FIRST ROBINSON FINANCIAL CORPORATION

PROXY STATEMENT
and
2014 ANNUAL REPORT

FIRST ROBINSON FINANCIAL CORPORATION

June 25, 2014

Dear Fellow Stockholder:

On behalf of the Board of Directors and management of First Robinson Financial Corporation, I cordially invite you to attend the annual meeting of stockholders. The meeting will be held at 9:00 a m., central time, on July 24, 2014 at the Company's office located at 501 East Main Street, Robinson, Illinois.

An important aspect of the meeting process is the stockholder vote on corporate business items. I urge you to exercise your rights as a stockholder to vote and participate in this process. This year stockholders are being asked to vote on the election of two directors and the ratification of the appointment of BKD, LLP as the independent registered public accounting firm for First Robinson Financial Corporation for the fiscal year ending March 31, 2015. The Board of Directors unanimously recommends that you cast your vote **"FOR"** with respect to these two matters.

In addition to the annual stockholder vote on corporate business items, the meeting will include management's report to you on the First Robinson Financial Corporation's 2014 financial and operating performance.

I encourage you to attend the meeting in person. Whether or not you attend the meeting, please read the proxy statement and then complete, sign and date the enclosed proxy card and return it in the postage prepaid envelope provided. This will save First Robinson Financial Corporation additional expense in soliciting proxies and will ensure that your shares are represented. You may vote in person at the meeting even if you have previously returned a proxy.

Our commitment to being a conservatively managed community bank has served us well. Our total assets have increased to $271,857,000 at the end of our March 31, 2014 fiscal year, which is an increase of 17.9% over our past fiscal year. We believe our consistent growth is a reflection of customer confidence and preference for a community bank staffed by local people. During the past year and through April 30, 2014, the Company raised an additional $5,486,000 in capital through a private placement of 159,228 shares of FRFC common stock. As a further indication of the Company's strength, the Board of Directors was pleased to increase your dividends from $1.00 per share paid in June 2013, to a record $1.05 per share as of June 2014.

The Board of Directors and management would also like to share with you the Annual Report of First Robinson Financial Corporation (the "Company") for our fiscal year ended March 31, 2014. We are reporting earnings for the Company of $1,599,000 for our fiscal year ending March 31, 2014, down from last year's record earnings of $2,305,000. I would encourage you to review the attached annual report for more detailed financial information.

This IS your Company and we want you to have confidence and pride in it; therefore we would encourage your questions, comments and suggestions. We thank you for your patronage and support.

Sincerely,

Rick L. Catt

RICK L. CATT
President and Chief Executive Officer

First Robinson Financial Corporation
501 East Main Street
Robinson, Illinois 62454
(618) 544-8621

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be Held on July 24, 2014

Notice is hereby given that the annual meeting of stockholders (the "Meeting") of First Robinson Financial Corporation (the "Company") will be held at the Company's office located at 501 East Main Street, Robinson, Illinois at 9:00 a.m., central time, on July 24, 2014.

A proxy card and a proxy statement for the Meeting are enclosed.

The Meeting is for the purpose of considering and acting upon:

1. The election of two (2) directors of the Company; and

2. The ratification of the appointment of BKD, LLP as the independent registered public accounting firm for the Company for the fiscal year ending March 31, 2015;

and such other matters as may properly come before the Meeting, or any adjournments or postponements thereof. The Board of Directors is not aware of any other business to come before the Meeting.

As set forth in the Company's bylaws, action may be taken on the foregoing proposals at the Meeting on the date specified above, or on any date or dates to which the Meeting may be adjourned or postponed. Stockholders of record at the close of business on June 6, 2014 are the stockholders entitled to vote at the Meeting and any adjournments or postponements thereof. A complete list of stockholders entitled to vote at the Meeting will be available at the main office of the Company during the ten days prior to the Meeting, as well as at the Meeting.

Please complete and sign the enclosed form of proxy, which is solicited on behalf of the Board of Directors, and mail it promptly in the enclosed envelope. The proxy will not be used if you attend and vote at the Meeting in person.

BY ORDER OF THE BOARD OF DIRECTORS

Rick L. Catt
President and Chief Executive Officer

Robinson, Illinois
June 25, 2014

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on July 24, 2014

This Proxy Statement, the Proxy Card and our Annual Report to Stockholders are available at http://www.frsb net/about-us/proxy-information.html

A stockholder may request an additional copy of the proxy statement, proxy card, and annual report to stockholders relating to all of First Robinson Financial Corporation's future stockholder meetings and for the annual stockholder meeting to be held on Thursday, July 24, 2014, to which the proxy materials being furnished relate, by calling (618) 544-8621, or via email to jamie24fan@frsb.net or rlcatt@frsb.net or at www frsb net. You may obtain directions to attend the meeting and vote in person by contacting Jamie McReynolds or Rick Catt at (618) 544-8621.

First Robinson Financial Corporation
501 East Main Street
Robinson, Illinois 62454
(618) 544-8621
www.frsb net

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
To be held on July 24, 2014

This proxy statement is furnished in connection with the solicitation, on behalf of the Board of Directors of First Robinson Financial Corporation (the “Company”), the parent company of First Robinson Savings Bank, National Association (the “Bank”), of proxies to be used at the annual meeting of stockholders of the Company (the “Meeting”) which will be held at the Company’s office located at 501 East Main Street, Robinson, Illinois on July 24, 2014, at 9:00 a m., central time, and all adjournments or postponements of the Meeting. The accompanying Notice of Annual Meeting of Stockholders and this proxy statement are first being mailed to stockholders on or about June 25, 2014.

At the Meeting, stockholders of the Company are being asked to consider and vote upon the election of two directors and the ratification of the appointment of BKD, LLP (“BKD”) as the independent registered public accounting firm for the Company for the fiscal year ending March 31, 2015.

Your Voting Rights

We have fixed the close of business on June 6, 2014 as the record date for the Meeting. Only stockholders of record of Company common stock on that date are entitled to notice of and to vote at the Meeting. You are entitled to one vote for each share of the Company’s common stock you own. On June 6, 2014, 580,372 shares of the Company’s common stock were outstanding and entitled to vote at the Meeting.

If you are the beneficial owner of shares held in “street name” by a broker, bank or other nominee, your nominee, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If you do not give instructions to your nominee, your nominee will nevertheless be entitled to vote the shares with respect to “discretionary” items, but will not be permitted to vote your shares with respect to “non-discretionary” items. In the case of non-discretionary items, the shares will be treated as “broker non-votes.” The election of directors is considered a “non-discretionary” item and, therefore, your broker may not vote your shares without instructions from you.

We maintain an Employee Stock Ownership Plan (“ESOP”) which, as of June 6, 2014, owned approximately 10.8% of the Company’s outstanding common stock. We also maintain a 401(k) plan (the “401(k)”) which, as of June 6, 2014, owned approximately 3.7% of the Company’s outstanding common stock. We refer to the ESOP and the 401(k) in this proxy statement collectively as the “Plans.” Employees of the Company and the Bank participate in the Plans. First Bankers Trust Services, Inc. is the trustee of the Plans (“Trustee”). Each Plan participant may instruct the Trustee how to vote the shares of the Company’s common stock allocated to his or her account(s) under the Plans. If a Plan participant properly executes the voting instruction card distributed by the Trustee, the Trustee will vote such participant’s shares in accordance with the participant’s instructions. If properly executed voting instruction cards are returned to the Trustee with no specific instruction as to how to vote at the Meeting, the Trustee may vote such shares in its discretion. In the event a Plan participant fails to give timely voting instructions to the Trustee with respect to the voting of the common stock that is allocated to his or her Plan account(s), the Trustee may vote such shares in its discretion. The Trustee will vote the shares of Company common stock held in the ESOP but not allocated to any participant’s account in the manner directed with respect to the majority of the shares allocated to ESOP participants who instructed the Trustee how to vote their allocated ESOP shares on each such proposal.

Votes Required to Approve the Proposals

Directors are elected by a plurality of the votes present in person or represented by proxy at the Meeting and entitled to vote on the election of directors. The two director nominees with the most affirmative votes will be elected to fill the two available director positions. If you vote "Withheld" with respect to the election of one or more director nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.

Ratification of the appointment of BKD as our independent registered public accounting firm for the fiscal year ending March 31, 2015 requires the affirmative vote of the majority of shares cast, in person or by proxy, at the Meeting. Stockholder abstentions on the proposal to ratify the appointment of BKD as our independent registered public accounting firm will have the same effect as a vote against the proposal, while broker non-votes will have no effect on the outcome of the vote.

One-third of the shares of the common stock entitled to vote at the Meeting, present in person or represented by proxy, shall constitute a quorum for purposes of the Meeting. Abstentions and broker non-votes are counted for purposes of determining a quorum.

The Board of Directors unanimously recommends that you vote "FOR" the election of each of the director nominees and "FOR" the proposal to ratify BKD as our independent registered public accounting firm for the fiscal year ending March 31, 2015.

How to Vote

You may vote in person at the Meeting or by proxy. To ensure your representation at the Meeting, we recommend you vote as soon as possible by proxy even if you plan to attend the Meeting. If you plan to attend the Meeting and wish to vote in person, we will give you a ballot at the Meeting. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a letter from the nominee indicating that you were the beneficial owner of the Company's common stock on June 6, 2014, the record date for voting at the Meeting. See "How to Revoke Your Proxy and Change Your Vote" below.

