PetroLogistics LP
Form 8-K
June 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **June 5, 2014**

PetroLogistics LP

(Exact name of registrant as specified in its charter)

Delaware	**001-35529**	**45-2532754**
(State or other jurisdiction	(Commission	(IRS Employer
of incorporation or organization)	File Number)	Identification No.)

**600 Travis Street, Suite 3250
Houston, TX 77002**
(Address of principal executive office) (Zip Code)

(713) 255-5990
(Registrants telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01 Other Events.

PetroLogistics LP (the Partnership) announced today that it plans to temporarily bring down its propane dehydrogenation facility to repair a water coil leak in the waste heat boiler and to perform certain other maintenance activities, including cleaning certain of the facility s heat exchangers. The outage will occur in June but the actual timing is dependent on the status of the leak. Management believes that the downtime will last approximately five to seven days; however, at this time management cannot provide assurances as to the exact amount of time for repairs and maintenance. The Partnership will declare a force majeure event under its propylene sales contracts with respect to the water coil leak. Based upon the Partnership s propylene production to date and the current estimate of downtime, management estimates that total propylene production for the quarter ending June 30, 2014 will be in the range of 285 million to 300 million pounds.

SIGNATURES

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

PETROLOGISTICS LP

By: PetroLogistics GP LLC,
Its General Partner

Dated: June 5, 2014

By: /s/ Richard Rice
Name: Richard Rice
Title: Senior Vice President, General Counsel and Corporate Secretary

nt>

U.S. Government agency securities	13	$26,996	$523	1	$1,000	$4	14	$27,996	$527
Municipal obligations	-	-	-	2	1,235	153	2	1,235	153
Mortgage-backed securities	3	137	5	13	1,537	4	16	1,674	9
Total temporarily impaired securities	16	$27,133	$528	16	$3,772	$161	32	$30,905	$689

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE B - INVESTMENT AND MORTGAGE-BACKED SECURITIES (continued)

Management does not intend to sell any of the debt securities with an unrealized loss and does not believe that it is more likely than not that it will be required to sell a security in an unrealized loss position prior to a recovery in value. The fair values are expected to recover as securities approach maturity dates. The Company has evaluated these securities and has determined that the decline in their values is temporary.

All of the Corporation's agency and mortgage-backed securities are backed by either a U.S. Government agency or government-sponsored agency and are not considered to have credit quality issues and the decline in fair value is due to interest rate changes.

The Corporation's municipal bond securities have all been rated investment grade or higher by various rating agencies or have been subject to an annual internal review process by management. This annual review process for non-rated securities considers a review of the issuers' current financial statements, including the related cash flows and interest payments. We concluded that the unrealized loss positions on these securities is a result of the level of market interest rates and not a result of the underlying issuers' ability to repay.

We do not intend to sell any of the debt securities with an unrealized loss and do not believe that it is more likely than not that we will be required to sell a security in an unrealized loss position prior to a recovery in its value. The fair value of these debt securities is expected to recover as the securities approach maturity. Accordingly, we have not recognized any other-than-temporary impairment in our consolidated statements of income.

NOTE C - FINANCING RECEIVABLE

The composition of the loan portfolio, including loans held for sale, at June 30, 2011 (unaudited) and December 31 was as follows:

	(Unaudited) June 30, 2011 (In thousands)	2010	2009
One- to four-family residential	$ 317,281	$ 195,801	$ 220,714
Multi-family residential	23,483	8,594	9,114
Construction	7,406	7,081	4,868
Commercial	61,952	19,329	15,925
Consumer	2,636	207	51
	412,758	231,012	250,672
Less:			
Undisbursed portion of loans in process	3,854	4,482	2,696
Deferred loan origination fees	(148)	(150)	(51)
Allowance for loan losses	1,399	1,242	1,025
	$ 407,653	$ 225,438	$ 247,002

F-31

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE C – FINANCING RECEIVABLE (continued)

The recorded investment in loans was as follows as of June 30, 2011:

	One-to four Family Residential	Multi-family Residential	Construction	Commercial	Consumer	Total
Purchased loans	$ 135,387	$ 13,338	$ -	$ 43,607	$ 4,164	$ 196,496
Credit quality discount	(2,524)	(208)	-	(2,451)	(1,804)	(6,987)
Purchased loans book value (3)	132,863	13,130	-	41,156	2,360	189,509
Originated loans (1)	184,418	10,353	7,406 (2)	20,796	276	223,249
Ending balance	$ 317,281	$ 23,483	$ 7,406	$ 61,952	$ 2,636	$ 412,758

(1) Includes loans held for sale
(2) Before consideration of undisbursed Loans-in-process
(3) Loans purchased in acquisition of First Franklin

The carrying amount of purchased loans consisting of credit-impaired purchased loans and non-impaired purchased loans is shown in the following table as of June 30, 2011.

	Non-impaired Purchased Loans	Credit Impaired Purchased Loans
One-to-four family residential	$ 126,915	$ 5,948
Multi-family residential	11,963	1,167
Construction	-	-
Commercial	32,322	8,834
Consumer	1,058	1,302
Total	$ 172,258	$ 17,251

The Corporation's lending efforts have historically focused on one- to four-family and multi-family residential real estate loans, which comprise approximately $340.8 million, $207.0 million and $232.0 million or 84%, 92% and 94% of the net loan portfolio, at June 30, 2011 (unaudited) and December 31, 2010 and 2009. Generally, such loans have been underwritten on the basis of no more than an 85% loan-to-value ratio, which has historically provided the Corporation with adequate collateral coverage in the event of default. Nevertheless, the Corporation, as with any lending institution, is subject to the risk that real estate values could deteriorate in its primary lending area of southwestern Ohio, thereby impairing collateral values.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE C – FINANCING RECEIVABLE (continued)

In the ordinary course of business, the Corporation has made loans to its executive officers and directors. Loans to these officers and directors, as well as employees, are made at reduced interest rates and closing costs. These loans do not involve more than the normal risk of collectability. The aggregate dollar amount of loans to executive officers and directors totaled approximately $1.3 million, $1.2 million and $1.3 million at June 30, 2011 (unaudited) and December 31, 2010 and 2009, respectively. During the six months ended June 30, 2011 (unaudited) one new mortgage loan was originated to an executive officer totaling $150,000. During the year ended December 31, 2010, one new line of credit was originated to a director totaling $100,000. During the six months ended June 30, 2011 (unaudited) and year ended December 31, 2010, there were repayments of approximately $85,000 and $91,000, respectively.

The Company participates in the Federal Home Loan Bank of Cincinnati's Mortgage Purchase Program which provides the Company the ability to sell conventional mortgage loans in the secondary market. The program utilizes a Lender Risk Account (LRA) which is funded through the proceeds of individual mortgages sold. One LRA is established for each master commitment and the amount deposited into the LRA is approximately thirty to fifty basis points of each original loan balance.

If a loss on an individual loan is in excess of homeowner equity and (if applicable) primary mortgage insurance, funds are withdrawn from the related LRA to cover the shortfall. The Company is eligible to receive LRA funds, net of any losses, beginning in the sixth year from the date a master commitment is fulfilled and ending in the eleventh year or when all of the loans sold under a master commitment have been paid in full. The Company's LRA totaled $904,000, $292,000 and $182,000 at June 30, 2011 (unaudited) and December 31, 2010 and 2009. The amount is reported in other assets and as deferred income until the FHLB remits amounts to the Company based on loan performance, at which time revenue will be recognized. During the six months ended June 30, 2011 (unaudited) and years ended December 31, 2010 and 2009, the Company received payments of $4,700, $5,000 and $3,000, respectively.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES

	Real Estate Loans – mortgage					
	One-to four Family	Multi-family				
(Unaudited) June 30, 2011	Residential	Residential	Construction	Commercial	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 979	$ 49	$ 33	$ 180	$ 1	$ 1,242
Provision	56	104	4	21	15	200
Charge-offs	(35)	-	(21)	-	-	(56)
Recoveries	-	-	-	-	13	13
Ending balance	$ 1,000	$ 153	$ 16	$ 201	$ 29	$ 1,399
Ending balance: individually evaluated for impairment	$ 364	$ -	$ -	$ -	$ -	$ 364
Ending balance: collectively evaluated for impairment	$ 636	$ 153	$ 16	$ 201	$ 29	$ 1,035
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:						
Ending balance	$ 317,281	$ 23,483	$ 7,406	$ 61,952	$ 2,636	$ 412,758
Ending balance: individually evaluated for impairment (1)	$ 131,728	$ 11,963	$ -	$ 32,528	$ 1,058	$ 177,277
Ending balance:						

Collectively evaluated for impairment	$ 179,605	$ 10,353	$ 7,406	$ 20,590	$ 276	$ 218,230
Ending balance: loans acquired with deteriorated credit quality	$ 5,948	$ 1,167	$ -	$ 8,834	$ 1,302	$ 17,251

(1)Includes loans acquired from First Franklin of $171,709

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

2010	Real Estate Loans – mortgage One-to four Family Residential	Multi-family Residential	Construction	Commercial	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 892	$ 30	$ 28	$ 75	$ -	$ 1,025
Provision	364	19	5	161	1	550
Charge-offs	(277)	-	-	(56)	-	(333)
Recoveries	-	-	-	-	-	-
Ending balance	$ 979	$ 49	$ 33	$ 180	$ 1	$ 1,242
Ending balance: individually evaluated for impairment	$ 217	$ -	$ -	$ -	$ -	$ 217
Ending balance: collectively evaluated for impairment	$ 762	$ 49	$ 33	$ 180	$ 1	$ 1,025
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:						
Ending balance	$ 195,801	$ 8,594	$ 7,081	$ 19,329	$ 207	$ 231,012
Ending balance: individually evaluated for impairment	$ 4,989	$ -	$ -	$ 222	$ -	$ 5,211
Ending balance: Collectively evaluated for impairment	$ 190,812	$ 8,594	$ 7,081	$ 19,107	$ 207	$ 225,801
Ending balance:						

loans acquired with deteriorated credit quality	-	-	-	-	-	-

	2009	2008
	(In thousands)	
Beginning balance	$ 709	$ 596
Provision for losses on loans	853	668
Charge-offs of loans	(537)	(572)
Recoveries	-	17
Ending balance	$ 1,025	$ 709

F-35

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Indicators
As of June 30, 2011

Credit Risk Profile by Internally Assigned Grade

Real Estate Loans – mortgage

Originated Loans at June 30, 2011

	One-to four Family Residential	Multi-family Residential	Construction	Commercial	Consumer	Total
Grade:						
Pass	$ 179,056	$ 10,353	$ 7,406	$ 20,590	$ 276	$ 217,681
Special mention	-	-	-	-	-	-
Substandard	5,362	-	-	206	-	5,568
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 184,418	$ 10,353	$ 7,406	$ 20,796	$ 276	$ 223,249

Purchased Loans at June 30, 2011

	One-to four Family Residential	Multi-family Residential	Construction	Commercial	Consumer	Total
Grade:						
Pass	$ 124,890	$ 12,737	$ -	$ 36,047	$ 1,961	$ 175,635
Special mention	259	353	-	1,057	-	1,669
Substandard	7,714	40	-	4,052	399	12,205
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 132,863	$ 13,130	$ -	$ 41,156	$ 2,360	$ 189,509

Age Analysis of Past Due Originated Loans Receivable
As of June 30, 2011

	30-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Nonaccrual	Total Loan Receivables	Recorded Investment 90 Days and Accruing
Real Estate:							

1-4 family Residential	$	729	$	5,041	$	5,770	$	179,377		5,041	$	184,418	-
Multi-family Residential		-		-		-		10,353		-		10,353	-
Construction		-		-		-		7,406		-		7,406	-
Commercial		-		207		207		20,589		207		20,796	-
Consumer		-		-		-		276		-		276	-
Total	$	729	$	5,248	$	5,977	$	218,001	$	5,248	$	223,249	-

F-36

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

Age Analysis of Past Due Purchased Loans Receivable
As of June 30, 2011

	30-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Nonaccrual	Total Loan Receivables	Recorded Investment 90 Days and Accruing
Real Estate:							
1-4 family Residential	$ 2,679	$ 3,734	$ 6,413	$ 129,129	3,734	$ 132,863	-
Multi-family Residential	-	488	488	12,642	488	13,130	-
Construction	-	-	-	-	-		
Commercial	329	638	967	40,518	638	41,156	-
Consumer	-	56	56	2,304	56	2,360	-
Total	$ 3,008	$ 4,916	$ 7,924	$ 184,593	$ 4,916	$ 189,509	-

Impaired Loans
As of June 30, 2011

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Purchased loans with no related allowance recorded:					
Real Estate:					
1-4 family Residential	$ 5,948	$ 5,948	$ -	$ 83	$ 54
Multi-family Residential	1,167	1,167	-	195	-
Construction	-	-	-	-	-
Commercial	8,834	8,834	-	442	6
Consumer	1,302	1,302	-	41	-
Total	$ 17,251	$ 17,251	$ -	$ 133	$ 60

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

Impaired Loans
As of June 30, 2011

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Originated loans with no related allowance recorded					
Real Estate:					
1-4 family Residential	$ 4,985	$ 4,985	$ -	$ 104	$ 40
Commercial	46	46	-	46	-
Consumer	-	-	-	-	-
Total	$ 5,031	$ 5,031	$ -	$ 114	$ 40
Originated loans with an allowance recorded:					
Real Estate:					
1-4 family Residential	$ 284	$ 640	$ 356	$ 29	$ -
Commercial	152	160	8	151	
Consumer	-	-	-	-	-
Total	$ 436	$ 800	$ 364	$ 180	$ -
Total:					
Real Estate:					
1-4 family Residential	$ 11,217	$ 11,573	$ 356	$ 87	$ 94
Multi-family Residential	1,167	1,167	-	195	-
Construction	-	-	-	-	-
Commercial	9,032	9,040	-	411	6
Consumer	1,302	1,302	8	41	-
Total	$ 22,718	$ 23,082	$ 364	$ 120	$ 100

Credit Quality Indicators
As of December 31, 2010

Credit Risk Profile by Internally Assigned Grade

	Real Estate Loans – mortgage					
	One-to four Family Residential	Multi-family Residential	Construction	Commercial	Consumer	Total
Grade:						
Pass	$ 190,812	$ 8,594	$ 7,081	$ 19,107	$ 207	$ 225,801

Special mention		-		-		-		-		-	-
Substandard		4,989		-		-		222		-	5,211
Doubtful		-		-		-		-		-	-
Loss		-		-		-		-		-	-
Total	$	195,801	$	8,594	$	7,081	$	19,329	$	207	$ 231,012

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

Age Analysis of Past Due Loans Receivable
As of December 31, 2010

	30-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Nonaccrual	Total Loan Receivables	Recorded Investment 90 Days and Accruing
Real Estate:							
1-4 family Residential	$ 1,017	$ 4,695	$ 5,712	$ 191,106	4,695	$ 195,801	-
Multi-family Residential	-	-	-	8,594	-	8,594	-
Construction	-	-	-	7,081	-	7,081	-
Commercial	46	160	206	19,169	160	19,329	-
Consumer	-	-	-	207	-	207	-
Total	$ 1,063	$ 4,855	$ 5,918	$ 226,157	$ 4,855	$ 231,012	-

