LIBERTY BANCORP, INC.

2012

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 2012 producing net earnings of $3.7 million. We accomplished this by continuing to execute the fundamentals of community banking. Profits were primarily the result of core banking operations, not one-time or extraordinary gains.

We accomplished much in 2012. Our customers responded positively to the introduction of mobile banking and eStatements. Asset quality improved and core deposits grew. The bank's net earnings and capital remained strong.

In 2013, we will continue to focus on building on the foundation we are developing to produce consistent, solid returns and deliver long-term shareholder value. The management team is cohesive and our staff is empowered to make decisions. Our ability to respond quickly and effectively to our customers' needs has been instrumental to our recent success. We will also continue to focus on building on last year's success in improving asset quality and reducing non-performing assets.

The community banking industry's challenges have not dissipated. The expanding regulatory climate continues to divert resources. Economic growth is weak and our country's fiscal outlook is very concerning. Loan demand remains tepid and revenue opportunities are diminished by intensifying competition and regulatory pressures. Margins continue to be pressured while costs continue to increase.

Despite these challenges, I remain optimistic about our future. I am confident we are well-positioned to meet these challenges and continue to thrive as a community bank that blends sensible balance sheet management with tremendous personal service to meet the evolving preferences and demands of our customers.

Sincerely,

Brent M. Giles
President & Chief Executive Officer

Selected Consolidated Financial Data

Selected Financial Data:

	At the Years Ended				
	Dec. 31, 2012	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008
	(dollars in thousands)				
Total assets	$ 413,766	$ 462,354	$ 457,996	$ 392,398	$ 336,185
Securities and mortgage-backed securities	$ 11,489	$ 13,793	$ 12,655	$ 29,721	$ 40,043
Loans receivable, net	$ 309,075	$ 302,862	$ 339,797	$ 302,246	$ 256,713
Deposits	$ 302,671	$ 325,569	$ 338,170	$ 276,203	$ 219,764
Total borrowings	$ 43,862	$ 67,304	$ 69,123	$ 69,688	$ 70,053
Stockholders' equity (1)	$ 64,112	$ 65,175	$ 47,413	$ 43,785	$ 44,009

Operating Results

	For the Years Ended				
	Dec. 31, 2012	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008
	(dollars in thousands)				
Total interest income	$ 26,331	$ 23,721	$ 21,711	$ 19,959	$ 20,156
Total interest expense	4,279	4,660	5,412	6,619	9,384
Net interest income	22,052	19,061	16,299	13,340	10,772
Provision for loan losses	4,522	2,033	2,642	1,569	1,881
Net interest income after provision for loan losses	17,530	17,028	13,657	11,771	8,891
Total noninterest income	5,162	2,966	6,712	2,251	2,124
Total noninterest expense	18,170	14,505	13,256	11,575	8,387
Earnings before income taxes	4,522	5,489	7,113	2,447	2,628
Income taxes	854	1,781	2,367	671	706
Net earnings	$ 3,668	$ 3,708	$ 4,746	$ 1,776	$ 1,922

Other Financial Data

	At or For the Years Ended				
	Dec. 31, 2012	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008
	(dollars in thousands, except per share amounts)				
Return on assets (2)	0.85 %	0.84 %	1.12 %	0.47 %	0.57 %
Return on stockholders' equity (3)	5.71 %	7.21 %	10.44 %	4.07 %	4.18 %
Stockholders' equity to total assets ratio (4)	14.95 %	11.60 %	10.69 %	11.65 %	13.61 %
Non-performing non-covered assets as a % of total assets	6.01 %	3.47 %	4.43 %	1.41 %	3.91 %
Allowance for loan losses as a % of non-covered loans	2.15 %	1.58 %	1.44 %	1.16 %	1.02 %
Efficiency ratio	66.77 %	65.85 %	57.61 %	74.24 %	65.04 %
Dividend payout ratio (5)	20.00 %	9.16 %	7.48 %	20.62 %	20.97 %
Cash dividends on common stock (actual dollar amount)	$ 733,661	$ 339,599	$ 355,069	$ 366,120	$ 402,956
Cash dividends on preferred stock (actual dollar amount)	$ 699,221	-	-	-	-
Common shares outstanding - end of year	3,040,269	3,326,514	3,564,769	3,621,875	3,936,710

Per Share Data

	Dec. 31, 2012	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008
Basic earnings per common share	$ 0.92	$ 1.07	$ 1.33	$ 0.50	$ 0.48
Diluted earnings per common share	$ 0.91	$ 1.07	$ 1.32	$ 0.49	$ 0.47
Tangible common equity per share (6)	$ 15.35	$ 14.10	$ 12.71	$ 11.30	$ 11.04
Cash dividends per share (paid to common shareholders)	$ 0.225	$ 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 holders of common stock as a percentage of net earnings.

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

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Liberty Bancorp, Inc., which comprise the consolidated balance sheets as of December 31, 2012 and September 30, 2011, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for the 15 months ended December 31, 2012 and year ended September 30, 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Bancorp, Inc. as of December 31, 2012 and September 30, 2011, and the results of its operations and its cash flows for the 15 months ended December 31, 2012 and year ended September 30, 2011, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

St. Louis, Missouri
April 9, 2013

experience BKD

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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

LIBERTY BANCORP, INC.

Consolidated Balance Sheets

December 31, 2012 and September 30, 2011

Assets		2012		2011
Cash and due from banks	$	6,129,318	$	6,174,655
Federal funds sold		29,333,000		75,947,252
Total cash and cash equivalents		35,462,318		82,121,907
Interest-bearing time deposits due from depository institutions		992,000		992,000
Securities available for sale, at market value (amortized cost of $5,537,807 and $6,791,658, at 2012 and 2011, respectively)		4,973,636		6,715,060
Mortgage-backed securities ("MBS") - available for sale, at market value (amortized cost of $6,570,688 and $6,921,945, at 2012 and 2011, respectively)		6,515,612		7,078,098
Stock in Federal Home Loan Bank of Des Moines ("FHLB")		2,320,100		3,516,100
Loans receivable, excluding covered loans, net of allowance for loan losses of $6,185,686 and $4,241,556, at 2012 and 2011, respectively		281,717,212		263,997,172
Covered loans receivable, net of discounts		27,357,769		38,865,114
Total loans receivable, net		309,074,981		302,862,286
Loans held for sale		1,613,587		2,793,780
Premises and equipment, net		10,913,188		12,242,851
Bank-owned life insurance ("BOLI")		13,524,998		12,849,232
Non-covered foreclosed assets, net		9,787,192		10,855,215
Covered foreclosed assets, net		2,892,990		5,963,034
Total foreclosed assets, net		12,680,182		16,818,249
Interest receivable		1,365,083		1,453,266
Goodwill		1,191,603		1,191,603
Core deposit intangibles, net		424,500		695,847
Deferred tax asset		3,004,553		632,829
FDIC indemnification asset		7,699,365		9,111,646
Other assets		2,010,634		1,278,961
Total assets	$	413,766,340	$	462,353,715
Liabilities and Stockholders' Equity				
Deposits	$	302,670,586	$	325,568,913
Interest payable		72,447		151,902
Advances from FHLB		40,744,472		66,406,753
Securities sold under agreements to repurchase		3,117,385		896,750
Advances from borrowers for taxes and insurance		69,738		1,362,638
Other liabilities		2,979,644		2,791,780
Total liabilities		349,654,272		397,178,736
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 authorized, issued and outstanding at December 31, 2012 and September 30, 2011		161		161
Common stock, $0.01 par value; 20,000,000 shares authorized; 4,799,716 and 4,765,212 shares issued at December 31, 2012 and September 30, 2011, respectively		47,997		47,652
Treasury stock at cost, 1,759,447 and 1,438,698 shares at December 31, 2012 and September 30, 2011, respectively		(17,326,742)		(13,993,828)
Additional paid-in capital		49,920,222		49,406,726
Accumulated other comprehensive earnings (loss), net		(390,087)		88,574
Retained earnings - substantially restricted		31,860,517		29,625,694
Total stockholders' equity		64,112,068		65,174,979
Total liabilities and stockholders' equity	$	413,766,340	$	462,353,715