Shares of the Company's common stock represented by properly executed proxies will be voted by the individuals named in such proxy in accordance with the stockholder's instructions. Where properly executed proxies are returned to the Company with no specific instruction as how to vote at the Meeting, the persons named in the proxy will vote the shares "FOR" the election of each of the director nominees and "FOR" the proposal to ratify the appointment of BKD as our independent registered public accounting firm for the fiscal year ending March 31, 2015. Voting instructions are included on your proxy card. If your shares are registered in the name of a broker, bank or other nominee, you should follow the instructions set forth on the voting instruction form provided to you.

In accordance with the Company's bylaws, the persons named in the proxy will have the discretion to vote on any other business properly presented for consideration at the Meeting in accordance with their best judgment. We are not aware of any other matters to be presented at the Meeting other than those described in the Notice of Annual Meeting of Stockholders accompanying this document.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children — in which case you will receive three separate proxy cards to vote.

How to Revoke Your Proxy and Change Your Vote

If you are a registered stockholder, you may revoke your proxy and change your vote at any time before your proxy is voted at the Meeting by: (i) filing with the Secretary of the Company at or before the Meeting a written notice of revocation bearing a later date than the proxy, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Secretary of the Company at or before the Meeting, or (iii) attending the Meeting and voting in person (although attendance at the Meeting will not in and of itself constitute revocation of a proxy). Any written notice revoking a proxy should be delivered to the Secretary, First Robinson Financial Corporation, P.O. Box 8598, 501 East Main Street, Robinson, Illinois, 62454. If your shares are registered in the name of a broker, bank or other nominee, you should follow the instructions set forth on the voting instruction form provided to you.

Proxy Solicitation Costs

We will pay our own costs of soliciting proxies. In addition to this mailing, our directors, officers and employees may also solicit proxies personally, electronically or by telephone; they will receive no additional compensation for such efforts. We will also reimburse brokers and other nominees for their expenses in sending these materials to you and obtaining your voting instructions.

PROPOSAL I - ELECTION OF DIRECTORS

The Company's Board of Directors is presently composed of seven members, classified into three groups, each of whom is also a director of the Bank. Directors of the Company are generally elected to serve for a three-year term or until their respective successors shall have been elected and qualified. Approximately one-third of the directors are elected annually.

The following table sets forth certain information regarding the composition of the Company's Board of Directors, including their terms of office and the nominees for election as directors. The nominating committee has recommended and approved the nominees identified below. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to the nominees) will be voted at the Meeting **"FOR"** the election of the nominees identified in the following table. If such nominees are unable to serve, the shares represented by all such proxies will be voted for the election of such substitutes as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why any of the nominees might be unable to serve, if elected. Except as described herein, there are no arrangements or understandings between any director or nominee and any other person pursuant to which such director or nominee was selected.

Name	Age(1)	Position(s) Held	Director Since(2)	Term to Expire
		NOMINEES		
Rick L. Catt	61	Director, President and Chief Executive Officer	1989	2017
Steven E. Neeley	60	Director	2001	2017
		DIRECTORS CONTINUING IN OFFICE		
J. Douglas Goodwine	52	Director	1993	2015
Robin E. Guyer	66	Chairman of the Board	2001	2015
Paul R. Sweeney	72	Director	2012	2015
Scott F. Pulliam	57	Director	1985	2016
William K. Thomas	69	Director	1988	2016

(1) At March 31, 2014

(2) Includes service as a director of the Bank.

COMMUNICATING WITH OUR DIRECTORS

Although the Company has not to date developed formal processes by which stockholders may communicate directly with directors, it believes that the informal process, pursuant to which any communication addressed to the Board at the Company's offices at P.O. Box 8598, 501 East Main Street, Robinson, Illinois 62454, in care of Investor Relations, the Chairman of the Board, President or other corporate officer is forwarded to the Board, has served the Board's and stockholders' needs.

PROPOSAL II - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of the Company has appointed BKD, LLP ("BKD") to be the Company's independent registered public accounting firm for the fiscal year ending March 31, 2015. Representatives of BKD are not expected to be present at the Meeting to respond to questions.

The Board of Directors recommends that stockholders vote "FOR" the ratification of the appointment of BKD, LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2015.

ANNUAL REPORTS

A copy of the Annual Report for the Company's fiscal year ended March 31, 2014 is enclosed with this proxy statement and will be furnished without charge to stockholders of record as of the June 7, 2013 voting record date upon written request to Investor Relations, First Robinson Financial Corporation, P.O. Box 8598, 501 East Main Street, Robinson, Illinois 62454.

OTHER MATTERS

The Board of Directors is not aware of any business to come before the Meeting other than those matters described above in this proxy statement. However, if any other matter should properly come before the Meeting, it is intended that holders of the proxies will act in accordance with their best judgment.

Robinson, Illinois
June 25, 2014

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial data of First Robinson Financial Corporation and its subsidiary, First Robinson Savings Bank, National Association, at and for the fiscal years ended March 31, 2014 and March 31, 2013. The consolidated financial data for the fiscal years ending March 31, 2014 and 2013 is derived in part from, and should be read in conjunction with, the Financial Statements and Notes thereto presented elsewhere herein. The Selected Financial Condition Data and the Selected Operations Data are in thousands, except per share data.

	Year Ended at March 31,	
	2014	**2013**
	(Audited)	
Selected Financial Condition Data:	**(In thousands)**	
Total assets	$ 271,857	$ 230,519
Loans, held for sale	297	230
Loans receivable, net	156,902	136,358
Mortgage-backed securities	55,334	40,685
Interest bearing deposits	19,710	14,875
Available-for-sale investment securities	20,653	18,450
Held-to-maturity investment securities	3,734	1,385
Deposits	209,675	189,726
Total borrowings	38,896	18,074
Stockholders' equity	21,049	20,465
Selected Operations Data:		
Total interest income	$ 8,595	$ 8,332
Total interest expense	995	1,118
Net interest income	7,600	7,214
Provision for loan losses	400	263
Net interest income after provision for loan losses	7,200	6,951
Fees and service charges on deposits	938	1,058
Net gain on sales of loans	467	937
Other non-interest income	1,198	1,166
Total non-interest income	2,603	3,161
Total non-interest expense	7,277	6,383
Income before taxes	2,526	3,729
Income tax provision	878	1,375
Net income	1,648	2,354
Preferred stock dividends	49	49
Net income available to common stockholders	$ 1,599	$ 2,305
Earnings per common share:		
Basic	$ 3.64	$ 5.64
Diluted	$ 3.49	$ 5.41

	Year Ended at March 31,	
	2014	2013
	(Audited)	
Selected Financial Condition Data:	(In thousands)	
Dividends per common share	$ 1.00	$ 0.95
Selected Financial Ratios And Other Data:		
Performance Ratios:		
Return on average assets (ratio of net income to average total assets)	0.66%	1.04%
Return on average equity (ratio of net income to average equity)	7.43	11.74
Interest rate spread during period[(1)]	3.24	3.39
Net interest margin[(2)]	3.33	3.51
Efficiency ratio[(3)]	71.32	61.53
Ratio of non-interest expense to average total assets	3.00	2.88
Ratio of average interest-earning assets to average interest-bearing liabilities	118.80	121.74
Average equity to average total assets	8.88	8.86
Quality Ratios:		
Non-performing assets to total assets at end of period	0.22	0.26
Allowance for loan losses to non-performing loans	373.35	279.37
Allowance for loan losses to loans receivable, net	1.01	1.02
Capital Ratios:		
Total capital (to risk-weighted assets)	15.18	17.19
Tier I capital (to risk-weighted assets)	14.08	16.05
Tier I capital (to average assets)	7.94	9.06
Other Data:		
Number of full-service offices	4	4
Number of full-time employees	66	59
Number of deposit accounts	15,417	14,829
Number of loan accounts	4,976	4,857

(1) Interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.

(2) Net interest margin represents income divided by average interest-earning assets.

(3) Efficiency ratio represents non-interest expense divided by the sum of net-interest income and non-interest income.

BKD LLP
CPAs & Advisors

225 N. Water Street, Suite 400
P.O. Box 1580
Decatur, IL 62525-1580
217.429.2411 Fax 217.429.6109 www.bkd.com

Independent Auditor's Report

Audit Committee, Board of Directors
and Stockholders
First Robinson Financial Corporation
Robinson, Illinois

We have audited the accompanying consolidated financial statements of First Robinson Financial Corporation ("Company"), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 First Robinson Financial Corporation as of March 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

Decatur, Illinois
June 12, 2014

First Robinson Financial Corporation

Consolidated Balance Sheets

March 31, 2014 and 2013

(In Thousands, Except Share Data)

Assets

	2014	2013
Cash and due from banks	$ 4,361	$ 8,791
Interest-bearing demand deposits	19,710	14,875
Cash and cash equivalents	24,071	23,666
Held-to-maturity securities (fair values of $3,852 and $1,517 at March 31, 2014 and 2013)	3,734	1,385
Available-for-sale securities	75,987	59,135
Loans, held for sale	297	230
Loans, net of allowance for loan losses of $1,587 and $1,396 at March 31, 2014 and 2013	156,902	136,358
Premises and equipment, net of accumulated depreciation of $4,822 and $4,414 at March 31, 2014 and 2013	4,988	4,239
Federal Reserve and Federal Home Loan Bank stock	1,325	1,189
Foreclosed assets held for sale, net	184	110
Interest receivable	1,087	915
Prepaid income taxes	185	80
Cash surrender value of life insurance	1,716	1,662
Other assets	1,381	1,550
Total assets	$ 271,857	$ 230,519

