NASB Financial, Inc.

2009

ANNUAL REPORT

December 9, 2009

Dear Shareholder:

We have had better years, in better economic environments, but our strategy of attempting to make loans to able borrowers, secured by sufficient collateral, continues to be successful. In the past year, we approximately doubled our net income, to $18,709,000, as our net interest margin increased from 2.55% to 3.41%, and we enjoyed a large increase in non-interest income, primarily from increased residential lending and gains from securities transactions. We also substantially increased our provisions for loan losses. We don't have a crystal ball to predict how long or how deep this "Great Recession" will continue to create problems in almost every aspect of real estate lending, but we are continuing to position ourselves to deal with present and future issues.

This is the twentieth year that has been my privilege of writing the annual letter to NASB Financial shareholders. As in 1990, I remain confident that there is a place in our financial markets for a small institution that specializes in real estate lending. I am still optimistic that our best results will be in the future.

Thank you for your continuing support of NASB.

Sincerely,

David H. Hancock
Board Chairman

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Financial Highlights

		2009	2008	2007	2006	2000	1990
		(Dollars in thousands, except per share data)					
For the year ended September 30:							
Net interest income	$	47,405	39,015	41,679	46,611	35,838	7,983
Net interest spread		2.95%	2.36%	2.53%	2.87%	3.71%	1.99%
Other income	$	40,494	18,407	21,198	24,524	9,409	2,774
General and administrative expenses		46,716	36,819	36,329	37,248	20,120	8,169
Net income (loss)		18,790	9,296	15,319	20,768	14,721	(369)
Basic earnings per share		2.38	1.18	1.89	2.47	1.66	(0.18)
Cash dividends paid		7,080	7,080	7,337	9,468	3,370	--
Dividend payout ratio		37.84%	76.16%	47.90%	45.59%	22.89%	--
At year end:							
Assets	$	1,559,562	1,516,761	1,506,483	1,524,796	984,525	388,477
Loans, net		1,320,362	1,344,520	1,316,592	1,338,171	914,012	180,348
Investment securities		80,618	60,059	80,881	97,634	20,451	179,599
Customer and brokered deposit accounts		904,625	769,379	855,536	851,042	621,665	333,634
Stockholders' equity		166,388	152,412	149,392	156,572	83,661	16,772
Book value per share		21.15	19.37	18.99	18.82	9.84	1.83
Basic shares outstanding (in thousands)		7,868	7,868	7,868	8,319	8,500	9,148
Other Financial Data							
Return on average assets		1.22%	0.61%	1.01%	1.35%	1.63%	(0.20)%
Return on average equity		11.74%	6.16%	10.01%	13.60%	18.12%	(2.50)%
Stockholders' equity to assets		10.67%	10.05%	9.92%	10.27%	8.50%	4.30%
Average shares outstanding (in thousands)		7,868	7,868	8,101	8,397	8,863	8,116
Selected year end information:							
Stock price per share: Bid	$	25.96	29.41	35.76	39.79	14.50	1.03
Ask		26.27	31.00	35.80	39.90	15.50	1.13

Per share amounts have been adjusted to give retroactive effect to the four-for-one stock split, which occurred during the fiscal year ended September 30, 1999.

Selected Consolidated Financial and Other Data

The following tables include selected information concerning the financial position of NASB Financial, Inc., (including consolidated data from the operations of subsidiaries) for the years ended September 30. Dollar amounts are expressed in thousands, except per share data.

SUMMARY STATEMENT OF OPERATIONS		2009	2008	2007	2006	2005
Interest income	$	89,825	95,521	103,818	99,132	83,773
Interest expense		42,420	56,506	62,139	52,521	32,474
Net interest income		47,405	39,015	41,679	46,611	51,299
Provision for loan losses		11,250	6,200	1,634	745	522
Net interest income after provision for loan losses		36,155	32,815	40,045	45,866	50,777
Other income		40,494	18,407	21,198	24,524	28,512
General and administrative expenses		46,716	36,819	36,329	37,248	38,851
Income before income tax expense		29,933	14,403	24,914	33,142	40,438
Income tax expense		11,224	5,107	9,595	12,374	14,612
Net income	$	18,709	9,296	15,319	20,768	25,826
Earnings per share:						
Basic	$	2.38	1.18	1.89	2.47	3.06
Diluted		2.38	1.18	1.88	2.46	3.05
Average shares outstanding (in thousands)		7,868	7,868	8,101	8,397	8,451

SUMMARY BALANCE SHEET		2009	2008	2007	2006	2005
Assets:						
Bank deposits	$	60,771	6,331	18,847	6,511	27,523
Stock in Federal Home Loan Bank		26,640	26,284	22,307	24,043	22,390
Securities		80,618	60,059	80,881	97,584	129,970
Loans receivable held for sale, net		81,367	64,030	47,233	50,462	94,130
Loans receivable held for investment, net		1,238,995	1,280,490	1,269,359	1,287,709	1,226,514
Non-interest earning assets		71,171	79,567	67,856	58,487	55,817
Total assets	$	1,559,562	1,516,761	1,506,483	1,524,796	1,556,344
Liabilities:						
Customer & brokered deposit accounts	$	904,625	769,379	855,536	851,042	802,694
Advances from Federal Home Loan Bank		441,026	550,091	458,933	499,357	465,907
Subordinated debentures		25,774	25,774	25,774	--	--
Securities sold under agreements to repurchase		--	--	--	--	122,000
Non-interest costing liabilities		21,749	19,105	16,848	17,825	16,856
Total liabilities		1,393,174	1,364,349	1,357,091	1,368,224	1,407,457
Stockholders' equity		166,388	152,412	149,392	156,572	148,887
Total liabilities and stockholders' equity	$	1,559,562	1,516,761	1,506,483	1,524,796	1,556,344
Book value per share	$	21.15	19.37	18.99	18.82	17.65

OTHER DATA		2009	2008	2007	2006	2005
Loans serviced for others	$	93,350	65,253	84,735	101,076	107,131
Number of full service branches		9	9	9	8	8
Number of employees (full-time equivalents)		367	322	312	362	441
Basic shares outstanding (in thousands)		7,868	7,868	7,868	8,319	8,437

General

NASB Financial, Inc. ("the Company") was formed in April 1998 to become a unitary thrift holding company of North American Savings Bank, F.S.B. ("the Bank" or "North American"). The Company's principal business is to provide banking services through the Bank. Specifically, the Bank obtains savings and checking deposits from the public and uses those funds to originate and purchase real estate loans and other loans. The Bank also purchases mortgage-backed securities ("MBS") and other investment securities from time to time as conditions warrant. In addition to customer deposits, the Bank obtains funds from the sale of loans held-for-sale, the sale of securities available-for-sale, repayments of existing mortgage assets, and advances from the Federal Home Loan Bank ("FHLB"). The Bank's primary sources of income are interest on loans, MBS, and investment securities plus income from lending activities and customer service fees. Expenses consist primarily of interest payments on customer and brokered deposits and other borrowings and general and administrative costs.

The Bank operates nine deposit branch locations, three residential loan origination offices, and one residential construction loan origination office, primarily in the greater Kansas City area. The Bank also operates one commercial real estate loan origination office at its headquarters in Grandview, Missouri. Consumer loans are also offered through the Bank's branch network. Customer deposit accounts are insured up to allowable limits by the Deposit Insurance Fund ("DIF"), a division of the Federal Deposit Insurance Corporation ("FDIC"). The Bank is regulated by the Office of Thrift Supervision ("OTS") and the FDIC.

Forward-Looking Statements

We may from time to time make written or oral "forward-looking statements," including statements contained in our filings with the Securities and Exchange Commission ("SEC"). These forward-looking statements may be included in this annual report to shareholders and in other communications by the Company, which are made in good faith by us pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from the plans, objectives, goals, expectations, anticipations, estimates and intentions expressed in the forward-looking statements:

- the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- the effects of, and changes in, foreign and military policy of the United States Government; inflation, interest rate, market and monetary fluctuations;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
- the willingness of users to substitute competitors' products and services for our products and services;
- our success in gaining regulatory approval of our products, services and branching locations, when required;
- the impact of changes in financial services' laws and regulations, including laws concerning taxes, banking, securities and insurance;
- technological changes;
- acquisitions and dispositions;
- changes in consumer spending and saving habits; and
- our success at managing the risks involved in our business.