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Earnings

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	2012	2011
Interest income:		
Loans receivable	$ 25,521,282	$ 22,933,455
Mortgage-backed securities	200,252	171,476
Securities - taxable	126,988	162,458
Securities - non-taxable	354,230	351,633
Other interest-earning assets	128,271	102,007
Total interest income	26,331,023	23,721,029
Interest expense:		
Deposits	2,901,505	3,130,603
Securities sold under agreement to repurchase	22,509	18,800
Advances from FHLB	1,355,105	1,510,668
Total interest expense	4,279,119	4,660,071
Net interest income	22,051,904	19,060,958
Provision for loan losses	4,522,303	2,032,904
Net interest income after provision for loan losses	17,529,601	17,028,054
Noninterest income:		
Loan service charges	104,042	97,945
Gains on sales of loans, net of costs	559,949	646,320
Gains on sales of securities and MBS available for sale	157,778	159,638
Gains on sales of premises and equipment	1,135,673	-
Change in cash surrender value of BOLI	675,766	442,013
Deposit account service charges	2,017,556	1,377,901
Gain on extinguishment of debt	-	146,102
Increase in indemnification asset	511,098	96,286
Total noninterest income	5,161,862	2,966,205
Noninterest expense:		
Compensation and benefits	7,489,953	6,200,550
Occupancy	1,053,563	1,209,887
Equipment and data processing	1,478,304	1,355,034
Foreclosed assets, net	4,017,428	2,629,795
FDIC premiums	433,159	449,117
Professional and regulatory services	883,124	821,870
Advertising	196,898	129,690
Correspondent banking charges	145,019	113,059
Supplies	209,163	152,844
Amortization of core deposit intangibles	271,347	199,070
Other	1,991,800	1,244,127
Total noninterest expense	18,169,758	14,505,043
Earnings before income taxes	4,521,705	5,489,216
Income taxes:		
Current	3,028,000	2,119,000
Deferred	(2,174,000)	(338,000)
Total income taxes	854,000	1,781,000
Net earnings	$ 3,667,705	$ 3,708,216
Basic earnings per share	$ 0.92	$ 1.07
Diluted earnings per share	$ 0.91	$ 1.07

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Comprehensive Earnings

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	2012	2011
Net earnings	$ 3,667,705	$ 3,708,216
Other comprehensive earnings (loss):		
Unrealized gains (losses) on securities and MBSs available for sale, net:		
Reclassification adjustment for gains included in earnings, net of tax of $(54,179) and $(56,344), respectively	(103,599)	(103,294)
Unrealized gains (losses) arising during the year, net of tax of $(172,872) and $203,644, respectively	(360,088)	363,846
Decrease in unrealized gain on benefit plans, net of tax of $(8,064) and $(7,030), respectively	(14,974)	(13,056)
Other comprehensive earnings (loss)	(478,661)	247,496
Comprehensive earnings	$ 3,189,044	$ 3,955,712

LIBERTY BANCORP, INC.

Consolidated Statements of Stockholders' Equity

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	Preferred Stock	Common Stock	Tresury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Stockholders' Equity
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
Other comprehensive income	-	-	-	-	-	247,496	247,496
Cash dividends ($.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
Shares issued under stock-based							
incentive plan, 34,504 shares	-	345	-	236,009	-	-	236,354
Treasury stock	-	-	(3,332,914)	-	-	-	(3,332,914)
Amortization of stock option grants	-	-	-	54,345	-	-	54,345
Amortization of stock awards	-	-	-	223,142	-	-	223,142
Other comprehensive loss	-	-	-	-	-	(478,661)	(478,661)
Cash dividends on common stock ($.225 per share)	-	-	-	-	(733,661)	-	(733,661)
Cash dividends on preferred stock ($43.24 per share)	-	-	-	-	(699,221)	-	(699,221)
Net earnings	-	-	-	-	3,667,705	-	3,667,705
Balance at December 31, 2012	$ 161	47,997	(17,326,742)	49,920,222	31,860,517	(390,087)	64,112,068

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	2012	2011
Cash flows from operating activities:		
Net earnings	$ 3,667,705	$ 3,708,216
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation expense	803,921	696,709
Amortization of core deposit intangibles	271,347	199,070
Accretion of discount on loans acquired	(133,428)	(5,000)
Accretion of discount on FDIC indemnification asset	(417,000)	(640,000)
Accretion of discount on FDIC true-up liability	-	20,467
Amortization of premium on FHLB advances assumed	(87,435)	(1,221,408)
Incentive Plan expense	277,487	295,226
Amortization of premiums on investments, net	108,348	14,826
Accretion of discounts on noncovered loans	(5,000)	(15,333)
Amortization of deferred loan fees, net	(58,535)	(78,573)
Provision for loan losses	4,522,303	2,032,904
Loans held for sale - originated	(32,663,357)	(34,825,090)
Loans held for sale - proceeds from sale	34,403,499	38,342,536
Loss on foreclosed assets, net	1,704,625	2,030,727
Gain on sale of premises and equipment	(1,135,673)	(24,131)
Gain on sale of securities and MBSs available for sale	(157,778)	(159,638)
Gains on sales of loans, net	(559,949)	(646,320)
Change in cash surrender value of BOLI	(675,766)	(442,013)
Other assets	(731,673)	717,714
Decrease (increase) in:		
Interest receivable	88,183	(53,519)
Deferred tax assets	(2,136,610)	(338,000)
Increase (decrease) in:		
Interest payable and other liabilities	(1,298,462)	806,102
Net cash provided by operating activities	$ 5,786,752	$ 10,415,472

