

MSB FINANCIAL INC  
Form 10QSB  
February 13, 2004

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

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**FORM 10-QSB**

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003

OR

TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **0-24898**

**MSB FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

**38-3203510**

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(State or other jurisdiction of  
incorporation or organization)

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(I.R.S. Employer Identification  
Number)

**Park and Kalamazoo Avenue, N.E., Marshall,  
Michigan**

**49068**

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(ZIP Code)

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(Address of principal executive offices)

Registrant's telephone number, including area code: **(269) 781-5103**

As of February 12, 2004, there were 1,306,733 shares of the Registrant's common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one)

Yes      No

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**MSB FINANCIAL, INC.**

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**MSB FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
 December 31, 2003 and June 30, 2003

|   | December 31,<br>2003 | June 30,<br>2003 |
|---|----------------------|------------------|
|   | (Unaudited)          |                  |
| <b>ASSETS</b>   |                      |                  |
| Cash and due from financial institutions                  | \$ 2,575,402         | \$ 2,507,954     |
| Interest-bearing deposits in other financial institutions | 1,569,325            | 2,150,108        |

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|  |               |                |
|--|---------------|----------------|
| Total cash and cash equivalents  | 4,144,727     | 4,658,062      |
| Securities available for sale  | 8,708,306     | 15,919,736     |
| Loans held for sale  | -             | 1,444,100      |
| Loans receivable, net of allowance for loan losses of<br>\$477,098 at December 31, 2003 and \$638,633 at June 30, 2003   | 72,257,910    | 72,694,846     |
| Federal Home Loan Bank stock   | 1,481,700     | 1,445,500      |
| Premises and equipment, net  | 1,245,561     | 1,318,118      |
| Mortgage servicing rights, net   | 832,748       | 752,893        |
| Goodwill   | 1,451,210     | 1,451,210      |
| Core deposit intangible  | 300,117       | 335,774        |
| Accrued interest receivable and other assets   | 4,469,083     | 3,192,511      |
|  | <hr/>         | <hr/>          |
| Total Assets   | \$ 94,891,362 | \$ 103,212,750 |
|  | <hr/>         | <hr/>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |               |                |
| Liabilities  |               |                |
| Deposits   | \$ 69,066,768 | \$ 72,805,342  |
| Federal Home Loan Bank advances  | 9,326,709     | 11,301,438     |
| Advance payments by borrowers for taxes and insurance  | 342,921       | 1,050,570      |
| Accrued interest payable and other liabilities   | 682,189       | 2,825,082      |
|  | <hr/>         | <hr/>          |
| Total Liabilities  | 79,418,587    | 87,982,432     |
| Shareholders' equity   |               |                |
| Preferred stock, \$.01 par value: 2,000,000 shares<br>authorized; none outstanding   |               |                |
| Common stock, par value \$.01: 4,000,000 shares<br>authorized; 1,630,981 shares issued and 1,306,733 and<br>1,300,791 shares outstanding at<br>December 31, 2003 and June 30, 2003 | 16,310        | 16,310         |
| Additional paid-in capital   | 9,841,192     | 9,815,648      |
| Retained earnings, substantially restricted  | 9,192,224     | 9,014,839      |
| Unearned Employee Stock Ownership Plan shares  | (21,997 )     | (44,328 )      |
| Unearned Recognition and Retention Plan shares   | (6,773 )      | (10,853 )      |
| Treasury stock, at cost - 324,248 shares at<br>December 31, 2003 and 330,190 shares at June 30, 2003   | (3,515,822 )  | (3,567,280 )   |
| Accumulated other comprehensive income, net of tax<br>of (\$16,670) at December 31, 2003 and \$3,082 at June 30, 2003  | (32,359 )     | 5,982          |
|  | <hr/>         | <hr/>          |
| Total Shareholders' Equity   | 15,472,775    | 15,230,318     |
|  | <hr/>         | <hr/>          |
| Total Liabilities & Shareholders' Equity   | \$ 94,891,362 | \$ 103,212,750 |
|  | <hr/>         | <hr/>          |

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See accompanying notes to condensed consolidated financial statements.

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MSB FINANCIAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
Six months and three months ended December 31, 2003 and 2002  
(Unaudited)

|  | Six Months       |                  | Three Months     |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003             | 2002             | 2003             | 2002             |
| Interest and dividend income                               |                  |                  |                  |                  |
| Loans receivable, including fees                           | \$ 2,418,155     | \$ 3,074,072     | \$ 1,179,144     | \$ 1,506,444     |
| Securities available for sale - taxable                    | 127,535          | 146,355          | 56,065           | 62,820           |
| Other interest and dividend income                         | 50,444           | 67,547           | 24,717           | 33,388           |
|  | <u>2,596,134</u> | <u>3,287,974</u> | <u>1,259,926</u> | <u>1,602,652</u> |
| Interest Expense   |                  |                  |                  |                  |
| Deposits   | 539,577          | 765,530          | 259,334          | 349,637          |
| Federal Home Loan Bank advances                            | 292,789          | 402,677          | 138,950          | 190,034          |
| Other interest expense                                     | 20,348           | 18,889           | 10,651           | 9,686            |
|  | <u>852,714</u>   | <u>1,187,096</u> | <u>408,935</u>   | <u>549,357</u>   |
| <b>Net interest income</b>                                 | <u>1,743,420</u> | <u>2,100,878</u> | <u>850,991</u>   | <u>1,053,295</u> |
| Provision for loan losses                                  | 50,000           | 65,000           | 20,000           | 50,000           |
| <b>Net interest income after provision for loan losses</b> | <u>1,693,420</u> | <u>2,035,878</u> | <u>830,991</u>   | <u>1,003,295</u> |
| Noninterest income   |                  |                  |                  |                  |
| Loan servicing fees, net                                   | 10,756           | (132,585 )       | (84,967 )        | (96,004 )        |
| Net gains on sales of loans held for sale                  | 424,221          | 766,175          | 82,854           | 462,083          |
| Service charges on deposit accounts                        | 270,832          | 262,420          | 139,532          | 140,613          |
| Increase in cash surrender value of life insurance         | 55,159           | 64,752           | 22,618           | 30,424           |
| Debit card/ATM Fees  | 76,372           | 85,129           | 36,041           | 43,152           |
| Brokerage commission fees                                  | 23,750           | 3,392            | 12,127           | 3,391            |
| Net gains (losses) securities available for sale           | (30,871 )        | 16,070           | (22,796 )        | 4,022            |