This list of important factors is not all-inclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or the Bank.

Financial Condition

Total assets as of September 30, 2009, were $1,559.6 million, an increase of $42.8 million from the prior year-end. Average interest-earning assets increased $19.0 million from the prior year to $1,491.1 million.

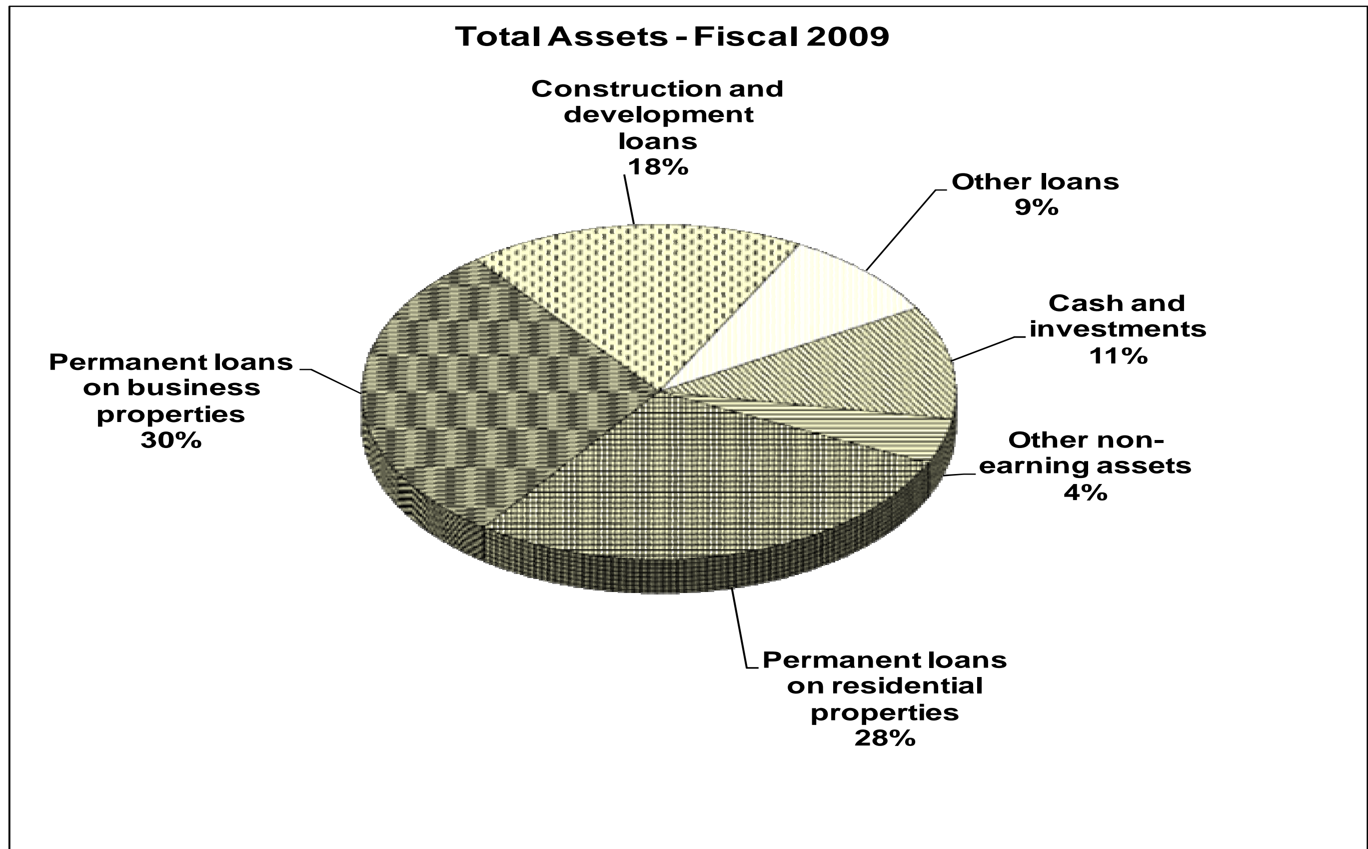
As the Bank originates loans each month, management evaluates the existing market conditions to determine which loans will be held in the Bank's portfolio and which loans will be sold in the secondary market. Residential mortgage loans sold in the secondary market are sold with servicing released or converted into mortgage-backed securities ("MBS") and sold with the servicing retained by the Bank. At the time of each loan commitment, a decision is made to either hold the loan for investment, hold it for sale with servicing retained, or hold it for sale with servicing released. Management monitors market conditions to decide whether loans should be held in the portfolio or sold and if sold, which method of sale is appropriate. During the year ended September 30, 2009, the Bank originated $1,563.4 million in mortgage loans held for sale, $234.9 million in mortgage loans held for investment, and $4.4 million in other loans. This total of $1,802.6 million in loan originations was an increase of $567.8 million over the prior fiscal year.

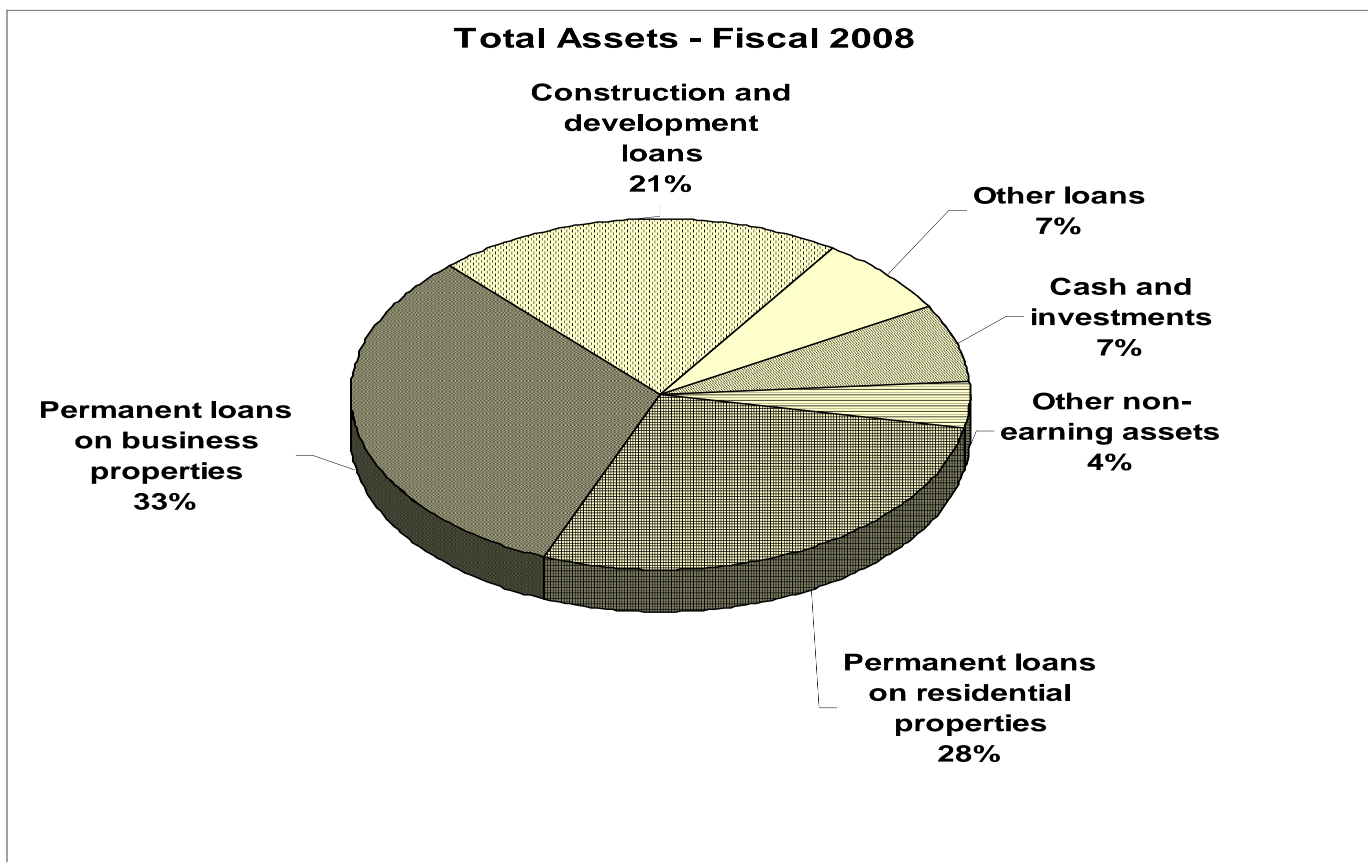
Loans held for sale as of September 30, 2009, were $81.4 million, and consisted entirely of residential mortgage loans held for sale with servicing released. As of October 1, 2008, the Company elected to carry loans held for sale at fair value, as permitted under GAAP.