Liabilities and Stockholders' Equity

	2014	2013
Liabilities		
Deposits		
Demand	$ 46,952	$ 28,041
Savings, NOW and money market	122,989	120,603
Time deposits	39,734	41,082
Total deposits	209,675	189,726
Other borrowings	38,496	17,374
Short-term borrowings	400	700
Advances from borrowers for taxes and insurance	478	370
Deferred income taxes	76	418
Interest payable	90	93
Other liabilities	1,593	1,373
Total liabilities	250,808	210,054
Stockholders' Equity		
Preferred stock, $.01 par value,$1,000 liquidation value; authorized 500,000 shares, 0 shares and 4,900 shares issued and outstanding at March 31, 2014 and 2013	—	4,900
Common stock, $.01 par value; authorized 2,000,000 shares; issued – 1,004,143 shares; outstanding – 2014 – 565,662 shares, 2013 – 423,144 shares	10	9
Additional paid-in capital	13,537	8,598
Retained earnings	15,820	14,644
Accumulated other comprehensive income (loss)	(28)	542
Treasury stock, at cost		
Common; 2014 – 438,481 shares, 2013 – 436,481 shares	(8,290)	(8,228)
Total stockholders' equity	21,049	20,465
Total liabilities and stockholders' equity	$ 271,857	$ 230,519

See Notes to Consolidated Financial Statements

First Robinson Financial Corporation

Consolidated Statements of Income and Comprehensive Income

Years Ended March 31, 2014 and 2013

(In Thousands, Except Per Share Data)

	2014	2013
Interest and Dividend Income		
Loans	$ 7,359	$ 7,026
Securities		
Taxable	1,021	1,127
Tax-exempt	161	126
Other interest income	32	32
Dividends on Federal Reserve Bank and Federal Home Loan Bank stocks	22	21
Total interest and dividend income	8,595	8,332
Interest Expense		
Deposits	929	1,082
Other borrowings	66	36
Total interest expense	995	1,118
Net Interest Income	7,600	7,214
Provision for Loan Losses	400	263
Net Interest Income After Provision for Loan Losses	7,200	6,951
Non-Interest Income		
Charges and other fees on loans	394	479
Charges and fees on deposit accounts	938	1,058
Net gain on sale of loans	467	937
Other	804	687
Total non-interest income	2,603	3,161
Non-Interest Expense		
Compensation and employee benefits	4,264	3,580
Occupancy and equipment	857	825
Data processing and telecommunications	559	532
Audit, legal and other professional services	128	158
Advertising	345	295
Postage	81	81
FDIC Insurance	127	110
Net loss on sale of foreclosed property	5	29
Foreclosed property expense	54	26
Other	857	747
Total non-interest expense	7,277	6,383

First Robinson Financial Corporation

Consolidated Statements of Income and Comprehensive Income (Continued)

Years Ended March 31, 2014 and 2013

(In Thousands, Except Per Share Data)

	2014	2013
Income Before Income Taxes	$ 2,526	$ 3,729
Provision for Income Taxes	878	1,375
Net Income	1,648	2,354
Preferred Stock Dividends	49	49
Net Income Available to Common Stockholders	$ 1,599	$ 2,305
Basic Earnings Per Common Share	$ 3.64	$ 5.64
Diluted Earnings Per Common Share	$ 3.49	$ 5.41
Common Dividends Paid Per Share	$ 1.00	$ 0.95
Comprehensive Income:		
Net income available to common stockholders	$ 1,599	$ 2,305
Other comprehensive loss, net of tax:		
Change in unrealized appreciation on securities available for sale, net of tax of $(385) and $(143) for the years ended March 31, 2014 and 2013, respectively	(570)	(213)
Total Comprehensive Income	$ 1,029	$ 2,092

See Notes to Consolidated Financial Statements

First Robinson Financial Corporation

Consolidated Statements of Stockholders' Equity

Years Ended March 31, 2014 and 2013

(In Thousands, Except Share Data)

	Preferred Stock		Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Shares	Amount	Capital	Earnings	Income (Loss)	Stock	Total
Balance, April 1, 2012	4,900	4,900	426,744	9	8,627	12,744	755	(8,112)	18,923
Net income						2,354			2,354
Other comprehensive loss							(213)		(213)
Treasury shares purchased			(3,600)					(116)	(116)
Dividends on common stock, $0 95 per share						(405)			(405)
Dividends on preferred stock, $10 00 per share						(49)			(49)
Purchase of incentive shares					(29)				(29)
Balance, March 31, 2013	4 900	$ 4,900	423,144	$ 9	$ 8,598	$ 14,644	$ 542	$ (8,228)	$ 20,465
Net income						1,648			1,648
Other comprehensive loss							(570)		(570)
Treasury shares purchased			(2,000)					(62)	(62)
Common shares issued			144,518	1	4,971				4,972
Series A preferred shares redeemed	(4,900)	(4,900)							(4,900)
Dividends on common stock, $1 00 per share						(423)			(423)
Dividends on preferred stock, $10 00 per share						(49)			(49)
Purchase of incentive shares					(32)				(32)
Balance, March 31, 2014	—	$ —	565,662	$ 10	$ 13,537	$ 15,820	$ (28)	$ (8,290)	$ 21,049

See Notes to Consolidated Financial Statements

First Robinson Financial Corporation

Consolidated Statements of Cash Flows

Years Ended March 31, 2014 and 2013

(In Thousands)

	2014	2013
Operating Activities		
Net income	$ 1,648	$ 2,354
Items not requiring (providing) cash		
Depreciation	423	407
Provision for loan losses	400	263
Amortization of premiums and discounts on securities	681	543
Amortization of loan servicing rights	176	305
Recovery of loan servicing rights	—	101
Deferred income taxes	43	14
Originations of mortgage loans held for sale	(22,900)	(48,502)
Proceeds from the sale of mortgage loans	23,300	49,718
Net gain on sale of loans	(467)	(937)
Net loss on sale of foreclosed property	5	29
Cash surrender value of life insurance	(54)	(54)
Changes in		
Interest receivable	(172)	51
Other assets	(12)	(483)
Interest payable	(3)	(27)
Other liabilities	220	13
Prepaid income taxes	(105)	16
Net cash provided by operating activities	3,183	3,811
Investing Activities		
Purchases of available-for-sale securities	(31,739)	(26,495)
Purchase of held-to-maturity securities	(2,548)	(365)
Proceeds from maturities of available-for-sale securities	1,675	7,100
Proceeds from maturities of held to maturity securities	199	205
Repayment of principal on available-for-sale securities	11,576	9,461
Purchase of Federal Reserve Bank and Federal Home Loan Bank stocks	(136)	—
Net change in loans	(21,411)	(11,153)
Purchase of premises and equipment	(1,167)	(484)
Proceeds from sale of foreclosed assets	388	231
Net cash used in investing activities	(43,163)	(21,500)

First Robinson Financial Corporation
Consolidated Statements of Cash Flows (Continued)
Years Ended March 31, 2014 and 2013
(In Thousands)

	2014	2013
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	$ 21,297	$ 19,277
Net decrease in time deposits	(1,348)	(10,839)
Proceeds from federal funds purchased	890	—
Repayment of federal funds purchased	(890)	—
Proceeds from other borrowings	140,731	118,288
Repayment of other borrowings	(119,609)	(113,834)
Net change in short-term borrowings	(300)	700
Purchase of incentive plan shares	(32)	(29)
Purchase of treasury shares	(62)	(116)
Proceeds from sale of common stock, net	4,972	—
Redeem Series A preferred stock	(4,900)	—
Dividends paid on common shares	(423)	(405)
Dividends paid on preferred shares	(49)	(49)
Net increase in advances from borrowers for taxes and insurance	108	34
Net cash provided by financing activities	40,385	13,027
Increase (Decrease) in Cash and Cash Equivalents	405	(4,662)
Cash and Cash Equivalents, Beginning of Year	23,666	28,328
Cash and Cash Equivalents, End of Year	$ 24,071	$ 23,666

	2014	2013
Supplemental Cash Flows Information		
Interest paid	$ 998	$ 1,145
Income taxes paid (net of refunds)	941	1,343
Real estate acquired in settlement of loans	467	284
Internally financed sales of real estate	72	122

See Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

First Robinson Financial Corporation (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, First Robinson Savings Bank, N.A. (the "Bank"). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Crawford and surrounding counties in Illinois and Knox and surrounding counties in Indiana. The Bank is subject to competition from other financial institutions. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Principles of Consolidation and Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and the Bank. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of deferred tax assets and loan servicing rights.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2014 and 2013, cash equivalents consisted primarily of interest-earning and non-interest earning demand deposits in banks.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity are classified as "available-for-sale" securities and recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. 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 costs when the Company does not intend to sell a debt security, and it is more-likely-than-not, 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 (loss). For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income (loss) for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Loans Held for Sale

Mortgage loans originated and intended for sale on the secondary market are carried at the lower of cost or fair value in the aggregate. Net realized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on loan sales are recorded in non-interest income, and direct loan origination costs and fees are recognized at origination of the loan and are recognized in non-interest income upon sale of the loan.

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 balances adjusted for charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated 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 discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of 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 or 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 reasonable assured.

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 uncollectability 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. Management's evaluation is also subject to review and potential change, by bank regulatory authorities.

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 and 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, including individually evaluated loans not determined to be impaired, 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.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Estimated lives are generally 30 to 40 years for premises and 3 to 5 years for equipment.