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|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Other income   | 95,831            | 141,837           | 34,643            | 62,141            |
|  | 926,050           | 1,207,190         | 389,986           | 649,822           |
| Noninterest expense  |                   |                   |                   |                   |
| Salaries and employee benefits   | 814,037           | 770,197           | 408,628           | 375,998           |
| Occupancy and equipment expense  | 175,572           | 197,612           | 91,015            | 98,842            |
| Data processing expense  | 130,569           | 128,275           | 67,365            | 65,448            |
| Federal deposit insurance premiums   | 22,776            | 23,840            | 11,331            | 13,040            |
| Director fees  | 51,085            | 53,370            | 22,500            | 26,550            |
| Amortization of intangible assets  | 35,658            | 40,886            | 17,829            | 20,443            |
| Michigan Single Business tax   | 40,000            | 50,000            | 12,000            | 27,000            |
| Advertising  | 71,463            | 55,463            | 27,166            | 24,582            |
| Professional fees  | 213,039           | 89,640            | 147,646           | 53,135            |
| Other expense  | 294,594           | 411,417           | 149,947           | 238,733           |
|  | <u>1,848,793</u>  | <u>1,820,700</u>  | <u>955,427</u>    | <u>943,771</u>    |
| <b>Income before federal income tax expense</b>                                | 770,677           | 1,422,368         | 265,550           | 709,346           |
| Federal income tax expense   | 295,000           | 499,000           | 121,000           | 255,000           |
|  | <u>\$ 475,677</u> | <u>\$ 923,368</u> | <u>\$ 144,550</u> | <u>\$ 454,346</u> |
| <b>Comprehensive income</b>  | <u>\$ 437,336</u> | <u>\$ 921,294</u> | <u>\$ 158,285</u> | <u>\$ 452,729</u> |
| Basic earnings per common share  | \$ 0.37           | \$ 0.75           | \$ 0.11           | \$ 0.35           |
| Weighted average common shares outstanding                                     | 1,297,327         | 1,233,484         | 1,299,049         | 1,281,988         |
| Diluted earnings per common share  | \$ 0.36           | \$ 0.74           | \$ 0.11           | \$ 0.35           |
| Weighted average common share and dilutive potential common shares outstanding | 1,313,384         | 1,246,540         | 1,313,228         | 1,286,014         |

See accompanying notes to condensed consolidated financial statements.

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MSB FINANCIAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Six months ended December 31, 2003  
(Unaudited )

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Unearned<br>Employee<br>Stock<br>Ownership<br>Plan Shares | Unearned<br>Recognition<br>and Retention<br>Plan Shares | Treasury<br>Shares | Accumulated<br>Other<br>Comprehensive<br>Income, Net | Total<br>Shareholders'<br>Equity |
|---|-----------------|----------------------------------|----------------------|---|---|--------------------|--|----------------------------------|
| <b>Balances, July 1, 2003</b>   | \$ 16,310       | \$ 9,815,648                     | \$ 9,014,839         | \$ (44,328)   | \$ (10,853)   | \$ (3,567,280)     | \$ 5,982   | \$ 15,230,318                    |
| Comprehensive income  |                 |                                  |                      |   |   |                    |  |                                  |
| Net income  | -               | -                                | 475,677              | -   | -   | -                  | -  | 475,677                          |
| Other comprehensive income  |                 |                                  |                      |   |   |                    |  |                                  |
| Net change in net unrealized gains<br>(losses) on<br>securities available for sale, net of<br>reclassification<br>adjustments and tax effects | -               | -                                | -                    | -   | -   | -                  | (38,341)   | (38,341)                         |
| Total comprehensive income  | -               | -                                | -                    | -   | -   | -                  | -  | 437,336                          |
| Cash dividends declared on common stock,<br>net of dividends on unearned ESOP shares<br>(\$0.23 per share)                                    | -               | -                                | (298,292)            | -   | -   | -                  | -  | (298,292)                        |
| 4,908 shares committed to be released<br>under the ESOP   | -               | 57,015                           | -                    | 22,331  | -   | -                  | -  | 79,346                           |
| Issuance of 5,942 common shares from<br>treasury stock due to exercise of stock<br>options  | -               | (9,270)                          | -                    | -   | -   | 51,458             | -  | 42,188                           |
| Exercise of stock options   | -               | (22,201)                         | -                    | -   | -   | -                  | -  | (22,201)                         |
| Amortization of RRP shares  | -               | -                                | -                    | -   | 4,080   | -                  | -  | 4,080                            |
| <b>Balances, December 31, 2003</b>  | \$ 16,310       | \$ 9,841,192                     | \$ 9,192,224         | \$ (21,997)   | \$ (6,773)  | \$ (3,515,822)     | \$ (32,359)  | \$ 15,472,775                    |

See accompanying notes to condensed consolidated financial statements.