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	2012	2011
(Continued)		
Cash flows from investing activities:		
Net change in loans receivable	$ (16,595,507)	$ 20,204,553
Increase in interest-bearing deposits	-	(992,000)
MBSs available for sale:		
Purchased	(14,751,989)	(7,153,488)
Proceeds from sales, maturities and collections	15,160,283	4,921,386
Securities available for sale:		
Purchased	(25,499,930)	(35,810,895)
Proceeds from sales, maturities, calls and collections	26,746,175	37,450,614
Purchases of stock in FHLB	(1,091,300)	(882,200)
Redemptions of stock in FHLB	2,287,300	866,200
Proceeds from the sales of foreclosed assets, net	7,585,572	8,498,221
Purchases of premises and equipment	(393,993)	(111,287)
Proceeds from sales of premises and equipment	2,055,408	338,161
Payments received from FDIC under Loss Share Agreement	2,734,623	13,281,924
Purchase of BOLI	-	(3,000,000)
Net cash provided by (used in) investing activities	(1,763,358)	37,611,189
Cash flows from financing activities:		
Net decrease in deposits	(22,898,327)	(12,600,751)
Increase (decrease) in advances from borrowers for taxes and insurance	(1,292,900)	175,894
Proceeds from advances from FHLB	40,000,000	20,000,000
Repayments of advances from FHLB	(65,574,846)	(20,600,008)
Securities sold under agreement to repurchase:		
Proceeds	31,947,244	16,712,127
Repayments	(29,726,609)	(16,710,478)
Repurchases of common stock	(3,332,914)	(2,341,894)
Proceeds from exercise of stock options	236,354	23,975
Issuance of preferred stock	-	16,169,000
Dividends on common stock	(733,661)	(339,599)
Dividends on preferred stock	(699,221)	-
Net cash provided by (used in) financing activities	(52,074,880)	488,266
Net increase (decrease) in cash and cash equivalents	(46,659,589)	48,514,927
Cash and cash equivalents at beginning of year	82,121,907	33,606,980
Cash and cash equivalents at end of year	$ 35,462,318	$ 82,121,907

LIBERTY BANCORP, INC.

Consolidated Statements of Cash Flows

Fifteen Months Ended December 31, 2012 and Year Ended September 30, 2011

	2012	2011
(Continued)		
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on deposits	$ 2,980,960	$ 3,196,351
Interest on advances from FHLB	1,355,105	1,510,668
Interest on securities sold under agreement to repurchase	22,509	18,819
Income taxes	2,442,854	1,205,000
Real estate acquired in settlement of loans	9,180,296	15,058,081
Loans originated to finance the sale of foreclosed real estate	4,028,166	93,500

See accompanying notes to consolidated financial statements.

LIBERTY BANCORP, INC.

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").

The Company and the Bank changed their fiscal year ends to December 31. The year ended September 30, 2011 covers the period October 1, 2010 through September 30, 2011. The fifteen months ended December 31, 2012 covers the period October 1, 2011 through December 31, 2012. The board of directors believes this change is in the best interests of stockholders as it will make certain financial and regulatory reporting more efficient and consistent with industry standards.

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. Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the $250,000 limit on FDIC insurance per covered institution. The Company has approximately $1,946,000 in cash in bank accounts that exceed federally insured limits. The Company does not believe it is exposed to any significant credit risk.

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 earnings. Net unrealized losses on securities, net of tax of $212,957, amounted to $406,290 at December 31, 2012. Net unrealized gains on securities, net of tax of $22,157, amounted to $57,398 at September 30, 2011.

   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 December 31, 2012.

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 credited to the allowance 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 December 31, 2012 and September 30, 2011 is summarized as follows:

	2012	2011
Securities	$ 131,822	$ 106,187
Loans receivable	1,233,261	1,347,079
	$ 1,365,083	$ 1,453,266

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 consolidated statements 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 December 31, 2012 or September 30, 2011. The Company is subject to U.S. Federal and Missouri income taxes and special financial institution taxes. Tax years ending September 30, 2009 through 2012 remain open to examination by these jurisdictions. The Company recognizes interest and penalties related to tax positions in income tax expense. At December 31, 2012, 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.

Following is a summary of basic and diluted earnings per common share for the fifteen months ended December 31, 2012 and year ended September 30, 2011:

	2012	2011
Basic earnings per share:		
Net earnings	$ 3,667,705	$ 3,708,216
Preferred stock dividend	699,221	-
Net earnings available to common stockholders	2,968,484	3,708,216
Less dividends paid:		
Common stock	729,176	337,171
Participating securities	4,485	2,428
Undistributed earnings	$ 2,234,823	$ 3,368,617
Weighted-average basic securities outstanding	3,177,293	3,433,142
Add: Weighted-average participating securities outstanding	59,800	24,280
Total weighted-average basic shares and participating securities outstanding	3,237,093	3,457,422
Distributed earnings per share	$ 0.23	$ 0.10
Undistributed earnings per share	$ 0.69	$ 0.97
Net earnings per share	$ 0.92	$ 1.07
Diluted earnings per share:		
Undistributed earnings	$ 2,234,823	$ 3,368,617
Total weighted-average basic shares and participating securities outstanding	3,237,093	3,457,422
Add: Dilutive stock options	40,611	4,976
Total weighted-average diluted shares and participating securities outstanding	3,277,704	3,462,398
Distributed earnings per share	$ 0.22	$ 0.10
Undistributed earnings per share	$ 0.68	$ 0.97
Net earnings per share	$ 0.91	$ 1.07
Anti-dilutive option shares	15,544	13,389

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. Comprehensive 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. The following paragraph summarizes recent accounting guidance and references to the FASB ASC:

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 and Platte 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 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 December 31, 2012 and September 30, 2011, the estimated liability ("FDIC true-up liability") of such amount is approximately $592,000 and $566,000, respectively, 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.

Following is a summary of activity in the FDIC indemnification asset for the fifteen months ended December 31, 2012 and the year ended September 30, 2011:

		2012	2011
Balance, beginning of year	$	9,111,646	21,921,688
Net payments received from the FDIC		(2,734,623)	(13,025,965)
Recoveries (write-downs) and adjustments		905,342	(424,077)
Accretion		417,000	640,000
Balance, end of year	$	7,699,365	9,111,646

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.

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. On April 13, 2012, the Bank sold its land lease position in the building in Creve Coeur, Missouri and recognized a gain of $983,000.

(4) Securities

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

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale - debt securities:				
State and municipal obligations	$ 5,378,249	$ 116,243	$ (636,726)	$ 4,857,766
Mortgage-backed: Government sponsored enterprises- residential	6,570,688	63,569	(118,645)	6,515,612
	11,948,937	179,812	(755,371)	11,373,378
Available for sale - equity securities	159,558	-	(43,688)	115,870
	$ 12,108,495	$ 179,812	$ (799,059)	$ 11,489,248
Weighted-average rate	3.80 %			

	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 %			

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. The fair value of mortgage-backed securities and other debt securities pledged as collateral to secure certain public deposits and for other purposes was $5,546,033 and $2,959,441, respectively, at December 31, 2012 and $6,289,833 and $3,434,600, at September 30, 2011.

