the Series A Preferred Stock remains outstanding for more than four-and-one-half years, the dividend rate will be fixed at nine percent. Prior to that time, in general, the dividend rate decreases as the level of the Bank's QSBL increases. Such dividends are not cumulative, but the Company may only declare and pay dividends on its common stock (or any other equity securities junior to the Series A Preferred Stock) if it has declared and paid dividends for the current dividend period on the Series A Preferred Stock, and will be subject to other restrictions on its ability to repurchase or redeem other securities.

The Series A Preferred Stock is non-voting, except in limited circumstances. In the event that the Company misses five dividend payments, whether or not consecutive, the holder of the Series A Preferred Stock will have the right, but not the obligation, to appoint a representative to attend all meetings of the Company's Board of Directors in a nonvoting observer capacity.

The Company may redeem the shares of Series A Preferred Stock, in whole or in part, at any time at a redemption price equal to the sum of the Liquidation Amount per share and the per-share amount of any unpaid dividends for the then-current period, subject to any required prior approval by the Company's primary federal banking regulator.

(15) Stockholders' Equity and Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. At September 30, 2011, the Bank met all capital adequacy requirements.

At September 30, 2011 and 2010, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since the dates of the aforementioned notification that management believes have changed the Bank's category.

The Bank's actual and required capital amounts and ratios at September 30, 2011 are as follows:

	Actual		Minimum for Capital Adequacy		Required to be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
Stockholders' equity	$ 61,971					
Computer software costs	(130)					
Goodwill and core deposit intangibles	(1,887)					
Unrealized gain, net – benefit plans	(31)					
Unrealized loss on securities AFS, net	(38)					
Tangible capital	$ 59,885	13.0%	$ 6,909	1.5%		
General valuation allowance	4,133					
Total capital to risk-weighted assets	$ 64,018	19.3%	$ 26,601	8.0%	$ 33,251	10.0%
Tier 1 capital to risk-weighted assets	$ 59,885	18.0%	$ 13,301	4.0%	$ 19,951	6.0%
Tier 1 capital to total assets	$ 59,885	13.0%	$ 18,424	4.0%	$ 23,031	5.0%

The Bank's actual and required capital amounts and ratios at September 30, 2010 are as follows:

	Actual		Minimum for Capital Adequacy		Required to be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
Stockholders' equity	$ 45,723					
Computer software costs	(172)					
Goodwill and core deposit intangibles	(2,087)					
Unrealized gain, net – benefit plans	(44)					
Unrealized loss on securities AFS, net	201					
Tangible capital	$ 43,621	9.5%	$ 6,869	1.5%		
General valuation allowance	2,978					
Total capital to risk-weighted assets	$ 46,599	14.3%	$ 25,871	8.0%	$ 32,339	10.0%
Tier 1 capital to risk-weighted assets	$ 43,621	13.4%	$ 12,936	4.0%	$ 19,403	6.0%
Tier 1 capital to total assets	$ 43,621	9.5%	$ 18,286	4.0%	$ 16,169	5.0%

Federal regulations do not permit cash dividend payments if the Bank's capital would be reduced below the amount of the minimum capital requirements or the liquidation account. A liquidation account was established at the time of Conversion in an amount equal to the capital of the Bank as of the date of the latest balance sheet contained in the final prospectus dated May 15, 2006.

During the years ended September 30, 2011 and 2010, the Company paid cash dividends of $339,599 and $355,069, respectively.

On May 21, 2009 a fourth stock repurchase program was approved to acquire up to 365,537, or 10%, of the Company's common stock. Repurchases will be conducted through open market purchases or privately negotiated transactions, from time to time depending on market conditions and other factors. There is no guarantee as to the exact number of shares to be repurchased by the Company. The Company has repurchased 332,362 shares under this program.

(16) Off-Balance Sheet Risk, Commitments and Contingencies

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans and unused lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Company's maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount and related accrued interest receivable of those instruments. The Company minimizes this risk by evaluating each borrower's creditworthiness on a case-by-case basis. Collateral held by the Company generally consists of a first or second mortgage on the borrower's property. The amount of collateral obtained is based on an appraisal of the property.