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MSB FINANCIAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Six months ended December 31, 2002  
(Unaudited )

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Unearned<br>Employee<br>Stock<br>Ownership<br>Plan Shares | Unearned<br>Recognition<br>and Retention<br>Plan Shares | Treasury<br>Shares | Accumulated<br>Other<br>Comprehensive<br>Income, Net | Total<br>Shareholders'<br>Equity |
|---|-----------------|----------------------------------|----------------------|---|---|--------------------|--|----------------------------------|
| <b>Balance, July 1, 2002</b>  | \$ 16,310       | \$ 9,819,238                     | \$10,330,263         | \$ (92,338)   | \$ (19,003)   | \$(4,011,189)      | \$ 14,653  | \$16,057,934                     |
| Comprehensive Income  |                 |                                  |                      |   |   |                    |  |                                  |
| Net income  | -               | -                                | 923,368              | -   | -   | -                  | -  | 923,368                          |
| Other comprehensive income  |                 |                                  |                      |   |   |                    |  |                                  |
| Net change in net unrealized gains (losses)<br>on<br>securities available for sale, net of<br>reclassification<br>adjustments and tax effects | -               | -                                | -                    | -   | -   | -                  | (2,174)  | (2,174)                          |
| Total comprehensive income  | -               | -                                | -                    | -   | -   | -                  | -  | 921,194                          |
| Cash dividends declared on common stock,<br>net of dividends on unearned ESOP Shares<br>(\$2.22 per share)                                    | -               | -                                | (2,838,136)          | -   | -   | -                  | -  | (2,838,136)                      |
| 5,400 shares committed to be released<br>under the ESOP   | -               | 43,574                           | -                    | 24,570  | -   | -                  | -  | 68,144                           |
| Issuance of 71,549 common shares from<br>treasury stock due to exercise of stock<br>options   | -               | (86,441)                         | -                    | -   | -   | 606,409            | -  | 519,968                          |
| Amortization of RRP Shares  | -               | -                                | -                    | -   | 4,080   | -                  | -  | 4,080                            |
| Repurchase of 12,500 shares of common stock   | -               | -                                | -                    | -   | -   | (162,500)          | -  | (162,500)                        |
| <b>Balances, December 31, 2002</b>  | \$ 16,310       | \$ 9,776,371                     | \$ 8,415,495         | \$ (67,768)   | \$ (14,923)   | \$(3,567,280)      | \$ 12,479  | \$14,570,684                     |

See accompanying notes to condensed consolidated financial statements.

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MSB FINANCIAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
Six months ended December 31, 2003 and 2002  
(Unaudited)

|  | 2003          | 2002          |
|--|---------------|---------------|
| <b>Cash flows from operating activities</b>                                  |               |               |
| Net income   | \$ 475,677    | \$ 923,368    |
| Adjustments to reconcile net income<br>to net cash from operating activities |               |               |
| Provision for loan losses  | 50,000        | 65,000        |
| Mortgage servicing rights valuation adjustment                               | (70,000 )     | 38,000        |
| Depreciation   | 82,650        | 90,693        |
| Amortization of mortgage servicing rights                                    | 183,133       | 197,235       |
| Amortization of intangible assets  | 35,658        | 40,886        |
| Net losses (gains) on sales of securities available for sale                 | 30,870        | (16,070 )     |
| Employee Stock Ownership Plan expense  | 79,346        | 68,144        |
| Recognition and Retention Plan expense                                       | 4,080         | 4,080         |
| Originations of loans held for sale  | (18,047,686 ) | (36,436,832 ) |
| Proceeds from sales of loans held for sale                                   | 19,723,019    | 36,344,226    |
| Net gains on sales of loans held for sale                                    | (424,221 )    | (766,175 )    |
| Change in assets and liabilities   |               |               |
| Accrued interest receivable  | 17,510        | 40,729        |
| Other assets   | (3,740 )      | 669,234       |
| Accrued interest payable   | (14,431 )     | (22,851 )     |
| Accrued expenses and other liabilities                                       | (2,128,462 )  | 306,044       |
|  | (6,597 )      | 1,545,711     |
| <b>Net cash from operating activities</b>                                    |               |               |
| <b>Cash flows from investing activities</b>                                  |               |               |
| Proceeds from sales of securities available for sale                         | 7,250,000     | 7,000,000     |
| Purchases of securities available for sale                                   | (127,535 )    | (4,646,355 )  |
| Principal paydowns on mortgage-backed securities                             | -             | 88            |
| Purchase of Federal Home Loan Bank stock                                     | (36,200 )     | -             |
| Net change in loans  | (883,653 )    | 4,668,395     |
| Net purchases of premises and equipment                                      | (10,093 )     | (10,343 )     |
|  | 6,192,519     | 7,011,785     |
| <b>Net cash from investing activities</b>                                    |               |               |





See accompanying notes to condensed consolidated financial statements.

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MSB FINANCIAL, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
Six months ended December 31, 2003  
(Unaudited)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements include the accounts of MSB Financial, Inc. and its wholly-owned subsidiary, Marshall Savings Bank, F.S.B. after the elimination of significant intercompany transactions and accounts. The initial capitalization of MSB Financial and its acquisition of Marshall Savings Bank took place on February 6, 1995.

These interim financial statements are prepared in accordance with the Securities and Exchange Commission's rules for quarterly financial information without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly our financial position at December 31, 2003 and the results of operations and its cash flows for the periods presented. All such adjustments are normal and recurring in nature. The accompanying condensed consolidated financial statements do not purport to contain all the necessary disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances and should be read in conjunction with the consolidated financial statements and notes included in the annual report of MSB Financial, Inc. for the year ended June 30, 2003. The results of the periods presented are not necessarily representative of the results of operations and cash flows which may be expected for the entire year.