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 December 31, 2012 and September 30, 2011, was $7,435,042 and $2,697,407, which is approximately 65% and 20%, 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 December 31, 2012 and September 30, 2011:

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2012	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed securities	$ 4,931,894	$ (118,645)	$ -	$ -	$ 4,931,894	$ (118,645)
State and municipal obligations	257,690	(2,299)	2,129,588	(634,427)	2,387,278	(636,726)
Available for sale - equity securities	115,870	(43,688)	-	-	115,870	(43,688)
	$ 5,305,454	$ (164,632)	$ 2,129,588	$ (634,427)	$ 7,435,042	$ (799,059)

	Less than 12 Months		12 Months or Longer		Total	
September 30, 2011						
State and municipal obligations	$ -	$ -	$ 2,697,407	$ (230,545)	$ 2,697,407	$ (230,545)

One state and municipal obligation with a carrying value of approximately $1.8 million had an unrealized loss of approximately $613,000 at December 31, 2012. 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 December 31, 2012. The TIF district has generated sufficient cash flows from normal and special assessments in calendar year 2012 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. Five state and municipal obligations of approximately $2.1 million were not rated.

The amortized cost and fair value of available for sale debt securities at December 31, 2012, 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	$ 100,457	$ 100,024
One to five years	1,541,427	1,572,585
Five to ten years	398,199	418,859
After ten years	3,338,166	2,766,298
	5,378,249	4,857,766
Agency mortgage-backed securities	6,570,688	6,515,612
	$ 11,948,937	$ 11,373,378

At December 31, 2012, securities with a carrying value of $2,101,102 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 $9,135,772, $159,503 and $1,725, respectively, for the fifteen months ended December 31, 2012. 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.

(5) Loans Receivable, Net

Loans receivable, net, at December 31, 2012 and September 30, 2011 are summarized as follows:

	2012	2011
Residential real estate	$ 90,172,918	$ 85,887,440
Construction and land development	39,877,281	41,098,295
Commercial real estate	124,495,909	141,667,040
Commercial	42,659,840	27,509,794
Consumer and other	31,676,658	22,767,884
	328,882,606	318,930,453
Allowance for losses	(6,227,936)	(4,422,917)
Loans in process	(10,419,020)	(8,241,858)
Accretable discount on covered loans	(890,810)	(434,007)
Credit quality discount on covered loans	(2,489,034)	(2,744,731)
Deferred loan fees, net	219,175	(224,654)
	$ 309,074,981	$ 302,862,286

At December 31, 2012 and September 30, 2011, the Company held approximately $124 million and $142 million, respectively, in commercial real estate loans. At December 31, 2012 commercial real estate loans consisted of retail, industrial and other commercial real estate properties. Due to national, state and local economic conditions, values for commercial and development real estate have declined significantly, and the market for these properties is depressed.

Real estate construction loans at December 31, 2012 and September 30, 2011 are secured by the following:

	2012	2011
Single-family, spec	$ 11,110,110	$ 7,966,288
Single-family, custom built	1,282,062	1,950,720
Multi-family, 5 or more units	495,063	1,540,412
Commercial	5,530,207	4,002,510
Development	21,459,839	25,638,365
	$ 39,877,281	$ 41,098,295

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method for the fifteen months ended December 31, 2012:

	Residential Real Estate	Construction and Land Development	Commercial Real Estate	Commercial	Consumer and Other	Total
Allowance for Loan Losses	$	$	$	$	$	$ -
Balance, beginning of year	767,798	943,690	1,751,928	653,447	306,054	4,422,917
Provision charged to expense	843,783	468,774	2,367,159	175,030	667,557	4,522,303
Losses charged off	667,850	489,173	1,507,912	218	453,529	3,118,682
Recoveries	64,733	101,991	54,566	-	180,108	401,398
Balance, end of year	$ 1,008,464	$ 1,025,282	$ 2,665,741	$ 828,259	$ 700,190	$ 6,227,936
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 984,482	$ 1,020,769	$ 2,653,701	$ 826,544	$ 700,190	$ 6,185,686
Ending balance: loans acquired with deteriorated credit quality	$ 23,982	$ 4,513	$ 12,040	$ 1,715	$ -	$ 42,250
Loans						
Ending balance	$ 90,172,918	$ 39,877,281	$ 124,495,909	$ 42,659,840	$ 31,676,658	$ 328,882,606
Ending balance: individually evaluated for impairment	$ 3,347,240	$ 11,355,736	$ 4,417,401	$ 9,021,574	$ -	$ 28,141,951
Ending balance: collectively evaluated for impairment	$ 71,268,720	$ 25,227,350	$ 113,070,000	$ 31,891,820	$ 27,480,237	$ 268,938,127
Ending balance: loans acquired with deteriorated credit quality	$ 15,556,958	$ 3,294,195	$ 7,008,508	$ 1,746,446	$ 4,196,421	$ 31,802,528

The information shown above in the allowance for loan losses includes approximately $186,000 in provision (negative), $73,000 in charge-offs and $120,000 in recoveries, leaving an ending balance of $42,000 related to loans covered under ASC Topic 310-30. The allowance for loan losses on loans acquired with deteriorated credit quality was $181,000 at September 30, 2011.

Activity in the allowance for the year ended September 30, 2011 was as follows:

Balance, beginning of year	$	4,091,963
Loan charge-offs		(1,840,579)
Loan recoveries		138,629
Provision charged to expense		2,032,904
Balance, end of year	$	4,422,917

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies problem and potential problem loans as "Watch," "Special Mention," "Substandard," "Doubtful" and "Loss." The Company uses the following definitions for risk ratings:

Superior – Loans in this category present very limited risk. They are characterized by loans to borrowers with unquestionable financial strength, a long history of excellent loan performance and business experience. Loans to borrowers collateralized by cash or equivalent liquidity may be included here. Loans secured, with margin, by readily marketable collateral may also be included provided the relationship meets all other characteristics of the grade. Loans secured by income producing collateral meeting the criteria of this classification will have excellent documentation, payment history, cash flow and low loan-to-value as well as current financial information.

Satisfactory - These loans are of average credit quality, are properly structured and documented and require only normal supervision. Financial data is current and document adequate revenue, cash flow and satisfactory payment history to indicate that financial condition is satisfactory. Secured loans have properly margined collateral. Repayment terms are realistic, clearly defined and based upon an identifiable source of repayment.

Watch – These loans have characteristics of the "Satisfactory" rating, but warrant a more than normal level of supervision because of an adverse economic event that may affect the borrower's financial condition.

- i. Adverse economic conditions within a particular industry;
- ii. Management turnover or lack of experience that may result in deterioration of financial performance; and
- iii. Generally, the Loan should be upgraded or downgraded within a year.

Special Mention – A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the bank to sufficient risk to warrant adverse classification.

Special mention classification does not apply to a loan that has as its sole weakness credit data exceptions or collateral documentation exceptions that are not material to the timely repayment of the asset. An adverse trend in the obligor's

operations or the obligor's highly leveraged balance sheet may warrant a Special Mention designation, provided that neither condition has deteriorated to the point that timely repayment is jeopardized.