Federal Reserve and Federal Home Loan Bank Stock

Federal Reserve and Federal Home Loan Bank stock are required investments for institutions that are members of the Federal Reserve and Federal Home Loan Bank systems. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less the cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, management periodically performs valuations and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with charges and other fees on loans on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Incentive Plans

The Company has a Director’s Retirement Plan (DRP) deferred compensation plan where certain directors’ fees earned are deferred and placed in a “Rabbi Trust”. The DRP purchases stock of the Company with the funds. The deferred liability is equal to the shares owned multiplied by the market value at year-end. The deferred value of the shares purchased is netted from additional paid in capital. The change in share price is reflected as compensation expense subject to the transitional provisions for shares held by the Rabbi Trust at September 30, 1998.

Treasury Stock

Treasury stock is stated at cost. Cost is determined by the first-in, first-out method.

Transfer of Financial Assets

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 – but presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of convictions 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.

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 year 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 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 asses 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 is subject to management's judgment.

The Company files consolidated income tax returns with its subsidiary.

Earnings Per Common Share

Basic earnings per common share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per common share reflect 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 incentive plan shares and are determined using the treasury stock method.

Treasury stock shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive loss, net of applicable income taxes. Other comprehensive loss includes unrealized appreciation on available for sale securities.

Note 2: Restriction on Cash and Due From Banks

The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at March 31, 2014, was $3,568,000.

Note 3: Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-For-Sale Securities:		(In thousands)		
March 31, 2014				
U.S. government sponsored enterprises (GSE)	$ 17,442	$ 88	$ 537	$ 16,993
Mortgage-backed securities, GSE, residential	54,324	636	221	54,739
Mortgage-backed securities, GSE, commercial	598	—	3	595
State and political subdivisions	3,670	15	25	3,660
	$ 76,034	$ 739	$ 786	$ 75,987
March 31, 2013				
U.S. government sponsored enterprises (GSE)	$ 14,628	$ 89	$ 176	$ 14,541
Mortgage-backed securities, GSE, residential	38,985	986	20	39,951
Mortgage-backed securities, GSE, commercial	750	—	16	734
State and political subdivisions	3,864	56	11	3,909
	$ 58,227	$ 1,131	$ 223	$ 59,135

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities:		(In thousands)		
March 31, 2014				
State and political subdivisions	$ 3,734	$ 146	$ 28	$ 3,852
March 31, 2013				
State and political subdivisions	$ 1,385	$ 132	$ —	$ 1,517

The amortized cost and fair value of available-for-sale and held-to-maturity securities at March 31, 2014, 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.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized cost	Maturity fair value
	(In thousands)			
Within one year	$ —	$ —	$ 600	$ 601
One to five years	9,855	9,931	1,354	1,379
Five to ten years	1,512	1,505	1,780	1,872
Over ten years	9,745	9,217	—	—
	21,112	20,653	3,734	3,852
Mortgage-backed securities, GSE's	54,922	55,334	—	—
Totals	$ 76,034	$ 75,987	$ 3,734	$ 3,852

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $25,307,000 at March 31, 2014, and $26,683,000 at March 31, 2013.

The book value of securities sold under agreements to repurchase amounted to $41,025,000 and $20,485,000 at March 31, 2014 and 2013, respectively.

During the fiscal years ended March 31, 2014, and 2013, the Company did not sell any available-for-sale securities.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at March 31, 2014 and 2013, was $27,505,000 and $15,031,000, respectively, which is approximately 34.5% and 24.8%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio. These declines primarily resulted from recent changes in market interest rates.

Management believes the declines in fair value for these securities are temporary. The following table shows our 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, (in thousands), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014 and 2013.

Description of Securities	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
As of March 31, 2014						
US government sponsored enterprises, GSE	$ 2,579	$ 120	$ 5,298	$ 417	$ 7,877	$ 537
Mortgage-backed securities, GSE, residential	14,103	139	1,776	82	15,879	221
Mortgage-backed securities, GSE, commercial	—	—	595	3	595	3
State and political subdivisions	2,210	36	944	17	3,154	53
Total temporarily impaired securities	$ 18,892	$ 295	$ 8,613	$ 519	$ 27,505	$ 814
As of March 31, 2013						
US government sponsored enterprises, GSE	$ 8,910	$ 176	$ —	$ —	$ 8,910	$ 176
Mortgage-backed securities, GSE, residential	4,432	20	—	—	4,432	20
Mortgage-backed securities, GSE, commercial	—	—	734	16	734	16
State and political subdivisions	955	11	—	—	955	11
Total temporarily impaired securities	$ 14,297	$ 207	$ 734	$ 16	$ 15,031	$ 223

U.S. Government Agencies

The unrealized losses on the Company's investments in direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Residential and Commercial Mortgage-backed Securities

The unrealized losses on the Company's investment in residential and commercial mortgage-backed securities were caused by interest rate increases. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

State and Political Subdivision Bonds

The unrealized losses on the Company's investments in securities of state and political subdivision bonds were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Note 4: Loans and Allowance for Loan Losses

Categories of loans, including loans held for sale, at March 31 include:

	2014	2013
	(In thousands)	
Mortgage loans on real estate:		
Residential:		
1-4 Family	$ 55,480	$ 49,849
Second mortgages	2,183	1,680
Construction	6,604	5,101
Equity lines of credit	4,290	4,084
Commercial	60,589	48,836
Total mortgage loans on real estate	129,146	109,550
Commercial loans	18,114	15,210
Consumer/other loans	13,027	14,665
Municipal government loans	713	1,313
Total Loans	161,000	140,738
Less		
Net deferred loan fees, premiums and discounts	20	23
Undisbursed portion of loans	2,194	2,731
Allowance for loan losses	1,587	1,396
Net loans	$ 157,199	$ 136,588

The Company is a community-oriented financial institution that seeks to serve the financial needs of the residents and businesses in its market area. The Company considers Crawford County and surrounding counties in Illinois and Knox County and surrounding counties in Indiana as its market area. The principal business of the Company has historically consisted of attracting retail deposits from the general public and primarily investing those funds in one- to four-family residential real estate loans, commercial, multi-family and agricultural real estate loans, consumer loans, and commercial business and agricultural finance loans. For the most part, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. Repayment of the loans is expected to come from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

Loan originations are developed from continuing business with (i) depositors and borrowers, (ii) real estate broker referrals, (iii) auto dealer referrals, and (iv) walk-in customers. All of the Company's lending is subject to its written underwriting standards and loan origination procedures. Upon receipt of a loan application, it is first reviewed by a loan officer in the loan department who checks applications for accuracy and completeness. The Company's underwriting department then gathers the required information to assess the borrower's ability to repay the loan, the adequacy of the proposed collateral, the employment stability and the credit-worthiness of the borrower. The financial resources of the borrower and the borrower's credit history, as well as the collateral securing the loan, are considered an integral part of each risk evaluation prior to approval. A credit report is obtained to verify specific information relating to the applicant's employment and credit standing. Income is verified using W-2 information, tax returns or pay-stubs of the potential borrower. In the case of a real estate loan, an appraisal of the real estate intended to secure the proposed loan is undertaken by an independent appraiser approved by the Company. The board of directors has established individual lending authorities for each loan officer by loan type. Loans over an individual officer's lending limits must be approved by a loan officer with a higher lending limit, with the highest being that of the president and senior loan officer who have a combined lending authority up to $500,000. Loans with a principal balance over this limit must be approved by the directors' loan committee, which meets weekly and consists of the chairman of the board, all outside directors, the president, the senior loan officer and loan officers. The senior loan officer and loan officers do not vote on the loans presented. The board of directors ratifies all loans that are originated. Once the loan is approved, the applicant is informed and a closing date is scheduled. Loan commitments are typically funded within 30 days.

The Company requires evidence of marketable title and lien position or appropriate title insurance on all loans secured by real property. The Company also requires fire and extended coverage casualty insurance in amounts at least equal to the lesser of the principal amount of the loan or the value of improvements on the property, depending on the type of loan. As required by federal regulations, the Company also requires flood insurance to protect the property securing its interest if such property is located in a designated flood area.

Management reserves the right to change the amount or type of lending in which it engages to adjust to market or other factors.

Residential Real Estate Lending. Residential mortgages include first liens on one- to- four-family properties, second mortgages, home equity lines of credit and construction loans to individuals for the construction of one- to- four-family residences. Residential loan originations are generated by the Company's marketing efforts, its present customers, walk-in customers, and referrals from real estate brokers. Historically, the Company has focused its lending efforts primarily on the origination of loans secured by one- to four-family residential mortgages in its market area. The Company offers both adjustable and fixed rate mortgage loans. Substantially all of the Company's one- to four-family residential mortgage originations are secured by properties located in its market area.

The Company offers adjustable-rate mortgage loans at rates and on terms determined in accordance with market and competitive factors. The Company currently originates adjustable-rate mortgage loans with a term of up to 30 years. The Company offers six-month and one-year adjustable-rate mortgage loans, and residential mortgage loans that are fixed for three years or five years, then adjustable annually after that with a stated interest rate margin generally over the one-year Treasury Bill Index. Increases or decreases in the interest rate of the Company's adjustable-rate loans is generally limited to 200 basis points at any adjustment date and 600 basis points over the life of the loan. As a consequence of using caps, the interest rates on these loans may not be as rate sensitive as the Company's liabilities. The Company qualifies borrowers for adjustable-rate loans based on the initial interest rate of the loan and by reviewing the highest possible payment in the first seven years of the loan. As a result, the risk of default on these loans may increase as interest rates increase.

The Company offers fixed-rate mortgage loans with a term of up to 30 years. The majority of the fixed rate loans currently originated by the Company are underwritten and documented pursuant to the guidelines of the Federal Home Loan Bank of Chicago's (the "FHLB") Mortgage Partnership Finance ("MPF") program.