Goodwill and Other Intangible Assets: Goodwill resulted from our acquisition of a branch on March 15, 2002 and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

SFAS No. 148: SFAS No. 123, which became effective for stock-based compensation awarded during fiscal years beginning after December 15, 1995, required annual proforma disclosures for companies that do not adopt its fair value accounting method for stock-based employee compensation for awards granted in the first fiscal year beginning after December 15, 1994. SFAS No. 148 amends SFAS 123 effective the first quarter of 2003 and requires quarterly pro forma disclosures. Accordingly, the following pro forma information presents net income and earnings per share had the fair value method been used to measure compensation cost for stock option plans. The exercise price of options granted is equivalent to the market value of underlying stock at the grant date. Accordingly, compensation cost actually recognized for stock options was \$0 for the six and three month periods ended December 31, 2003 and 2002. No options were granted during the six and three month periods ended December 31, 2003 and 2002. Had compensation cost for stock options been measured using the fair value method, net income and basic and diluted earnings per share would have been the pro forma amounts indicated below. The pro forma effect may increase in the future if more options are granted.

|                        | Six Months |            | Three Months |            |
|------------------------|------------|------------|--------------|------------|
|                        | 2003       | 2002       | 2003         | 2002       |
| Net income as reported | \$ 475,677 | \$ 923,368 | \$ 144,550   | \$ 454,346 |
| Proforma net income    | \$ 475,511 | \$ 922,994 | \$ 144,417   | \$ 454,159 |

|                                    |        |        |        |        |
|------------------------------------|--------|--------|--------|--------|
| Reported earnings per common share |        |        |        |        |
| Basic                              | \$0.37 | \$0.75 | \$0.11 | \$0.35 |
| Diluted                            | \$0.36 | \$0.74 | \$0.11 | \$0.35 |
| Proforma earnings per common share |        |        |        |        |
| Basic                              | \$0.37 | \$0.75 | \$0.11 | \$0.35 |
| Diluted                            | \$0.36 | \$0.74 | \$0.11 | \$0.35 |

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MSB FINANCIAL, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 Six months ended December 31, 2003  
 (Unaudited)

**NOTE 2 - EARNINGS PER COMMON SHARE**

A reconciliation of the numerators and denominators used in the computation of the basic earnings per common share and diluted earnings per common share is presented below for the six and three month periods ended December 31, 2003 and 2002:

|  | Six Months |            | Three Months |            |
|--|------------|------------|--------------|------------|
|  | 2003       | 2002       | 2003         | 2002       |
| Basic Earnings Per Common Share            |            |            |              |            |
| Numerator                                  |            |            |              |            |
| Net Income                                 | \$ 475,677 | \$ 923,368 | \$ 144,550   | \$ 454,346 |
| Denominator                                |            |            |              |            |
| Weighted average common shares outstanding | 1,306,378  | 1,253,677  | 1,306,733    | 1,300,791  |
| Less: Average unallocated ESOP Shares      | (7,359 )   | (17,727 )  | (6,132 )     | (16,477 )  |
| Less: Average nonvested RRP Shares         | (1,692 )   | (2,466 )   | (1,552 )     | (2,326 )   |

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|  | Six Months |            | Three Months |            |
|--|------------|------------|--------------|------------|
|  | 2003       | 2002       | 2003         | 2002       |
| Weighted average common shares outstanding for basic earnings per common shares      | 1,297,327  | 1,233,484  | 1,299,049    | 1,281,988  |
| Basic earnings per common share  | \$ .37     | \$ .75     | \$ .11       | \$ .35     |
| <b>Diluted Earnings Per Common Share</b>   |            |            |              |            |
| <b>Numerator</b>   |            |            |              |            |
| Net Income   | \$ 475,677 | \$ 923,368 | \$ 144,550   | \$ 454,346 |
| <b>Denominator</b>   |            |            |              |            |
| Weighted average common shares outstanding for basic earnings per common share       | 1,297,327  | 1,233,484  | 1,299,049    | 1,281,988  |
| Add: Dilutive effects of average nonvested nonvested RRP shares, net of tax benefits | 583        | 268        | 761          | 182        |
| Add: Dilutive effective of assumed exercises of stock options                        | 15,474     | 12,788     | 13,418       | 3,844      |
| Weighted average common shares and dilutive potential common shares outstanding      | 1,313,384  | 1,246,540  | 1,313,228    | 1,286,014  |
| Diluted earnings per common share  | \$ .36     | \$ .74     | \$ .11       | \$ .35     |

Stock options for 67,848 shares of common stock for the three and six month periods ended December 31, 2002 were not considered in computing diluted earnings per common share because they were not dilutive. Zero shares were considered anti-diluted for the 2003 periods.

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MSB FINANCIAL, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
Six months ended December 31, 2003  
(Unaudited)

**NOTE 3 - ALLOWANCE FOR LOAN LOSSES**

Activity in the allowance for loan losses is summarized as follows for the six and three month periods ended December 31, 2003 and 2002:

|  | Six Months       |                  | Three Months     |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003             | 2002             | 2003             | 2002             |
| Balance at beginning of period         | \$638,633        | \$554,136        | \$670,163        | 512,746          |
| Provision charged to operating expense | 50,000           | 65,000           | 20,000           | 50,000           |
| Recoveries credited to allowance       | 11,450           | 4,175            | 9,920            | 3,823            |
| Less: Loans charged off                | (222,985 )       | (110,175 )       | (222,985 )       | (53,433 )        |
| Balance at end of period               | <u>\$477,098</u> | <u>\$513,136</u> | <u>\$477,098</u> | <u>\$513,136</u> |

**NOTE 4 - SECONDARY MORTGAGE MARKET ACTIVITIES**

The following summarizes our secondary mortgage market activities for the six and three month periods ended December 31, 2003 and 2002:

|   | Six Months   |              | Three Months |              |
|---|--------------|--------------|--------------|--------------|
|   | 2003         | 2002         | 2003         | 2002         |
| Loans originated for resale, net of principal paydowns                      | \$18,047,686 | \$36,436,832 | \$3,377,034  | \$20,609,456 |
| Proceeds from sales of loans originated for resale                          | 19,723,019   | 36,344,226   | 3,565,066    | 21,811,598   |
| Gain on sales of loans originated for resale                                | 424,221      | 766,175      | 82,854       | 462,083      |
| Portion of gain resulting from costs allocated to mortgage servicing rights | 192,988      | 355,781      | 34,822       | 213,496      |
| Loan servicing fees, net  | 10,756       | (132,585 )   | 84,967       | (96,004 )    |

Mortgage loans serviced for others are not included in the accompanying condensed consolidated balance sheets. The unpaid principal balances on these loans at December 31, 2003 and June 30, 2003 are summarized as follows:

Loans held for sale balance at September 30, 2003 and June 30, 2003:

|                      |                  |
|----------------------|------------------|
| December 31,<br>2003 | June 30,<br>2003 |
|----------------------|------------------|

|   |               |               |
|---|---------------|---------------|
| Mortgage loan portfolios serviced for Freddie Mac | \$ 94,511,000 | \$ 92,531,000 |
|---|---------------|---------------|

Mortgage loans serviced for others are not included in the accompanying condensed consolidated balance sheets. The unpaid principal balances on these loans at September 30, 2003 and June 30, 2003 are summarized as follows:

|   | December 31, 2003 | June 30, 2003 |
|---|-------------------|---------------|
| Mortgage loan portfolios serviced for Freddie Mac | \$ 94,511,000     | \$ 92,531,000 |

Custodial escrow balances maintained in connection with the foregoing serviced loans at December 31, 2003 and June 30, 2003 were \$207,000 and \$598,000, respectively.

**NOTE 5 - PENDING MERGER**

On September 2, 2003, MSB Financial, Inc. entered into a definitive agreement to be acquired by Monarch Community Bancorp, Inc. for approximately \$18.80 per share. Consideration includes \$15.04 per share in cash and the balance in Monarch Community Bancorp, Inc. common stock. Shareholders at our annual meeting held January 22, 2004 approved the agreement. OTS approval is pending. The transaction is expected to close during the second quarter of calendar 2004.

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**Item 2. Management's Discussion and Analysis**

The following discussion compares the consolidated financial condition of MSB Financial and Marshall Savings at December 31, 2003 to June 30, 2003 and the results of operations for the three and six month periods ended December 31, 2003 with the same periods ended December 31, 2002. This discussion should be read in conjunction with the condensed consolidated financial statements and footnotes included herein. References in this Form 10-QSB to "we", "us" and "our" refer to MSB Financial and/or Marshall Savings as the context requires.

***Forward-Looking Statements Disclosure***

This document, including information incorporated by reference, and future filings by MSB Financial, Inc. on Form 10-KSB, Form 10-QSB, and Form 8-K and future oral and written statements by MSB Financial and its management, may contain forward-looking statements about MSB Financial which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, including revenue creation, lending origination, operating efficiencies, loan sales, charge-offs and loan loss provisions, growth opportunities, interest rates, acquisition and divestiture opportunities, and synergies, efficiencies, cost savings and funding advantages expected to be realized from prior acquisitions. These forward-looking statements are based on currently available competitive, financial and economic data and management's views and assumptions regarding future events. These forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. Accordingly, MSB Financial cautions readers not to place undue reliance on any forward-looking statements.

Many of these forward-looking statements appear in this document under Part I, Item 2, "Management's Discussion and Analysis." Words such as may, could, should, would, believe, anticipate, estimate, expect, intend, plan and similar expressions are intended to identify these forward-looking statements. The important factors we discussed below, as well as other factors discussed elsewhere in this document and factors identified in our filings with the SEC and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this document. Among the factors that could cause our actual

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results to differ from these forward-looking statements are:

- the strength of the United States economy in general and the strength of the local economies in which we conduct our operations; general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in the credit quality of our loans and other assets;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- financial market, monetary and interest rate fluctuations, particularly the relative relationship of short-term interest rates to long-term interest rates;
- the timely development of and acceptance of our new products and services of MSB Financial and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
- the impact of changes in financial services laws and regulations (including laws concerning taxes, accounting standards, banking, securities and insurance); legislative or regulatory changes may adversely affect the business in which we are engaged;
- the impact of technological changes;
- changes in consumer spending and savings habits; and
- our success at managing the risks involved in the foregoing.

MSB Financial disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise.

### ***Financial Condition***

Total assets decreased \$8.3 million to \$94.9 million from June 30, 2003 to December 31, 2003. The decrease in assets was primarily the result of a decrease in securities available for sale of \$7.2 million or 45.3%, the result of withdrawals from an adjustable rate mortgage fund. In addition, we also experienced a decrease in cash and cash equivalents of \$513,000 or 11.0%. These proceeds were primarily used to fund scheduled payments on FHLB advances

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totaling \$1.9 million and to fund a \$3.7 million decrease in deposits, due to withdrawals at maturity of customer certificate of deposit accounts during the period.

We also experienced a decrease in net loans, including loans held for sale, of \$1.9 million or 2.5% for the period. This decrease was primarily due to a decrease in loans held for sale of \$1.4 million at December 31, 2003 as compared to June 30, 2003, the result of loan sales during the current period to Freddie Mac. As a result, mortgage loans serviced for others increased from \$92.5 million at June 30, 2003 to \$94.5 million at December 31, 2003, an increase of \$2.0 million, or 2.2%. In addition to the decrease in loans held for sale, we experienced a decrease in net loans of \$437,000, the result of two loans totaling \$1.2 million being transferred to real estate owned.

Total liabilities decreased \$8.6 million to \$79.4 million from June 30, 2003 to December 31, 2003. In addition to the decrease in FHLB advances and deposits discussed above, we experienced a decrease in accrued interest payable and other liabilities of \$2.1 million. The decrease in accrued interest payable and other liabilities was due to a decrease of \$1.4 million in funds due to Freddie Mac on the payoff of serviced loans at December 31, 2003 as compared to June 30, 2003. We also experienced a decrease in advance payments by borrowers for taxes and insurance of \$707,000, the result of the payment of personal property taxes for real estate mortgage loan customers.

Net income, offset by the payment of dividends on common stock, contributed to a net increase in shareholders equity of \$242,000.

### ***Results of Operations***

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**General.** Our results of operations depend primarily upon the level of net interest income, which is the difference between the average yield earned on loans, securities, interest-bearing deposits, and other interest-earning assets, and the average rate paid on deposits and borrowed funds, as well as competitive factors that influence interest rates, loan demand, and deposit flows. Our results of operations are also dependent upon the level of our noninterest income, including fee income and service charges, and the level of our noninterest expense, including general and administrative expenses. We, like other financial institutions, are subject to interest rate risk to the degree that our interest-bearing liabilities mature or reprice at different times, or on a different basis, than our interest-earning assets.