Substandard – Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Assets classified Substandard may be characterized by one or a combination of the following weaknesses:

- i. Primary source of repayment is gone or severely impaired and the Bank may have to rely upon the secondary source;
- ii. Loss does not seem likely, but sufficient problems have arisen to cause the Bank to go to extraordinary lengths to protect its position in order to maintain a high probability of repayment;
- iii. Obligors are unable to generate enough cash flow to reduce their debts;
- iv. There is a material deterioration in collateral value (if the collateral is expected to be a primary source of repayment); or
- v. Flaws in documentation leave the Bank in a subordinated or unsecured position when the collateral is needed for the repayment of the loan; or
- vi. The asset is (or was) a loan that is nonperforming or nonearning. This includes REO and nonperforming loans and investments.

The presence of one or more of these factors does not mandate that the asset be adversely classified if the Bank determines that it is probable that the asset will be fully liquidated in a timely manner without loss of either principal or interest.

Doubtful – Loans classified Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The likelihood of a loss on an asset or portion of an asset classified Doubtful is high. The classification as Loss is not appropriate, however, because pending events are expected to materially affect the amount of loss.

Loss – Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not necessarily mean that the loan has absolutely no recovery or salvage value; but rather, there is much doubt about whether, how much or when the recovery will occur. As such, it is not practical or desirable to defer the write-off.

The following table presents the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of December 31, 2012:

	Residential Real Estate	Construction and Land Development	Commercial Real Estate	Commercial	Consumer and Other	Total
Grade						
Pass	$ 79,778,466	$ 27,787,310	$ 98,713,095	$ 31,155,111	$ 31,676,658	$ 269,110,640
Watch	2,929,139	196,365	21,006,745	2,432,979	-	26,565,228
Special Mention	3,655,426	24,771	-	4,475	-	3,684,672
Substandard	3,809,887	11,868,835	4,776,069	9,067,275	-	29,522,066
Doubtful	-	-	-	-	-	-
	$ 90,172,918	$ 39,877,281	$ 124,495,909	$ 42,659,840	$ 31,676,658	$ 328,882,606

The following table presents the Company's loan portfolio aging analysis as of December 31, 2012:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans >90 Days & Accruing
Residential real estate	$ 103,720	$ 205,551	$ 378,080	$ 687,351	$ 89,485,567	$ 90,172,918	$ -
Construction and land development	513,099	-	5,457,119	5,970,218	33,907,063	39,877,281	-
Commercial real estate	2,188,200	-	-	2,188,200	122,307,709	124,495,909	-
Commercial	16,875	22,280	-	39,155	42,620,685	42,659,840	-
Consumer and other	229,327	48,830	24,803	302,960	31,373,698	31,676,658	-
	$ 3,051,221	$ 276,661	$ 5,860,002	$ 9,187,884	$ 319,694,722	$ 328,882,606	$ -

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impairment is measured on a loan-by-loan basis by either the present value of the expected future cash flows, the loan's observable market value or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses.

The following table presents impaired loans at December 31, 2012:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific allowance					
Residential real estate	$ 2,814,215	$ 3,412,873	$ -	$ 2,220,666	$ 40,630
Construction and land development	10,718,236	11,424,236	-	6,794,338	522,204
Commercial real estate	3,546,013	3,768,493	-	3,366,267	306,169
Commercial	1,977,634	1,977,634	-	988,817	97,997
Consumer and other	24,803	24,803	-	42,202	2,122
Total	$ 19,080,901	$ 20,608,039	$ -	$ 13,412,290	$ 969,122

Interest Income recognized on impaired loans includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on non-accruing impaired loans for which the ultimate collectibility is not certain.

The following table presents the Company's nonaccrual loans at December 31, 2012. This table excludes purchased impaired loans and performing troubled debt restructurings.

Residential real estate	$ 2,436,135
Construction and land development	9,421,236
Commercial real estate	946,179
Commercial	1,977,634
Consumer and other	24,803
Total	$ 14,805,987

When economic concessions have been granted to borrowers who have experienced financial difficulties, the loan is considered a troubled debt restructuring. These concessions typically result from loss mitigation activities and could include: reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Troubled debt restructurings are considered impaired at the time of restructuring and typically are returned to accrual status after considering the borrower's sustained repayment performance, as agreed, for a reasonable period of at least six months or once the granted concessions have ended or are no longer applicable.

The following table presents the recorded balance, at original cost, of troubled debt restructurings as of December 31, 2012:

	TDRs Performing in accordance with Modified Terms			TDRs Not Performing in Accordance with Modified Terms
	Total TDRs	Accruing	Nonaccrual	
Residential real estate	$ 2,436,135	$ -	$ 2,436,135	$ -
Construction and land development	7,920,073	1,297,000	6,623,073	5,457,119
Commercial real estate	3,546,013	2,599,834	946,179	-
Total	$ 13,902,221	$ 3,896,834	$ 10,005,387	$ 5,457,119

The troubled debt restructurings as of December 31, 2012, included 10 loans totaling approximately $12.4 million which had interest rate concessions and two loans totaling approximately $1.5 million which had payments modified to interest only.

Loans classified as troubled debt restructurings during the fifteen months ended December 31, 2012, were:

	Number of Loans		Recorded Balance
Residential real estate	2	$	2,436,135
Construction and land development	4		4,092,153
Commercial real estate	1		293,336
Total	7	$	6,821,624

There were no material differences between the pre-modification and post-modification balances.

A summary of nonperforming loans as of September 30, 2011:

		2011
Impaired loans without a valuation allowance	$	178,332
Impaired loans with a valuation allowance		7,565,348
Total Impaired Loans		7,743,680
Valuation allowance related to impaired loans	$	209,704
Total nonaccrual loans	$	4,123,437
Total loans past due 90 days or more and still accruing	$	-
Average investment in impaired loans	$	12,148,616
Interest income that would have been recognized	$	486,080
Interest income recognized	$	197,097

Loans to directors, executive officers and associates of such persons did not exceed $60,000 in the aggregate for the fifteen months ended December 31, 2012 and the year ended September 30, 2011.

Loans acquired in the Champion Bank transaction were recorded at estimated fair value on their purchase date without a carryover of the related allowance for loan losses. Purchased credit-impaired loans approximating $17.3 million at December 31, 2012 are loans that have evidence of credit deterioration since origination and it is probable that the Bank will not collect all contractually required principal and interest payments. Evidence of credit quality deterioration may include factors such as past due and non-accrual status. Other purchased loans that are not credit-impaired approximating $10.1 million at December 31, 2012 were determined based on estimates of losses on defaults. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges or a reclassification of the difference from non-accretable to accretable with a positive impact on interest income. Subsequent decreases in cash flows result in impairment recognition through the recording of an estimated fair value is referred to as the accretable yield and is recognized into interest

income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

In the acquisition of the assets of Champion Bank, the preliminary fair value of purchased credit-impaired loans, on the acquisition date, was determined based on assigned risk ratings, expected cash flows and the fair value of the loan collateral. Due to the loss sharing agreement with the FDIC, the Bank recorded receivables from the FDIC equal to the corresponding reimbursement percentages on the estimated losses embedded in the loan portfolios. The carrying amount of purchased loans covered under the loss share agreement at December 31, 2012 and September 30, 2011 consisted of purchased credit-impaired loans and non-credit impaired loans as shown in the following table:

