

CCSB

FINANCIAL CORP.

FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2021

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CCSB FINANCIAL CORP. CONSOLIDATED BALANCE SHEETS

December 31, 2021 and September 30, 2021

	December 31, 2021 (Unaudited)	September 30, 2021
ASSETS:		
Cash and due from banks	\$ 1,697,661	\$ 6,772,921
Interest-bearing deposits in banks	14,923,546	31,953,796
Total cash and cash equivalents	16,621,207	38,726,717
Interest-bearing time deposits	5,654,729	7,176,013
Available-for-sale securities	20,172,892	7,615,258
Held-to-maturity securities	750,000	750,000
Federal Home Loan Bank stock	163,300	170,800
Loans, net of allowance for loan losses of \$1,226,949 at December 31, 2021, and September 30, 2021	86,673,354	87,883,868
Mortgage loans held for sale	544,000	-
Premises and equipment, net	3,706,719	3,724,248
Accrued interest receivable	329,056	298,052
Bank-owned life insurance - cash surrender value	4,361,385	4,338,893
Deferred income taxes	569,521	544,887
Other assets	308,945	327,117
TOTAL ASSETS	\$ 139,855,108	\$ 151,555,853
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Deposits:		
Demand	\$ 22,277,034	\$ 28,488,427
Public unit funds	10,387,525	16,473,983
Interest-bearing checking, savings and money market	81,378,565	79,273,555
Time deposits	13,297,047	13,454,615
Total deposits	127,340,171	137,690,580
Other borrowings	768,000	743,000
Advances from borrowers for taxes and insurance	218,303	1,084,495
Interest payable and other liabilities	129,876	484,914
TOTAL LIABILITIES	128,456,350	140,002,989
<i>Commitments and contingencies:</i>		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	-	-
Common stock, \$0.01 par value; 2,500,000 shares authorized; 978,650 shares issued	9,787	9,787
Additional paid-in capital	9,384,178	9,384,178
Treasury stock, at cost, of 232,679 shares at December 31, 2021, and September 30, 2021	(3,322,158)	(3,322,158)
Retained earnings - substantially restricted	5,489,865	5,478,318
Accumulated other comprehensive income (loss)	(162,914)	2,739
TOTAL STOCKHOLDERS' EQUITY	11,398,758	11,552,864
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 139,855,108	\$ 151,555,853

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended December 31, 2021 and 2020 (Unaudited)

	Three Months Ended December 31,	
	2021	2020
INTEREST AND DIVIDEND INCOME:		
Loans	\$ 954,077	\$ 1,001,367
Investment and mortgage-backed securities	45,508	18,932
Federal Home Loan Bank stock	1,452	1,629
Other income	40,130	44,173
TOTAL INTEREST AND DIVIDEND INCOME	<u>1,041,167</u>	<u>1,066,101</u>
INTEREST EXPENSE:		
Deposits	43,823	59,808
Borrowings	8,466	10,022
TOTAL INTEREST EXPENSE	<u>52,289</u>	<u>69,830</u>
NET INTEREST INCOME	988,878	996,271
Provision for loan losses	-	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>988,878</u>	<u>996,271</u>
NONINTEREST INCOME:		
Charges and other fees on loans	30,570	31,816
Amortization of mortgage servicing rights	(19,050)	(22,274)
Charges and other fees on deposit accounts	67,571	55,878
Increase in cash surrender value of bank-owned life insurance	22,493	24,022
Net gain on the sale of loans	14,539	122,373
Other	6,271	5,298
TOTAL NONINTEREST INCOME	<u>122,394</u>	<u>217,113</u>
NONINTEREST EXPENSE:		
Compensation and benefits	584,305	598,750
Occupancy and equipment	105,305	97,314
Data processing	112,627	106,426
Federal Deposit Insurance Corporation insurance premium	22,717	9,599
Audit, legal and other professional services	47,747	40,477
Advertising & marketing	19,078	13,286
Correspondent banking service charges	4,347	4,065
Other	109,602	92,685
TOTAL NONINTEREST EXPENSE	<u>1,005,728</u>	<u>962,602</u>
NET INCOME BEFORE INCOME TAXES	105,544	250,782
PROVISION FOR INCOME TAXES	19,400	58,101
NET INCOME BEFORE INCOME TAXES	<u>\$ 86,144</u>	<u>\$ 192,681</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>\$ 0.12</u>	<u>\$ 0.26</u>