Impaired Loans
For the Year Ended December 31, 2010

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real Estate:					
1-4 family Residential	$ 4,038	$ 4,038	$ -	$ 104	$ 126
Multi-family Residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial	222	222	-	111	2
Consumer	-	-	-	-	-
Total	$ 4,260	$ 4,260	$ -	$ 215	$ 128

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Real Estate:					
1-4 family Residential	$ 734	$ 951	$ 217	$ 56	$ 9
Multi-family Residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 734	$ 951	$ 217	$ 56	$ 9
Total:					
Real Estate:					
1-4 family Residential	$ 4,772	$ 4,989	$ 217	$ 92	$ 135
Multi-family Residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial	222	222	-	111	2
Consumer	-	-	-	-	-
Total	$ 4,994	$ 5,211	$ 217	$ 203	$ 137

Loan Receivable on Nonaccrual Status
As of June 30, 2011

	Originated Loans	Purchased Loans	Total
Real Estate:			
1-4 family Residential	$ 5,041	$ 3,734	$ 8,775
Multi-family Residential	-	488	488
Construction	-	-	-
Commercial	207	638	845
Consumer	-	56	56
Total	$ 5,248	$ 4,916	$ 10,164

Loan Receivable on Nonaccrual Status
As of December 31, 2010

Real Estate:	
1-4 family Residential	$ 4,695

Multi-family		
Residential		-
Construction		-
Commercial		160
Consumer		-
Total	$	4,855

F-40

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE D - ALLOWANCE FOR LOAN LOSSES (continued)

At June 30, 2011 (unaudited), December 31, 2010, 2009 and 2008, the Corporation's allowance for loan losses was comprised of a general loan loss allowance of $1.0 million, $1.0 million, $876,000 and $679,000, respectively, which is includible as a component of regulatory risk-based capital, and a specific loan loss allowance totaling $364,000, $217,000, $149,000 and $30,000 at June 30, 2011 (unaudited), December 31, 2010, 2009 and 2008, respectively. Nonaccrual loans totaled approximately $10.2 million, $4.9 million and $2.4 million at June 30, 2011 (unaudited), December 31, 2010 and 2009, respectively. At June 30, 2011 (unaudited) and December 31, 2010, impaired originated loans of approximately $800,000 and $951,000 had specific reserves of $364,000 and $217,000, respectively. At June 30, 2011 (unaudited) and December 31, 2010, all loans past due more than 90 days were non-accrual. During the six months ended June 30, 2011 and years ended December 31, 2010, 2009 and 2008, interest income of approximately $785,000, $199,000, $92,000 and $126,000, respectively, would have been recognized had the nonaccrual loans been performing in accordance with contractual terms.

During the six months ended June 30, 2011, Cheviot Savings Bank had total troubled debt restructurings of $7.7 million. There were 22 one- to four-family residential loans totaling $5.1 million in troubled debt restructurings during the six months ended June 30, 2011, with the largest totaling $1.0 million. The remaining $2.6 million in troubled debt restructurings consisted of six commercial loans. During the year ended December 31, 2010, Cheviot Savings Bank had total troubled debt restructurings of $2.4 million. There were four one- to four-family residential loans totaling $1.1 million in troubled debt restructurings during the year, with the largest totaling $680,000. The other $1.3 million in troubled debt restructurings consisted of two one- to four-family residential loans restructured in the fourth quarter of 2009, with the largest loan totaling $1.0 million. These troubled debt restructurings are included in non-accrual loans. Two loans totaling $236,130 are performing according to modified terms and are not included in non-accrual loans. These loans were modified due to short term concessions with no impairment as Cheviot Savings Bank expects to recognize the full amount of the commitment. Cheviot Savings Bank has no commitments to lend additional funds to these debtors owing receivables whose terms have been modified in troubled debt restructurings.

NOTE E - OFFICE PREMISES AND EQUIPMENT

Office premises and equipment are comprised of the following:

	(Unaudited) At June 30, 2011	At December 31, 2010	2009
		(In thousands)	
Land	$ 1,959	$ 1,044	$ 1,044
Buildings and improvements, including construction-in-progress	9,137	5,875	5,875
Furniture and equipment	2,710	1,283	1,245
Automobiles	45	45	45
	13,851	8,247	8,209

Less accumulated depreciation	3,856	3,637	3,320
	$ 9,995	$ 4,610	$ 4,889

At June 30, 2011 (unaudited) and December 31, 2010 and 2009, the Corporation had capitalized interest costs of approximately $11,000 related to the construction of branch offices.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE F - DEPOSITS

Deposits consist of the following major classifications:

Deposit type and weighted-average
interest rate

	(Unaudited) June 30, 2011	At December 31, 2010	2009
		(In thousands)	
NOW accounts			
2011 – 0.51%	$ 70,182		
2010 - 0.22%		$ 32,929	
2009 - 0.29%			$ 24,426
Passbook accounts			
2011 – 0.20%	33,147		
2010 - 0.15%		14,994	
2009 - 0.24%			15,096
Money market demand deposit			
2011 – 0.70%	90,957		
2010 – 0.76%		68,309	
2009 – 0.92%			54,549
Total demand, transaction and passbook deposits	194,286	116,232	94,071
Certificates of deposit Original maturities of:			
Less than 12 months			
2011 – 2.35%	149,811		
2010 – 0.66%		20,403	
2009 – 1.11%			30,012
12 to 18 months			
2011 – 0.99%	60,183		
2010 – 1.21%		60,649	
2009 – 2.03%			61,231
24 months – 36 months			
2011 – 1.52%	36,407		
2010 – 1.88%		35,054	
2009 – 2.58%			28,033
Over 36 months			
2011 – 3.43%	34,201		
2010 - 3.85%		25,514	
2009 - 4.27%			22,557

Total certificates of deposit	280,602	141,620	141,833
Total deposits	$ 474,888	$ 257,852	$ 235,904

F-42

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE F - DEPOSITS (continued)

The Savings Bank had deposit accounts with balances in excess of $100,000 totaling $150.8 million, $81.2 million and $61.6 million, including intercompany accounts totaling $944,000, $8.0 million and $6.7 million, which are eliminated in consolidation, at June 30, 2011 (unaudited) and December 31, 2010 and 2009, respectively. The Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the standard maximum deposit insurance amount to $250,000.

Interest expense on deposits is summarized as follows:

	(Unaudited) June 30, 2011	(Unaudited) June 30, 2011	At December 31, 2010	2009	2008
			(In thousands)		
Passbook savings and money market demand deposits	$ 320	$ 256	$ 512	$ 546	$ 695
NOW deposits	74	34	69	75	98
Certificates of deposit	1,823	1,494	2,854	4,223	5,934
	$ 2,217	$ 1,784	$ 3,435	$ 4,844	$ 6,727

Maturities of outstanding certificates of deposit are summarized as follows:

	(Unaudited) June 30, 2011	At December 31, 2010	2009
		(In thousands)	
Less than six months	$ 91,694	$ 53,405	$ 57,144
Six months to one year	52,385	41,136	42,906
Over one year to three years	71,413	37,013	30,770
Over three years	65,110	10,066	11,013
	$ 280,602	$ 141,620	$ 141,833

In the ordinary course of business, the Corporation accepted deposits from officers and directors. At June 30, 2011 (unaudited), December 31, 2010 and 2009, total deposits from officers and directors totaled approximately $1.1 million, $1.1 million and $1.0 million, respectively.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE G - ADVANCES FROM THE FEDERAL HOME LOAN BANK

Advances from the Federal Home Loan Bank, collateralized at December 31, 2010 and 2009 by pledges of certain residential mortgage loans totaling $34.1 million and $42.1 million, respectively, and the Savings Bank’s investment in Federal Home Loan Bank stock are summarized as follows:

Interest rate range (at fixed rates)	Maturing year ending December 31,	Unaudited June 30, 2011	2010	2009
			(Dollars in thousands)	
2.98% - 4.61%	2010	$ -	$ -	$ 9,000
4.39% - 5.12%	2011	9,210	-	-
2.94% - 5.44%	2012	1,212	1,150	2,023
3.13%	2013	939	-	-
1.50% - 4.84%	2014	2,678	2,291	3,027
4.31% - 5.36%	2015	5,260	5,965	7,733
4.07% - 5.25%	2016	11,114	667	868
5.27% - 5.35%	2017	1,836	1,969	2,643
1.78% - 4.18%	2018	4,981	6,024	8,378
1.81%	2020	7,015	9,234	-
		$ 44,245	$ 27,300	$ 33,672
Weighted-average interest rate		3.94 %	3.64 %	4.33 %

The borrowings require principal payments as follows:

2011	$4,545	$4,274
2012	9,357	4,409
2013	9,726	4,254
2014	10,110	4,061
2015	10,507	3,166
Thereafter	-	7,136
	$44,245	$27,300

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE H - FEDERAL INCOME TAXES

Federal income tax on earnings differs from that computed at the statutory corporate tax rate for six months ended June 30, 2011 and 2010 (unaudited) and for the years ended December 31, 2010, 2009 and 2008 as follows:

	(Unaudited) June 30 2011	(Unaudited) June 30 2010	2010	2009 (Dollars in thousands)	2008
Federal income taxes at statutory rate	$ 593	$ 579	$ 1,011	$ 580	$ 683
Increase (decrease) in taxes resulting primarily from:					
Stock compensation	(8)	74	66	117	68
Charitable contributions carryforwards	-	-	-	(57)	(74)
Nontaxable interest income	(16)	(10)	(22)	(24)	(30)
Cash surrender value of life insurance	(42)	(24)	(47)	(47)	(45)
Utilization of net operating loss carryforwards, previously reserved	(241)	-	-	-	-
Other	4	3	(13)	37	(10)
Federal income taxes per financial statements	$ 290	$ 622	$ 995	$ 606	$ 592
Effective tax rate	$ 16.6 %	36.5 %	33.5 %	35.5 %	29.5 %

The composition of the Corporation’s net deferred tax liability at June 30, 2011 (unaudited) and December 31, 2010 and 2009 is as follows:

Taxes (payable) refundable on temporary differences at statutory rate:	(Unaudited) June 30, 2011	2010 (In thousands)	2009
Deferred tax assets:			
General loan loss allowance	$ 351	$ 347	$ 298
Deferred compensation	375	86	97
Stock benefit plans	149	152	212
Unrealized losses on securities available for sale	-	541	196
Merger related transaction costs	118	90	-

Net operating loss carryforward	2,168	-	-
Reserve for uncollected interests	267	-	-
Fair market value adjustments	2,935	-	-
Other	58	5	2
Total deferred tax assets	6,421	1,221	805
Deferred tax liabilities:			
Deferred loan origination costs	(249)	(250)	(216)
Federal Home Loan Bank stock dividends	(1,749)	(784)	(784)
Fixed asset basis difference	(539)	(67)	(1)
Unrealized gains on securities available for sale	(105)	-	-
Mortgage servicing rights	(232)	(124)	(76)
Total deferred tax liabilities	(2,874)	(1,225)	(1,077)
Net deferred tax asset (liability)	$ 3,547	$ (4)	$ (272)

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE H - FEDERAL INCOME TAXES (continued)

The Corporation was allowed a special bad debt deduction, generally limited to 8% of otherwise taxable income, subject to certain limitations based on aggregate loans and deposit account balances at the end of the year. If the amounts that qualified as deductions for federal income taxes are later used for purposes other than bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. Retained earnings at December 31, 2010 include approximately $3.0 million for which federal income taxes have not been provided. The amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction at December 31, 2010 was approximately $1.0 million. During 2006, the Corporation elected to file a consolidated federal tax return with the Bank. This enabled the Corporation to utilize approximately $217,000 of charitable contribution carryforwards for both years ended December 31, 2009, and 2008, respectively. At December 31, 2009, the Corporation had fully utilized the charitable contribution carryforwards.

The Corporation's principal temporary differences between financial income and taxable income result mainly from different methods of accounting for Federal Home Loan Bank stock dividends, the general loan loss allowance, deferred compensation, stock benefit plans and fair value adjustments arising from the First Franklin acquisition. The Corporation has approximately $6.4 million of operating losses to carryforward for the next 20 years. These loss carryforwards are subject to the Internal Revenue Code section 382 limitations which allow approximately $1.1 million of the losses on an annual basis to offset current year taxable income.

NOTE I - COMMITMENTS

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition. The contract or notional amounts of the commitments reflect the extent of the Corporation's involvement in such financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as those utilized for on-balance-sheet instruments.

At June 30, 2011 (unaudited) and December 31, 2010 and 2009, the Corporation had outstanding commitments to originate fixed-rate loans with interest rates ranging from 3.95% to 5.50% totaling $1.5 million, $2.3 million and $2.3 million in fixed rate loans and $89,000, $276,000 and $463,000 in variable rate loans, respectively, secured by one- to four-family residential real estate. Additionally, the Corporation had unused lines of credit under home equity loans totaling $31.9 million, $13.6 million and $12.8 million at June 30, 2011 (unaudited) and December 31, 2010 and 2009, respectively. In the opinion of management, all loan commitments equaled or exceeded prevalent market interest rates as of June 30, 2011 (unaudited) and December 31, 2010 and 2009, and such commitments have been underwritten on the same basis as that of the existing loan portfolio. Management believes that all loan commitments are able to be funded through cash flow from operations and existing excess liquidity. Fees received in connection with these commitments have not been recognized in earnings.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE I – COMMITMENTS (continued)

In 2009, the Savings Bank entered into contract with COCC for the next six and a half years. COCC will provide the CORE banking services for the Savings Bank at a minimum annual cost of $245,000.

At June 30, 2011 (unaudited) and December 31, 2010 and 2009, the Savings Bank had a $1.0 million line of credit with another local bank. No funds have been drawn on this line of credit as of June 30, 2011 (unaudited) and December 31, 2010.

NOTE J - REGULATORY CAPITAL

The Savings Bank is subject to minimum regulatory capital standards promulgated by the Office of Thrift Supervision (the "OTS"). 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 its financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Savings Bank must meet specific capital guidelines that involve quantitative measures of the Savings Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Savings Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The minimum capital standards of the OTS generally require the maintenance of regulatory capital sufficient to meet each of three tests, hereinafter described as the tangible capital requirement, the core capital requirement and the risk-based capital requirement. The tangible capital requirement provides for minimum tangible capital (defined as shareholders' equity less all intangible assets) equal to 1.5% of adjusted total assets. The core capital requirement provides for minimum core capital (tangible capital plus certain forms of supervisory goodwill and other qualifying intangible assets) generally equal to 4.0% of adjusted total assets, except for those associations with the highest examination rating and acceptable levels of risk. The risk-based capital requirement provides for the maintenance of core capital plus general loss allowances equal to 8.0% of risk-weighted assets. In computing risk-weighted assets, the Corporation multiplies the value of each asset on its statement of financial condition by a defined risk-weighting factor, e.g., one- to four-family residential loans carry a risk-weighted factor of 50%.