The balance of total loans held for investment at September 30, 2009, was $1,259.7 million, a decrease of $34.6 million from September 30, 2008. This decrease related primarily to the Bank's construction and development loan portfolio. During fiscal 2009, total originations and purchases of mortgage loans and other loans held for investment were $240.8 million. The gross balance of loans on business properties was $474.5 million at September 30, 2009, compared to $478.9 million as of the previous year-end. The gross balance of construction and development loans was $329.5 million at September 30, 2009, a decrease of $67.3 million.

The balance of mortgage servicing rights at September 30, 2009, was $351,000, a decrease of $365,000 from September 30, 2008. Originated mortgage servicing rights of $10,000 were capitalized during the year ended September 30, 2009. The total outstanding balance of mortgage loans serviced for others was $93.3 million, an increase of $28.0 million from the prior fiscal year-end.

The following graphs summarize the Company's total assets as of September 30, 2009 and 2008:





Total liabilities were $1,393.2 million at September 30, 2009, an increase of $28.8 million from the previous year. Average interest-costing liabilities during fiscal year 2009 were $1,383.9 million, an increase of $17.4 million from fiscal 2008.

Total customer deposit accounts at September 30, 2009, were $696.8 million, an increase of $5.2 million from the prior year-end. The total change in customer deposits was comprised of increases of $3.6 million in demand deposit accounts, $1.6 million in money market demand accounts and $10.4 million in savings accounts, offset by a decrease of $10.4 million in certificate of deposit accounts. Additionally, the Company held a total of $207.8 million in brokered deposits at September 30, 2009, an increase of $130.0 million from September 30, 2008. The average interest rate on customer and brokered deposits at September 30, 2009, was 2.23%, a decrease of 115 basis points from the prior year-end. The average balance of customer and brokered deposits during fiscal 2009 was $867.9 million, an increase of $62.7 million from fiscal 2008.

Advances from the FHLB were $441.0 million at September 30, 2009, a decrease of $109.1 million from the prior fiscal year-end. During fiscal year 2009, the Bank borrowed $444.0 million of new advances and made $553.0 million of repayments. Management continues to use FHLB advances as a primary funding source to provide operating liquidity and to fund the origination of mortgage loans.

Subordinated debentures were $25.8 million as of September 30, 2009. Such debentures resulted from the issuance of pooled Trust Preferred Securities through the Company's wholly owned statutory trust, NASB Preferred Trust I during fiscal 2007. The Trust used the proceeds from the offering to purchase a like amount of the Company's subordinated debentures. The debentures, which have a variable rate of 1.65% over the 3-month LIBOR and a 30-year term, are the sole assets of the Trust. The debentures are callable, in whole or in part, after five years from the issuance date.

During the year ended September 30, 2009, the Company paid a total of $7.1 million in cash dividends to its stockholders.

Net Interest Margin

The Bank's net interest margin is comprised of the difference ("spread") between interest income on loans, MBS, and investments and the interest cost of customer and brokered deposits, FHLB advances, and other borrowings. Management monitors net interest spreads and, although constrained by certain market, economic, and competition factors, it establishes loan rates and customer deposit rates that maximize net interest margin.

During fiscal year 2009, average interest-earning assets exceeded average interest-costing liabilities by $107.1 million, which was 6.9% of average total assets. In fiscal year 2008, average interest-earning assets exceeded average interest-costing liabilities by $105.6 million, which was 6.9% of average total assets.

The net interest spread (earning yield less costing rate) for the fiscal year ended September 30, 2009, was 2.95%, an increase of 59 basis points from the prior year. The net interest spread for the fiscal year ended September 30, 2008, was 2.36%, a decrease of 17 basis points from the prior year.

The table below presents the total dollar amounts of interest income and expense on the indicated amounts of average interest-earning assets or interest-costing liabilities, with the average interest rates for the year and at the end of each year. Average yields reflect yield reductions due to non-accrual loans. Average balances and weighted average yields at year-end include all accrual and non-accrual loans. Dollar amounts are expressed in thousands.

	Fiscal 2009			As of 9/30/09	Fiscal 2008			As of 9/30/08	Fiscal 2007			As of 9/30/07
	Average Balance	Interest	Yield/ Rate	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Yield/ Rate
Interest-earning assets:												
Loans receivable	$ 1,352,561	84,934	6.28%	6.29%	$ 1,363,032	91,635	6.72%	6.49%	$ 1,339,370	99,067	7.40%	7.15%
Mortgage-backed securities	54,674	2,042	3.73%	4.48%	71,196	2,546	3.58%	4.10%	89,972	3,157	3.51%	4.19%
Investments	57,554	2,750	4.78%	3.51%	25,909	1,086	4.19%	4.00%	25,145	1,254	4.99%	4.25%
Bank deposits	26,264	99	0.38%	0.01%	11,953	254	2.12%	1.22%	7,506	340	4.53%	4.27%
Total earning assets	1,491,053	89,825	6.02%	5.88%	1,472,090	95,521	6.49%	6.32%	1,461,993	103,818	7.10%	6.90%
Non-earning assets	65,063				61,057				63,799			
Total	$ 1,556,116				$ 1,533,147				$ 1,525,792			
Interest-costing liabilities:												
Customer checking and savings deposit accounts	$ 169,124	1,487	0.88%	0.80%	$ 166,076	1,925	1.16%	1.01%	$ 169,264	2,036	1.20%	1.20%
Customer and brokered certificates of deposit	698,747	23,524	3.37%	2.58%	639,113	28,814	4.51%	4.21%	650,273	31,476	4.84%	5.09%
FHLB advances	491,040	16,552	3.37%	2.99%	536,344	24,410	4.55%	4.07%	512,341	26,811	5.23%	5.08%
Subordinated debentures	25,000	857	3.42%	2.14%	25,000	1,357	5.43%	4.45%	20,269	1,421	7.01%	7.01%
Repurchase agreements	--	--	--%	--%	--	--	--%	--%	7,546	395	5.23%	--%
Total costing liabilities	1,383,911	42,420	3.07%	2.47%	1,366,533	56,506	4.13%	3.77%	1,359,693	62,139	4.57%	4.62%
Non-costing liabilities	13,617				15,291				12,668			
Stockholders' equity	158,588				151,323				153,431			
Total	$ 1,556,116				$ 1,533,147				$ 1,525,792			
Net earning balance	$ 107,142				$ 105,557				$ 102,300			
Earning yield less costing rate			2.95%	3.41%			2.36%	2.55%			2.53%	2.28%
Avg. interest-earning assets	$ 1,491,053				$ 1,472,090				1,461,993			
Net interest		47,405				39,015				41,679		
Net yield spread on avg. interest-earning assets			3.18%				2.65%				2.85%	

The following tables set forth information regarding changes in interest income and interest expense. For each category of interest-earning asset and interest-costing liability, information is provided on changes attributable to (1) changes in rates (change in rate multiplied by the old volume), (2) changes in volume (change in volume multiplied by the old rate), and (3) changes in rate and volume (change in rate multiplied by the change in volume). Average balances, yields and rates used in the preparation of this analysis come from the preceding table. Dollar amounts are expressed in thousands.