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended December 31, 2021 and 2020 (Unaudited)

	Three Months Ended December 31,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 86,144	\$ 192,681
Items not requiring (providing) cash:		
Depreciation and amortization	42,754	43,767
Amortization (accretion) of premiums and discounts on securities	43,133	(547)
Amortization of mortgage-servicing rights	19,050	22,274
Deferred loan fees, net	(7,310)	(91,578)
Increase in cash surrender value of bank-owned life insurance	(22,492)	(24,022)
Originations of mortgage loans held for sale	(1,316,600)	(3,629,910)
Proceeds from the sale of mortgage loans	787,139	3,606,933
Net gain on sale of loans	(14,539)	(122,373)
Changes in:		
Accrued interest receivable	(31,004)	32,903
Other assets	(877)	(31,037)
Deferred income taxes	19,400	54,581
Interest payable and other liabilities	(355,038)	(476,665)
NET CASH USED IN OPERATING ACTIVITIES	<u>(750,240)</u>	<u>(422,993)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in loans	1,217,824	(97,533)
Purchases of securities	(12,814,254)	(750,000)
Proceeds from call of securities	-	1,250,000
Principal collections on securities	3,799	-
Proceeds from maturity of interest-bearing deposits	1,521,829	-
Reinvestment of interest on interest-bearing time deposits	(545)	(5,704)
Redemption of FHLB stock, net	7,500	28,500
Purchases of premises and equipment	(25,225)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(10,089,072)</u>	<u>425,263</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net change in deposits	(10,350,409)	6,796,602
Repayments of Federal Home Loan Bank fixed-maturity advances	-	(750,000)
Increase in (repayment of) other borrowings	25,000	(10,000)
Cash dividends	(74,597)	(74,307)
Net decrease in advances from borrowers for taxes and insurance	(866,192)	(751,467)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(11,266,198)</u>	<u>5,210,828</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,105,510)	5,213,098
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,726,717	33,855,592
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 16,621,207</u>	<u>\$ 39,068,690</u>

See notes to consolidated financial statements.

CCSB FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Basis of Presentation

The accompanying consolidated financial statements include the accounts of CCSB Financial Corp. (Company) and its wholly owned subsidiary, Clay County Savings Bank (Bank). All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying unaudited interim consolidated financial statements have been prepared by management and have not been reviewed or audited by the Company's independent accountants. While management has intended to prepare the financial statements in accordance with generally accepted accounting principles, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The consolidated balance sheet of the Company, as of September 30, 2021, has been derived from the audited consolidated balance sheet for the Company as of that date. Operating results for the three-month period ended December 31, 2021, are not necessarily indicative of the results that may be expected for the entire fiscal year. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2021, contained in the Company's Annual Report.

Note 2 – Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and September 30, 2021, cash equivalents consisted of cash and accounts, noninterest-bearing and interest-bearing, with banks including the Federal Home Loan Bank and the Federal Reserve. The FDIC insurance limits are \$250,000.

Note 3 – Securities

Securities classified as available for sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For available-for-sale securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections. There was no other than temporary impairment recognized as of December 31, 2021, and September 30, 2021.

Note 4 – Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balance adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discounted at the time the loan is 90 days past due unless the credit is well-secured and in collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 5 – Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Note 6 – Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment. With a few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2017.

The Company recognizes interest and penalties on income taxes as a component of credit for income taxes.

The Company files consolidated income tax returns with its subsidiary.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 7 – Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Treasury stock shares are not deemed outstanding for earnings per share calculations. The following is a summary of basic and diluted earnings per common share for the three-month periods ended December 31, 2021 and 2020:

	Three Months Ended December 31,	
	2021	2020
Net income	\$ 86,144	\$ 192,681
Weighted-average shares - Basic EPS	745,971	745,971
Stock options - treasury stock method	-	-
Weighted-average shares - Diluted EPS	745,971	745,971
Basic and diluted income per common share	\$ 0.12	\$ 0.26