During 2009, the Savings Bank was notified by the OTS that it was categorized as "well-capitalized" under the regulatory framework for prompt corrective action. Additionally, management is not aware of any recent event that would cause this classification to change. To be categorized as "well-capitalized," the Savings Bank must maintain minimum capital ratios as set forth in the following table.

As of June 30, 2011 (unaudited) and December 31, 2010 and 2009, the Savings Bank met all capital adequacy requirements to which it was subject.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE J - REGULATORY CAPITAL (continued)

	(Unaudited) As of June 30, 2011					
	Actual		For capital adequacy purposes		To be "well-capitalized" under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Tangible capital	$ 57,552	9.8 %	≥$ 8,960	≥ 1.5 %	≥$ 29,270	≥ 5.0 %
Core capital	$ 57,552	9.8 %	≥$ 23,893	≥ 4.0 %	≥$ 35,839	≥ 6.0 %
Risk-based capital	$ 58,938	17.8 %	≥$ 26,550	≥ 8.0 %	≥$ 33,188	≥ 10.0 %

	As of December 31, 2010					
	Actual		For capital adequacy purposes		To be "well-capitalized" under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Tangible capital	$ 57,854	16.2 %	≥$ 5,320	≥ 1.5 %	≥$ 17,735	≥ 5.0 %
Core capital	$ 57,854	16.2 %	≥$ 14,188	≥ 4.0 %	≥$ 21,282	≥ 6.0 %
Risk-based capital	$ 58,876	34.9 %	≥$ 13,488	≥ 8.0 %	≥$ 16,860	≥ 10.0 %

	As of December 31, 2009					
	Actual		For capital adequacy purposes		To be "well-capitalized" under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Tangible capital	$ 54,612	16.2 %	≥$ 5,035	≥ 1.5 %	≥$ 16,785	≥ 5.0 %
Core capital	$ 54,612	16.2 %	≥$ 13,428	≥ 4.0 %	≥$ 20,142	≥ 6.0 %

Risk-based capital	$	55,488	32.9	%	≥$	13,442	≥	8.0	%	≥$ 16,803	≥ 10.0 %

The Savings Bank’s management believes that, under the current regulatory capital regulations, the Savings Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Savings Bank, such as increased interest rates or a downturn in the economy in the Savings Bank’s market area, could adversely affect future earnings and, consequently, the ability to meet future minimum regulatory capital requirements.

F-48

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE J - REGULATORY CAPITAL (continued)

The Savings Bank is subject to regulations imposed by the OTS regarding the amount of capital distributions payable by the Savings Bank to Cheviot Financial. Generally, the Savings Bank's payment of dividends is limited, without prior OTS approval, to net earnings for the current calendar year plus the two preceding calendar years, less capital distributions paid over the comparable time period. Insured institutions are required to file an application with the OTS for capital distributions. Dividends totaling $3.5 million were paid to Cheviot Financial Corp. in 2009.

Regulations of the OTS governing mutual holding companies permit Cheviot Mutual Holding Company (the "Holding Company") to waive the receipt by it of any common stock dividend declared by Cheviot Financial or the Savings Bank, provided the OTS does not object to such waiver. Pursuant to these provisions, the Holding Company waived $1.3 as of June 30, 2011 and $2.4 million in dividends during 2010.

NOTE K - CHEVIOT FINANCIAL CORP. CONDENSED FINANCIAL INFORMATION

The following condensed financial statements summarize the financial position of the Corporation as of June 30, 2011 (unaudited) and December 31, 2010 and 2009, and the results of its operations and its cash flows for the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008:

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE K - CHEVIOT FINANCIAL CORP. CONDENSED FINANCIAL INFORMATION (continued)

CHEVIOT FINANCIAL CORP.
STATEMENT OF FINANCIAL CONDITION
For the six months ended June 30, 2011 (unaudited) and the December 31, 2010 and 2009
(In thousands)

	(Unaudited) June 30, 2011	2010	2009
ASSETS			
Cash in Cheviot Savings Bank	$944	$8,015	$6,705
Cash and due from banks	35	32	33
Investment securities available for sale – at fair value	-	3,011	6,036
Loan receivable - ESOP	1,223	1,223	1,600
Investment in Cheviot Savings Bank	69,368	56,833	54,241
Accrued interest receivable on investments and interest-bearing deposits	-	12	20
Prepaid expenses and other assets	254	-	-
Prepaid federal income taxes	-	442	134
Total assets	$71,824	$69,568	$68,769
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and other liabilities	$57	$70	$12
Accrued federal income taxes	309	-	-
Deferred federal income taxes	118	79	7
Total liabilities	484	149	19
Common stock	99	99	99
Additional paid-in capital	43,873	43,878	43,819
Shares acquired by stock benefit plans	(1,270)	(1,302)	(2,069)
Treasury stock	(12,859)	(12,860)	(12,828)
Retained earnings	41,294	40,655	40,109
Accumulated comprehensive loss,			
Unrealized losses on securities available for sale, net of tax benefits	203	(1,051)	(380)
Total shareholders' equity	$71,340	$69,419	$68,750
Total liabilities and shareholders' equity	$71,824	$69,568	$68,769

F-50

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE K - CHEVIOT FINANCIAL CORP. CONDENSED FINANCIAL INFORMATION (continued)

CHEVIOT FINANCIAL CORP.
STATEMENT OF EARNINGS
For the six months ended June 30, 2011 and 2010 (unaudited) and the year ended December 31, 2010, 2009 and 2008
(In thousands)

	(Unaudited) June 30, 2011	(Unaudited) June 30, 2010	At December 31, 2010	2009	2008
Income					
Interest income	$39	$93	$166	$68	$70
Equity in earnings of Cheviot Savings Bank	1,625	1,101	2,429	1,218	1,528
Total income	1,664	1,194	2,595	1,286	1,598
General, administrative and other expense	297	123	849	245	240
Earnings before federal income tax benefits	1,367	1,071	1,746	1,041	1,358
Federal income tax benefits	(88)	(10)	(232)	(60)	(58)
Net earnings	$1,455	$1,081	$1,978	$1,101	$1,416

F-51

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE K - CHEVIOT FINANCIAL CORP. CONDENSED FINANCIAL INFORMATION (continued)

CHEVIOT FINANCIAL CORP.
STATEMENT OF CASH FLOWS
Six months ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008
(In thousands)

	(Unaudited) June 30, 2011	(Unaudited) June 30,2010	At December 31, 2010	2009	2008
Cash flows provided (used) by operating activities:					
Net earnings for the year	$1,455	$1,081	$1,978	$1,101	$1,416
Amortization of premiums and discounts on investment securities, net	-	14	17	21	-
Equity in undistributed earnings of Cheviot Savings Bank	(1,652)	(1,580)	(2,901)	1,664	(2,143)
Amortization of expense related to stock benefit plans	18	390	730	706	715
Increase (decrease) in cash due to changes in					
Accrued interest receivable on investments and interest-bearing deposits	12	(11)	8	(20)	-
Prepaid expenses and other assets	(253)	(32)	19	466	(466)
Accounts payable and other liabilities	(12)	(11)	58	(87)	4
Prepaid federal income taxes					
Current	750	(10)	(308)	(59)	(62)
Deferred	42	-	75	-	-
Net cash provided (used) by operating activities	360	(159)	(324)	3,792	(536)
Cash flows provided (used) by investing activities:					
Purchase of investment securities – available for sale	-	(7,000)	(6,999)	(8,039)	-
Proceeds from maturity of investment securities – available for sale	3,000	4,000	10,000	2,000	-
Cash paid for acquisition, net of cash received	(9,622)	-	-	-	-
Net cash flows provided (used) by investing activities	(6,622)	(3,000)	3,001	(6,039)	-
Cash flows used in financing activities:					

Stock option expense, net	10	86	96	248	245
Treasury stock repurchases	-	(32)	(32)	(29)	(725)
Dividends paid	(816)	(747)	(1,432)	(1,268)	(1,153)
Net cash used in financing activities	(806)	(693)	(1,368)	(1,049)	(1,633)
Net increase (decrease) in cash and cash equivalents	(7,068)	(3,852)	1,309	(3,296)	(2,169)
Cash and cash equivalents at beginning of year	8,047	6,738	6,738	10,034	12,203
Cash and cash equivalents at end of year	$979	$2,886	$8,047	$6,738	$10,034

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE L - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the Corporation’s quarterly results for the six months ended June 30, 2011 (unaudited) and years ended December 31, 2010 and 2009.

	Three Months Ended	
	June 30,	March 31,
2011:	(In thousands, except per share data)	
Total interest income	$ 6,212	$ 3,947
Total interest expense	1,626	1,205
Net interest income	4,586	2,742
Provision for losses on loans	50	150
Net interest income after provision for loan losses	4,536	2,592
Other income	927	260
General, administrative and other expense	4,270	2,300
Earnings before income taxes	1,193	552
Federal income taxes	290	-
Net earnings	$ 903	$ 552
Earnings per share:		
Basic and diluted	$ .10	$ .06

	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
2010:	(In thousands, except per share data)			
Total interest income	$3,597	$3,841	$3,993	$4,007
Total interest expense	1,066	1,130	1,221	1,281
Net interest income	2,531	2,711	2,772	2,726
Provision for losses on loans	300	150	60	40
Net interest income after provision for loan losses	2,231	2,561	2,712	2,686
Other income	481	473	187	182
General, administrative and other expense	2,415	2,061	1,966	2,098
Earnings before income taxes	297	973	933	770

Federal income taxes	83	290	355	267
Net earnings	$214	$683	$578	$503
Earnings per share:				
Basic and diluted	$.03	$.08	$.06	$.06

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE L - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) (continued)

	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
2009:	(In thousands, except per share data)			
Total interest income	$3,955	$4,081	$4,105	$4,332
Total interest expense	1,431	1,591	1,718	1,845
Net interest income	2,524	2,490	2,387	2,487
Provision for losses on loans	50	351	115	337
Net interest income after provision for loan losses	2,474	2,139	2,272	2,150
Other income	160	179	243	231
General, administrative and other expense	2,097	1,883	2,181	1,980
Earnings before income taxes	537	435	334	401
Federal income taxes	195	194	109	108
Net earnings	$342	$241	$225	$293
Earnings per share:				
Basic and diluted	$.04	$.03	$.03	$.03

NOTE M – ACQUISITION OF FIRST FRANKLIN CORPORATION (UNAUDITED)

On March 1, 2011 the Corporation received approval from the Office of Thrift Supervision to acquire First Franklin Corporation (First Franklin) and its subsidiary Franklin Savings and Loan Company, an Ohio chartered savings and loan association. Under the terms of the agreement the shareholders of First Franklin will receive in cash, $14.50 for each share of common stock held on the closing date. In addition, the merger agreement provides that all options to purchase First Franklin stock that are outstanding and unexercised, immediately prior to the closing under First Franklin's various stock option plans, will be cancelled in exchange for a cash payment equal to the positive difference between $14.50 and the exercise price.

As previously stated, on March 16, 2011, Cheviot Financial, and its wholly owned subsidiary, Cheviot Savings Bank, completed the acquisition of First Franklin and its wholly-owned subsidiary, Franklin Savings. The acquisition was consummated in accordance with an Agreement and Plan of Merger (the "Merger Agreement"), dated as of October 12, 2010, by and among Cheviot Financial Corp., Cheviot Savings Bank, Cheviot Merger Subsidiary, Inc., First Franklin and Franklin Savings.

At the effective time of the acquisition, each share of common stock, par value $0.01 per share, of First Franklin (other than shares owned by First Franklin, Cheviot Financial, Cheviot Savings Bank and Merger Subsidiary) was converted into the right to receive $14.50 in cash. Each First Franklin stock option outstanding at the time of the closing was converted into an amount of cash equal to the positive difference, if any, between $14.50 and the exercise price of such stock option. The aggregate cash consideration paid in the acquisition (including the cancellation of stock options) was approximately $24.7 million.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE M – ACQUISITION OF FIRST FRANKLIN CORPORATION (UNAUDITED) (continued)

11. Acquisition Activity (continued)

The acquired assets and assumed liabilities were measured at estimated fair values, as required by the FASB under Business Combinations. Management made significant estimates and exercised significant judgment in accounting for the acquisition. Management measured loan fair values based on loan file reviews (including borrower financial statements or tax returns), appraised collateral values, expected cash flows and historical loss factors of Franklin Savings. Real estate acquired through foreclosure was primarily valued based on appraised collateral values. The Corporation also recorded an identifiable intangible asset representing the core deposit base of Franklin Savings based on management's evaluation of the cost of such deposits relative to alternative funding sources. Management used significant estimates including the average lives of depository accounts, future interest rate levels and the cost of servicing various depository products. Management used market quotations to fair value investment securities and FHLB advances.

The business combination resulted in the acquisition of loans with and without evidence of credit quality deterioration. First Franklin's loans were deemed impaired at the acquisition date if Cheviot Financial did not expect to receive all contractually required cash flows due to concerns about credit quality. Such loans were fair valued and the difference between contractually required payments at the acquisition date and cash flows expected to be collected was recorded as a nonaccretable difference. At the acquisition date, Cheviot Financial recorded $25.0 million of purchased credit-impaired loans subject to a nonaccretable difference of $5.5 million. The method of measuring carrying value of purchased loans differs from loans originated by the Corporation (originated loans), and as such, the Corporation identifies purchased loans and purchased loans with a credit quality discount and originated loans at amortized cost. At June 30, 2011, the loans acquired with deteriorated credit quality decreased to $17.3 million as a result of payments and other exit activities.

First Franklin's loans without evidence of credit deterioration were fair valued by discounting both expected principal and interest cash flows using an observable discount rate for similar instruments that a market participant would consider in determining fair value. Additionally, consideration was given to management's best estimates of default rates and payment speeds. At acquisition, First Franklin's loan portfolio without evidence of deterioration totaled $173.2 million and was recorded at a fair value of $171.6 million.