	2012	2011
Residential real estate	$ 15,556,958	$ 19,877,950
Construction and land development	3,294,195	3,933,324
Commercial real estate	7,008,508	11,131,694
Commercial	1,746,446	4,125,632
Consumer and other	4,196,421	5,554,911
Total covered loans	$ 31,802,528	$ 44,623,511
Loans in process	(1,022,666)	(2,396,066)
Accretable discount on covered loans	(890,810)	(434,007)
Credit quality discount on covered loans	(2,489,034)	(2,744,731)
Deferred loan fees, net	-	(2,232)
	$ 27,400,018	$ 39,046,475
Carrying amount, net of allowance of $42,250 and $181,361 at 2012 and 2011, respectively	$ 27,357,769	$ 38,865,114
Estimated reimbursable amounts from the FDIC under the loss-share agreement	$ 7,176,695	$ 9,111,646

Accretable yield, or income expected to be recorded, at December 31, 2012 and September 30, 2011, is as follows:

	2012	2011
Balance, beginning of year	$ 434,007	$ 434,007
Additions	-	-
Accretion	(133,428)	-
Reclassification from nonaccretable difference	590,231	-
Disposals/paydowns	-	-
Balance, end of year	$ 890,810	$ 434,007

The Bank received approximately $2.7 million and $13.0 million in payments from the FDIC for covered losses in 2012 and 2011, respectfully.

(6) Premises and Equipment, Net

Premises and equipment, net, are summarized as follows:

	December 31, 2012	September 30, 2011
Land	$ 3,502,466	$ 3,502,466
Office buildings	8,755,945	9,678,222
Furniture and equipment	5,447,689	5,216,039
Building-in-progress	122,661	-
	17,828,761	18,396,727
Less accumulated depreciation	6,915,573	6,153,876
	$ 10,913,188	$ 12,242,851

Depreciation expense for the fifteen months ended 2012 and the year ended September 30, 2011 was $803,921 and $696,709, 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.

Total land lease expense for the fifteen months ended December 31, 2012 and the year ended September 30, 2011 was $212,009 and $254,949, respectively.

Future minimum lease payments are summarized as follows:

2013	$ 100,784
2014	100,784
2015	100,784
2016	100,784
2017	100,784
Thereafter	394,738
	$ 898,658

(7) 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 evaluated annually for impairment. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

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 fifteen 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 December 31, 2012 or September 30, 2011.

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:

	December 31, 2012	September 30, 2011
Core deposit intangibles	$ 1,643,000	$ 1,643,000
Accumulated amortization	(1,218,500)	(947,153)
	$ 424,500	$ 695,847

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 fifteen months ended December 31, 2012 and the year ended September 30, 2011 was $271,347 and $199,070, respectively.

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

2013	$ 84,000
2014	$ 69,000
2015	$ 68,000
2016	$ 68,000
2017	$ 68,000

(8) Deposits

Deposits are summarized as follows:

	December 31, 2012	September 30, 2011
Non-interest bearing NOW accounts	$ 35,630,885	$ 28,538,248
NOW accounts	35,763,696	29,824,713
Statement accounts	14,144,314	12,345,691
Money market accounts	89,055,438	105,405,635
Total transaction accounts	174,594,333	176,114,287
Certificates:		
0.08 - 0.99%	66,771,163	51,985,639
1.00 - 1.99%	34,391,081	54,183,298
2.00 - 2.99%	19,527,370	29,846,760
3.00 - 3.99%	7,349,481	12,066,852
4.00 - 4.99%	37,158	1,372,077
Total certificates	128,076,253	149,454,626
Total deposits	$ 302,670,586	$ 325,568,913

At December 31, 2012 and September 30, 2011, deposits included brokered certificates of $17,776,000 and $10,810,000, respectively. Approximately $100,000 of brokered deposits mature in 2013, $2.0 million in 2014, $8.9 million in 2015, $5.0 million in 2016, and $1.7 million in 2017.

At December 31, 2012, the scheduled maturities of certificates are as follows:

2013	$ 71,384,849
2014	18,280,313
2015	18,061,915
2016	15,846,326
2017	4,502,850
	$ 128,076,253

Transaction accounts and certificates in denominations of $100,000 or more amounted to $88,538,029 and $73,109,740 at December 31, 2012, respectively, and $84,451,516 and $72,225,793 at September 30, 2011, respectively. Generally, deposits in excess of $250,000 are not Federally insured. Approximately $32.5 million of certificates of $100,000 or more mature within one year.

Interest expense on deposits is summarized as follows:

	December 31, 2012	September 30, 2011
NOW accounts	$ 103,452	$ 90,154
Passbook accounts	32,214	30,795
Money market accounts	601,080	850,558
Certificates	2,164,759	2,159,096
	$ 2,901,505	$ 3,130,603

Deposits from directors, executive officers and other affiliates were not material to total deposits at December 31, 2012 and September 30, 2011.

(9) Advances from FHLB

Advances from FHLB are summarized as follows:

Final Maturity Date	Average Interest Rate at December 31, 2012	December 31, 2012	September 30, 2011
Within one year	0.56%	$ 21,500,000	$ 20,074,846
One to three years	3.18%	8,000,000	32,000,000
After three to five years	2.52%	7,826,104	3,000,000
After five years	2.54%	3,418,368	11,331,907
		$ 40,744,472	$ 66,406,753
Weighted-average rate		1.62 %	1.95 %

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 December 31, 2012, advances from FHLB are secured by FHLB stock and loans amounting to $90,214,526. The Bank had unused credit available under the FHLB advance program of approximately $38.2 million at December 31, 2012.

At December 31, 2012 and September 30, 2011, the Bank had an unused line of credit with another bank of $5.0 million.

(10) 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 transactions, 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:

	December 31, 2012	September 30, 2011
Securities sold under agreements to repurchase	$ 3,117,385	$ 896,750
Fair value of securities	$ 3,466,856	$ 1,899,263
Average balance	$ 1,532,196	$ 979,782
Maximum balance at any month end	$ 3,117,385	$ 1,356,403

(11) 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 Company and Bank was recently subject to an examination by the Internal Revenue Service for taxable years ending September 30, 2010 and 2011. The examination focused on the accounting related to the purchase of certain assets and liabilities associated with the acquisition of the former Champion Bank in Creve Coeur, Missouri. The examination has been concluded with no adjustment to the current payable or permanent differences which would result in an adjustment to the Company's or Bank's recorded balances. The examination did result in a change of the timing of recognizing certain income and expense items between taxable years. These adjustments have been reflected in the Bank's current and deferred tax accounts. Penalties and interest as a result of the adjustments were insignificant.