The Company will generally lend up to 80% of the lesser of the appraised value or purchase price of the security property on owner occupied one- to four-family loans. Residential loans do not include prepayment penalties, are non-assumable (other than government-insured or guaranteed loans), and do not produce negative amortization. Real estate loans originated by the Company contain a "due on sale" clause allowing the Company to declare the unpaid principal balance due and payable upon the sale of the security property. The Company utilizes private mortgage insurance.

The Company also offers home equity loans that are secured by the underlying equity in the borrower's residence, and accordingly, are reported with the one- to- four- family real estate loans. As a result, the Company generally requires loan-to-value ratios of 90% or less after taking into consideration the first mortgage held by the Company. These loans typically have fifteen-year terms with an interest rate adjustment monthly.

The Company offers construction loans to individuals for the construction of one- to- four-family residences. Following the construction period, these loans may become permanent loans. Construction lending is generally considered to involve a higher level of credit risk since the risk of loss on construction loans is dependent largely upon the accuracy of the initial estimate of the individual property's value upon completion of the project and the estimated cost (including interest) of the project. If the cost estimate proves to be inaccurate, the Company may be required to advance funds beyond the amount originally committed to permit completion of the project. The Company conducts periodic inspections of the construction project to help mitigate this risk.

Commercial Real Estate Lending. The Company also originates commercial, multi-family and agricultural real estate loans. The Company will generally lend up to 80% of the value of the collateral securing the loan with varying maturities up to 20 years with re-pricing periods ranging from daily to one year. In underwriting these loans, the Company currently analyzes the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the business. The Company generally requires personal guaranties on corporate borrowers. Appraisals on properties securing commercial and agricultural real estate loans originated by the Company are primarily performed by independent appraisers. The Company also offers small business loans, which are generally guaranteed up to 90% by various governmental agencies.

Commercial, multi-family and agricultural real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial, multi-family and agricultural real estate is typically dependent upon the successful operation of the business. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial Lending. The Company also originates commercial and agricultural business loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial business and agricultural finance loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business and agricultural finance loans may be substantially dependent on the success of the business itself (which, in turn, is likely to be dependent upon the general economic environment). The Company's commercial business and agricultural finance loans are usually secured by business or personal assets. However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

The Company's commercial business and agricultural finance lending policy includes credit file documentation and analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Company's current credit analysis. Nonetheless, such loans are believed to carry higher credit risk than more traditional investments.

Consumer and Other Lending. The Company offers secured and unsecured consumer and other loans. Secured loans may be collateralized by a variety of asset types, including automobiles, mobile homes, equity securities, and deposits. The Company currently originates substantially all of its consumer and other loans in its primary market area. A significant component of the Company's consumer loan portfolio consists of new and used automobile loans. These loans generally have terms that do not exceed five years. Generally, loans on vehicles are made in amounts up to 105% of the sales price or the value as quoted in BlackBook USA, whichever is least.

Consumer and other loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards employed by the Bank for consumer loans include an application, a determination of the applicant's payment history on other debts and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer and other loans may entail greater credit risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles. Indirect auto landing presents additional underwriting and credit risks. Further, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Municipal Government Lending. The Bank originates both fixed and adjustable loans for municipal governments. Loans to municipal governments are generally at a lower rate than consumer or commercial loans due to the tax-free nature of municipal loans. For underwriting purposes, the Bank does not require financial documentation as long as the loan is to the general obligation of the local entity. However, proper documentation in the entity's minutes, from a board meeting when a quorum was present, that indicate the approval to seek a loan and for the authorized individuals to sign for the loan, is required.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2014 and 2013:

	2014					
	Residential Real Estate	Commercial Real Estate	Commercial	Consumer/ Other Loans	Municipal Government	Total
	(In thousands)					
Allowance for loan losses:						
Balance, beginning of year	$ 754	$ 136	$ 191	$ 315	$ —	$ 1,396
Provision charged to expense	109	388	61	(158)	—	400
Losses charged off	137	22	—	111	—	270
Recoveries	6	—	—	55	—	61
Balance, end of period	$ 732	$ 502	$ 252	$ 101	$ —	$ 1,587
Ending balance: individually evaluated for impairment	$ 119	$ 46	$ —	$ 15	$ —	$ 180
Ending balance: collectively evaluated for impairment	$ 613	$ 456	$ 252	$ 86	$ —	$ 1,407
Loans:						
Ending balance	$ 68,557	$ 60 589	$ 18 114	$ 13 027	$ 713	$ 161 000
Ending balance: individually evaluated for impairment	$ 701	$ 545	$ —	$ 64	$ —	$ 1,310
Ending balance: collectively evaluated for impairment	$ 67,856	$ 60,044	$ 18,114	$ 12,963	$ 713	$ 159,690

	2013					
	Residential Real Estate	Commercial Real Estate	Commercial	Consumer/ Other Loans	Municipal Government	Total
	(In thousands)					
Allowance for loan losses:						
Balance, beginning of year	$ 382	$ 198	$ 661	$ 142	$ —	$ 1,383
Provision charged to expense	502	(62)	(460)	283	—	263
Losses charged off	132	—	10	178	—	320
Recoveries	2	—	—	68	—	70
Balance, end of period	$ 754	$ 136	$ 191	$ 315	$ —	$ 1,396
Ending balance: individually evaluated for impairment	$ 145	$ —	$ —	$ 10	$ —	$ 155
Ending balance: collectively evaluated for impairment	$ 609	$ 136	$ 191	$ 305	$ —	$ 1,241

Loans:						
Ending balance	$ 60,714	$ 48,836	$ 15,210	$ 14,665	$ 1,313	$ 140,738
Ending balance: individually evaluated for impairment	$ 1,063	$ —	$ —	$ 87	$ —	$ 1,150
Ending balance: collectively evaluated for impairment	$ 59,651	$ 48,836	$ 15,210	$ 14,578	$ 1,313	$ 139,588

Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

There have been no changes to the Company's accounting policies or methodology from the prior periods.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on all loans at origination. In addition, commercial lending relationships over $100,000 are reviewed annually by the credit analyst or senior loan officer in our loan department in order to verify risk ratings. The Company uses the following definitions for risk ratings:

Watch – Loans classified as watch have minor weaknesses or negative trends. The is a possibility that some loss could be sustained

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans.

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of March 31, 2014 and 2013:

	2014					
	Residential Real Estate	Commercial Real Estate	Commercial	Consumer/ Other Loans	Municipal Government	Total
	(In thousands)					
Rating:						
Pass	$ 66,727	$ 52,947	$ 17,329	$ 12,832	$ 600	$ 150,435
Watch	732	5,371	542	112	113	6,870
Special Mention	508	600	221	1	—	1,330
Substandard	370	1,631	22	58	—	2,081
Doubtful	220	40	—	24	—	284
Total	$ 68,557	$ 60,589	$ 18,114	$ 13,027	$ 713	$ 161,000

	2013					
	Residential Real Estate	Commercial Real Estate	Commercial	Consumer/ Other Loans	Municipal Government	Total
	(In thousands)					
Rating:						
Pass	$ 58,663	$ 46,314	$ 14,447	$ 14,508	$ 1,194	$ 135,126
Watch	801	1,990	476	108	119	3,494
Special Mention	343	128	194	—	—	665
Substandard	621	404	93	46	—	1,164
Doubtful	286	—	—	3	—	289
Total	$ 60,714	$ 48,836	$ 15,210	$ 14,665	$ 1,313	$ 140,738

The following tables present the Company's loan portfolio aging analysis as of March 31, 2014 and 2013:

	2014							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Non-accrual	Total Loans Past Due and Non-accrual	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
	(In thousands)							
Real Estate:								
Residential:								
1-4 Family	$ 594	$ —	$ —	$ 350	$ 944	$ 54,536	$ 55,480	$ —
Second mortgages	—	—	—	—	—	2,183	2,183	—
Construction	—	—	—	—	—	6,604	6,604	—
Equity lines of credit	—	5	—	—	5	4,285	4,290	—
Commercial real estate	96	—	—	40	136	60,453	60,589	—
Commercial	—	—	—	—	—	18,114	18,114	—
Consumer/other loans	45	10	—	35	90	12,937	13,027	—
Municipal government loans	—	—	—	—	—	713	713	—
Total	$ 735	$ 15	$ —	$ 425	$ 1,175	$ 159,825	$ 161,000	$ —

	2013							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Non-accrual	Total Loans Past Due and Non-accrual	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
	(In thousands)							
Real Estate:								
Residential:								
1-4 Family	$ 68	$ 21	$ —	$ 466	$ 555	$ 49,294	$ 49,849	$ —
Second mortgages	—	—	—	—	—	1,680	1,680	—
Construction	—	—	—	—	—	5,101	5,101	—
Equity lines of credit	22	—	—	9	31	4,053	4,084	—
Commercial real estate	22	—	—	—	22	48,814	48,836	—
Commercial	—	—	—	—	—	15,210	15,210	—
Consumer/other loans	71	25	—	25	121	14,544	14,665	—
Municipal government loans	81	—	—	—	81	1,232	1,313	—
Total	$ 264	$ 46	$ —	$ 500	$ 810	$ 139,928	$ 140,738	$ —

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. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

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. Significant restructured loans are considered impaired in determining the adequacy of the allowance for loan losses.

The Company actively seeks to reduce its investment in impaired loans. The primary tools to work through impaired loans are settlement with the borrowers or guarantors, foreclosure of the underlying collateral, or restructuring.

The Company will restructure loans when the borrower demonstrates the inability to comply with the terms of the loan, but can demonstrate the ability to meet acceptable restructured terms. Restructurings generally include one or more of the following restructuring options; reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection. Restructured loans in compliance with modified terms are classified as impaired.