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE M – ACQUISITION OF FIRST FRANKLIN CORPORATION (UNAUDITED) (continued)

11. Acquisition Activity (continued)

The following table summarizes the purchase of First Franklin as of March 16, 2011:

Purchase price		
First Franklin common shares outstanding (in thousands)	1,693	
Purchase price per share of First Franklin's common stock	$14.50	
Total value of the First Franklin's common stock	$24,549	
Fair value of outstanding employee stock awards, net of tax	131	
Total purchase price	$24,680	
Allocation of purchase price		
Stockholders' equity	$20,755	
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:		
Loans receivable	(2,462	)
Real estate owned	(750	)
Office premises and equipment	1,970	
Core deposit intangible	1,298	
Certificates of deposit	(2,718	)
Advances from the Federal Home Loan Bank	(838	)
Contractual obligations	(4,390	)
Other assets/liabilities	427	
Pre-tax total adjustments	(7,463	)
Deferred income tax benefits, net of valuation allowance	1,079	
After-tax total adjustments	(6,384	)
Fair value of net assets acquired	14,371	
Goodwill resulting from the First Franklin acquisition	$10,309	

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE M – ACQUISITION OF FIRST FRANKLIN CORPORATION (UNAUDITED) (continued)

11. Acquisition Activity (continued)

The following condensed statement reflects the values assigned to First Franklin's net assets as of the acquisition date:

	March 16, 2011 (in thousands)	
Assets:		
Cash and cash equivalents	$	20,480
Investment securities		15,618
Mortgage-backed securities		4,497
Loans receivable – net		196,519
Real estate acquired through foreclosure		2,404
Office premises and equipment		4,927
Goodwill and intangible assets		11,607
Other assets		21,509
Total Assets	$	277,561
Liabilities:		
Deposits	$	221,528
Advances from the Federal Home Loan Bank		23,216
Other borrowings		1,490
Accrued expenses and other liabilities		6,647
Total liabilities		252,881
Fair value of net assets acquired	$	24,680

The Corporation recorded goodwill and other intangibles associated with the purchase of First Franklin and Franklin Savings totaling $11.6 million. Goodwill is not amortized, but is periodically evaluated for impairment. The Corporation did not recognize any impairment during the quarter ended June 30, 2011. The carrying amount of the goodwill at June 30, 2011 was $10.3 million.

Identifiable intangibles are amortized to their estimated residual values over the expected useful lives. Such lives are also periodically reassessed to determine if any amortization period adjustments are required. During the quarter ended June, 2011, no such adjustments were recorded. The identifiable intangible asset consists of a core deposit intangible which is being amortized on an accelerated basis over the useful life of such asset. The gross carrying amount of the core deposit intangible at June 30, 2011 was $1.2 million with $90,000 in accumulated amortization as of that date.

F-57

CHEVIOT FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2011 and 2010 (unaudited) and the years ended December 31, 2010, 2009 and 2008

NOTE M – ACQUISITION OF FIRST FRANKLIN CORPORATION (continued)

11. Acquisition Activity (continued)

As of June 30, 2011, the current year and estimated future amortization expense for the core deposit intangible was:

	2011	$180
	2012	282
	2013	206
	2014	149
	2015	116
	2016	110
	2017	110
	2018	55
Total		$1,208

NOTE N – SUBSEQUENT EVENTS

Adoption of Plan of Conversion

On July 12, 2011 Cheviot Mutual Holding Company and the Corporation adopted a Plan of Conversion whereby the mutual holding company would convert from mutual to stock form. As part of the Plan of Conversion the pro forma value of the 62% of the Corporation owed by the Mutual Holding Company would be sold in a subscription and community offering and, if necessary, a syndicated community offering. The Plan of Conversion is subject to regulatory approval as well as the approval of the Mutual Holding Company's members and the Corporation's stockholders.

Subsequent Event – Sunset of Office of Thrift Supervision

Effective July 21, 2011 Cheviot Financial Corp. became subject to regulation and supervision by the Board of Governors of the Federal Reserve System and the Savings Bank became regulated by the FDIC, in each case, instead of the Office of Thrift Supervision. Compliance with new regulations and being supervised by one or more new regulatory agencies could increase our expenses.

F-58

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF

FIRST FRANKLIN CORPORATION AND SUBSIDIARY

***

All financial statement schedules have been omitted as the required information either is not applicable or is included in the financial statements or related notes.

Report of Independent Registered Public Accounting Firm

To the Board of Directors
of First Franklin Corporation and Subsidiary:

We have audited the accompanying consolidated balance sheets of First Franklin Corporation and Subsidiary as of December 31, 2010 and 2009 and the related consolidated statements of income (loss), comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2010. First Franklin Corporation and Subsidiary's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Franklin Corporation and Subsidiary as of December 31, 2010 and 2009 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

On March 16, 2011 the Company was acquired in a stock sale and merged into the acquirer. See Note 24 for description of merger.

Cincinnati, Ohio
April 2, 1011

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
t. 513.241.1212

cincinnati | columbus | dayton | middletown | springfield

G - 2

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2010	2009
Cash, including certificates of deposit and other interest-earning deposits of $100,000 at December 31, 2010 and 2009	$ 8,924,207	6,875,177
Investment securities:		
Securities available-for-sale, at market value (amortized cost of $16,072,142 and $21,185,010 at December 31, 2010 and 2009, respectively)	15,820,807	20,947,541
Mortgage-backed securities:		
Securities available-for-sale, at market value (amortized cost of $2,071,017 and $2,731,092 at December 31, 2010 and 2009, respectively)	2,151,063	2,809,463
Securities held-to-maturity, at amortized cost (market value of $2,811,132 and $4,154,889 at December 31, 2010 and 2009, respectively)	2,643,925	3,988,852
Loans held for sale	15,426,939	7,552,314
Loans receivable, net	202,413,800	236,085,388
Real estate owned, net	2,817,975	2,791,688
Investment in Federal Home Loan Bank of Cincinnati stock, at cost	4,991,000	4,991,000
Accrued interest receivable:		
Investment securities	129,637	162,102
Mortgage-backed securities	17,575	27,100
Loans receivable	847,848	945,697
Property and equipment, net	3,129,680	3,448,367
Bank owned life insurance	6,200,796	5,982,426
Other assets	5,897,455	5,113,364
	$ 271,412,707	301,720,479

LIABILITIES

Deposits	$ 223,436,789	244,010,350
Borrowings	22,951,604	32,419,160
Advances by borrowers for taxes and insurance	2,068,025	2,159,661
Other liabilities	2,163,690	786,040
Total liabilities	250,620,108	279,375,211
Minority interest in consolidated subsidiary	72,955	139,522

Commitments (Notes 15 and 18)

STOCKHOLDERS' EQUITY

Preferred stock - $.01 par value, 500,000 shares authorized, none issued and outstanding	-	-
Common stock - $.01 par value, 2,500,000 shares authorized, 2,010,867 shares issued in 2010 and 2009.	13,406	13,406
Additional paid-in capital	6,281,737	6,189,237
Treasury stock, at cost - 325,183 shares in 2010 and 330,183 shares in 2009.	(3,270,349)	(3,270,399)
Retained earnings, substantially restricted	17,807,970	19,378,551
Accumulated other comprehensive loss:		
Unrealized loss on available-for-sale securities, net of taxes of $(48,200) and $(550) at December 31, 2010 and 2009, respectively	(113,120)	(105,049)
Total stockholders' equity	20,719,644	22,205,746
	$ 271,412,707	301,720,479

See accompanying notes to consoldiated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Years ended December 31, 2010	2009	2008
Interest income:			
Loans receivable	$12,169,063	14,061,642	15,540,991
Investment securities	715,761	832,464	1,047,941
Mortgage-backed securities	262,951	368,949	345,721
Other interest income	-	-	35,822
	13,147,775	15,263,055	16,970,475
Interest expense:			
Deposits	5,138,077	7,277,577	7,839,818
Borrowings	1,293,323	2,014,111	3,029,622
	6,431,400	9,291,688	10,869,440
Net interest income	6,716,375	5,971,367	6,101,035
Provision for loan losses	1,967,115	2,832,192	2,703,333
Net interest income after provision for loan losses	4,749,260	3,139,175	3,397,702
Noninterest income:			
Service fees on NOW accounts	856,111	885,720	881,163
Gain on loans sold	3,250,537	2,238,560	139,295
Loan processing fees	1,228,172	543,137	-
Gain on sale of investments	27,520	11,035	86,323
Gain on sale of Financial Institutions Partners III investment	-	-	19,487
Gain (loss) on sale of property and equipment	(3,226)	10,232	-
Income from bank owned life insurance	218,369	237,699	227,563
Other income	250,454	483,243	505,073
	5,827,937	4,409,626	1,858,904
Noninterest expense:			
Salaries and employee benefits	5,853,307	4,680,489	2,940,917
Occupancy	1,091,794	1,073,631	1,004,523
Federal deposit insurance premiums	681,574	436,948	33,851
Service bureau	514,725	826,723	798,186
Advertising	154,444	144,777	213,728
Taxes other than income taxes	201,517	228,651	271,869
Deposit account expenses	387,358	261,273	243,258
Loss on sale of real estate owned	465,202	635,130	370,362
Real estate owned expenses	409,618	257,732	128,088
Other	3,670,616	1,517,972	1,572,568
	13,430,155	10,063,326	7,577,350
Loss before federal income taxes	(2,852,958)	(2,514,525)	(2,320,744)
Benefit for federal income taxes	(1,282,377)	(974,697)	(914,978)
Net loss	$(1,570,581)	(1,539,828)	(1,405,766)
Net loss per common share:			

Basic	$(0.93)	(0.92)	(0.84)
Diluted	$(0.91)	(0.92)	(0.84)

See accompanying notes to consoldiated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended December 31, 2010	2009	2008
Net loss	$(1,570,581)	(1,539,828)	(1,405,766)
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on available-for-sale securities:			
Unrealized holding gains (losses) during the year	5,972	(96,767)	59,881
Less: Reclassification adjustment for gains on investment securities included in net loss, net of tax expense of $9,357, $3,752, and $29,350 for 2010, 2009 and 2008, respectively.	(18,163)	(7,283)	(56,973)
Comprehensive loss	$(1,582,772)	(1,643,878)	(1,402,858)

See accompanying notes to consolidated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common stock	Additional paid-in capital	Treasury stock	Net unrealized gain (loss) on available-for-sale securities	Retained earnings
Balance, December 31, 2007	$13,406	6,189,237	(3,270,399)	(3,907)	22,777,930
Dividends declared ($.27) per common share	-	-	-	-	(453,785)
Change in net unrealized gains (losses) on securities available-for-sale, net of deferred tax of $1,500	-	-	-	2,908	-
Net loss for the year ended December 31, 2008	-	-	-	-	(1,405,766)
Balance, December 31, 2008	$13,406	6,189,237	(3,270,399)	(999)	20,918,379
Change in net unrealized gains (losses) on securities available-for-sale, net of deferred tax of $(53,499)	-	-	-	(104,050)	-
Net loss for the year ended December 31, 2009	-	-	-	-	(1,539,828)
Balance, December 31, 2009	$13,406	6,189,237	(3,270,399)	(105,049)	19,378,551
Change in net unrealized gains (losses) on securities available-for-sale, net of deferred tax of $(58,238)	-	-	-	(8,071)	-
Stock option expense		92,500			
Shares issued for stock options exercised, 5,000 shares issued			50		
Net loss for the year ended December 31, 2010	-	-	-	-	(1,570,581)
Balance, December 31, 2010	$13,406	6,281,737	(3,270,349)	(113,120)	17,807,970

See accompanying notes to consolidated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2010	2009	2008
Cash flows from operating activities:			
Net loss	$(1,570,581)	(1,539,828)	(1,405,766)
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,967,115	2,832,192	2,703,333
Depreciation and amortization	403,284	342,580	355,369
Accretion of premiums on securities	(4,346)	(14,377)	(31,900)
Stock based compensation expense	92,500	-	-
Deferred income taxes	(382,742)	(439,443)	(718,599)
Deferred loan fees	204,725	(453,413)	67,541
Proceeds from sale of loans originated for sale	192,622,344	173,332,026	10,926,619
Disbursements on loans originated for sale	(197,246,432)	(176,836,728)	(10,805,565)
Gain on sale of investments	(27,519)	(11,035)	(86,323)
Gain on sale of Financial Institutions Partnership III	-	-	(19,487)
Gain on sale of loans	(3,250,537)	(2,238,560)	(139,295)
Loss (gain) on sale of property and equipment	3,226	(10,232)	-
Impairment of mortgage servicing rights	78,900	-	-
Loss on sale of real estate owned	71,323	620,059	370,362
Write-down of real estate owned	393,882	-	-
FHLB stock dividends	-	-	(194,500)
Bank Owned Life Insurance	(218,370)	(237,699)	(227,563)
Net change in:			
Decrease (increase) in accrued interest receivable	139,839	(30,626)	(51,309)
Decrease (increase) in other assets	(550,833)	(3,193,720)	209,073
Increase (decrease) in other liabilities	1,311,083	(106,376)	313,552
Other, net	-	-	(98,319)
Net cash provided (used) by operating activities	(5,963,139)	(7,985,180)	1,167,223
Cash flows from investing activities:			
Net change in loans receivable	27,636,945	27,310,343	(1,743,783)
Principal reductions mortgage-backed securities	2,006,235	1,593,072	1,214,265
Proceeds from sale of student loans	-	90,948	458,440
Proceeds from sale of SBA loans	-	-	310,515
Purchase of investment securities:			
Available-for-sale	(15,106,500)	(18,610,812)	(12,200,611)
Purchase of mortgage-backed securities:			
Available-for-sale	-	-	(1,018,716)
Held-to-maturity	-	-	(4,993,750)
Proceeds from maturities/calls of investment securities:			
Available-for-sale	20,250,000	11,551,015	13,889,127
Proceeds from sale of investment securities:			
Available-for-sale	-	255,669	2,086,323
Proceeds on sale of Financial Institutions Partners III	-	-	41,529

Capital expenditures	(68,919)	(280,757)	(151,461)
Proceeds from sale of real estate owned	2,971,327	955,556	385,744
Improvements and acquisition costs to REO properties	(34,398)	(143,537)	(174,162)
Private mortgage insurance proceeds on REO properties	434,382	-	-
Proceeds from sale of property and equipment	55,800	11,000	13,422
Net cash provided (used) by investing activities	$38,144,872	22,732,497	(1,883,118)
Continued	32,181,733	14,747,317	(715,895)

See accompanying notes to consoldiated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

	Years ended December 31, 2010	2009	2008
	$32,181,733	14,747,317	(715,895)
Cash flows from financing activities:			
Net increase (decrease) in deposits	(20,573,561)	20,902,204	(3,412,872)
Issuance of treasury stock	50	-	-
Payment of dividends	-	-	(453,785)
Proceeds (repayments) of borrowed money, net	(9,467,556)	(36,057,767)	5,124,272
Decrease in advances by borrowers for taxes and insurance	(91,636)	(154,845)	(561)
Net cash provided (used) by financing activities	(30,132,703)	(15,310,408)	1,257,054
Net increase (decrease) in cash	2,049,030	(563,091)	541,159
Cash at beginning of year	6,875,177	7,438,268	6,897,109
Cash at end of year	$8,924,207	6,875,177	7,438,268
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, including interest credited to savings accounts	$6,446,544	9,294,940	10,844,642
Income taxes	$-	150,000	65,000
Supplemental disclosure of noncash activities:			
Real estate acquired in settlement of loans	$3,862,803	2,374,943	1,482,797
Change in unrealized gain (loss) on available-for-sale securities	$(8,071)	(104,050)	2,908

See accompanying notes to financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies:

The following describes the organization and the significant accounting policies followed in the preparation of these financial statements.

Organization

First Franklin Corporation (the "Company") is a holding company formed in 1987 in conjunction with the conversion of Franklin Savings and Loan Company ("Franklin Savings") from a mutual to a stock savings and loan association. The Company's financial statements include the accounts of its wholly-owned subsidiary, Franklin Savings, Franklin Savings' wholly-owned subsidiary, Madison Service Corporation and DirectTeller Systems Inc. which is 51% owned by the Company. Minority interest relating to the portion of DirectTeller Systems Inc. has been separately reported in the financial statements. All significant intercompany transactions have been eliminated in consolidation.