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

	December 31, 2012	September 30, 2011
Deferred tax liabilities:		
FHLB stock dividends	$ (81,144)	$ (140,625)
Net unrealized gain on securities available for sale	-	(22,157)
Purchase accounting adjustments-Farley State Bank	(351,499)	(406,481)
Purchase accounting adjustments-Champion Bank	165,738	(1,176,757)
Total deferred tax liabilities	(266,905)	(1,746,020)
Deferred tax assets:		
Accrued income and expense and deferred loan fees	81,311	189,281
Net unrealized losses on securities available for sale	212,956	-
Allowance for loan losses	2,231,870	1,493,271
Premises and equipment	80,814	114,730
OREO	331,202	-
Benefit plan expense recognition	213,896	259,421
Other	119,409	322,146
Total deferred tax assets	3,271,458	2,378,849
Net deferred tax asset	$ 3,004,553	$ 632,829

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:

	December 31, 2012	September 30, 2011
Current:		
Federal	$ 2,709,000	$ 1,886,000
State	319,000	233,000
	3,028,000	2,119,000
Deferred:		
Federal	(1,945,000)	(213,000)
State	(229,000)	(125,000)
	(2,174,000)	(338,000)
	$ 854,000	$ 1,781,000

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

	Percentage of Earnings Before Income Taxes	
	December 31, 2012	September 30, 2011
Federal statutory income tax rate	34.0%	34.0%
Increases (decreases) in tax rate:		
Tax exempt income	(2.7)	(2.2)
Change in cash surrender value of BOLI	(5.1)	(2.7)
Nondeductible stock option expense	-	0.2
State taxes, net of Federal tax benefit	4.3	2.4
Average fair value versus cost of ESOP shares	0.1	0.1
Other, net	(12.6)	0.7
Tax rate	18.0%	32.5%

(12) 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 $105,210 and $78,283 for the fifteen months ended December 31, 2012 and the year ended September 30, 2011, 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 $29,783 and $21,396 for December 31, 2012 and September 30, 2011, respectively. The accumulated retirement plan benefit obligation was $203,033 and $195,817 at December 31, 2012 and September 30, 2011, 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 $7,242 and $2,904 for the fifteen months ended December 31, 2012 and the year ended September 30, 2011, respectively. The accumulated postretirement medical benefit obligation was $137,457 and $164,857 for December 31, 2012 and September 30, 2011, respectively.

Employee Stock Ownership Plan (ESOP)

The Bank has established an ESOP for the benefit of participating employees. No new employees are eligible to participate in the ESOP and all current employees participating in the ESOP are 100% vested in their accounts. Benefits become payable upon a participant's retirement, death, disability or separation from service.

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.

As authorized by the Liberty Bancorp, Inc. 2012 Equity Incentive Plan (the “2012 Plan”), the Board of Directors granted 48,000 options to non-employee directors and 20,000 options to certain officers on May 24, 2012. The 2012 Plan authorizes the award of up to 68,000 options to purchase shares of common stock, subject to restrictions, to be issued to directors and officers. 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 68,000 options granted vest over a five-year period.

The Company has estimated the fair value of awards granted for the fifteen months ended December 31, 2012 under its stock option plan utilizing the Black-Scholes pricing model to be $1.65 per option. The assumptions used in the Black-Scholes model were as follows:

	2012
Expected dividend yield	1.00%
Risk-free interest rate	1.33%
Expected life of options	7.50 years
Expected volatility	15.00%

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 for the fifteen months ended December 31, 2012 and the year ended September 30, 2011, is as follows:

	2012	2011
Pretax	$ 54,345	$ 41,859
After tax	$ 43,408	$ 38,118
Basic and diluted earnings per share	$ 0.01	$ 0.01

At December 31, 2012, the total unrecognized compensation expense related to nonvested stock options was $79,621 and is expected to be recognized over the weighted-average period of 4.05 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, 2010	326,488	$ 8.37	4.78
Exercised	(3,500)	-	-
Forfeited	(3,000)	-	-
Outstanding at September 30, 2011	319,988	$ 8.54	3.78
Granted	88,800	-	-
Exercised	(34,504)	-	-
Forfeited	(2,000)	-	-
Outstanding at December 31, 2012	372,284	$ 9.92	2.01
Exercisable at December 31, 2012	296,284	$ 9.86	2.92
Vested and expected to vest at December 31, 2012	296,284	$ 9.86	2.92

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 fifteen months ended December 31, 2012 and year ended September 30, 2011:

	2012	2011
Cash received from the exercise of options	$ 236,352	$ 33,250
Fair value of shares vested	$ 339,146	$ 172,274

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. On May 24, 2012, as authorized by the 2012 Plan, the Board of Directors granted 24,000 restricted stock awards to non-employee directors and 25,000 awards to certain officers. All awards vest over a five-year period. No stock appreciation rights or unrestricted stock have been granted to date.

A summary of the Company's restricted stock compensation expense for the fifteen months ended December 31, 2012 and year ended September 30, 2011, is as follows:

	2012	2011
Pretax	$ 223,143	$ 253,368
After tax	$ 145,043	$ 164,689

At December 31, 2012, the total unrecognized expense was $510,277 and is expected to be recognized over 3.86 years.

A summary of the Company's nonvested stock award activity for 2012 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 October 1, 2011	24,280	$ 10.72
Awarded	61,250	$ 10.02
Vested	(24,530)	$ 10.92
Forfeited	(1,000)	$ 9.50
Nonvested at December 31, 2012	60,000	$ 9.94

(13) 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. The January 1, 2013 dividend was paid in the approximate amount of $85,000. This dividend was for accrued dividends due for the period October 1, 2012 through December 31, 2012. Dividends paid for the fifteen month period ended December 31, 2012 were $699,221. 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.

(14) 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 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 classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital to average assets (as defined). Management believes, as of December 31, 2012 and September 30, 2011, that the Bank meets all capital adequacy requirements to which it is subject.

At December 31, 2012 the most recent notification from the Office of the Comptroller of the Currency 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 that notification that management believes have changed the Bank's category.

The Bank's actual and required capital amounts and ratios at December 31, 2012 are as follows:

	Actual		Minimum for Capital Adequacy		Required to be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Stockholders' equity	$ 62,013					
Goodwill and core deposit intangibles	(1,616)					
Unrealized gain, net – benefit plans	(16)					
Unrealized loss on securities AFS, net	362					
Tangible capital	$ 60,743	14.8%	$ 6,177	1.5%		
General valuation allowance	4,132					
Total capital to risk-weighted assets	$ 64,875	19.7%	$ 26,284	8.0%	$ 32,855	10.0%
Tier 1 capital to risk-weighted assets	$ 60,743	18.5%	$ 13,142	4.0%	$ 19,713	6.0%
Tier 1 capital to total assets	$ 60,743	14.8%	$ 16,473	4.0%	$ 20,591	5.0%

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%

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 fifteen months ended December 31, 2012 and year ended September 30, 2011, the Company paid cash dividends of $1,432,882 and $339,599, respectively.

On November 17, 2011 a fifth stock repurchase program was approved to acquire up to 329,334, 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 287,574 shares under this program.