**Net Income.** Net income for the three months ended December 31, 2003 was \$145,000, a decrease of 68.2% compared to net income of \$454,000 for the same period ended December 31, 2002. Net income for the six month period ended December 31, 2003 was \$476,000, 48.5% lower than net income of \$923,000 for the same period in 2002. Reasons for the decreases in net income are discussed in detail below.

**Net Interest Income.** Net interest income decreased \$202,000, or 19.2%, to \$851,000 for the three month period ended December 31, 2003, as compared to the same three month period in 2002. For the six month period ended December 31, 2003, net interest income decreased \$357,000, or 17.0%, to \$1.7 million.

The decrease in net interest income during the three and six month periods ended December 31, 2003 was primarily the result of decreases in interest on loans, including fees. Interest on loans, including fees decreased \$327,000, or 21.9%, during the three month period ended December 31, 2003 compared to the three month period ended December 31, 2002. For the six month period ended December 31, 2003 interest on loans, including fees decreased \$656,000, or 21.3%, as compared to the same period in 2002. These decreases were the result of a decrease in net loans receivables, due to high activity on the secondary market, as well as a decrease in mortgage loan interest rates with adjustable rate mortgages repricing at lower rates. The weighted average yield on the loan portfolio for the three month period ended December 31, 2003 decreased 101 basis points to 6.51% from 7.52% for the same period ended December 31, 2002. For the six month period ended December 31, 2003 the weighted average yield on the loan portfolio was 6.64%, compared to 7.55% for the same period ended December 31, 2002, a decrease of 91 basis points.

For the three and six months periods ended December 31, 2003 interest expense decreased \$140,000 and \$334,000, respectively, when compared to the same periods ended December 31, 2002. The decreases in interest expense were primarily a result of a decrease in certificate of deposit accounts, mentioned previously. For the three and six month periods ended December 31, 2003, deposit interest expense decreased \$90,000 and \$226,000, respectively, when compared to the same periods ended December 31, 2002. The other major component of interest expense, interest paid on FHLB advances, also decreased during the 2003 periods primarily due to decreases in the average principal balance. For the three and six month periods ended December 31, 2003, interest on FHLB advances decreased \$51,000 and \$110,000, respectively, when compared the same 2002 periods. The weighted average rate paid on interest-bearing liabilities for the three month period ended December 31, 2003 decreased 51 basis points to 2.20% from 2.71% for the same period ended December 31, 2002. For the six month period ended December 31, 2003 the weighted average rate paid on interest-bearing liabilities was 2.24%, compared to 2.87% for the same period ended December 31, 2002, a decrease of 63 basis points.

**Provision for Loan Losses.** The provision for loan losses is a result of our periodic analysis of the adequacy of the allowance for loan losses. For the three and six month periods ended December 31, 2003, the provision for loan losses decreased \$30,000 and \$15,000, respectively, as compared to the same periods ended December 31, 2002, due to our

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continuing reassessment of probable losses inherent in the loan portfolio. At December 31, 2003, the allowance for loan losses totaled \$477,000 or 0.63% of net loans receivable and 46.40% of total non-performing loans. At June 30, 2003, our allowance for loan losses totaled \$639,000, or 0.85% of net loans receivable and 69.38% of total non-performing loans.

We established an allowance for loan losses based on an analysis of risk factors in the loan portfolio. This analysis includes the evaluation of concentrations of credit, past loss experience, current economic conditions, amount and composition of the loan portfolio, estimated fair value of



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underlying collateral, delinquencies, and other factors. Accordingly, the calculation of the adequacy of the allowance for loan losses was not based directly on our level of non-performing assets.

Non-performing assets include non-accrual loans, loans 90 days or more delinquent and still accruing interest, restructured, foreclosed real estate and other repossessed assets. Loans greater than 90 days past due, and other designated loans of concern, are placed on non-accrual status, unless it is determined that the loans are well collateralized and in the process of collection. The following table presents non-performing assets for the periods indicated.

|   | December 31,<br>2003 | June 30,<br>2003    |
|---|----------------------|---------------------|
| Non-accrual loans   | \$ 15,000            | \$ 33,000           |
| Loans past due 90 days or more and still accruing interest      | 1,125,000            | 888,000             |
| <b>Total non-performing loans</b>                               | <b>1,140,000</b>     | <b>921,000</b>      |
| Foreclosed real estate and other repossessed assets             | 1,584,000            | 330,000             |
| <b>Total non-performing assets</b>                              | <b>\$ 2,724,000</b>  | <b>\$ 1,251,000</b> |
| <br>Total non-performing loans as a percentage of total loans   | <br>1.57%            | <br>1.24%           |
| <br>Total non-performing assets as a percentage of total assets | <br>2.78%            | <br>1.21%           |

Total non-performing assets increased \$1.5 million to \$2.7 million as compared to June 30, 2003. This increase was primarily the result of the transfer of two loans totaling \$1.2 million to real estate owned, the result of a deed transfer. These loans, which were performing and classified as impaired at June 30, 2003, are to one borrower and secured by a unique one- to four-family property comprised of a second home for the borrower and a one- to four-family rental property. Based on the unique attributes of the property and the narrow market for such a property, a large specific reserve allocation was made at the time the loans were deemed impaired. Upon transfer of the property to real estate owned, management assigned a market value of \$1.2 million, or \$200,000 below book value of \$1.4 million. Although this \$200,000 market valuation adjustment was charged to our loan loss reserve, management feels that our loan loss reserves remain at adequate levels.

Non-performing loans at December 31, 2003 increased \$219,000 to \$1.1 million as compared to June 30, 2003. The increase is primarily due to five loans to one borrower, secured by four investment properties, totaling \$421,000. At June 30, 2003, these loans were 60 days delinquent and classified as impaired, but at December 31, 2003 were 90 days delinquent. Management feels that these loans are well collateralized and does not expect to incur any losses. We will continue to monitor these loans through our standard delinquency process.