Franklin Savings is a state chartered savings and loan, operating seven banking offices in Hamilton County, Ohio through which it offers a full range of consumer banking services. Franklin Savings is a member of the Federal Home Loan Bank ("FHLB") System and is subject to regulation by the Office of Thrift Supervision ("OTS"), a division of the U.S. Government Department of Treasury. As a member of the FHLB, Franklin Savings maintains a required investment in capital stock of the FHLB of Cincinnati.

Deposit accounts are insured within certain limitations by the Federal Deposit Insurance Corporation ("FDIC"). An annual premium is required by the FDIC for the insurance of such deposit accounts.

Franklin Savings conducts a general banking business in southwestern Ohio, which consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and nonresidential purposes. The Company's profitability is significantly dependent on its net interest income, which is the difference between interest income generated from interest-earning assets (i.e. loans and investments) and the interest expense paid on interest-bearing liabilities (i.e. customer deposits and borrowed funds). Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by Franklin Savings can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of management's control.

Madison Service Corporation was established to allow for certain types of business that, by regulation, savings and loans were not allowed to participate. Madison has no operations and its only assets are cash and interest bearing deposits.

DirectTeller Systems developed and marketed a voice response telephone inquiry system to allow financial institution customers to access their account balances via telephone. This system has been in use with a local service bureau. The local service bureau is in the process of transferring its customers to a new platform.

On March 26, 2011 all of the shares of the Company's outstanding stock were acquired for $14.50 per share. The Company was merged into the acquirer as of March 16, 2011. See Note 24 for details of the merger agreement.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes certificates of deposit and other interest-earning deposits with original maturities of less than 90 days.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment and Mortgage-Backed Securities

Investment and mortgage-backed securities are classified upon acquisition into one of three categories: held-to-maturity, available-for-sale, or trading (see Note 2).

Held-to-maturity securities are those debt securities that the Company has the positive intent and ability to hold to maturity and are recorded at amortized cost. Available-for-sale securities are those debt and equity securities that are available to be sold in the future in response to the Company's liquidity needs, changes in market interest rates, asset-liability management strategies, and other reasons. Available-for-sale securities are reported at fair value, with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of applicable taxes. At December 31, 2010 and 2009, the Company did not hold any trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses realized on the sale of investment securities are accounted for on the trade date using the specific identification method.

Loans Receivable

Loans receivable are stated at unpaid principal balance, less the allowance for loan losses and net of deferred loan origination fees and discounts.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. Changes in the overall local economy in which the Company operates may impact the allowance for loan losses.

Loans, including impaired loans, are generally classified as non-accrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt.

Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of interest and principal. While a loan is classified as non-accrual, interest income is generally recognized on a cash basis.

G - 10

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Loans Receivable, Continued

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company considers its investment in one-to-four family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification of impairment. With respect to the Company's investment in non-residential and multi-family residential real estate loans, the evaluation of impairment on such loans is based on the lower of cost or fair value of the underlying collateral.

The Company sells loans in the secondary market. Mortgage loan sales totaled $197,246,432 and $176,836,728 during 2010 and 2009. The amount of loans held for sale was $15,426,939 and $7,552,314 at December 31, 2010 and 2009, respectively. Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. It is generally management's intention to hold all other loans originated to maturity or earlier repayment.

The Company defers all loan origination fees, net of certain direct loan origination costs, and amortizes them over the life of the loan as an adjustment of yield.

Allowance for Loan Losses
It is the Corporation's policy to provide valuation allowances for estimated losses on loans primarily based on past loan loss experience. Additionally, the Corporation considers changes in the composition of the loan portfolio, trends in the level of delinquent and problem loans, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current and anticipated economic conditions in the primary lending area. When the collection of a loan becomes doubtful, or otherwise troubled, the Corporation records a charge-off equal to the difference between the fair value of the property securing the loan and the loan's carrying value. Major loans and major lending areas are reviewed periodically to determine potential problems at an early date. The allowance for loan losses is increased by charges to earnings and decreased by charge-offs (net of recoveries).

Impaired loans are measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or, as an alternative, at the loan's observable market price or fair value of the collateral if the loan is collateral- dependent.

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Corporation considers its investment in existing one- to four-family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. With respect to the Corporation's investment in construction, commercial and multi-family residential real estate loans, and its evaluation of impairment thereof, such loans are generally collateral-dependent and, as a result, are carried as a practical expedient at the lower of cost or fair value of collateral.

Collateral-dependent loans which are more than ninety days delinquent are considered to constitute more than a minimum delay in repayment and are evaluated for impairment.

G - 11

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Mortgage Servicing Rights

Mortgage servicing rights are recognized in accordance with US GAAP. Mortgage servicing rights are recognized as separate assets when rights are acquired through sale of mortgage loans. A portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. 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 the estimated future servicing income. The capitalized mortgage servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loan. Mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Servicing fee income is recorded for fees earned for servicing loans, and the amortization of mortgage servicing rights is netted against this income.

Real Estate Acquired through Foreclosure

Real estate acquired through foreclosure is carried at the lower of the loan's unpaid principal balance (cost) or fair value less estimated selling expenses at the date of acquisition. A loan loss provision is recorded for any write down in the loan's carrying value to fair value at the date of acquisition. Real estate loss provisions are recorded if the properties' fair values subsequently decline below the value determined at the recording date. In determining the lower of cost or fair value at acquisition, costs relating to development and improvement of property are considered. Costs relating to holding real estate acquired through foreclosure are charged against earnings as incurred.

Investment in Federal Home Loan Bank Stock

The Company is required as a condition of membership in the Federal Home Loan Bank of Cincinnati ("FHLB") to maintain an investment in FHLB common stock. The stock is redeemable at par, and therefore, its cost is equivalent to its redemptive value. The Company's ability to redeem FHLB shares is dependent on the redemptive practices of the FHLB of Cincinnati. At December 31, 2010, the FHLB of Cincinnati placed no restriction on redemption of shares in excess of a member's required investment in the stock.

Property and Equipment

Land is carried at cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Income Taxes

The Company uses an asset and liability approach to accounting for income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized if it is more likely than not that a future benefit will be realized. The Company accounts for income taxes in accordance with US GAAP, which

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Income Taxes, Continued

prescribes the recognition and measurement criteria related to tax positions taken or expected to be taken in a tax return.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied the relevant US GAAP to all tax positions for which the statute of limitations remained open. The Company was not required to record any liability for unrecognized tax benefits as of December 31, 2010 and 2009. There have been no material changes in unrecognized tax benefits since December 31, 2010 and 2009.

The Company is subject to income taxes in the U.S. federal jurisdiction. The Company is no longer subject to U.S. federal income tax examinations by tax authorities through the year ended December 31, 2008.

The Company will recognize, if applicable, interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No interest or penalties were incurred in 2010 or 2009.

Earnings per Common Share

Earnings per common share have been computed on the basis of the weighted average number of common shares outstanding, and when applicable, those stock options that are dilutive.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates used in the preparation of the financial statements are based on various factors including the current interest rate environment and the general strength of the local economy. Changes in the overall interest rate environment can significantly affect the Company's net interest income and the value of its recorded assets and liabilities. Actual results could differ from those estimates used in the preparation of the financial statements.

Advertising

The Company expenses all advertising costs as incurred.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Disclosures about fair value of assets and liabilities

The Company measures certain financial assets at fair value in accordance with US GAAP which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; 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 or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument.

Fair value on available for sale securities were based upon a market approach. Securities which are fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued using prices obtained from our custodian, which used third party data service providers. Available for sale securities includes U.S. agency securities, municipal bonds and mortgage-backed agency securities.

		Fair Value Measurements at December 31, 2010		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
U.S. Treasury securities and Obligations of U.S. Government Corporations and agencies	$ 13,249,791	-	13,249,791	-
Obligations of states and Municipalities	1,576,804	-	1,576,804	-
FHLMC Certificates	591,205	-	591,205	-
FNMA Certificates	301,593	-	301,593	-
GNMA Certificates	1,062,557	-	1,062,557	-
Collateralized mortgage obligations	195,708	-	195,708	-
Community Reinvestment Act Fund	994,212	-	994,212	-

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Disclosures about fair value of assets and liabilities, Continued

	Total	Fair Value Measurements at December 31, 2009 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
U.S. Treasury securities and Obligations of U.S. Government Corporations and agencies	$ 18,463,378	-	18,463,378	-
Obligations of states and Municipalities	1,485,847	-	1,485,847	-
FHLMC Certificates	1,009,495	-	1,009,495	-
FNMA Certificates	342,652	-	342,652	-
GNMA Certificates	1,218,610	-	1,218,610	-
Collateralized mortgage obligations	238,706	-	238,706	-
Community Reinvestment Act Fund	998,316	-	998,316	-

The Company is predominately an asset based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be Level 2 inputs. The aggregate carrying amount of impaired loans was approximately $10.95 and $11.06 million with total loss recognized of approximately $2.44 million and $2.35 million at December 31, 2010 and 2009, respectively.

The Corporation has real estate acquired through foreclosure totaling $2.82 million and $2.79 million at December 31, 2010 and 2009, respectively. Real estate acquired through foreclosure is carried at the lower of the cost or fair value less estimated selling expenses at the date of acquisition. Fair values are obtained using independent appraisals, based on comparable sales which the Corporation considers to be Level 2 inputs. The aggregate amount of real estate acquired through foreclosure that is carried at fair value was approximately $2,818,000 and $2,792,000 at December 31, 2010 and 2009, respectively.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on net income.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Effect of recent accounting pronouncements

We adopted the following accounting guidance in 2010, none of which had a material effect, if any, on our year-end consolidated financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-01 "Accounting for Distributions to Shareholders with Components of Stock and Cash," which updated the Codification on accounting for distributions to shareholders that offers them the ability to elect to receive their entire distribution in cash or stock with a potential limitation on the total amount of cash that all shareholders can receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. The new guidance is effective for interim and annual periods after December 15, 2009, and would be applied on a retrospective basis. The adoption of this guidance did not have any effect on our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06 "Improving Disclosures about Fair Value Measurements," as the guidance for fair value measurements and disclosures. The guidance in ASU 2010-06 requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. Furthermore, ASU 2010-06 requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs; clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value; and amends guidance on employers' disclosures about postretirement benefit plan assets to require that disclosures be provided by classes of assets instead of by major categories of assets. The new guidance is effective for interim and annual reporting periods beginning January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective January 1, 2011 and for interim periods thereafter. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. Early adoption is permitted. The adoption of this guidance is not expected to significantly impact our annual and interim financial statement disclosures and will not have any impact on our consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements. The amendments in the ASU remove the requirement for companies that are subject to the periodic reporting requirements of the Exchange Act to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. generally accepted accounting principles ("U.S. GAAP"). The FASB also clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC's literature. All of the amendments in the ASU were effective upon issuance, except for the use of the issued date for conduit debt obligors, which will be effective for interim or annual periods ending after June 15, 2010. The adoption of this guidance did not have a material effect on the consolidated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Effect of recent accounting pronouncements, Continued

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815)," which clarifies that the only type of embedded credit derivative feature related to the transfer of credit risk that is exempt from derivative bifurcation requirements is one that is in the form of subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination will need to assess those embedded credit derivatives to determine if bifurcation and separate accounting as a derivative is required. This guidance is effective on July 1, 2010. Early adoption is permitted at the beginning of an entity's first interim reporting period beginning after issuance of this guidance. The adoption of this guidance did not have any impact on our consolidated financial statements.

In April 2010, the FASB issued Codification Accounting Standards Update No. 2010-18 (ASU No. 2010-18) Effect of Loan Modification when the Loan is Part of a Pool that is accounted for as a Single Asset (a consensus of the FASB Emerging Issues Task Force). The amendments in this update affect any entity that acquires loans subject to ASC Subtopic 310-30, that accounts for some or all of those loans within pools, and that subsequently modifies one or more of those loans after acquisition. ASU No. 2010-18 is effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the interim period ending September 30, 2010, and the amendments are to be applied prospectively. The adoption of this guidance did not have any impact on our consolidated financial statements.

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The ASU amends FASB Accounting Standards Codification™ (the "Codification" or "ASC") Topic 310, Receivables, to improve the disclosures about the credit quality of an entity's financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate, by portfolio segment or class of financing receivable, certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses.

In July 2010, the FASB issued Accounting Standards Update (ASU) 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The purpose of this Update is to improve transparency by companies that hold financing receivables, including loans, leases and other long-term receivables. The Update requires such companies to disclose more information about the credit quality of their financing receivables and the credit reserves against them. This guidance became effective during the three month period ended December 31, 2010, with the exception of certain disclosures which include information for activity that occurs during a reporting period (activity in the allowance for credit losses and modifications of financing receivables) which will be effective for the first interim or annual period beginning after December 15, 2010.

The following accounting guidance will be adopted in 2011, and is not expected to have a material impact, if any, on our consolidated financial position or results of operations.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Accounting Policies, Continued:

Effect of recent accounting pronouncements, Continued

In December 2010, the FASB issued ASU 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this Update are effective for fiscal year, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. This ASU is not expected to have a significant impact on the Company’s financial statements.

In December 2010, the FASB issued ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company’s financial statements.

In January 2011, the FASB issued ASU 2011-1, “Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20,” which delays the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 in order to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. Management is currently evaluating the impact, if any, that the adoption of the remaining amendments will have on its consolidated financial statements.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investment and Mortgage-Backed Securities:

The amortized cost and estimated market values of investment securities are as follows:

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 13,482,554	4,274	237,037	13,249,791
Obligations of states and municipalities	1,589,588	12,887	25,671	1,576,804
Community Reinvestment Act Fund	1,000,000	-	5,788	994,212
	$ 16,072,142	17,161	268,496	15,820,807

	December 31, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 18,720,117	15,901	272,640	18,463,378
Obligations of states and municipalities	1,464,893	30,759	9,805	1,485,847
Community Reinvestment Act Fund	1,000,000	-	1,684	998,316
	$ 21,185,010	46,660	284,129	20,947,541

The amortized cost and estimated market value of investment securities at December 31, 2009, by contractual maturity, are shown below. Expected maturities may differ from contractual maturity because issuers may have the right to call obligations at par.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investment and Mortgage-Backed Securities, Continued:

		Amortized cost	Estimated market value
Available-for-sale:			
Due in one year or less	$	-	-
Due after one year through five years		100,000	103,037
Due after five years through ten years		4,487,509	4,414,038
Due after ten years		10,484,633	10,309,520
		15,072,142	14,826,595
Community Reinvestment Act Fund		1,000,000	994,212
	$	16,072,142	15,820,807

The gross proceeds on sales of investments and mortgage-backed securities were $0, $255,669 and $2,086,323 for the years ended December 31, 2010, 2009 and 2008, respectively. Gross realized gains were $27,520, $11,035, and $86,323, for the years ended December 31, 2010, 2009 and 2008, respectively. The 2010 and 2009 realized gains were primarily the result of investments called prior to maturity. Investment securities with an approximate carrying value of $955,069 at December 31, 2010 were pledged to secure an investment in the Senior Housing Crime Prevention Foundation.