(15) 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 December 31, 2012:

	Fixed-Rate	Adjustable-Rate
Commitments to originate loans	$ 13,829,536	$ 800,000
Commitments for unused lines of credit	$ 1,721,480	$ 19,602,519
Commitments for undisbursed loans	$ 4,057,682	$ 6,361,339
Commitments for letters of credit	$ 1,049,225	$ 76,310

Interest rates on these fixed-rate loans ranged from 2.49% to 12.00%.

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. Furthermore, the Bank's regulators could require material adjustments to asset values or the allowance for loan losses for regulatory capital purposes that could affect the Bank's measurement of regulatory capital and compliance with the capital adequacy guidelines under the regulatory framework for prompt corrective action.

At December 31, 2012, there was no known pending litigation or other claims that management believes will be material to the Company's financial position.

(16) Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of

unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and September 30, 2011:

		December 31, 2012 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
State and municipal obligations	$ 4,857,766	$ -	$ 2,179,960	$ 2,677,806
Mortgage-backed GSE residential	$ 6,515,612	$ 4,931,894	$ 1,583,718	$ -
Equity securities	$ 115,870	$ 115,870	$ -	$ -

		September 30, 2011 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
State and municipal obligations	$ 6,456,052	$ -	$ 3,992,660	$ 2,463,392
Mortgage-backed GSE residential	$ 7,078,098	$ -	$ 7,078,098	$ -
Equity securities	$ 259,008	$ 259,008	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the fifteen months ended December 31, 2012. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

	State and political subdivision securities
Balance, October 1, 2010	$ 2,323,560
Total realized and unrealized gains and losses	
Included in other comprehensive income	
Unrealized appreciation on available-for-sale securities	473,701
Purchases	3,386
Principal collections	(337,255)
Balance, September 30, 2011	$ 2,463,392
Total realized and unrealized gains and losses	
Included in other comprehensive income	
Unrealized appreciation on available-for-sale securities	(381,326)
Principal collections	(163,415)
Transfers in and/or out of Level 3	759,155
Balance, December 31, 2012	$ 2,677,806

Nonrecurring Measurements

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and September 30, 2011:

	December 31, 2012			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent impaired, non-covered loans	$ 5,457,119	$ -	$ -	$ 5,457,119
Foreclosed assets, non-covered	$ 9,787,192	$ -	$ -	$ 9,787,192

	September 30, 2011			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent impaired, non-covered loans	$ 3,826,335	$ -	$ -	$ 3,826,335
Foreclosed assets, non-covered	$ 10,855,215	$ -	$ -	$ 10,855,215

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Collateral-dependent Impaired Loans, Net of Allowance for Loan Losses

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

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

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value is based on appraisals or evaluations. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

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

Unobservable (Level 3) Inputs

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

	Fair Value at 12/31/12	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
State and municipal obligations	$ 2,677,806	Discounted cash flow	Unrated security yield	1.85%-6.25% (5.84%)
Collateral-dependent impaired loans	$ 5,457,119	Market comparable properties	Marketability discount	0%-25% (7%)
Foreclosed assets held for sale, net	$ 9,787,192	Market comparable properties	Comparability adjustments (%)	Not available

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments at December 31, 2012 and September 30, 2011.

	December 31, 2012		September 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 35,462,318	$ 35,462,318	$ 82,121,907	$ 82,121,907
Interest-bearing deposits due from depository institutions	$ 992,000	$ 992,000	$ 992,000	$ 992,000
Securities available for sale	$ 4,973,636	$ 4,973,636	$ 6,715,060	$ 6,715,060
Mortgage-backed securities available for sale	$ 6,515,612	$ 6,515,612	$ 7,078,098	$ 7,078,098
Stock in FHLB	$ 2,320,100	$ 2,320,100	$ 3,516,100	$ 3,516,100
Loans receivable, net	$ 309,074,981	$ 312,810,119	$ 302,862,286	$ 306,112,000
Loans held for sale	$ 1,613,587	$ 1,613,587	$ 2,793,780	$ 2,793,780
Interest receivable	$ 1,365,083	$ 1,365,083	$ 1,453,266	$ 1,453,266
Deposits	$ 302,670,586	$ 299,016,034	$ 325,568,913	$ 322,756,956
Interest payable	$ 72,447	$ 72,447	$ 151,902	$ 151,902
Advances from FHLB	$ 40,744,472	$ 42,459,861	$ 66,406,753	$ 68,226,000
Securities sold under agreements to repurchase	$ 3,117,385	$ 3,150,352	$ 896,750	$ 903,756
Advances from borrowers for taxes and insurance	$ 69,738	$ 69,738	$ 1,362,638	$ 1,362,638
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	$ -	$ -	$ -	$ -
Letters of credit	$ -	$ -	$ -	$ -
Lines of credit	$ -	$ -	$ -	$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Interest-bearing Time Deposits, Stock in FHLB and Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Loans and Interest Receivable

The fair value of loans is estimated by discounting the future cash flows using the market rates at which similar loans would be made to borrowers with similar credit ratings and for the

same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of interest receivable approximates its fair value.

Loans Held for Sale

The carrying amount approximates fair value to the insignificant time between origination and date of sale.

Deposits and Interest Payable

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. The carrying amount of interest payable approximates its fair value.

Advances from FHLB and Securities Sold Under Agreements to Repurchase

Fair value is estimated by discounting the future cash flows using rates of similar borrowings with similar maturities.

Commitments to Originate Loans, Standby Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. 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.

(17) Subsequent Events

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

On April 1, 2013, the bank acquired 100% of the outstanding common stock of Patriots Bank ("Patriots"). Patriots is a Fed nonmember bank located in Liberty, Missouri. As a result of the acquisition, the Bank will have an opportunity to increase its deposit base and reduce transaction costs. The Bank also expects to reduce costs through economies of scale.

In 2012, the Bank incurred $24,000 of third-party acquisition-related costs. The expenses are included in noninterest expense in the Company's consolidated statement of earnings for the fifteen months ended December 31, 2012.

The goodwill of $23,240 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Patriots. All of the goodwill was assigned to the banking segment of the business.

The following table summarizes the consideration paid for Patriots and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date. The Company is in the process of obtaining third-party valuations of certain intangible assets; thus, the allocation of the purchase price is subject to refinement.

Estimated Fair Value of Consideration Transferred		
Cash	$	3,192,000
Estimated amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$	29,336,000
Loans		43,801,000
Premises equipment		1,854,000
Other Real Estate		2,941,000
Accrued Interest Receivable		195,000
Other Assets		97,000
Core deposit intangible, net		1,187,760
Assets to be acquired		79,411,760
Deposits		79,184,000
Other Liabilities		251,000
Liabilities to be assumed		79,435,000
Goodwill	$	23,240

The fair value of the loans acquired will be determined after the transaction is completed. The gross amount due under the contracts is $45.8 million, of which all is expected to be collectible.

The estimated fair value of the acquired identifiable intangible assets of $1.2 million is provisional pending receipt of the final valuations for those assets.

Direct acquisition costs are estimated to be $300,000. The Bank expects that the majority of this expenditure will be incurred in 2013.

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