The following tables present impaired loans for the years ended March 31, 2014 and 2013:

	2014				
	Recorded Balance	**Unpaid Principal Balance**	**Specific Allowance**	**Average Investment in Impaired Loans**	**Interest Income Recognized**
			(In thousands)		
Loans with a specific valuation allowance					
Residential	$ 541	$ 541	$ 119	$ 643	$ 33
Commercial real estate	505	505	46	332	14
Consumer	26	26	15	61	2
Commercial	—	—	—	—	—
Total:					
Loans without a specific valuation allowance					
Residential	$ 160	$ 160	$ —	$ 245	$ 6
Commercial real estate	40	40	—	3	—
Consumer	38	38	—	44	3
Commercial	—	—	—	—	—
Total:					
Residential	$ 701	$ 701	$ 119	$ 888	$ 39
Commercial real estate	$ 545	$ 545	$ 46	$ 335	$ 14
Consumer	$ 64	$ 64	$ 15	$ 105	$ 5
Commercial	$ —	$ —	$ —	$ —	$ —

	2013				
	Recorded Balance	**Unpaid Principal Balance**	**Specific Allowance**	**Average Investment in Impaired Loans**	**Interest Income Recognized**
			(In thousands)		
Loans with a specific valuation allowance					
Residential	$ 704	$ 704	$ 145	$ 528	$ 35
Commercial real estate	—	—	—	14	—
Consumer	50	50	10	111	5
Commercial	—	—	—	523	6
Loans without a specific valuation allowance					
Residential	$ 359	$ 359	$ —	$ 321	$ 11
Commercial real estate	—	—	—	—	—
Consumer	37	37	—	18	1
Commercial	—	—	—	32	14
Total:					
Residential	$ 1,063	$ 1,063	$ 145	$ 849	$ 43
Commercial real estate	$ —	$ —	$ —	$ —	$ —
Consumer	$ 87	$ 87	$ 10	$ 129	$ 6
Commercial	$ —	$ —	$ —	$ 555	$ 20

Included in certain loan categories in the impaired loans are troubled debt restructurings (TDR's), where economic concession have been granted to borrowers who have experienced financial difficulties, that were classified as impaired. These concessions typically result from our loss mitigation activities and could include reductions in interest rate, payment extensions, forgiveness of principal, forbearance or other actions. TDR's are considered impaired at the time of restructuring and typically are returned to accrual status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

When loans are modified into a TDR, the Company evaluates any possible impairment similar to other impaired loans based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or based upon the current fair value of the collateral, less selling costs for collateral dependent loans. If the Company determined that the value of the modified loan is less than the recorded investment in the loan (net or previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, the Company evaluates all TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

The following table presents the recorded balance, at original cost, of troubled debt restructurings, as of March 31, 2014 and 2013.

	2014	2013
	(In thousands)	
Residential	$ 415	$ 387
Commercial real estate	—	—
Commercial	—	—
Consumer	37	16
Total	$ 452	$ 403

The following table presents the recorded balance, at original cost, of troubled debt restructurings, which were performing according to the terms of the restructuring, as of March 31, 2014 and 2013.

	2014	2013
	(In thousands)	
Residential	$ 345	$ 306
Consumer	12	16
Total	$ 357	$ 322

The following table presents loans modified as troubled debt restructuring during the years ended March 31, 2014 and 2013.

	Year Ended March 31, 2014			Year Ended March 31, 2013		
	Number of Modification	Pre-modification Recorded Investment	Post Modification Balance	Number of Modifications	Pre-modification Recorded Investment	Post Modification Balance
	(In thousands)					
1-4 family	2	$ 72	$ 72	3	$ 184	$ 184
Commercial	—	—	—	1	468	468
Consumer	2	26	26	1	16	16
Total	4	$ 98	$ 98	5	$ 668	$ 668

During the fiscal year ended March 31, 2014, the Company modified two one-to four-family residential real estate loans with a recorded investment of $72,000 compared to the modification of three one-to four-family residential real estate loan of $184,000 during the year ended March 31, 2013. One of the 2014 residential real estate modifications was to lower the contractual interest rate. The other residential real estate modification was to restructure by extending the monthly payment and refinancing a portion of the debt in to a consumer loan at a lower contractual interest rate. The 2013 residential real estate modifications were made to lower the contractual interest rate on one of the loans and to restructure two of the credits to lower the monthly payment for one customer. For the fiscal year ended March 31, 2014, the Company modified two consumer loans by extending payments on one consumer credit and by financing a loan with a lower than market interest rate with the funds used to pay on the restructured residential real estate loan. During the fiscal year ended March 31, 2013, the Company modified one consumer loan to extend the monthly payment and maturity by two months. In the same fiscal year, the Company also modified one commercial loan with a total recorded investment of $468,000 by reducing the monthly payment. The restructured commercial loan was paid down by $458,000 resulting in a $10,000 charge off.

The following table presents the Company's nonaccrual loans at March 31, 2014 and 2013. This table excludes purchased impaired loans and performing troubled debt restructurings.

	2014	2013
	(In thousands)	
Residential:		
1-4 Family	$ 350	$ 466
Equity Lines of Credit	—	9
Commercial	40	—
Consumer/other loans	35	25
Total	$ 425	$ 500

Note 5: Premises and Equipment

Major classifications of premises and equipment stated at cost, are as follows:

	2014	2013
	(In thousands)	
Land	$ 1,336	$ 1,307
Buildings and improvements	3,950	3,924
Equipment	3,594	3,422
Construction in process	930	—
	9,810	8,653
Less accumulated depreciation	4,822	4,414
Net premises and equipment	$ 4,988	$ 4,239

Note 6: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others was $126,602,000 and $120,654,000 at March 31, 2014 and 2013, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $1,310,000 and $1,496,000 at March 31, 2014 and 2013, respectively.

Capitalized mortgage servicing rights at March 31, 2014 and 2013 totaled $897,000 and $853,000, respectively, and are included in "other assets" on the consolidated balance sheets. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics, including type of loan and origination date, were used to stratify the originated mortgage servicing rights.

	2014	2013
	(In thousands)	
Mortgage servicing rights		
Balance, beginning of year	$ 853	$ 786
Servicing rights capitalized	220	372
Amortization of servicing rights	(176)	(305)
Balance, end of year	897	853
Valuation allowances		
Balance, beginning of year	—	101
Additions	—	—
Reductions	—	(101)
Balance, end of year	—	—
Mortgage servicing assets, net	$ 897	$ 853

Fair value disclosure:

	2014	2013
	(In thousands)	
Fair value as of the beginning of the period	$ 962	$ 685
Fair value as of the end of the period	$ 1,180	$ 962

During the fiscal years ended March 31, 2014 and 2013, no valuation allowance was necessary to adjust the aggregate cost basis of the mortgage servicing right asset to fair market value. The valuation allowance was adjusted during the year ended March 31, 2013 due to payments received on the related loans, as well as changes in the estimated market value on the mortgage servicing right asset.

For purposes of measuring impairment, risk characteristics (including product type, investor type, and interest rates) were used to stratify the originated mortgage servicing rights.

Note 7: Interest-bearing Deposits

Interest-bearing time deposits in denominations of $100,000 or more were $14,115,000 on March 31, 2014, and $14,342,000 on March 31, 2013.

The following table represents deposit interest expense by deposit type:

	March 31,	
	2014	2013
	(In thousands)	
Savings, NOW, Money Market, Interest bearing demand	$ 531	$ 528
Certificates of deposit	398	554
Total	$ 929	$ 1,082

At March 31, 2014, the scheduled maturities (in thousands) of time deposits are as follows:

2015	$ 21,432
2016	12,051
2017	2,094
2018	1,807
2019	739
Thereafter	1,611
	$ 39,734

Note 8: Other Borrowings

Other borrowings included the following at March 31:

	2014	2013
	(In thousands)	
Securities sold under repurchase agreements	$ 38,496	$ 17,374

Securities sold under agreements to repurchase consist of obligations of the Company to other parties. The obligations are secured by investments and such collateral is held by the Company in safekeeping at The Independent Bankers Bank (TIB). The maximum amount of outstanding agreements at any month end during 2014 and 2013 totaled $38,496,000 and $17,915,000, respectively, and the monthly average of such agreements totaled $26,013,000 and $14,152,000 for 2014 and 2013, respectively. The average rates on the agreements during 2014 and 2013 were 0.10% and 0.12%, respectively. The average rate at March 31, 2014 was 0.11% and 0.09% at March 31, 2013. The agreements at March 31, 2014 mature periodically within one year.

The Company has a repurchase agreement with one customer with an outstanding balance of $23.4 million at March 31, 2014. The repurchase agreement matures daily.

Note 9: Lines of Credit

The Company maintains a $2,500,000 revolving line of credit note payable, of which $400,000 was outstanding at March 31, 2014 and $700,000 outstanding as of March 31, 2013, with an unaffiliated financial institution. The note payable bears interest tied to the prime commercial rate with a floor of 3.50%, the rate at March 31, 2014, matures on September 30, 2014, and is secured by the stock of the national bank owned by the Company. Covenants attached to the line of credit are: (i) total risk-based capital of greater than or equal to 10%; (ii) allowance for loan and lease losses to total loans must be greater than or equal to 0.80%; and (iii) past due, 90 days and non-accrual loans to total average loans must be less than or equal to 2.0%. The Company is in compliance with all loan covenants.