The detail of interest and dividends on investment securities (including dividends on FHLB stock) is as follows:

		Years ended December 31,		
		2010	2009	2008
Taxable interest income	$	428,410	570,820	766,015
Nontaxable interest income		69,046	30,982	25,382
Dividends		218,305	230,662	256,544
	$	715,761	832,464	1,047,941

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investment and Mortgage-Backed Securities, Continued:

The amortized cost and estimated market values of mortgage-backed securities are as follows:

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Available-for-sale:				
FHLMC certificates	$ 550,767	40,438	-	591,205
FNMA certificates	294,034	7,559	-	301,593
GNMA certificates	1,034,447	28,110	-	1,062,557
Collateralized mortgage obligations	191,769	3,939	-	195,708
	$ 2,071,017	80,046	-	2,151,063
Held-to-maturity:				
FHLMC certificates	$ 92,626	11,790	-	104,416
FNMA certificates	2,485,211	148,733	-	2,633,944
GNMA certificates	66,088	6,684	-	72,772
	$ 2,643,925	167,207	-	2,811,132

The tables below indicate the length of time individual investment securities and mortgage-backed securities have been in a continuous loss position at December 31, 2010 and 2009.

	December 31, 2010					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S Treasury securities and obligations of U.S. Government Agencies	$ 12,249,534	237,037	-	-	12,249,534	237,037
Obligations of state and municipalities	739,699	15,157	44,486	10,514	784,185	25,671
Mortgage-backed Securities	994,212	5,788	-	-	994,212	5,788
	$ 13,983,445	257,982	44,486	10,514	14,027,931	268,496
Number of Investments	23		1		24	

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investment and Mortgage-Backed Securities, Continued:

	December 31, 2009					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S Treasury securities and obligations of U.S. Government Agencies	$ 9,718,987	272,640	-	-	9,718,987	272,640
Obligations of state and municipalities	45,195	9,805	-	-	45,195	9,805
	$ 9,764,182	282,445	-	-	9,764,182	282,445
Number of Investments	14		0		14	

Investment securities are reviewed for possible other-than-temporary impairment on a quarterly basis. During this review, management considers the severity and duration of the unrealized losses as well as its intent not to sell the securities and ability to hold the securities until recovery, taking into account balance sheet management strategies and its market view and outlook. Management also assesses the nature of the unrealized losses taking into consideration factors such as changes in risk-free interest rates, general credit spread widening, market supply and demand, creditworthiness of the issuer or any credit enhancement providers, and the quality of the underlying collateral. All of the Company's agency and mortgage-backed securities are backed by either a U.S. Government agency or government-sponsored agency and are not considered to have credit quality issues.

The Company's municipal bond securities have all been rated investment grade or higher by various rating agencies or have been subject to an annual internal review process by management. This annual review process for non-rated securities considers a review of the issuers' current financial statements, including the related cash flows and interest payments. We concluded that the unrealized loss positions on these securities is a result of the level of market interest rates and not a result of the underlying issuers' ability to repay.

We do not intend to sell any of the debt securities with an unrealized loss and do not believe that it is more likely than not that we will be required to sell a security in an unrealized loss position prior to a recovery in its value. The fair value of these debt securities is expected to recover as the securities approach maturity. Accordingly, we have not recognized any OTTI in our consolidated statements of income.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable:

The Company primarily originates single-family real estate loans in southwestern Ohio. Loans are originated on the basis of credit policies established by the Company's management and are generally collateralized by first mortgages on the properties. Management believes that the Company has a diversified loan portfolio and there are no credit concentrations other than in residential real estate.

Loans receivable, net, consists of the following:

		December 31, 2010	2009
Real Estate Loans:			
One to four family residential	$	159,061,336	176,318,399
Multi-family residential		16,157,052	16,362,609
Construction		-	1,171,203
Commercial		40,634,531	45,776,132
Commercial		4,584,078	5,630,159
Consumer		3,738,110	4,189,901
		224,175,107	249,448,403
Less:			
Loans in process		(111,413)	(291,924)
Net deferred loan origination fees		(813,011)	(604,186)
Allowance for loan losses		(5,409,944)	(4,914,591)
Total loans	$	217,840,739	243,637,702

The Company has extended loans to facilitate the sale of other real estate owned in the amount of $1,129,347 and $772,873 as of December 31, 2010 and 2009, respectively.

G - 23

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

Activity in the allowance for loan losses is summarized as follows for the years ended December 31, 2010, 2009 and 2008:

	Commercial	Commercial Real Estate	Consumer	Residential	Total
2010					
Allowance for credit losses:					
Beginning balance	$ 978,076	1,219,667	233,957	2,482,891	4,914,591
Charge-offs	(694,225)	(289,211)	(54,598)	(582,868)	(1,620,902)
Recoveries	19,394	58,241	1,574	69,931	149,140
Provision	548,781	261,507	20,302	1,136,525	1,967,115
Ending balance	$ 852,026	1,250,204	201,235	3,106,479	5,409,944
Ending balance: individually evaluated for impairment	$ 410,010	531,828	176,981	1,322,507	2,441,326
Ending balance: collectively evaluated for impairment	$ 442,016	718,376	24,254	1,783,972	2,968,618
Loans receivable:					
Ending balance	$ 4,584,078	40,634,531	3,738,110	175,218,388	224,175,107
Ending balance: individually evaluated for impairment	$ 534,434	3,821,530	416,530	8,622,237	13,394,731
Ending balance: collectively evaluated for impairment	$ 4,049,644	36,813,001	3,321,580	166,596,151	210,780,376

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

	Commercial	Commercial Real Estate	Consumer	Residential	Total
2009					
Allowance for credit losses:					
Beginning balance	$ 866,575	560,508	67,467	2,172,428	3,666,978
Charge-offs	(244,696)	(100,000)	(33,728)	(1,259,825)	(1,638,249)
Recoveries	10,992	24,682	86	17,910	53,670
Provision	345,205	734,477	200,132	1,552,378	2,832,192
Ending balance	$ 978,076	1,219,667	233,957	2,482,891	4,914,591
Ending balance: individually evaluated for impairment	$ 710,209	367,228	201,432	1,076,031	2,354,900
Ending balance: collectively evaluated for impairment	$ 267,867	852,439	32,525	1,406,860	2,559,691
Loans receivable:					
Ending balance	$ 5,630,159	45,776,132	4,189,901	193,852,211	249,448,403
Ending balance: individually evaluated for impairment	$ 784,604	2,833,797	338,845	4,427,125	8,384,371
Ending balance: collectively evaluated for impairment	$ 4,845,555	42,942,335	3,851,056	189,425,086	241,064,032

G - 25

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

	Commercial	Commercial Real Estate	Consumer	Residential	Total
2008					
Allowance for credit losses:					
Beginning balance	$ 602,765	105,576	53,232	339,268	1,100,841
Charge-offs	-	(75,453)	-	(62,000)	(137,453)
Recoveries	-	-	-	257	257
Provision	263,810	530,385	14,235	1,894,903	2,703,333
Ending balance	$ 866,575	560,508	67,467	2,172,428	3,666,978
Ending balance: individually evaluated for impairment	$ 668,476	7,500	39,690	1,518,696	2,234,362
Ending balance: collectively evaluated for impairment	$ 198,099	553,008	27,777	653,732	1,432,616
Loans receivable:					
Ending balance	$ 5,772,348	43,585,846	3,492,039	224,449,516	277,299,749
Ending balance: individually evaluated for impairment	$ 1,004,939	2,742,828	93,105	6,492,385	10,333,257
Ending balance: collectively evaluated for impairment	$ 4,767,409	40,843,018	3,398,934	217,957,131	266,966,492

The tables below summarize the aging analysis of past due loans receivable as of December 31, 2010 and 2009:

	Commercial	Commercial Real Estate	Consumer	Residential	Total
2010					
Grade:					
Pass	$ 3,951,305	34,442,638	3,468,290	164,107,520	205,969,753
Special mention	508,349	2,902,191	30,271	3,811,138	7,251,949
Substandard	124,424	3,289,702	239,549	7,299,730	10,953,405
Total	$ 4,584,078	40,634,531	3,738,110	175,218,388	224,175,107

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

	Commercial	Commercial Real Estate	Consumer	Residential	Total
2009					
Grade:					
Pass	$ 5,424,939	43,012,379	3,920,242	180,329,573	232,687,133
Special mention	-	177,847	23,917	5,497,650	5,699,414
Substandard	205,220	2,585,906	245,742	8,024,988	11,061,856
Total	$ 5,630,159	45,776,132	4,189,901	193,852,211	249,448,403

The credit risk profile of loans receivable by internally assigned grade as of December 31, 2010 and 2009 is summarized below:

	30-59 Days past due	60-89 Days past due	Greater than 90 days	Total past due	Current	Total loans receivable	Recorded Investment > 90 Days and accruing
2010							
Commercial	$-	-	486,866	486,866	4,097,212	4,584,078	-
Commercial real estate	39,945	-	2,182,773	2,222,718	38,411,813	40,634,531	-
Consumer	15,875	25,047	62,961	103,883	3,634,227	3,738,110	-
Residential	933,226	1,087,434	6,438,222	8,458,882	166,759,506	175,218,388	-
Total	$989,046	1,112,481	9,170,822	11,272,349	212,902,758	224,175,107	-

	30-59 Days past due	60-89 Days past due	Greater than 90 days	Total past due	Current	Total loans receivable	Recorded Investment > 90 Days and accruing
2009							
Commercial	$47,114	-	915,435	962,549	4,667,610	5,630,159	-
Commercial real estate	-	775,437	692,040	1,467,477	44,308,655	45,776,132	-
Consumer	8,466	15,835	95,350	119,651	4,070,250	4,189,901	-
Residential	1,216,992	391,900	6,383,991	7,992,883	185,859,328	193,852,211	16,208

Total	$1,272,572	1,183,172	8,086,816	10,542,560	238,905,843	249,448,403	16,208

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

The table below summarizes impaired loans receivable as of December 31, 2010 and 2009:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2010					
With no related allowance recorded:					
Commercial	124,422	124,422	-	126,462	11,423
Commercial real estate	867,878	867,878	-	881,661	54,579
Consumer	101,253	101,253	-	109,556	9,769
Residential	4,524,551	4,524,551	-	4,515,819	131,905
With an allowance recorded:					
Commercial	-	410,010	410,010	184,752	4,770
Commercial real estate	2,421,827	2,953,655	531,828	2,649,667	82,413
Consumer	138,296	315,277	176,981	148,051	17,208
Residential	2,775,178	4,097,685	1,322,507	3,061,367	79,943
Total:					
Commercial	124,422	534,432	410,010	311,214	16,193
Commercial real estate	3,289,705	3,821,533	531,828	3,531,328	136,992
Consumer	239,549	416,530	176,981	257,607	26,977
Residential	7,299,729	8,622,236	1,322,507	7,577,186	211,848
Total	10,953,405	13,394,731	2,441,326	11,677,335	392,010

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable, Continued:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2009					
With no related allowance recorded:					
Commercial	130,829	130,829	-	129,329	7,173
Commercial real estate	119,336	119,336	-	119,336	153,685
Consumer	108,325	108,325	-	140,871	48,440
Residential	4,673,895	4,673,895	-	4,675,400	113,750
With an allowance recorded:					
Commercial	74,395	784,604	710,209	106,245	20,373
Commercial real estate	2,466,569	2,833,797	367,228	2,707,477	2,704
Consumer	137,413	338,845	201,432	118,674	4,156
Residential	3,351,094	4,427,125	1,076,031	3,667,486	162,599
Total:					
Commercial	205,224	915,433	710,209	235,574	27,546
Commercial real estate	2,585,905	2,953,133	367,228	2,826,813	156,389
Consumer	245,738	447,170	201,432	259,545	52,596
Residential	8,024,989	9,101,020	1,076,031	8,342,886	276,349
Total	11,061,856	13,416,756	2,354,900	11,664,818	512,880

The table below summarizes loans receivable on nonaccrual status as of December 31, 2010 and 2009:

		2010	2009
Commercial	$	76,852	205,219
Commercial Real Estate		1,883,690	1,420,988
Consumer		22,895	108,324
Residential		5,465,451	6,210,839
Total	$	7,448,888	7,945,370

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were approximately $65,736,000, $72,687,000 and $65,293,000 at December 31, 2010, 2009 and 2008, respectively.

Mortgage servicing rights of $48,000, $105,000 and $74,000 were capitalized in 2010, 2009 and 2008, respectively. The fair value of mortgage servicing rights approximates the current book value as of December 31, 2010 and 2009. The carrying value of the Company's mortgage servicing rights totaled approximately $313,000 and $418,000 at December 31, 2010 and 2009. Amortization of mortgage servicing rights was $75,000, $69,000 and $63,000 for 2010, 2009 and 2008, respectively. The Company recorded an impairment of $78,900 on the mortgage servicing rights in 2010. There were no impairments recorded in 2009 or 2008.

G - 29

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Real Estate Owned:

Real estate owned consists of the following:

Balance as of December 31, 2008	$	1,848,823
Additions to OREO		2,518,480
Sales proceeds		(955,556)
Loss on sale, net		(6,314)
Total write-downs		(613,745)
Balance as of December 31, 2009		2,791,688
Additions to OREO		3,862,803
Sales proceeds		(2,971,327)
Loss on sale, net		(71,323)
Total write-downs		(393,882)
Capital improvements		34,398
Private Mortgage Insurance Refunds		(434,382)
Balance as of December 31, 2010	$	2,817,975

Activity in the allowance for losses on real estate owned is as follows:

		Years ended December 31,		
		2010	2009	2008
Balance, beginning of year	$	25,000	-	118,593
Charged-off		(25,000)	(113,000)	(503,955)
Provision charged to operations		-	138,000	385,362
Balance, end of year	$	-	25,000	-

The expected timing of disposal of real estate owned is not determinable.

5. Bank Owned Life Insurance

Franklin Savings has purchased single-premium life insurance policies on officers and employees of the Company, at a cumulative cost of $5,000,000 from three insurance companies. The cash surrender values of the policies were $6,200,796 and $5,982,426 at December 31, 2010 and 2009, respectively. The face value of the policies as of December 31, 2010 and 2009 were approximately $14,544,000 and 14,566,000, respectively.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Property and Equipment:

Property and equipment, net, consists of the following:

	December 31, 2010	December 31, 2009
Buildings and improvements	$ 1,504,850	1,954,153
Leasehold improvements	2,488,658	2,488,658
Furniture, fixtures and equipment	3,181,197	3,315,014
	7,174,705	7,757,825
Accumulated depreciation and amortization	(5,231,560)	(5,495,993)
	1,943,145	2,261,832
Land	1,186,535	1,186,535
	$ 3,129,680	3,448,367

7. Other Assets:

On November 12, 2009, the Federal Deposit Insurance Corporation (“FDIC”) approved a final rule requiring banks to prepay their estimated quarterly assessments for the fourth quarter of 2009, as well as all of 2010, 2011 and 2012 on December 30, 2009. The $2.19 million payment was based on Franklin Savings’ regular assessment base on September 30, 2009. Consequently, included in other assets at December 31, 2010, is approximately $1,537,000 million in prepaid FDIC insurance premiums.