	Year ended September 30, 2009 compared to year ended September 30, 2008			
	Rate	Volume	Rate/ Volume	Total
Components of interest income:				
Loans receivable	$ (5,998)	(704)	1	(6,701)
Mortgage-backed securities	107	(591)	(20)	(504)
Investments	153	1,326	185	1,664
Bank deposits	(208)	303	(250)	(155)
Net change in interest income	(5,946)	334	(84)	(5,696)
Components of interest expense:				
Customer and brokered deposit accounts	(7,568)	2,394	(554)	(5,728)
FHLB advances	(6,329)	(2,061)	532	(7,858)
Subordinated debentures	(503)	--	3	(500)
Net change in interest expense	(14,400)	333	(19)	(14,086)
Increase (decrease) in net interest income	$ 8,454	1	(65)	8,390

	Year ended September 30, 2008 compared to year ended September 30, 2007			
	Rate	Volume	Rate/ Volume	Total
Components of interest income:				
Loans receivable	$ (9,108)	1,751	(75)	(7,432)
Mortgage-backed securities	63	(659)	(15)	(611)
Investments	(201)	38	(5)	(168)
Bank deposits	(181)	201	(106)	(86)
Net change in interest income	(9,427)	1,331	(201)	(8,297)
Components of interest expense:				
Customer and brokered deposit accounts	(2,213)	(587)	27	(2,773)
FHLB advances	(3,484)	1,255	(172)	(2,401)
Subordinated debentures	(320)	332	(76)	(64)
Repurchase agreements	--	--	(395)	(395)
Net change in interest expense	(6,017)	1,000	(616)	(5,633)
(Decrease) increase in net interest income	$ (3,410)	331	415	(2,664)

Comparison of Years Ended September 30, 2009 and 2008

For the fiscal year ended September 30, 2009, the Company had net income of $18.7 million, or $2.38 per share, compared to net income $9.3 million, or $1.18 per share in the prior year.

Total interest income for the year ended September 30, 2009, was $89.8 million, a decrease of $5.7 million from fiscal year 2008. The average yield on interest-earning assets decreased during fiscal 2009 to 6.02% from 6.49% during fiscal 2008, which resulted in a decrease in interest income of $5.9 million. The average balance of interest-earning assets increased from $1,472.1 million during fiscal 2008 to $1,491.1 million during fiscal 2009, resulting in an increase in interest income of $334,000.

Interest income on loans decreased $6.7 million to $84.9 million in fiscal 2009, compared to $91.6 million during fiscal 2008. A decrease of $6.0 million resulted from a 44 basis point decrease in the average yield on loans outstanding during the fiscal year. The weighted average rate on loans receivable at September 30, 2009, was 6.29%, a 20 basis point decrease from September 30, 2008. Additionally, interest income on loans decreased $704,000 resulting from a $10.5 million decrease in the average balance of loans outstanding over the prior year. Interest income on mortgage-backed securities decreased $504,000 to $2.0 million in fiscal 2009, compared to $2.5 million during fiscal 2008. A decrease of $591,000 resulted from a $16.5 million decrease in the average balance of mortgage-backed securities from the prior year. This decrease was partially offset by a 15 basis point increase in the average yield on mortgage-backed securities during the fiscal year. Interest and dividend income on investment securities increased $1.7 million to $2.8 million in fiscal 2009, compared to $1.1 million during fiscal 2008. An increase of $1.3 million resulted from a $31.6 million increase in the average balance of investment securities from the prior year. In addition, interest and dividend income on investment securities increased as a result of a 59 basis point increase in the average yield on investment securities during the fiscal year.

Total interest expense during the year ended September 30, 2009, decreased $14.1 million from the prior year. Specifically, interest on customer and brokered deposit accounts decreased $5.7 million during fiscal 2009. Of that decrease, approximately $7.6 million resulted from a 94 basis point decrease in the average rate paid on such interest-costing liabilities. This decrease was partially offset by a $62.7 million increase in the average balance of customer and brokered deposits accounts from the prior year. The average rate paid on FHLB advances decreased 118 basis points, which resulted in a decrease in interest on FHLB advances of approximately $6.3 million from fiscal year 2008. In addition, a decrease in interest on FHLB advances of approximately $2.1 resulted from a $45.3 million decrease in the average balance of FHLB advances over the prior period. Management continues to use FHLB advances as a primary source of short-term financing. Interest expense on subordinated debentures decreased $500,000 resulting from a 201 basis point decrease in the average rate paid on such liabilities from the prior year.

The Bank's net interest income is impacted by changes in market interest rates, which have varied greatly over time. Changing interest rates also affect the level of loan prepayments and the demand for new loans. Management monitors the Bank's net interest spreads (the difference between yields received on assets and paid on liabilities) and, although constrained by market conditions, economic conditions, and prudent underwriting standards, it offers deposit rates and loan rates that maximize net interest income. Since the relative spread between financial assets and liabilities is constantly changing, North American's current net interest spread may not be an indication of future net interest income.

The provision for losses on loans was $11.3 million during the year ended September 30, 2009, compared to $6.2 million during fiscal 2008. The allowance for loan losses was $20.7 million or 1.64% of the total loan portfolio held for investment and approximately 51% of total nonaccrual loans as of September 30, 2009. This compares with an allowance for loan losses of $13.8 million or 1.07% of the total loan portfolio held for investment and approximately 39% of the total nonaccrual loans as of September 30, 2008. The increase in the allowance for loan loss of $6.9 million resulted from the $11.3 million provision for loss, which was partially offset by net charge-offs for the year of $4.4 million. The increase in the provision for loss from the prior year related primarily to significant increases in loans classified as substandard or loss. Additionally, management determined that the significant increase in the allowance for loan loss was appropriate due to the continued deterioration in the real estate markets. With regard to loan portfolio concentrations at September 30, 2009, loans secured by business properties made up thirty-four percent of the Bank's total loans receivable, and forty-three percent of the allowance for loan losses was allocated to such loans. This compares to thirty-four percent of total loans receivable and forty-one percent of the allowance at September 30, 2008. At September 30, 2009, loans secured by residential properties made up thirty-four percent of the Bank's total loans receivable, and eighteen percent of the allowance for loan losses was allocated to such loans. This compares to thirty-one percent of total loans receivable and nine percent of the allowance at September 30, 2008. At September 30, 2009, construction and development loans made up twenty-three percent of the Bank's total loans receivable, and thirty percent of the allowance for loan losses was allocated to such loans. This compares to twenty-seven percent of total loans receivable and forty-one percent of the allowance at September 30, 2008. Management believes that the provision for loan losses is sufficient to provide for a level of loan loss allowance at year end that would adequately absorb all estimated credit losses on outstanding balances over the subsequent twelve-month period.

Total other income for fiscal year 2009 was $40.5 million, an increase of $22.1 million from the amount earned in fiscal year 2008. Specifically, gain on sale of loans held for sale increased $15.0 million due to increased mortgage banking volume from the prior year. Gain on sale of securities available for sale increased $4.4 million due to the sale of corporate debt securities during the year. Provision for loss on real estate owned decreased $1.3 million due to a decrease in charge-offs of foreclosed assets during the year and due to the elimination of general reserves related to foreclosed assets held for sale, which are carried at fair value less estimated selling costs. Customer service fees and charges increased $1.3 million due primarily to an increase in miscellaneous loan origination fees resulting from the increase in mortgage banking volume.

Total general and administrative expenses for fiscal 2009 were $46.7 million, an increase of $9.9 million from the prior year. Specifically, compensation and fringe benefits increased $2.1 million due primarily to the addition of personnel in the Company's information technology, mortgage banking, training, and loan servicing departments. Commission-based mortgage banking compensation increased $6.0 million due primarily to an increase in mortgage banking volume from the prior year. Additionally, advertising and business promotion expense increased $438,000 due primarily to increased costs related to the mortgage banking operation. Federal deposit insurance premium expense increased $1.1 million due to an increase in insurance rates during the year and due to a $717,000 special assessment that was payable on September 30, 2009.