The Company maintains a $6,700,000 revolving line of credit, of which none was outstanding at March 31, 2014 and 2013, with an unaffiliated financial institution. The line bears interest at the federal funds rate of the financial institution (1.25% at March 31, 2014), has an open-end maturity and is unsecured if used for less than thirty (30) consecutive business days.

The Company has also established borrowing capabilities at the Federal Reserve Bank of St. Louis discount window. Investment securities of $4,839,000 have been pledged as collateral. As of March 31, 2014 and 2013, no amounts were outstanding. The primary credit borrowing rate at March 31, 2014 was 0.75%, has an overnight term, and has no restrictions on use of the funds borrowed.

Note 10: Federal Home Loan Bank Advances and Deposits

The Company maintains a $20,304,000 line of credit with the Federal Home Loan Bank of Chicago ("FHLB"). No FHLB advances were outstanding as of the years ended March 31, 2014 and 2013. The line of credit is decreased by $418,000 in credit enhancements related to the Mortgage Partnership Program with the FHLB resulting in an available balance of $19,886,000. The line of credit is secured by one-to four-family and multi-family mortgage loans totaling $36,700,000 at March 31, 2014. The maximum amount available to borrow is 20 times the amount of FHLB Capital Stock of $1,015,200.

At March 31, 2014 and 2013, the amount of interest bearing deposits invested with the Federal Home Loan Bank of Chicago was $917,000 and $1,429,000, respectively.

Note 11: Income Taxes

The Company files income tax returns in the U.S. federal, state of Illinois and state of Indiana jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, Illinois and Indiana income tax examinations by tax authorities for years before 2010. During the years ended March 31, 2014 and 2013, the Company did not recognize expense for interest or penalties, related to uncertain tax positions.

The provision for income taxes includes these components:

	2014	2013
	(In thousands)	
Taxes currently payable	$ 835	$ 1,361
Deferred income taxes	43	14
Income tax expense	$ 878	$ 1,375

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2014	2013
	(In thousands)	
Computed at the statutory rate (34%)	$ 859	$ 1,268
Increase (decrease) resulting from		
Tax exempt interest	(65)	(47)
State income taxes	75	163
Life insurance cash value	(18)	(18)
Preferred dividends	17	17
Other	10	(8)
Actual tax expense	$ 878	$ 1,375

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

	2014	2013
	(In thousands)	
Deferred tax assets		
Unrealized loss on available-for-sale securities	$ 19	$ —
Allowance for loan losses	661	584
Deferred compensation	246	228
Capital loss	76	76
Paid time off	92	99
Other	6	54
	1,100	1,041
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	—	(366)
Depreciation	(478)	(514)
Mortgage servicing rights	(361)	(341)
Prepaid assets	(49)	(54)
Federal Home Loan Bank Stock dividend	(108	(108)
Other	(104)	—
	(1,100)	(1,383)
Net deferred tax liability before valuation allowance	—	(342)
Valuation Allowance		
Beginning balance	(76)	(76)
Change during the period	—	—
Ending balance	(76)	(76)
Net deferred tax liability	$ (76)	$ (418)

Note 12: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income, included in stockholders' equity, are as follows:

	2014	2013
	(In thousands)	
Net unrealized gain (loss) on securities available for sale	$ (47)	$ 908
Tax effect	19	(366)
Net-of-tax amount	$ (28)	$ 542

Note 13: Preferred Stock

On August 23, 2011, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with the Secretary of the Treasury (the "Treasury"), pursuant to which the Company issued and sold to the Treasury 4,900 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock"), having a liquidation preference of $1,000 per share (the "Liquidation Amount"), for proceeds of $4,900,000. The Purchase Agreement was entered into, and the Series A Preferred Stock was issued, pursuant to the Treasury's SBLF program, a $30 billion fund established under the Small Business Jobs Act of 2010 that encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion.

Non-cumulative dividends were payable quarterly on the Series A Preferred Stock, beginning October 1, 2011. The dividend rate is calculated as a percentage of the aggregate Liquidation Amount of the outstanding Series A Preferred Stock and is based on changes in the level of "Qualified Small Business Lending" of "QSBL" (as defined in the Purchase Agreement) by the Bank. Based upon the increase in the Bank's level of QSBL over the baseline level calculated under the terms of the Purchase Agreement, the dividend rate for the initial period, which was from the date of issuance through March 31, 2012, was set at 1%. For the 4^{th} through 10^{th} calendar quarters, the annual dividend rate was adjusted to between 1% and 5%, to reflect the amount of change in the Bank's level of QSBL. For the 11^{th} calendar quarter through 4.5 years after issuance, the dividend rate was fixed at between 1% and 7% based upon the increase in QSBL as compared to the baseline. After 4.5 years from issuance, the dividend rate will increase to 9%. The Series A preferred shares are non-voting, other than class voting rights on matters that could adversely affect the shares. The Company's rate was set to 1% for each quarter the Company was in the program. On March 31, 2014, the Company redeemed the preferred shares after receiving approval from Treasury, Federal Reserve and Office of the Comptroller of the Commission.

Note 14: Regulatory Matters

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 Company's consolidated 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 the Bank's 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 the 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 Tier 1 capital (as defined) to average assets (as defined). Management believes, as of March 31, 2014 and 2013, that the Bank met all capital adequacy requirements to which it is subject.

As of March 31, 2014, the most recent notification from 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 I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table. A total of $90,000 and $85,000 were deducted from capital for interest-rate risk in 2014 and 2013, respectively.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Amounts In Thousands)			
As of March 31, 2014						
Total risk-based capital (to risk-weighted assets)	$22,688	15.2%	$11,957	8.0%	$14,946	10.0%
Tier I capital (to risk-weighted assets)	$21,047	14.1%	$5,978	4.0%	$8,967	6.0%
Tier I capital (to average assets)	$21,047	7.9%	$10,604	4.0%	$13,256	5.0%
As of March 31, 2013						
Total risk-based capital (to risk-weighted assets)	$21,855	17.2%	$10,170	8.0%	$12,712	10.0%
Tier I capital (to risk-weighted assets)	$20,405	16.1%	$5,085	4.0%	$7,627	6.0%
Tier I capital (to average assets)	$20,405	9.1%	$9,010	4.0%	$11,263	5.0%

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval.

At the time of the conversion of the Bank to a stock organization, a special liquidation account was established for the benefit of eligible account holders and the supplemental eligible account holders in an amount equal to the net worth of the Bank. The special liquidation account will be maintained for the benefit of eligible account holders and the supplemental eligible account holders who continue to maintain their accounts in the Bank after June 27, 1997. The special liquidation account was $5,070,000 as of that date. In the unlikely event of a complete liquidation, each eligible and supplemental eligible accounts holder will be entitled to receive a liquidation distribution from the liquidation account in an amount proportionate to the current adjusted qualifying balances for accounts then held. The Bank may not declare or pay cash dividends on or repurchase any of its common stock if stockholders' equity would be reduced below applicable regulatory capital requirements or below the special liquidation account.

Note 15: Related Party Transactions

At March 31, 2014 and 2013, the Company had loans outstanding to executive officers, directors, and significant stockholders and their affiliates (related parties). Changes in loans to executive officers, directors, and significant stockholders and their affiliates are as follows:

	2014	2013
	(In thousands)	
Balance, beginning of year	$ 1,274	$ 482
Additions	1,192	960
Repayments	(1,009)	(168)
	$ 1,457	$ 1,274

Deposits from related parties held by the Company at March 31, 2014 and 2013 totaled approximately $480,000, and $1,192,000 respectively. Repurchase agreements from related parties held by the Company at March 31, 2014 and 2013 totaled approximately $258,000 and $415,000, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 16: Employee Benefits

The Company has a defined contribution pension plan. Eligible employees must have worked at least 500 hours in a six month consecutive period from employment start date and be a minimum age of 21 to enroll in the plan. Employees may contribute up to the maximum amount allowed by law annually with the Bank matching 50% of the employee's contribution on the first 4% of the employee's compensation. Employer contributions charged to expense for March 31, 2014 and 2013 were $48,000 and $42,000, respectively. The Company accrued for a profit sharing contribution that was paid in April 2014 based on the employee's compensation for the calendar year ended December 31, 2013. As of March 31, 2014 and 2013, the employer contribution charged to expense was $218,000 and $192,000, respectively.

Also, the Company has a deferred compensation agreement with active Directors. The agreement provides annual contributions of $2,000 per year per director to be paid on January 1st of each year. The contributions are used to purchase shares of the Company's stock which are held in trust for the Directors until retirement. The total number of shares in the plan as of March 31, 2014 and 2013 is 18,494 and 17,544 respectively. The difference between current year and prior year shares outstanding relate to awards of 950 shares. The cost of the shares held by the Trust is deducted from additional paid in capital on the consolidated balance sheets. The charge to expense for the annual contribution was $14,000 for 2014 and $ 13,000 for 2013. Contribution expense was adjusted to reflect the fair value of the shares to the current market price for the years ended March 31, 2014 and 2013. Contribution expense was increased by $13,000 for the year ended March 31, 2014 and by $20,000 for the year ended March 31, 2013.

As part of the conversion in 1997, the Company established an ESOP covering substantially all employees of the Company. The ESOP acquired 68,770 shares of Company common stock at $10 per share in the conversion with funds provided by a loan from the Company. Accordingly, $688,000 of common stock acquired by the ESOP was shown as a reduction of stockholders' equity. Shares were released to participants proportionately as the loan was repaid. The loan was repaid in full and all shares were allocated to participants as of December 31, 2006. Dividends on allocated shares are recorded as dividends and charged to retained earnings.