The Company participates in the Federal Home Loan Bank of Cincinnati’s Mortgage Purchase Program which provides the Company the ability to sell conventional mortgage loans in the secondary market. The program utilizes a Lender Risk Account (“LRA”) which is funded through the proceeds of individual mortgages sold. One LRA is established for each master commitment and the amount deposited into the LRA is approximately thirty to fifty basis points of each original loan balance.

If a loss on an individual loan is in excess of homeowner equity and (if applicable) primary mortgage insurance, funds are withdrawn from the related LRA to cover the shortfall. The Company is eligible to receive LRA funds, net of any losses, beginning in the sixth year from the date a master commitment is fulfilled and ending in the eleventh year or when all of the loans sold under a master commitment have been paid in full. The Company’s LRA totaled $617,000 at December 31, 2010 and $372,000 at December 31, 2009. For the year ended December 31, 2010, 269 loans were sold as part of the Mortgage Purchase Program totaling $56,174,000. During 2009, 395 loans were sold as part of the Mortgage Purchase Program totaling $68,474,000.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Deposits:

Deposits consist of the following:

	December 31, 2010			December 31, 2009		
	Weighted average rate	Amount	Percent of deposits	Weighted average rate	Amount	Percent of deposits
Passbooks	0.42 %	$ 34,794,119	15.6 %	0.44 %	$ 37,256,049	15.3 %
NOW accounts and variable rate money market savings and checking accounts	0.33	41,704,731	18.7	0.41	41,372,057	16.9
		76,498,850	34.3		78,628,106	32.2
Certificates:						
1-6 month	0.64	8,046,492	3.6	1.14	11,523,247	4.7
1 year	1.09	16,630,857	7.4	2.18	29,549,700	12.1
18 month	1.39	10,342,016	4.6	3.29	15,349,687	6.3
18 month - 5 years	2.44	27,059,930	12.1	3.61	31,401,232	12.9
5-8 years	3.79	84,858,644	38.0	4.40	77,558,378	31.8
		146,937,939	65.7		165,382,244	67.8
Total deposits		$ 223,436,789	100.0 %		244,010,350	100.0 %

At December 31, 2010, scheduled maturities of certificate accounts are as follows:

2011	$ 68,720,966
2012	16,847,497
2013	12,523,221
2014	17,414,016
2015	31,354,495
Thereafter	77,744
	$ 146,937,939

Interest and dividends paid and accrued on deposits, net of penalties assessed to depositors exercising early certificate withdrawal privileges, are as follows:

	Years ended December 31,		
	2010	2009	2008
Savings accounts	$ 154,244	189,428	302,019

Checking and money market accounts		155,616	244,425	207,930
Certificates		4,828,217	6,843,724	7,329,869
	$	5,138,077	7,277,577	7,839,818

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Deposits, Continued:

Certificates of deposit with balances of $100,000 or more totaled approximately $54,075,000 and $56,156,000 at December 31, 2010 and 2009, respectively.

Deposits from officers and directors totaled approximately $3,921,000 and $3,809,000 at December 31, 2010 and 2009, respectively.

9. Borrowings:

Borrowings at December 31, 2010 consist of the following:

Maturing during	Average interest rate	Outstanding balance
2011	4.81 %	$ 10,000,870
2012	2.94	813,017
2013	3.13	1,173,456
2014	1.50	799,459
2015-2018	4.03	10,164,802
		$ 22,251,604

At December 31, 2010 all of the Company's borrowings consisted of fixed-rate loans.

The borrowings require principal payments as follows:

2011	$11,207,089
2012	740,134
2013	182,739
2014	692,228
2015	9,155
Thereafter	10,120,259
	$22,951,604

As collateral for the borrowings from FHLB, the Company has pledged mortgage loans equal to or greater than 145% of the outstanding balance as well as the Bank's investment in Federal Home Loan Bank stock.

10. Stockholders' Equity:

Retained earnings are restricted by regulatory requirements and federal income tax requirements.

In connection with the insurance of savings deposits by FDIC, Franklin Savings is required to maintain specified capital levels based on OTS regulations (see Note 11). At December 31, 2010, the most restrictive required level of capital to satisfy regulatory requirements was approximately $15,563,000.

G - 33

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Stockholders' Equity, Continued:

Prior to 1996, Franklin Savings was allowed a special bad debt deduction, generally limited to 8% of otherwise taxable income, and subject to certain limitations based on aggregate loans and deposit account balances at the end of the year. If the amounts that qualified as deductions for federal income taxes are later used for purposes other than bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. Retained earnings at December 31, 2010 include approximately $3,167,000 for which federal income taxes have not been provided. The approximate amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $1,050,000 at December 31, 2010.

All savings banks and thrifts are required to account for tax reserves for bad debts in the same manner as banks. Such entities with assets less than $500 million are required to maintain a moving average experience based reserve and no longer will be able to calculate a reserve based on a percentage of taxable income.

Tax reserves accumulated after 1987 were automatically subject to recapture. Pre-1988 tax reserves will not have to be recaptured unless the thrift or successor institution liquidates, redeems shares or pays a dividend in excess of earnings and profits.

Payment of dividends on the common stock of the Company could be subject to the availability of funds from dividend distributions of Franklin Savings, which are subject to various restrictions. The OTS imposes various restrictions on the ability of savings institutions, such as Franklin, to make capital distributions. Capital distributions include, without limitation, payments of cash dividends, repurchases and certain other acquisitions by an institution of its shares and payments to stockholders of another institution in an acquisition of such other institution. An application must be submitted and approval obtained (i) if the proposed distribution would cause total distributions for the calendar year to exceed net income for that year to date, plus the retained net income for the preceding two years; (ii) if the institution will not be at least adequately capitalized following the capital distribution; (iii) if the proposed distribution will violate a prohibition contained in any applicable statute, regulation or agreement between the institution and the OTS (or FDIC), or violate a condition imposed in an OTS approved application or notice. If the subsidiary of a holding company is not required to file an application, it must file a notice with the OTS. The amount of any dividends cannot reduce the Company's capital below the liquidation account discussed below.

In accordance with regulatory requirements, Franklin Savings established a special "Liquidation Account" for the benefit of certain savings account holders in an amount equal to the regulatory capital of Franklin Savings as of September 30, 1987 of $8.1 million. In the event of a complete liquidation of Franklin Savings, each eligible account holder would be entitled to his interest in the Liquidation Account prior to any payment to holders of common stock, but after payments of any amounts due to the creditors of Franklin Savings (including those persons having savings accounts with Franklin Savings). The amount of the Liquidation Account is subject to reduction as a result of savings account withdrawals by eligible account holders after the conversion. Any assets remaining after the payments of creditors and the above liquidation rights of eligible account holders would be distributed to the holders of common stock in proportion to their stock holdings.

The Company has a stock option plan (the 1997 Stock Option and Incentive Plan) for officers, key employees, and directors, under which options to purchase the Company's common shares were granted at a price no less than the fair market value of the shares at the date of the grant. Options can be exercised during a term to be determined by a committee appointed by the Board of Directors,

G - 34

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Stockholders' Equity, Continued:

but in no event more than ten years from the date they were granted. The Company has authorized the issuance of up to 175,984 common shares under the plan.

Effective December 15, 2005, the vesting of any previously unvested stock options, issued under the 1997 and 2002 plans, was accelerated in anticipation of US GAAP related to Share Based Payments. The acceleration of vesting, to make all such stock options vested as of December 15, 2005, was done for the purpose of avoiding future expense associated with any unvested stock options granted prior to the effective date of the standard.

Transactions involving the 1997 Plan are summarized as follows:

	2010	2009	2008
Options outstanding at beginning of the year	54,259	71,818	104,437
Granted	-	-	-
Canceled/Forfeited	(30,432)	(17,559)	(32,619)
Exercised	-	-	-
Options outstanding at end of the year	23,827	54,259	71,818

All options have an exercise price between $7.75 and $10.14.

The Company has another stock option plan (the 2002 Stock Option and Incentive Plan) for officers, key employees, and directors, under which options to purchase the Company's common shares were granted at a price no less than the fair market value of the shares at the date of the grant. Options can be exercised during a term to be determined by a committee appointed by the Board of Directors, but in no event more than ten years from the date they were granted. The Company has authorized the issuance of up to approximately 161,000 common shares under the plan.

Transactions involving the 2002 Plan are summarized as follows:

	2010	2009	2008
Options outstanding at beginning of the year	100,363	105,238	105,238
Granted	38,000	-	-
Canceled/Forfeited	(29,578)	(4,875)	-
Exercised	(5,000)	-	-
Options outstanding at end of the year	103,785	100,363	105,238

All options have an exercise price between $0.01 and $20.38. The Company granted 38,000 options in 2010 to the new CEO. 5,000 options were exercised as described above. Upon the change in control on March 16, 2011 the remaining 38,000 options were forfeited.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Stockholders' Equity, Continued:

The table below shows the activity in the vested stock options for the year ended December 31, 2010:

	2010
Options vested at the beginning of the year	154,622
Options vested during the year	5,000
Cancelled/forfeited	(60,010)
Excercised	(5,000)
Options vested at the end of the year	94,612
Options not vested at the end of year	33,000
Total options outstanding at year end	127,612

Additional information regarding stock options outstanding as of December 31, 2010, is as follows:

	Options Outstanding			Exercisable Options	
Range of Exercise Price	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
0.01 to 7.74	33,000	1.80	$ 0.01	-	$ -
7.75 to 10.00	7,594	0.50	7.75	7,594	7.75
10.01 to 15.00	49,700	1.30	11.97	49,700	11.97
15.01 to 20.00	17,590	3.50	17.67	17,590	17.67
20.01 to 25.00	19,728	3.70	20.38	19,728	20.38
	127,612	2.16	$ 11.56	94,612	$ 11.55

11. Regulatory Matters:

Franklin Savings is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulation involve quantitative measures of assets, liabilities and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action that, if undertaken, could have a direct material effect on the consolidated financial statements.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At November 23, 2010, the most recent regulatory notifications categorized Franklin Savings as well capitalized. There are no conditions or events since that notification that management believes have changed the institution’s category. Management believes that, under current regulatory capital

G - 36

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Regulatory Matters, Continued:

regulations, Franklin Savings will continue to meet its minimum capital requirements in the foreseeable future. Actual and required capital amounts and ratios are presented below:

As of December 31, 2010

	Actual		For capital adequacy purposes		To be "well-capitalized" under prompt corrective actions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tangible capital	$19,979,000	7.4 %	>$4,050,000	> 1.5 %	>13,499,000	> 5.0 %
Core capital	19,979,000	7.4 %	> 10,799,000	> 4.0 %	>16,199,000	> 6.0 %
Risk-based capital	22,414,000	11.5 %	> 15,563,000	> 8.0 %	>19,454,000	> 10.0 %

As of December 31, 2009

	Actual		For capital adequacy purposes		To be "well-capitalized" under prompt corrective actions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tangible capital	$ 21,548,000	7.2 %	>$ 4,520,000	> 1.5 %	> 15,067,000	> 5.0 %
Core capital	21,548,000	7.2 %	> 12,054,000	> 4.0 %	> 18,080,000	> 6.0 %
Risk-based capital	24,107,000	11.3 %	> 17,107,000	> 8.0 %	> 21,384,000	> 10.0 %

12. Fair Values of Financial Instruments:

US GAAP requires that the Company disclose estimated fair values for its financial instruments. The following methods and assumptions were used to estimate the fair value of the Company's financial instruments.

Cash and Cash Equivalents and Investment in FHLB Stock

The carrying value of cash and cash equivalents and the investment in FHLB stock approximates those assets' fair value.

Investment and Mortgage-Backed Securities

For investment securities (debt instruments) and mortgage-backed securities, fair values are based on quoted market prices, where available. If a quoted market price is not available, fair value is estimated using quoted market prices of comparable instruments.

Loans Receivable

The fair value of the loan portfolio is estimated by evaluating homogeneous categories of loans with similar financial characteristics. Loans are segregated by types, such as residential mortgage, commercial real estate, and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Fair Values of Financial Instruments, Continued:

Loans Receivable, Continued

The fair value of performing loans, except residential mortgage loans, is calculated by discounting contractual cash flows using estimated market discount rates, which reflect the credit and interest rate risk inherent in the loan. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using discount rates based on secondary market sources. The fair value for significant nonperforming loans is based on recent internal or external appraisals. Assumptions regarding credit risk, cash flow, and discount rates are judgmentally determined by using available market information.

Deposits
The fair values of passbook accounts, demand deposits, and the money market savings equal their carrying values. The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently offered for deposits of similar remaining maturities.

Borrowed Money

Rates currently available to the Company for borrowings with similar terms and remaining maturities are used to estimate the fair value of existing advances.

Commitments to Extend Credit

The fair value of commitments to extend credit approximates the contractual amount due to the comparability of current levels of interest rates and the committed rates.

The estimated fair values of the Company's financial instruments at December 31, 2010 and 2009 are as follows:

	December 31, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	$ 8,924,207	8,924,207	6,875,177	6,875,177
Investment securities	15,820,807	15,820,807	20,947,541	20,947,541
Mortgage-backed securities	4,794,988	4,962,195	6,798,315	6,964,352
Loans receivable	217,840,739	221,359,000	243,637,702	243,065,000
Investment in FHLB stock	4,991,000	4,991,000	4,991,000	4,991,000
Financial liabilities:				
Deposits	223,436,789	229,786,000	244,010,350	249,400,000
Borrowed money	22,951,604	24,496,000	32,419,160	34,170,000

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Fair Values of Financial Instruments, Continued:

Commitments to Extend Credit, Continued

	December 31, 2010		December 31, 2009	
	Contractual amount	Fair value	Contractual amount	Fair value
Unrecognized financial instruments:				
Commitments to extend credit (all are fixed rates)	$ 622,000	622,000	1,435,000	1,435,000
Unfunded construction loans	-	-	292,000	292,000
Undisbursed lines of credit	18,481,000	18,481,000	18,855,000	18,855,000
Commitments to sell loans	12,976,000	12,976,000	21,893,000	21,893,000

13. Federal Income Taxes:

The components of income tax expense (benefit) are as follows:

	Years ended December 31,		
	2010	2009	2008
Federal:			
Current	$ (35,143)	(535,254)	(196,379)
Deferred	(1,247,234)	(439,443)	(718,599)
	$ (1,282,377)	(974,697)	(914,978)

Total income tax expense differed from the amounts computed by applying the federal statutory tax rates to pretax income as follows:

	Years ended December 31,		
	2010	2009	2008
Tax at statutory rates	$ (970,006)	(854,938)	(789,053)
Benefit of tax exempt interest	(23,476)	(10,534)	(8,630)
Income from bank owned life insurance	(74,246)	(80,818)	(77,371)
Other	(214,649)	(28,407)	(39,924)
	$ (1,282,377)	(974,697)	(914,978)

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Federal Income Taxes, Continued:

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

		Years ended December 31, 2010	2009
Deferred tax asset arising from:			
Unrealized gain on securities		55,448	-
Allowance for loan losses		1,839,380	1,829,900
Deferred loan fees and costs		320	600
Depreciation		72,548	67,600
Obligation under sale leaseback		413,199	-
Capitalized acquisition legal fees		42,608	-
Capitalized investment banker fees		68,671	-
Net operating loss carryforward		481,325	-
Other, net		347,442	215,300
Total deferred tax assets		3,320,941	2,113,400
Deferred tax liability arising from:			
Unrealized loss on securities		-	(42,200)
FHLB stock		(964,878)	(964,800)
Like-kind exchange		(103,060)	(103,000)
Building and land under sale leaseback		(264,051)	-
Other, net		(117,365)	-
Total deferred tax liabilities		(1,449,354)	(1,110,000)
Net deferred tax asset	$	1,871,587	1,003,400

Net deferred tax assets and federal income tax expense in future years can be significantly affected by changes in enacted tax rates. The Company has available approximately $1,416,000 of net operating losses to carryforward to reduce future federal income taxes of the Company. The net operating losses expire in 2030. The Company has not recorded a valuation allowance against this asset based on projected future taxable income and income tax strategies available to utilize the benefit.