Comparison of Years Ended September 30, 2008 and 2007

For the fiscal year ended September 30, 2008, the Company had net income of $9.3 million, or $1.18 per share, compared to net income $15.3 million, or $1.89 per share in the prior year.

Total interest income for the year ended September 30, 2008, was $95.5 million, a decrease of $8.3 million from fiscal year 2007. The average yield on interest-earning assets decreased during fiscal 2008 to 6.49% from 7.10% during fiscal 2007, which resulted in a decrease in interest income of $9.4 million. The average balance of interest-earning assets increased from $1,462.0 million during fiscal 2007 to $1,472.1 million during fiscal 2008, resulting in an increase in interest income of $1.3 million.

Interest income on loans decreased $7.4 million to $91.6 million in fiscal 2008, compared to $99.1 million during fiscal 2007. A decrease of $9.1 million resulted from a 68 basis point decrease in the average yield on loans outstanding during the fiscal year. The weighted average rate on loans receivable at September 30, 2008, was 6.49%, a 66 basis point decrease from September 30, 2007. This decrease was partially offset by a $1.8 million increase in interest income on loans resulting from a $23.7 million increase in the average balance of loans outstanding over the prior year. Interest income on mortgage-backed securities decreased $611,000 to $2.5 million in fiscal 2008, compared to $3.2 million during fiscal 2007. A decrease of $659,000 resulted from a $18.8 million decrease in the average balance of mortgage-backed securities from the prior year. This decrease was partially offset by a 7 basis point increase in the average yield on mortgage-backed securities during the fiscal year.

Total interest expense during the year ended September 30, 2008, decreased $5.6 million from the prior year. Specifically, interest on customer and brokered deposit accounts decreased $2.8 million during fiscal 2008. Of that decrease, approximately $2.2 million resulted from a 27 basis point decrease in the average rate paid on such interest-costing liabilities, and a decrease of approximately $587,000 resulted from a $14.3 million decrease in the average balance of customer and brokered deposits accounts from the prior year. The average rate paid on FHLB advances decreased 68 basis points, which resulted in a decrease in interest on FHLB advances of approximately $3.5 million from fiscal year 2007. This decrease was partially offset by a $1.3 million increase, which resulted from a $24.0 million increase in the average balance of FHLB advances over the prior period. Management continues to use FHLB advances as a primary source of short-term financing. Interest expense on securities sold under agreements to repurchase decreased $395,000 from the prior year due to the fact that the Company had no such liabilities outstanding during fiscal 2008.

The provision for losses on loans was $6.2 million during the year ended September 30, 2008, compared to $1.6 million during fiscal 2007. The allowance for loan losses was $13.8 million or 1.07% of the total loan portfolio held for investment and approximately 39% of total nonaccrual loans as of September 30, 2008. This compares with an allowance for loan losses of $8.1 million or 0.63% of the total loan portfolio held for investment and approximately 245% of the total nonaccrual loans as of September 30, 2007. The increase in the allowance for loan loss of $5.7 million was due to the aforementioned provision for loan loss resulting from management's analysis of the Bank's loan portfolios, which was partially offset by net charge-offs for the year of $490,000. The provision for loss on loans related primarily to the significant increase in loans secured by business and residential construction properties classified as substandard or loss over the prior year. Additionally, management determined that the significant increase in the allowance for loan loss was appropriate due to the continued deterioration in the residential housing market. With regard to loan portfolio concentrations at September 30, 2008, loans secured by business properties made up thirty-four percent of the Bank's total loans receivable, and forty-one percent of the allowance for loan losses was allocated to such loans. This compares to thirty-three percent of total loans receivable and fifty-three percent of the allowance at September 30, 2007. At September 30, 2008, loans secured by residential properties made up thirty-one percent of the Bank's total loans receivable, and nine percent of the allowance for loan losses was allocated to such loans. This compares to twenty-nine percent of total loans receivable and thirteen percent of the allowance at September 30, 2007. At September 30, 2008, construction and development loans made up twenty-seven percent of the Bank's total loans receivable, and forty-one percent of the allowance for loan losses was allocated to such loans. This compares to thirty-three percent of total loans receivable and twenty-one percent of the allowance at September 30, 2007. Management believes that the provision for loan losses is sufficient to provide for a level of loan loss allowance at year end that would adequately absorb all estimated credit losses on outstanding balances over the subsequent twelve-month period.

Total other income for fiscal year 2008 was $18.4 million, a decrease of $2.8 million from the amount earned in fiscal year 2007. Specifically, provision for loss on real estate owned increased $1.5 million due to increased charge-offs on residential construction and business properties. Customer service fees and charges decreased $270,000 due to a decrease in miscellaneous loan origination fees resulting from the decrease in mortgage banking volume, and a decrease in appraisal fee income resulting from the elimination of the Company's internal appraisal department in March 2008. Gain on sale of loans receivable held for sale decreased $375,000 due to a decrease in mortgage banking volume from the prior year. In addition, other income decreased $742,000 due to decreases in income received on foreclosed assets held for sale, loan prepayment penalties, official check processing fee income, and the effect of recording the net fair value of certain loan-related commitments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." These decreases were partially offset by a $122,000 increase in gain on sale of securities due to the redemption of Visa, Inc. common stock during their initial public offering in March 2008.

Total general and administrative expenses for fiscal 2008 were $36.8 million, an increase of $490,000 from the prior year. Specifically, compensation, fringe benefits, and commission-based mortgage banking compensation increased $158,000 due primarily to an increase in mortgage banking spreads over the prior year. Premises and equipment expense increased $510,000 due primarily to costs related to a new loan origination system implemented in fiscal 2007. Additionally, advertising and business promotion expense increased $127,000 due primarily to increased costs related to the mortgage banking operation. These increases were partially offset by a $306,000 decrease in other expense due to decreases in professional fees and other lending-related costs resulting from the consolidation of loan origination offices in fiscal 2007 and from the decrease in mortgage banking volume for the fiscal year.

Asset/Liability Management

Management recognizes that there are certain market risk factors present in the structure of the Bank's financial assets and liabilities. Since the Bank does not have material amounts of derivative positions, equity securities, or foreign currency positions, interest rate risk ("IRR") is the primary market risk that is inherent in the Bank's portfolio.

The objective of the Bank's IRR management process is to maximize net interest income over a range of possible interest rate paths. The monitoring of interest rate sensitivity on both the interest-earning assets and the interest-costing liabilities are key to effectively managing IRR. Management maintains an IRR policy, which outlines a methodology for monitoring interest rate risk. The Board of Directors reviews this policy and approves changes on a quarterly basis. The IRR policy also identifies the duties of the Bank's Asset/Liability Committee ("ALCO"). Among other things, the ALCO is responsible for developing the Bank's annual business plan and investment strategy, monitoring anticipated weekly cashflows, establishing prices for the Bank's various products, and implementing strategic IRR decisions.

On a quarterly basis, the Bank monitors the estimate of changes that would potentially occur to its net portfolio value ("NPV") of assets, liabilities, and off-balance sheet items assuming a sudden change in market interest rates. Management presents a NPV analysis to the Board of Directors each quarter and NPV policy limits are reviewed and approved.

The following table is an interest rate sensitivity analysis, which summarizes information provided by the OTS that estimates the changes in NPV of the Bank's portfolio of assets, liabilities, and off-balance sheet items given a range of assumed changes in market interest rates. These computations estimate the effect on the Bank's NPV of an instantaneous and sustained change in market interest rates of plus and minus 300 basis points, as well as the Bank's current IRR policy limits on such estimated changes. The computations of the estimated effects of interest rate changes are based on numerous assumptions, including a constant relationship between the levels of various market interest rates and estimates of prepayments of financial assets. The OTS compiled this information using data from the Bank's Thrift Financial Report as of September 30, 2009. The model output data associated with the -200 and -300 basis point scenarios was suppressed because of the relatively low current interest rate environment. Dollar amounts are expressed in thousands.