We will continue to monitor the allowance for loan losses and make future additions to the allowance through the provision for loan losses as loan quality and economic conditions dictate. Although we maintain the allowance for loan losses at a level which we consider to be adequate to provide for losses, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods. In addition, our determination as to the amount of the allowance for loan losses is subject to review by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation, as part of their examination process, which may result in the establishment of an additional allowance based upon their judgment of the information available to them at the time of their examinations.

**Noninterest Income.** Noninterest income consists primarily of gains on the sale of loans, loan servicing fees, service charges on deposit accounts and other fees. Noninterest income decreased \$260,000 during the three month period ended December 31, 2003 compared to the three month period ended December 31, 2002. For the six month period ended December 31, 2003, noninterest income decreased \$281,000 compared to the six month period ended December 31, 2002.

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The decreases during the three and six month periods were primarily due to decreases in net gains on the sale of loans of \$379,000 and \$342,000, respectively, due to decreased originations of mortgage loans for sale during these periods.

In addition to the decrease in net gains on the sales of loans mentioned above, we also experienced a decrease in gains on the sale of securities available for sale of during the three and six month periods ended December 31, 2003 as compared to the same prior periods of \$27,000 and \$47,000, respectively. These decreases were the result of sales from an adjustable rate mortgage fund at unit prices below cost.

Offsetting the above mentioned decreases in noninterest income were increases in loan servicing fees. Loan servicing fees increased \$181,000 during the three month period ended December 31, 2003 compared to the three month period ended December 31, 2002. For the six month period ended December 31, 2003, loan servicing fees increased \$143,000 compared to the six month period ended December 31, 2002. These increases in loan servicing fees were primarily the result of a recent valuation of our mortgage servicing rights, which yielded favorable results. As a result we were able to eliminate our valuation allowance of \$70,000, which was recorded as loan service fee income.

**Noninterest Expense.** Noninterest expense was \$955,000 for the three month period ended December 31, 2003 compared to \$944,000 reported for the same prior year period, an increase of \$12,000 or 1.2%. Noninterest expense for the six month period ended December 31, 2003 was \$1.82 million compared to \$1.85 million for the same period in 2002. The largest component of noninterest expense, salaries and employee benefits, increased \$33,000 and \$44,000 during the three month and six month periods ended December 31, 2003 compared to the same 2002 periods. The most significant factor causing the increase in salaries and employee benefits during the 2003 periods was an increase in salaries and associated payroll taxes of \$9,600 and \$23,000 during the three and six month periods ended December 31, 2003.

In addition, we experienced an increase in professional fees of \$95,000 and \$123,000 for the three and six month period ended December 31, 2003. These increases were the result of additional professional fees association with our pending merger.

Offsetting the above mention increases were decreases in other expense. Other expense decreased \$89,000 for the three month period and decreased \$117,000 for the six month period ended December 31, 2003 as compared the same periods ended December 31, 2002. This was the result of decreased real estate owned expense during both quarters.

**Federal Income Tax Expense.** Federal income tax expense decreased \$134,000 for the three month period and \$204,000 for the six month period ended December 31, 2003 compared to the same periods in 2002, as a result of the decline in net income.

*Liquidity and Capital Resources*

Our principal sources of funds are deposits, securities available for sale, principal and interest repayments on loans, sales of loans, and Federal Home Loan Bank advances. While scheduled loan repayments are relatively predictable, deposit flows and early loan prepayments are influenced more by interest rates, general economic conditions and competition.

Federal regulations require that we maintain minimum levels of liquid assets to ensure the safety and soundness of the institution. Liquid assets for purposes of this ratio include cash, certain time deposits, U.S. Government, government agency and other securities and obligations generally having remaining maturities of less than five years. At December 31, 2003, our liquidity ratio was 24.6%.

Liquidity management is both a daily and long term responsibility of management. Investments in liquid assets are adjusted based upon our assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits in other financial institutions and securities, and the objective of our asset/liability management program. Excess liquidity is invested generally in interest-earning overnight deposits of the Federal Home Loan Bank of Indianapolis. We also use our borrowing capability through the Federal Home Loan Bank of Indianapolis to meet liquidity needs.

If funds are required beyond the ability to generate them internally, borrowing agreements exist with the FHLB which provide an additional source of funds. FHLB advances total \$9.3 million at December 31, 2003. We also have \$16.9 million of additional borrowing capacity at the FHLB at December 31, 2003. We use these advances primarily to fund 15 year fixed-rate and adjustable-rate one- to four-family residential mortgage loans held in our portfolio. These advances are secured by a blanket lien on our first mortgage loans. Refer to Note 9 to the consolidated financial statements included in our Annual Report on Form 10-KSB filed with the SEC for the year ended June 30, 2003 for further information regarding FHLB advances. We also use our liquidity resources to meet ongoing commitments, to fund maturing certificates of deposit and deposit withdrawals, and to meet operating expenses. At December 31, 2003, we had outstanding commitments to extend credit

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which amounted to \$7.9 million (including \$6.7 million in available home equity lines of credit). We believe that loan repayments and other sources of funds, including Federal Home Loan Bank advances, will be adequate to meet our foreseeable liquidity needs.