	2014	2013	2012
Remaining allocated ESOP shares after participant withdrawals	62,434	62,434	63,012

Employees that are age 55 or above and been enrolled in the plan for ten years have a six year period in which they are eligible to diversify a portion of their ESOP shares with the funds being rolled over to the Bank's 401(k) plan. The Company is required to fund the diversification of the shares. During the fiscal year ended March 31, 2014, a $238,000 contribution was made to the ESOP in order to fund the diversification of 8,614.8277 shares. The shares were reallocated to current employees participating in the plan.

The Company is obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. At March 31, 2014 the fair value of the 62,434 allocated shares held by the ESOP is $2,167,000.

Note 17: Earnings Per Common Share

Earnings per common share were computed as follows:

	Year Ended March 31, 2014		
	Income (In thousands)	Weighted-Average Shares	Per Share Amount
Basic earnings per common share:			
Income available to common stockholders	$ 1,599	439,523	$ 3.64
Effect of dilutive securities			
Incentive shares	—	18,057	
Diluted earnings per common share:			
Income available to common stockholders and assumed conversions	$ 1,599	457,580	$ 3.49

	Year Ended March 31, 2013		
	Income (In thousands)	Weighted-Average Shares	Per Share Amount
Basic earnings per common share:			
Income available to common stockholders	$ 2,305	408,651	$ 5.64
Effect of dilutive securities			
Incentive shares	—	17,116	
Diluted earnings per common share:			
Income available to common stockholders and assumed conversions	$ 2,305	425,767	$ 5.41

Note 18: Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell 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 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 table presents the Company's assets that are measured at fair value on a recurring basis and the level within the hierarchy in which the fair value measurements fall as of March 31, 2014 and 2013 (in thousands):

		Fair Value Measurement Using		
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
March 31, 2014				
U.S. government sponsored enterprises (GSE)	$ 16,993	$ —	$ 16,993	$ —
Mortgage-backed securities, GSE, residential	54,739	—	54,739	—
Mortgage-backed securities, GSE, commercial	595	—	595	—
State and political subdivisions	3,660	—	3,660	—
Total available-for-sale securities	$ 75,987	$ —	$ 75,987	$ —

		Fair Value Measurement Using		
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
March 31, 2013				
U.S. government sponsored enterprises (GSE)	$ 14,541	$ —	$ 14,541	$ —
Mortgage-backed securities, GSE, residential	39,951	—	39,951	—
Mortgage-backed securities, GSE, commercial	734	—	734	—
State and political subdivisions	3,909	—	3,909	—
Total available-for-sale securities	$ 59,135	$ —	$ 59,135	$ —

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 period ended March 31, 2014.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated using pricing models or quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one or a combination of observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. Level 2 securities include obligations of U.S. government sponsored enterprises, mortgage-backed securities (government-sponsored enterprises-residential and commercial) and obligations of states and political subdivisions. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Nonrecurring Measurements

The following table presents 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 March 31, 2014 and 2013 (in thousands):

		Fair Value Measurements at March 31, 2014		
Description	**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 loans	$ 913	$ —	$ —	$ 913

		Fair Value Measurements at March 31, 2013		
Description	**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 loans	$ 598	$ —	$ —	$ 598
Mortgage servicing rights	853	—	—	853

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.

For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-dependent Impaired Loans

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. Appraisals are reviewed for accuracy and consistency. 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 comparison to historical results.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements (in thousands):

	Fair Value at 3/31/14	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent impaired loans	913	Market comparable properties	Discount rate	21%

	Fair Value at 3/31/13	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent impaired loans	598	Market comparable properties	Discount rate	21%
Mortgage servicing rights	853	Discounted cash flow	Discount rate	12%
			Constant prepayment rate	14%
			Probability of default	1%

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's other financial instruments at March 31, 2014 and 2013:

	March 31, 2014		March 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and due from banks	$ 4,361	$ 4,361	$ 8,791	$ 8,791
Interest-bearing demand deposits	19,710	19,710	14,875	14,875
Held-to-maturity securities	3,734	3,852	1,385	1,517
Loans held for sale	297	297	230	230
Loans, net of allowance for loan losses	156,902	159,874	136,358	139,642
Federal Reserve and Federal Home Loan Bank stock	1,325	1,325	1,189	1,189
Interest receivable	1,087	1,087	915	915
Financial liabilities				
Deposits	209,675	191,824	189,726	186,621
Other borrowings	38,496	38,495	17,374	17,373
Short-term borrowings	400	400	700	700
Advances from borrowers for taxes and insurance	478	478	370	370
Interest payable	90	90	93	93

	March 31, 2014		March 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
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 sheet at amounts other than fair value.

Cash and Due from Banks

The carrying amount approximates fair value.

Interest-bearing Demand Deposits

The carrying amount approximates fair value.

Held-to-maturity Securities

Fair values equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities.

Loans Held For Sale

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

Loans, Net of Allowance

Fair value is estimated by discounting the future cash flows using the market rates at which similar notes would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Banks would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

Federal Reserve and Federal Home Loan Bank Stock

Fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of fixed-maturity time deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The estimated fair value of demand, NOW, savings and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Other Borrowings and Short-term Borrowings

Fair value of other borrowings and short-term borrowings is estimated based on current repurchase rates and borrowing rates currently available to the Company for repurchases and borrowings with similar terms and maturities.

Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Commitments to Originate Loans, 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.

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the note regarding loans. Current vulnerabilities due to certain concentrations of credit risk are described in Note 20.

Note 20: Financial Instruments with Off-Balance Sheet Risk

Standby Letters of Credit

In the normal course of business, the Company issues various financial standby, performance standby, and commercial letters of credit for its customers. As consideration for the letters of credit, the institution charges letter of credit fees based on the face amount of the letters and the creditworthiness of the counterparties. These letters of credit are stand-alone agreements and are unrelated to any obligation the depositor has to the Company.

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

The Company had total outstanding standby letters of credit amounting to $96,000 and $95,000 at March 31, 2014 and 2013, respectively, with terms ranging from 12 to 18 months. At March 31, 2014 and 2013, the Bank's deferred revenue under standby letters of credit agreements was nominal.

Lines of Credit and Commitments to Fund Loans

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; commercial real estate; and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At March 31, 2014, the Company had granted unused lines of credit to borrowers aggregating approximately $13,600,000 and $10,052,000 for commercial lines and consumer lines, respectively. At March 31, 2013, unused lines of credit to borrowers aggregated approximately $22,350,000 for commercial lines and $8,943,000 for consumer lines.

Loans committed to but not yet funded as of March 31, 2014 and 2013 amounted to $5,409,000 and $9,466,000, respectively. As of March 31, 2014 and 2013, those loans at fixed rates amounted to $4,042,000 and $3,542,000, respectively, with $1,017,000 at March 31, 2014 and $2,487,000 at March 31, 2013 scheduled to be sold in the secondary market. The range of fixed rates was from 3.50% to 6.00% as of March 31, 2014. Commitments to fund loans with floating rates, to be held for investment, amounted to $1,367,000, and $5,923,000, at March 31, 2014 and 2013, respectively. Floating rates ranged from 3.50% to 5.00% as of March 31, 2014.

Note 21: Common Stock

On December 31, 2013, the Company completed a stock offering with 144,518 shares being sold to subscribers raising net proceeds after offering costs totaling $4,972,000 in additional capital.

Note 22: Subsequent Events

On April 30, 2014, a stock offering concluded with 14,710 shares being sold to subscribers raising $514,850 in additional capital.

FIRST ROBINSON FINANCIAL CORPORATION AND SUBSIDIARY

STOCKHOLDER INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held at 9:00 a.m., central time, Thursday, July 24, 2014, at the Company's office located at 501 East Main Street, Robinson, Illinois.

STOCK LISTING

The Company's stock is traded on the over-the-counter market with quotations available through the OTCQB tier of the OTC Market under the symbol "FRFC."

PRICE RANGE OF COMMON STOCK

The following table sets forth the high and low bid prices of the Company's Common Stock for the periods indicated. The information set forth in the table below was provided by the OTCQB tier of the OTC Market. The information reflects interdealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	Fiscal 2014			Fiscal 2013		
	High	Low	Dividends	High	Low	Dividends
First Quarter	$33.15	$29.37	$1.00	$34.00	$29.85	$0.95
Second Quarter	32.00	30.00	-	34.00	31.50	-
Third Quarter	34.10	30.15	-	31.50	29.50	-
Fourth Quarter	35.00	32.40	-	32.30	29.35	-

The Company declared and paid a dividend of $1.00 per share in fiscal 2014. Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations and regulatory restrictions. Restrictions on dividend payments are described in Note 14 of the Notes to Financial Statements included in this Annual Report.

As of June 6, 2014, the Company had approximately 475 registered stockholders of record and 580,372 outstanding shares of Common Stock.

SHAREHOLDERS AND GENERAL INQUIRIES

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President and Chief Executive Officer
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TRANSFER AGENT

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(908) 272-8511

FIRST ROBINSON FINANCIAL CORPORATION AND SUBSIDIARY CORPORATE INFORMATION

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Robinson, Illinois

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Chairman of the Board of First Robinson Financial Corporation and First Robinson Savings Bank, National Association
President - Agricultural Services Company
Hutsonville, Illinois

STEVEN E. NEELEY
Retired
Previous Owner - Industrial Equipment Company
Robinson, Illinois

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Funeral Director
Robinson, Illinois

WILLIAM K. THOMAS
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PAUL R. SWEENEY
Retired – Bank President
Vincennes, Indiana

RICK L. CATT
President and Chief Executive Officer
First Robinson Financial Corporation
Robinson, Illinois

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President and Chief Executive Officer

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Vice President

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