Changes in Market Interest rates	Net Portfolio Value			NPV as % of PV of Assets	
	$ Amount	$ Change	% Change	Actual	Board approved Minimum
+ 3%	187,021	(42,905)	-19%	12.1%	6%
+ 2%	200,815	(29,111)	- 13%	12.8%	6%
+ 1%	216,194	(13,732)	-6%	13.6%	7%
no change	229,926	--	--	14.2%	8%
- 1%	243,691	13,765	+6%	14.8%	8%
- 2%	--	--	--	--	8%
- 3%	--	--	--	--	8%

Management cannot predict future interest rates and the effect of changing interest rates on future net interest margin, net income, or NPV can only be estimated. However, management believes that its overall system of monitoring and managing IRR is effective.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, most of the Bank's assets and liabilities are monetary in nature. Except for inflation's impact on general and administrative expenses, interest rates have a more significant impact on the Bank's performance than do the effects of inflation. However, the level of interest rates may be significantly affected by the potential changes in the monetary policies of the Board of Governors of the Federal Reserve System in an attempt to impact inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services.

Changing interest rates impact the demand for new loans, which affect the value and profitability of North American's loan origination department. Rate fluctuations inversely affect the value of the Bank's mortgage servicing portfolio because of their impact on mortgage prepayments. Falling rates usually stimulate a demand for new loans, which makes the mortgage banking operation more valuable, but also encourages mortgage prepayments, which depletes the value of mortgage servicing rights. Rising rates generally have the opposite effect on these operations.

Impact of Current Economic Conditions

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses, and capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity.

Liquidity and Capital Resources

Effective July 18, 2001, the OTS adopted a rule that removed the regulation to maintain a specific average daily balance of liquid assets, but retained a provision that requires institutions to maintain sufficient liquidity to ensure their safe and sound operation. North American maintains a level of liquid assets adequate to meet the requirements of normal banking activities, including the repayment of maturing debt and potential deposit withdrawals. The Bank's primary sources of liquidity are the sale and repayment of loans, retention of existing or newly acquired retail deposits, and FHLB advances. Management continues to use FHLB advances as a primary source of short-term funding. FHLB advances are secured by a blanket pledge agreement of the loan and securities portfolio, as collateral, supported by quarterly reporting of eligible collateral to FHLB. Available FHLB borrowings are limited based upon a percentage of the Bank's assets and eligible collateral, as adjusted by appropriate eligibility and maintenance levels. Management continually monitors the balance of eligible collateral relative to the amount of advances outstanding. At September 30, 2009, the Bank had a total borrowing capacity at FHLB of $535.9 million, and outstanding advances of $441.0 million. The Bank has established relationships with various brokers, and, as a secondary source of liquidity, the Bank may purchase brokered deposit accounts. At September 30, 2009, the Bank has $207.8 million in brokered deposits, and it could purchase up to an additional $354.7 million in brokered deposits and remain "well capitalized" as defined by the OTS.

Fluctuations in the level of interest rates typically impact prepayments on mortgage loans and mortgage related securities. During periods of falling rates, these prepayments increase and a greater demand exists for new loans. The Bank's ability to attract and retain customer deposits is partially impacted by area competition and by other alternative investment sources that may be available to the Bank's customers in various interest rate environments. Management is not currently aware of any other trends, market conditions, or other economic factors that could materially impact the Bank's primary sources of funding or affect its future ability to meet obligations as they come due. Although future changes to the level of market interest rates is uncertain, management believes its sources of funding will continue to remain stable during upward and downward interest rate environments. In the unlikely event of a significant change in the availability of the Bank's funding sources, the Bank could obtain funding through the various capital market alternatives available such as an issuance of corporate debt, commercial paper or fed funds.

The OTS also requires thrift institutions to maintain specified levels of regulatory capital. As of September 30, 2009, the Bank's regulatory capital exceeded all minimum capital requirements, which consist of three components: tangible, core, and risk-based. A schedule, which more fully describes the Bank's regulatory capital requirements, is provided in the notes to the consolidated financial statements.

Any dividend or capital distribution that the Bank makes to the Company is subject to a thirty-day review by the OTS, who can take exception to any proposed dividend. Declared dividends remain unpaid until management receives written notification of "no exception" from the OTS.

Off Balance Sheet Arrangements and Contractual Obligations

Various commitments and contingent liabilities arise in the normal course of business, which are not required to be recorded on the balance sheet. The most significant of these are loan commitments and standby letters of credit. The bank had outstanding commitments to originate mortgage loans for its portfolio and standby letters of credit totaling $1.3 million and $2.3 million, respectively, at September 30, 2009. In addition, the Bank had outstanding commitments to originate mortgage loans totaling $155.0 million at September 30, 2009, which it had committed to sell to outside investors. Since commitments may expire unused or be only partially used, these totals do not necessarily reflect future cash requirements. Management does not anticipate any material losses arising from commitments and contingent liabilities and believes that there are no material commitments to extend credit that represent risk of an unusual nature.

Management anticipates that the Company will continue to have sufficient funds through repayments and maturities of loans and securities, deposits and borrowings, to meet its commitments.

The following table discloses payments due on the Company's contractual obligations at September 30, 2009:

		Total	Due in less than one year	Due from one to three years	Due from three to five years	Due in more than five years
Advances from FHLB	$	441,026	230,026	211,000	--	--
Subordinated debentures		25,774	--	--	--	25,774
Operating leases		2,340	554	826	890	70
Total contractual obligations	$	469,140	230,580	211,826	890	25,844

Critical Accounting Policies

The Company has identified the accounting policies below as critical to the Company's operations and to understanding the Company's consolidated financial statements. Following is an explanation of the methods and assumptions underlying their application.

Allowance for Loan and Lease Losses

Management records an Allowance for Loan and Lease Losses ("ALLL") sufficient to cover current net charge-offs and an estimate of probable losses based on an analysis of risks that management believes to be inherent in the loan portfolio. The ALLL recognizes the inherent risks associated with lending activities but, unlike a specific allowance, has not been allocated to particular problem assets but to a homogenous pool of loans. Management analyzes the adequacy of the allowance on a monthly basis and believes that the Bank's specific loss allowances and ALLL are adequate. While management uses information currently available to determine these allowances, they can fluctuate based on changes in economic conditions and changes in the information available to management. Also, regulatory agencies review the Bank's allowances for loan loss as part of their examination, and they may require the Bank to recognize additional loss provisions based on the information available at the time of their examinations.

Management estimates the required level of ALLL using a formula based on various subjective and objective factors. ALLL is established and maintained in the form of a provision on loss charged to earnings. Based on its analysis, management may determine that ALLL is above appropriate levels. If so, a negative loss provision would be recorded to reduce the ALLL. This could occur due to significant asset recoveries or significant reductions in the level of classified assets. Each quarter management assesses the risk of the assets in the loan portfolio using historical loss data and current economic conditions in order to determine impairment of the various loan portfolios and adjusts the level of ALLL. At any given time, the ALLL should be sufficient to absorb at least all estimated credit losses on outstanding balances over the next twelve months.

When considering the adequacy of ALLL, management's evaluation of the asset portfolio has two primary components: foreclosure probability and loss severity. Foreclosure probability is the likelihood of loans not repaying in accordance with their original terms, which would result in the foreclosure and subsequent liquidation of the property. Loss severity is any potential loss resulting from the loan's foreclosure and subsequent liquidation. Management calculates estimated foreclosure frequency and loss severity ratios for each homogenous loan pool based upon objective factors such as historical data and loan characteristics, plus an estimate of certain subjective factors including future market trends and economic conditions. These ratios are applied to the balances of the homogeneous loan pools to determine the adequacy of the ALLL each month.

In addition to analyzing homogenous pools of loans for impairment, management reviews individual loans for impairment each month. A loan becomes impaired when management believes it will be unable to collect all principal and interest due according to the contractual terms of the loan. If a loan is impaired, the Bank records a specific allowance equal to the excess of the loan's carrying value over the present value of the estimated future cash flows discounted at the loan's effective rate based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Loans on residential properties with greater than four units and loans on construction/development and commercial properties are evaluated for impairment on a loan by loan basis.