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Federal insured savings institutions are required to maintain a minimum level of regulatory capital. If the requirement is not met, regulatory authorities may take legal or administrative actions, including restrictions on growth or operations or, in extreme cases, seizure. As of December 31, 2003 and June 30, 2003 Marshall Savings was categorized as well capitalized. Our actual and required capital amounts and ratios at December 31, 2003 and June 30, 2003 are presented below:

|  | Actual    |         | For Regulatory Capital Adequacy Purposes |       | To Be Well Capitalized Under Prompt Corrective Action Provisions |       |
|--|-----------|---------|--|-------|--|-------|
|  | Amount    | Ratio   | Amount                                   | Ratio | Amount   | Ratio |
| (Dollars in Thousands)                           |           |         |  |       |  |       |
| <u>As of December 31, 2003</u>                   |           |         |  |       |  |       |
| Tier 1 (Core) Capital (to adjusted total assets) | \$12,314  | 13.05 % | \$ 3,705                                 | 4.0 % | \$ 4,631   | 5.0 % |
| Tier 1 (Core) Capital (to risk weighted assets)  | 12,314    | 19.72   | 2,498                                    | 4.0   | 3,747  | 6.0   |
| Total Capital (to risk weighted assets)          | 12,791    | 20.48   | 4,996                                    | 8.0   | 6,246  | 10.0  |
| <u>At June 30, 2003</u>                          |           |         |  |       |  |       |
| Tier 1 (Core) Capital (to adjusted total assets) | \$ 11,592 | 11.38 % | \$ 4,076                                 | 4.0 % | \$ 5,095   | 5.0 % |
| Tier 1 (Core) Capital to risk weighted assets)   | 11,592    | 18.22   | 2,546                                    | 4.0   | 3,818  | 6.0   |
| Total Capital (to risk weighted assets)          | 12,231    | 19.23   | 5,091                                    | 8.0   | 6,364  | 10.0  |

*New Accounting Standards*

The FASB recently issued two new accounting standards, Statement 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, and Statement 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities, both of which generally became effective in the quarter beginning July 1, 2003. Because we do not have these instruments, the new accounting standards will not materially affect our operating results of financial conditions.

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**Item 3. Controls and Procedures**

An evaluation of our disclosure controls and procedures (as defined in Section 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Act")), as of September 30, 2003, was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as currently in effect are effective in ensuring that the information required to be disclosed by us in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended December 31, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We intend to continually review and evaluate the design and effectiveness of our disclosure controls and procedures and to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. The goal is to ensure that senior management has timely access to all material non-financial information concerning the Company's business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to modify our disclosure controls and procedures.

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**PART II. OTHER INFORMATION**

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

None.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Shareholder's Meeting of MSB Financial, Inc. was held on January 22, 2004 in Marshall, Michigan. At that meeting the shareholders approved the Amended and Restated Agreement and Plan of Reorganization, dated as of September 24, 2003, by and among Monarch Community Bancorp, Inc., Monarch Acquisition Corp. and MSB Financial, Inc. by a vote of 978,943 for, 13,776 against and 22,528 abstentions. Shareholders also elected the following persons for three year terms to the Board of Directors. Richard L. Dobbins by a vote of 1,133,037 for and 33,000 withheld. Martin L. Mitchell by a vote of 1,133,082 for and 32,955 withheld. Directors Charles B. Cook, John W. Yakimow, Karl F. Loomis and J. Thomas Schaeffer continue to serve as directors of the Company. All directors will serve until the merger is completed, or in the event the merger is not completed, until the expiration of their three-year term or until their respective successors are elected and qualified. Finally, approved was the appointment of Crowe, Chizek and Company LLP as independent auditors for the fiscal year ending June 30, 2004, with a vote of 1,134,919 for, 6,975 against and 24,143 abstentions.

Item 5. Other Information

None.

(a) Exhibits

See Exhibit Index.

(b) Reports on Form 8-K

None.

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Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURES

**MSB Financial, Inc.**  
Registrant

Date: February 13, 2004

Charles B. Cook  
Charles B. Cook, President and Chief  
Executive Officer (Duly Authorized)

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Officer)

Date: February 13, 2004

Elaine R. Carbary  
Elaine R. Carbary, Chief Financial  
Officer (Principal Financial Officer)

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MSB FINANCIAL, INC.

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 3                  | Agreement and Plan of Merger, originally dated September 2, 2003 and amended and restated on September 24, 2003, by and between Monarch Community Bancorp, Inc., Monarch Acquisition Corp. and MSB Financial, Inc., filed on September 26, 2003 as Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated September 24, 2003 (File No. 0-24898), is incorporated herein by reference. |
| 3                  | Registrant's Articles of Incorporation and Bylaws, filed on February 4, 1999 as exhibits to the Registrant's Registration Statement on Form S-8 (File No. 333-71837), are incorporated here in by reference.  |
| 4                  | Registrant's Specimen Stock Certificate, filed on February 4, 1999 as Exhibit 4 to the Registrant's Registration Statement on Form S-8 (File No. 333-71837), is incorporated herein by reference.   |
| 10.1               | Employment Agreement between the Bank and Charles B. Cook, filed on September 23, 1995 as Exhibit 10.2 to Registrant's Registration Statement on Form S-1 (File No. 33-81312), is incorporated herein by reference.   |
| 10.2               | Registrant's Employee Stock Ownership Plan, filed on September 23, 1995 as Exhibit 10-3 to Registrant's Registration Statement on Form S-1 (file No. 33-81312), is incorporated herein by reference.  |
| 10.3               | Registrant's 1995 Stock Option and Incentive Plan, filed as Exhibit 10(b) to Registrant's Report on Form 10-KSB for the fiscal year ended June 30, 1995 (File No. 0-24898), is incorporated herein by reference.  |

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- 10.4 Registrant's Recognition and Retention Plan, filed as Exhibit 10(c) to Registrant's Report on Form 10-KSB for the fiscal year ended June 30, 1995 (File No. 0-24898), is incorporated herein by reference.
- 10.5 Registrant's 1997 Stock Option and Incentive Plan, filed as Appendix A to Registrants Schedule 14A filed on September 26, 1997 (File No. 0-24898), is incorporated herein by reference.
- 11 Statement re: computation of earnings per share (see Note 2 of the Notes to Condensed Consolidated Financial Statements)
- 31.1 Certification required by Securities Exchange Act of 1934 Rule 13a-14(a) (Chief Executive Officer)
- 31.2 Certification required by Securities Exchange Act of 1934 Rule 13a-14(a) (Chief Financial Officer)
- 32 Section 1350 Certifications