14. Benefit Plans:

The Company has a non-contributory defined contribution plan and an employee stock ownership plan which covers substantially all full-time employees after attaining age twenty-one and completing one year of service.

The Company implemented, during 1996, a non-contributory defined contribution plan. The Company makes an annual contribution to the plan equal to 3% of the eligible employees' compensation. Additional employer contributions are made at the discretion of the Board of Directors. Total expense under this defined contribution plan was $77,000, $74,600, and $79,600 for the years ended December 31, 2010, 2009 and 2008, respectively.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Benefit Plans, Continued:

The Company also has an employee stock ownership plan (ESOP). Each participant is assigned an account that is credited with cash and shares of common stock of the Company based upon compensation earned subject to vesting on a graduated scale over six years. Contributions to the ESOP are made by the Company and can be in the form of either cash or common stock of First Franklin. The Company contributed $117,000, $100,000, and $100,000 in cash to the ESOP in 2010, 2009 and 2008, respectively. At December 31, 2010, the ESOP is not leveraged, and all shares are allocated or committed to be allocated. All ESOP shares are considered outstanding for purposes of computing earnings per share for 2010, 2009, and 2008. The Company's policy is to charge to expense the amount contributed to the ESOP. At December 31, 2010, the ESOP held 207,388 allocated shares and there were no shares to be allocated. At December 31, 2009, the ESOP held 199,200 allocated shares and 15,351 shares committed to be allocated.

15. Lease Commitments:

The Company, as lessee, leases certain facilities under operating leases which expire over the next five years, with renewal options.

The following is a schedule, by years, of future minimum rental payments required under operating leases during the remaining non-cancelable portion of the lease terms:

Year ending December 31:	
2011	$188,767
2012	118,045
2013	92,845
2014	33,524
2015	-
Thereafter	-
	$433,181

Rent expense was $282,844, $268,990 and $236,708 in 2010, 2009 and 2008, respectively.

The Company, as lessor, leases a portion of its administrative office under an operating lease which expires in 2013.

Future minimum rental income required under the operating lease during the remaining non-cancelable portion of the lease term:

Year ending December 31:	
2011	$ 49,744
2012	50,487
2013	33,906
2014	-
2015	-
Thereafter	-
	$ 134,137

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Sale-Leaseback Transaction:

In May 2010, the Company entered into a sale-leaseback arrangement relating to its main office facilities. The Company's office building and surrounding land, which had a carrying amount of $796,000, were sold to an unrelated third party for $1,260,000 in cash. The Company then leased the property back under a 15 year operating lease that requires annual lease payments of approximately $132,000. In addition, the company has a sublease with a tenant that requires the lessee to make annual lease payments of $48,000 for three years. Due to the sublease payments, the Company is considered to have a continuing involvement which is more than minor, as a result of which the transaction is being treated as a financing transaction with no gain being recognized from the sale. A finance obligation of $1,215,290 for rent payments over the 15 year term of the lease has been recognized as a result of the sale-leaseback transaction.

Future minimum payments under the finance obligation are as follows:

2011	$	23,860
2012		30,030
2013		35,781
2014		43,259
2015		50,392
Thereafter		1,031,968
	$	1,215,290

17. Loans to Related Parties:

Certain officers and directors of the Company had loans outstanding during the three-year period ended December 31, 2010. The following is an analysis of the activity of such loans for the years indicated:

		Years ended December 31,		
		2010	2009	2008
Balance, beginning of year	$	1,154,669	1,235,481	1,257,972
Loans originated		165,510	14,184	102,350
Repayments		(308,062)	(71,516)	(124,841)
Resigned		-	(23,480)	-
Balance, end of year	$	1,012,117	1,154,669	1,235,481

18. Loan Commitments:

In the ordinary course of business, the Company has various outstanding commitments to extend credit that are not reflected in the accompanying consolidated financial statements. These commitments involve elements of credit risk in excess of the amount recognized in the balance sheet.

The Company uses the same credit policies in making commitments for loans as it does for loans that have been disbursed and recorded in the consolidated balance sheet. The Company generally requires collateral when it makes loan commitments, which generally consists of the right to receive first mortgages on improved or unimproved real estate when performance under the contract occurs.

G - 42

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Loan Commitments, Continued:

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Certain of these commitments are for fixed rate loans, and, therefore, their value is subject to market risk as well as credit risk.

The following table details the loan commitments as of December 31, 2010 and 2009:

		December 31,	
		2010	2009
Commitments to extend credit (all are fixed rates)	$	622,000	1,435,000
Unfunded construction loans		-	292,000
Undisbursed lines of credit		18,481,000	18,855,000

Fees received in connection with the loan commitments reduce closing cost to be paid by the borrower at time of closing.

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. First Franklin Corporation - Parent Company Only Financial Information:

The following condensed balance sheets as of December 31, 2010 and 2009 and condensed statements of income and cash flows for each of the three years in the period ended December 31, 2010 for First Franklin Corporation should be read in conjunction with the consolidated financial statements and notes thereto.

CONDENSED BALANCE SHEETS
ASSETS

		December 31, 2010	2009
Cash	$	60,681	27,042
Investment in Franklin Savings		20,715,922	21,443,374
Other assets		1,612,668	961,545
	$	22,389,271	22,431,961

LIABILITIES AND STOCKHOLDERS' EQUITY

Accrued expenses and other liabilities	$	1,669,627	226,215
Preferred stock - $.01 par value, 500,000 shares authorized, none issued and outstanding		-	-
Common stock - $.01 par value, 2,500,000 shares authorized, 2,010,867 shares issued.		13,406	13,406
Additional paid-in capital		6,281,737	6,189,237
Treasury stock, at cost - 330,183 shares in 2009 and 2008		(3,270,349)	(3,270,399)
Retained earnings		17,807,970	19,378,551
Net unrealized gain (loss) on available-for-sale securities of parent and subsidiary		(113,120)	(105,049)
	$	22,389,271	22,431,961

CONDENSED STATEMENTS OF INCOME

		Years ended December 31, 2010	2009	2008
Equity in earnings (losses) of Franklin Savings	$	(719,380)	(1,415,745)	(1,205,362)
Interest income		1,076	190	5,597
Operating expenses		(1,603,500)	(403,901)	(406,340)
Other income		265,583	209,828	111,539
Federal income tax benefit		485,640	69,800	88,800
Net income (loss)	$	(1,570,581)	(1,539,828)	(1,405,766)

G - 44

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. First Franklin Corporation - Parent Company Only Financial Information, Continued:

CONDENSED STATEMENTS OF CASH FLOWS

		Years ended December 31,		
		2010	2009	2008
Cash flows from operating activities:				
Net (loss)	$	(1,570,581)	(1,539,828)	(1,405,766)
Equity in earnings of Franklin Savings		719,380	1,415,745	1,205,362
Change in other assets and liabilities		792,289	(55,760)	(40,827)
Stock based compensation expense		92,500	-	-
Net cash provided (used) by operating activities		33,588	(179,843)	(241,231)
Cash flows from investing activities:				
Proceeds on sale of Financial Institutions Partners III		-	-	41,529
Cash flows from financing activities:				
Payment of dividends		-	-	(453,785)
Issuance of treasury stock		50	-	-
Net cash provided (used) by operating activities		50	-	(453,785)
Net increase (decrease)		33,638	(179,843)	(653,487)
Cash at beginning of year		27,042	206,885	860,372
Cash at end of year	$	60,680	27,042	206,885

G - 45

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Madison Service Corporation:

In accordance with OTS requirements, the following summary of financial information of Madison Service Corporation for the years ended December 31, 2010 and December 31, 2009, is presented:

BALANCE SHEETS

ASSETS

	December 31, 2010	2009
Cash	$ 520,493	518,895
	$ 520,493	518,895

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	$ 1,284	741
Equity	519,209	518,154
	$ 520,493	518,895

STATEMENT OF OPERATIONS

Revenues:		
Interest Income	$ 1,917	2,505
Operating expenses	(320)	(325)
Income before federal income tax	1,597	2,180
Federal income tax	543	741
Net income	$ 1,054	1,439

a. Summary of significant accounting policies:

The accounting policies followed in the preparation of the financial statements of Madison Service Corporation are included in Note 1.

b. Intercompany transactions:

Intercompany transactions with Franklin Savings, which are not material, have been eliminated in consolidation.

c. Franklin Savings' investment in Madison Service Corporation consists of:

	December 31, 2010	2009
Common stock, 220 shares issued and outstanding	$ 110,000	110,000

Retained earnings		409,209	408,154
	$	519,209	518,154

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Direct Teller Systems, Inc.:

The Company owns 51% investment in Direct Teller Systems, Inc., which is accounted for as a minority interest in a consolidated entity. The following is a summary of Direct Teller Systems Inc. financial information:

		December 31,	
		2010	2009
Assets	$	147,052	321,371
Liabilities		-	32,461
Equity		147,052	288,910
2009 net income		42,309	22,335

The Company's equity balance at December 31, 2010 and 2009 was $74,097 and $149,388, respectively.

22. Loss per Share:

Loss per share for the years ended December 31, 2010, 2009 and 2008 are calculated as follows:

	For the year ended December 31, 2010				
	Loss (numerator)		Shares (denominator)	Per-share amount	
Basic EPS					
Loss available to common stockholders	$	(1,570,581)	1,685,684	$	(0.93)
Effect of dilutive securities:					
Stock options					
1997 and 2002 Plans		-	33,000		
Diluted EPS					
Loss available to common stockholders + assumed conversions	$	(1,570,581)	1,718,684	$	(0.91)

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Loss Per Share, Continued:

	For the year ended December 31, 2009		
	Loss (numerator)	Shares (denominator)	Per-share amount
Basic EPS			
Loss available to common stockholders	$ (1,539,828)	1,680,684	$ (0.92)
Effect of dilutive securities:			
Stock options			
1997 and 2002 Plans	-	-	
Diluted EPS			
Loss available to common stockholders + assumed conversions	$ (1,539,828)	1,680,684	$ (0.92)

	For the year ended December 31, 2008		
	Loss (numerator)	Shares (denominator)	Per-share amount
Basic EPS			
Loss available to common stockholders	$ (1,405,766)	1,680,684	$ (0.84)
Effect of dilutive securities:			
Stock options			
1997 and 2002 Plans	-	-	
Diluted EPS			
Income available to common stockholders + assumed conversions	$ (1,405,766)	1,680,684	$ (0.84)

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Quarterly Financial Information (Unaudited):

All adjustments necessary for a fair statement of operations for each period have been included.

	2010 (dollars in thousands except per share data)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Interest income	$ 3,521	3,334	3,200	3,093
Interest expense	1,800	1,627	1,540	1,465
Net interest income	1,721	1,707	1,660	1,628
Provision for loan losses	353	331	957	326
Net interest income after provision	1,368	1,376	703	1,302
Noninterest income	962	1,261	1,694	1,911
Noninterest expense	2,484	3,515	3,572	3,859
Loss before taxes	(154)	(878)	(1,175)	(646)
Federal income taxes (benefit)	(72)	(320)	(420)	(470)
Net (loss)	$ (82)	(558)	(755)	(176)
Loss per common share				
Basic	$ (0.05)	(0.33)	(0.45)	(0.10)
Diluted	$ (0.05)	(0.33)	(0.45)	(0.08)

FIRST FRANKLIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Quarterly Financial Information (Unaudited), Continued:

	2009 (dollars in thousands except per share data)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Interest income	$ 4,052	3,875	3,762	3,574
Interest expense	2,476	2,407	2,302	2,107
Net interest income	1,576	1,468	1,460	1,467
Provision for loan losses	176	71	1,651	934
Net interest income (loss) after provision	1,400	1,397	(191)	533
Noninterest income	1,003	1,175	1,023	1,209
Noninterest expense	2,017	2,576	2,561	2,909
Income (loss) before taxes	386	(4)	(1,729)	(1,167)
Federal income tax expense (benefit)	126	(11)	(597)	(493)
Net income (loss)	$ 260	7	(1,132)	(674)
Earnings per common share				
Basic	$ 0.15	0.01	(0.68)	(0.40)
Diluted	$ 0.15	0.01	(0.68)	(0.40)

24. Merger Agreement:

On October 12, 2010, the Company entered into an Agreement and Plan of Merger with Cheviot Financial Corp. Under the terms of the agreement, which has been unanimously approved by the boards of directors of both companies, stockholders of First Franklin will be entitled to receive $14.50 in cash for each share they hold on the effective date of the merger.

On March 16, 2011 the merger agreement was executed with Cheviot Financial Corp. acquiring all of the outstanding common shares of the Company for $14.50. Under the terms of the agreement, a change in control has occurred and certain employees of the Company are entitled to a severance payout in accordance with their employment agreement with the Company. On March 16, 2011 the Company accrued approximately $3.1 million for the severance payment due under these contracts.

25. Subsequent Events:

The Company evaluates events and transaction occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements.

G - 50

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

No person has been authorized to give any information or to make any representation other than as contained in this prospectus and, if given or made, such other information or representation must not be relied upon as having been authorized by Cheviot Financial Corp. or Cheviot Savings Bank. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Cheviot Financial Corp. or Cheviot Savings Bank since any of the dates as of which information is furnished herein or since the date hereof.

Up to 6,325,000 Shares
(Subject to Increase to up to 7,273,750 Shares)

(Proposed Holding Company for
Cheviot Savings Bank)

COMMON STOCK
par value $0.01 per share

PROSPECTUS

Stifel Nicolaus Weisel

November 10, 2011

These securities are not deposits or accounts and are not federally insured or guaranteed.

Until December 20, 2011, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.