Valuation of Derivative Instruments

The Bank has commitments outstanding to extend credit that have not closed prior to the end of the period. As the Bank enters into commitments to originate loans, it also enters into commitments to sell the loans in the secondary market. Additionally, the Bank has commitments to sell loans that have closed prior to the end of the period. Such commitments to originate loans held for sale and to sell loans are considered derivative instruments in accordance with GAAP, which requires the Bank to recognize all derivative instruments in the balance sheet and to measure those instruments at fair value.

Commitments to originate loans held for sale and forward sales commitments are valued using a valuation model which considers differences between current market interest rates and committed rates. The model also includes assumptions which estimate fall-out percentages for commitments to originate loans.

Valuation of Mortgage Servicing Rights

The Bank creates mortgage servicing rights ("MSRs") through the securitization and sale of residential mortgage loans. MSRs are recorded at cost based upon the relative fair values of the servicing rights on the underlying loans. The fair value is determined by discounting estimated future cash flows at the market rate of interest. These rights are amortized in proportion to and over the period of expected net servicing income or loss.

The Bank evaluates the carrying value of MSRs on a monthly basis based on their estimated fair value. For purposes of evaluating and measuring impairment of MSRs, the Bank stratifies the rights based on their predominant risk characteristics. Management considers the significant risks to be loan type, period of origination and stated interest rate. If the estimated fair value, using a discounted cash flow methodology, is less than the carrying amount of the portfolio, the portfolio is written down to the amount of the discounted expected cash flows utilizing a valuation allowance. The Bank utilizes consensus market prepayment assumptions and discount rates to evaluate its capitalized servicing rights, which considers the risk characteristics of the underlying servicing rights. Prepayment assumptions have the greatest impact on the market value of MSRs. Generally, if current rates are lower than the rates on the underlying loans, prepayments will accelerate, reducing the value of the MSRs. The Bank utilizes prepayment assumptions compiled by the mortgage research departments of several large broker/dealers. The measurement of the fair value of MSRs is limited by the conditions existing and the assumptions utilized as of a particular point in time, and those assumptions may not be appropriate if applied at a different point in time.

NASB Financial, Inc. and Subsidiary
Consolidated Balance Sheets

		September 30, 2009	September 30, 2008
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	63,250	21,735
Securities:			
Available for sale, at fair value		21,654	35
Held to maturity, at cost		1,290	--
Stock in Federal Home Loan Bank, at cost		26,640	26,284
Mortgage-backed securities:			
Available for sale, at fair value		46,549	59,889
Held to maturity, at cost		11,125	135
Loans receivable:			
Held for sale, at fair value at September 30, 2009, and at lower of amortized cost or fair value at September 30, 2008, net		81,367	64,030
Held for investment, net		1,259,694	1,294,297
Allowance for loan losses		(20,699)	(13,807)
Accrued interest receivable		6,195	6,886
Foreclosed assets held for sale, net		10,140	6,038
Premises and equipment, net		13,393	14,599
Investment in LLCs		21,045	20,683
Mortgage servicing rights, net		351	716
Deferred income tax asset, net		6,651	6,293
Other assets		10,917	8,948
	$	1,559,562	1,516,761
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	696,781	691,615
Brokered deposit accounts		207,844	77,764
Advances from Federal Home Loan Bank		441,026	550,091
Subordinated debentures		25,774	25,774
Escrows		10,178	9,776
Income taxes payable		4,210	4,002
Liability for unrecognized tax benefits		326	850
Accrued expenses and other liabilities		7,035	4,477
Total liabilities		1,393,174	1,364,349
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,857,112 shares issued at September 30, 2009 and 2008		1,479	1,479
Additional paid-in capital		16,525	16,484
Retained earnings		184,891	172,612
Treasury stock, at cost; 1,989,498 shares at September 30, 2009 and 2008		(38,418)	(38,418)
Accumulated other comprehensive income		1,911	255
Total stockholders' equity		166,388	152,412
	$	1,559,562	1,516,761

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Income

		Years Ended September 30,	
	2009	2008	2007
	(Dollars in thousands, except share data)		
Interest on loans receivable	$ 84,934	91,635	99,067
Interest on mortgage-backed securities	2,042	2,546	3,157
Interest and dividends on securities	2,750	1,086	1,254
Other interest income	99	254	340
Total interest income	89,825	95,521	103,818
Interest on customer and brokered deposit accounts	25,011	30,739	33,512
Interest on advances from Federal Home Loan Bank	16,552	24,410	26,811
Interest on subordinated debentures	857	1,357	1,421
Interest on securities sold under agreements to repurchase	--	--	395
Total interest expense	42,420	56,506	62,139
Net interest income	47,405	39,015	41,679
Provision for loan losses	11,250	6,200	1,634
Net interest income after provision for loan losses	36,155	32,815	40,045
Other income (expense):			
Loan servicing fees, net	(173)	18	103
Impairment recovery on mortgage servicing rights	43	48	34
Customer service fees and charges	6,873	5,547	5,817
Provision for loss on real estate owned	(727)	(2,050)	(595)
Gain on sale of securities available for sale	4,565	122	--
Gain from loans receivable held for sale	29,042	14,043	14,418
Other	871	679	1,421
Total other income	40,494	18,407	21,198
General and administrative expenses:			
Compensation and fringe benefits	17,615	15,553	15,567
Commission-based mortgage banking compensation	13,518	7,482	7,310
Premises and equipment	3,972	4,147	3,637
Advertising and business promotion	4,743	4,305	4,178
Federal deposit insurance premiums	1,246	104	103
Other	5,622	5,228	5,534
Total general and administrative expenses	46,716	36,819	36,329
Income before income tax expense	29,933	14,403	24,914
Income tax expense (benefit):			
Current	13,027	9,989	9,429
Deferred	(1,803)	(4,882)	166
Total income tax expense	11,224	5,107	9,595
Net income	$ 18,709	9,296	15,319
Basic earnings per share	$ 2.38	1.18	1.89
Diluted earnings per share	$ 2.38	1.18	1.88
Basic weighted average shares outstanding	7,867,614	7,867,614	8,100,904

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years ended September 30,		
	2009	2008	2007
Cash flows from operating activities:	(Dollars in thousands)		
Net income	$ 18,709	9,296	15,319
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,768	1,809	1,220
Amortization and accretion, net	(5,387)	(1,068)	(1,668)
Deferred income tax expense (benefit)	(1,803)	(4,882)	166
Gain on sale of securities available for sale	(4,565)	(122)	--
Loss from investment in LLCs	117	265	197
Impairment recovery on mortgage servicing rights	(43)	(48)	(34)
Gain from loans receivable held for sale	(29,042)	(14,043)	(14,418)
Provision for loan losses	11,250	6,200	1,634
Provision for loss on real estate owned	727	2,050	595
Origination of loans receivable held for sale	(1,563,400)	(884,725)	(1,001,663)
Sale of loans receivable held for sale	1,576,436	899,486	1,019,310
Stock based compensation – stock options	41	84	89
Changes in:			
Net fair value of loan-related commitments	(637)	31	(42)
Accrued interest receivable	691	1,512	(192)
Accrued expenses, other liabilities and income taxes payable	2,145	996	(529)
Net cash provided by operating activities	7,006	16,841	19,984
Cash flows from investing activities:			
Principal repayments of mortgage-backed securities:			
Held to maturity	649	82	108
Available for sale	13,408	21,972	17,887
Principal repayments of mortgage loans receivable held for investment	256,076	309,108	412,833
Principal repayments of other loans receivable	5,415	10,524	8,741
Principal repayments of securities available for sale	6	7	8
Loan origination - mortgage loans receivable held for Investment	(234,868)	(342,219)	(401,520)
Loan origination - other loans receivable	(4,355)	(7,847)	(9,141)
Purchase of mortgage loans receivable held for investment	(1,610)	(9,500)	--
Proceeds from sale (purchase) of Federal Home Loan Bank stock	(356)	(3,977)	1,736
Purchase of mortgage-backed securities held to maturity	(11,632)	--	--
Purchase of securities available for sale	(110,005)	--	--
Purchase of securities held to maturity	(1,283)	--	--
Proceeds from sale of securities available for sale	96,135	122	--
Proceeds from sale of real estate owned	10,259	5,427	6,785
Purchases of premises and equipment, net	(562)	(643)	(4,097)
Investment in LLC	(479)	(1,890)	(2,517)
Other	(1,334)	(330)	(2,261)
Net cash provided by (used in) investing activities	15,464	(19,164)	28,562