Commitments to originate loans are legally binding agreements to lend to the Company's customers. Letters of credit are unconditional commitments issued by the Company to guarantee the performance of the borrower to a third party.

The following table sets forth information regarding off-balance sheet financial instruments as of September 30, 2011:

		Fixed-Rate		Adjustable-Rate
Off-balance sheet financial instruments:				
Commitments to originate loans	$	2,977,308	$	6,541,047
Commitments for unused lines of credit	$	811,365	$	13,775,935
Commitments for undisbursed loans	$	2,576,669	$	5,665,189
Commitments for letters of credit	$	215,224	$	849,160

Interest rates on these fixed-rate loans ranged from 5.20% to 8.00%.

The current protracted economic decline continues to present financial institutions with circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair values of investments and other assets, constraints on liquidity and capital and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans.

The accompanying consolidated financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses and capital that could negatively impact the Bank's ability to meet regulatory capital requirements and maintain sufficient liquidity.

At September 30, 2011, there was no known pending litigation or other claims that management believes will be material to the Company's financial position.

(17) Fair Value Measurements and Financial Instruments

Fair Value Measurements

FASB ASC 820-10, "Fair Value Measurements," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the assumptions that market participants would use in pricing the assets or liabilities (the "inputs") into three broad levels.

The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets and liabilities and the lowest priority (Level 3) to unobservable inputs in which little, if any, market activity exists, requiring entities to develop their own assumptions and data.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in market areas that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Valuation Techniques

Fair values of interest-bearing time deposits due from depository institutions are estimated by using pricing models, quoted prices of interest-bearing time deposits with similar characteristics or discounted cash flows. Interest-bearing time deposits due from depository institutions are classified within Level 2 of the valuation hierarchy.

Available for sale securities are carried at fair value utilizing Level 1, Level 2 and Level 3 inputs. For equity securities, the Company obtains market quotes for its investment in common stock.

For Level 2 debt securities, the Company obtains fair value measurements from an independent pricing service. Level 2 debt securities include state and municipal obligations and mortgage-backed GSE residential securities. The fair value measurements consider observable data that may include dealer quotes, live trading levels, trade execution data, cash flows, market consensus prepayment speeds, market spreads, credit information and the U.S. Treasury yield curve. The fair value of Level 3 debt securities are determined by the appraisal of the underlying collateral, discounted cash flow analysis or other internally developed estimates that incorporate market-based assumptions.

Impaired loans are carried at fair value utilizing Level 3 inputs, consisting of appraisals of underlying collateral or discounted cash flow analyses.

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate, utilizing Level 2 inputs as determined based on expected proceeds from outstanding commitments from investors.

Fair value of foreclosed assets is based on market prices determined by appraisals less discounts for costs to sell. Foreclosed assets are classified within Level 2 of the valuation hierarchy.

Assets Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets measured at fair value on a recurring basis at September 30, 2011 and 2010, segregated by the level of the inputs within the hierarchy used to measure fair value:

	Fair Value Measurements at September 30, 2011			
Assets	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total Fair Value**
Interest-bearing time deposits due from depository insitutions	$ -	$ 992,000	$ -	$ 992,000
State and municipal obligations	$ -	$ 3,992,660	$ 2,463,392	$ 6,456,052
Mortgage-backed GSE residential	$ -	$ 7,078,098	$ -	$ 7,078,098
Equity securities	$ 259,008	$ -	$ -	$ 259,008

	Fair Value Measurements at September 30, 2010			
Assets	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total Fair Value**
State and municipal obligations	$ -	$ 5,369,445	$ 2,323,560	$ 7,693,005
Mortgage-backed GSE residential	$ -	$ 4,698,029	$ -	$ 4,698,029
Equity securities	$ 264,320	$ -	$ -	$ 264,320

Level 3 Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs:

State and Municipal Obligations	**2011**	**2010**
Balance at beginning of year	$ 2,323,560	$ 2,980,985
Total unrealized gain (loss) included in other comprehensive earnings	473,701	(556,541)
Purchases	3,386	5,109
Principal Collections	(337,255)	(105,993)
Balance at end of year	$ 2,463,392	$ 2,323,560

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include nonperforming non-covered loans, loans held for sale and foreclosed assets. At September 30, 2011 and 2010, nonperforming, non-covered loans of $3,826,335 and $15,672,992, respectively, are collateral dependent and utilize Level 3 inputs. Loans held for sale at September 30, 2011 and 2010 of $2,793,780 and $5,664,906, respectively, utilize Level 2 inputs. Non-covered foreclosed assets at September 30, 2011 and 2010 of $10,855,215 and $4,610,636, respectively, utilize Level 2 inputs.

Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments under FASB ASC 825-10 "Financial Instruments," are summarized as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 82,121,907	$ 82,121,907	$ 33,606,980	$ 33,606,980
Interest-bearing deposits due from depository institutions	$ 992,000	$ 992,000	$ -	$ -
Securities available for sale	$ 6,715,060	$ 6,715,060	$ 7,957,325	$ 7,957,325
Mortgage-backed securities - ("MBS")-available for sale	$ 7,078,098	$ 7,078,098	$ 4,698,029	$ 4,698,029
Stock in FHLB	$ 3,516,100	$ 3,516,100	$ 3,500,100	$ 3,500,100
Loans receivable, net	$ 302,862,286	$ 306,112,000	$ 339,797,300	$ 352,739,442
Loans held for sale	$ 2,793,780	$ 2,793,780	$ 5,664,906	$ 5,664,906
Interest receivable	$ 1,453,266	$ 1,453,266	$ 1,399,747	$ 1,399,747
Deposits	$ 325,568,913	$ 322,756,956	$ 338,169,664	$ 341,686,629
Interest payable	$ 151,902	$ 151,902	$ 217,632	$ 217,632
Advances from FHLB	$ 66,406,753	$ 68,226,000	$ 68,228,169	$ 70,313,598
Securities sold under agreements to repurchase	$ 896,750	$ 903,756	$ 895,101	$ 903,425
Advances from borrowers for taxes and insurance	$ 1,362,638	$ 1,362,638	$ 1,186,744	$ 1,186,744
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	$ -	$ -	$ -	$ -
Letters of credit	$ -	$ -	$ -	$ -
Lines of credit	$ -	$ -	$ -	$ -

The following methods and assumptions were used in estimating the fair values of financial instruments, exclusive of securities which are discussed under "Valuation Techniques."

Cash and cash equivalents are valued at their carrying amounts due to the relatively short period to maturity of the instruments.

The carrying amounts of interest-bearing time deposits due from depository institutions, interest receivable and payable and advances from borrowers for taxes and insurance approximate fair value. Stock in FHLB is valued at cost, which represents redemption value and approximates fair value.

Fair values are computed for each loan category using market spreads to treasury securities for similar existing loans in the portfolio and management's estimates of prepayments.

Deposits with no defined maturities, such as NOW accounts, statement accounts and money market deposit accounts, are valued at the amounts payable on demand at the reporting date. The fair values of certificates of deposit, advances from FHLB and securities sold under agreements to repurchase are computed at fixed spreads to treasury securities with similar maturities.

Off-balance sheet assets include commitments to extend credit and unused lines of credit for which fair values were estimated based on interest rates and fees currently charged to enter into similar transactions and commitments to sell loans for which fair values were estimated based on current secondary market prices for commitments with similar terms. As a result of the short-term nature of the outstanding commitments, the fair values of fees on such commitments are considered immaterial to the Company's financial condition.

(18) Creve Coeur, Missouri Branch Sale

On June 24, 2011, the Bank entered into a branch asset purchase and assumption agreement with Enterprise Bank & Trust ("EBT"), a Missouri state-chartered depository institution. Pursuant to the agreement, the Bank sold certain furniture and equipment associated with the Bank's branch located at 11401 Olive Boulevard, in the St. Louis suburb of Creve Coeur, Missouri. Additionally, deposits of approximately $43.0 million were assumed by EBT. This sale was completed on October 21, 2011. EBT paid $150,000 for the personal property in the branch and a deposit premium of 0.75% on all deposit liabilities assumed at closing. In conjunction with the purchase and assumption agreement, the Bank also will sublease to EBT approximately 6,556 square feet at the above address.

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