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Cash Flows (continued)

	Years ended September 30,		
	2009	2008	2007
Cash flows from financing activities:	(Dollars in thousands)		
Net (decrease) increase in customer and brokered deposit accounts	134,723	(86,570)	3,622
Proceeds from advances from Federal Home Loan Bank	444,000	378,000	353,650
Repayment of advances from Federal Home Loan Bank	(553,000)	(286,650)	(393,848)
Proceeds from subordinated debentures	--	--	25,774
Proceeds from sale of securities under agreements to repurchase	--	--	30,900
Repayment of securities sold under agreements to repurchase	--	--	(30,900)
Cash dividends paid	(7,080)	(7,080)	(7,337)
Repurchase of common stock for treasury	--	--	(16,357)
Change in escrows	402	308	558
Net cash provided by (used in) financing activities	19,045	(1,992)	(33,938)
Net increase (decrease) in cash and cash equivalents	41,515	(4,315)	14,608
Cash and cash equivalents at beginning of period	21,735	26,050	11,442
Cash and cash equivalents at end of period	$ 63,250	21,735	26,050
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$ 13,114	6,613	10,771
Cash paid for interest	41,812	58,686	61,965
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$ 18,884	10,465	13,690
Conversion of real estate owned to loans receivable	391	2,772	5,617
Capitalization of originated mortgage servicing rights	10	--	6
Transfer of loans from held for investment to held for sale	--	17,515	--

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity

		Common Stock	Additional paid-in Capital	Retained earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total stockholders' equity
		(Dollars in thousands)					
Balance at October 1, 2006	$	1,479	16,311	162,631	(22,061)	(1,788)	156,572
Comprehensive income:							
Net income		--	--	15,319	--	--	15,319
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	1,106	1,106
Total comprehensive income							16,425
Cash dividends paid		--	--	(7,337)	--	--	(7,337)
Stock based compensation expense		--	89	--	--	--	89
Purchase of common stock for treasury		--	--	--	(16,357)	--	(16,357)
Balance at September 30, 2007	$	1,479	16,400	170,613	(38,418)	(682)	149,392
Comprehensive income:							
Net income		--	--	9,296	--	--	9,296
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	937	937
Total comprehensive income							10,233
Cash dividends paid		--	--	(7,080)	--	--	(7,080)
Stock based compensation expense		--	84	--	--	--	84
Adjustment for the adoption of FIN 48		--	--	(217)	--	--	(217)
Balance at September 30, 2008	$	1,479	16,484	172,612	(38,418)	255	152,412
Comprehensive income:							
Net income		--	--	18,709	--	--	18,709
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	1,656	1,656
Total comprehensive income							20,365
Cash dividends paid		--	--	(7,080)	--	--	(7,080)
Stock based compensation expense		--	41	--	--	--	41
Adjustment for the adoption of FAS 159, net of tax		--	--	650	--	--	650
Balance at September 30, 2009	$	1,479	16,525	184,891	(38,418)	1,911	166,388

		Year ended September 30, 2009
Reclassification Disclosure:		
Unrealized gain on available for sale securities, net of income taxes of $2,794	$	4,463
Reclassification adjustment for gain included in net income, net of income taxes of $1,758		(2,807)
Change in unrealized gain (loss) on available for sale securities, net of income taxes of $1,037	$	1,656

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of NASB Financial, Inc. (the "Company"), its wholly-owned subsidiary, North American Savings Bank, F.S.B. (the "Bank"), and the Bank's wholly-owned subsidiary, Nor-Am Service Corporation. All significant inter-company transactions have been eliminated in consolidation. The consolidated financial statements do not include the accounts of our wholly owned statutory trust, NASB Preferred Trust I (the "Trust"). The Trust qualifies as a special purpose entity that is not required to be consolidated in the financial statements of NASB Financial, Inc. The Trust Preferred Securities issued by the Trust are included in Tier I capital for regulatory capital purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand plus interest-bearing deposits in the Federal Home Loan Bank of Des Moines totaling $60.8 million and $6.3 million as of September 30, 2009 and 2008, respectively. The Federal Reserve Board ("FRB") requires federally chartered savings banks to maintain non-interest-earnings cash reserves at specified levels against their transaction accounts. Required reserves may be maintained in the form of vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account, as defined by FRB. At September 30, 2009, the Bank's reserve requirement was $4.4 million.

Securities and Mortgage-Backed Securities Available for Sale

Debt securities and mortgage-backed securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities and mortgage-backed securities not classified as held to maturity or trading are classified as available for sale. As of September 30, 2009 and 2008, the Company had no assets designated as trading. Securities and mortgage-backed securities classified as available for sale are recorded at their fair values, with unrealized gains and losses, net of income taxes, reported as accumulated other comprehensive income or loss.

Premiums and discounts are recognized as adjustments to interest income over the life of the securities using a method that approximates the level yield method. Gains or losses on the disposition of securities are based on the specific identification method. Market prices are obtained from broker-dealers and reflect estimated offer prices.

To the extent management determines a decline in value in a security or mortgage-backed security available for sale to be other than temporary, the Bank will include such expense in the consolidated statements of income.

Securities and Mortgage-Backed Securities Held to Maturity

Debt securities and mortgage-backed securities held to maturity are stated at cost, adjusted for amortization of premiums and discounts, which are recognized as adjustments to interest income over the life of the securities using the level-yield method.

To the extent management determines a decline in value in a mortgage-backed security held to maturity to be other than temporary, the Company will adjust the carrying value and include such expense in the consolidated statements of income.

Loans Receivable Held for Sale

As the Bank originates loans each month, management evaluates the existing market conditions to determine which loans will be held in the Bank's portfolio and which loans will be sold in the secondary market. Loans sold in the secondary market are sold with servicing released or converted into mortgage-backed securities ("MBS") and sold with the servicing retained by the Bank. At the time of each loan commitment, a decision is made to either hold the loan for investment, hold it for sale with servicing retained, or hold it for sale with servicing released. Management monitors market conditions to decide whether loans should be held in the portfolio or sold and if sold, which method of sale is appropriate.

As of September 30, 2008, loans held for sale were carried at the lower of amortized cost or fair value. As of October 1, 2008, the Company elected to carry loans held for sale at fair value, which is determined based on sale commitments or dealer quotations. Gains or losses on such sales are recognized using the specific identification method. Transfers of loan receivable held for sale are accounted for as sales when control over the asset has been surrendered. The Bank issues various representations and warranties and standard recourse provisions associated with the sale of loans. As of September 30, 2009, the Bank has an accrued liability of $1.1 million related to estimated future losses in accordance with such recourse provisions.

Loans Receivable Held for Investment, Net

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the amount of unpaid principal less an allowance for loan losses, undisbursed loan funds and unearned discounts and loan fees, net of certain direct loan origination costs. Interest on loans is credited to income as earned and accrued only when it is deemed collectible. Loans are placed on nonaccrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. The accrual of interest is discontinued when principal or interest payments become doubtful. As a general rule, this occurs when the loan becomes ninety days past due. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of cash may be applied as reductions to the principal balance, interest in arrears or recorded as income, depending on Bank management's assessment of the ultimate collectibility of the loan. Nonaccrual loans may be restored to accrual status when principal and interest become current and the full payment of principal and interest is expected.

Net loan fees and direct loan origination costs are deferred and amortized as yield adjustments to interest income using the level-yield method over the contractual lives of the related loans.

Allowance for Loan Losses

The Bank considers a loan to be impaired when management believes it will be unable to collect all principal and interest due according to the contractual terms of the loan. If a loan is impaired, the Bank records a loss valuation equal to the excess of the loan's carrying value over the present value of the estimated future cash flows discounted at the loan's initial effective rate based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. One-to-four family residential loans and consumer loans are collectively evaluated for impairment. Loans on residential properties with greater than four units, on construction and development and commercial properties are evaluated for impairment on a loan by loan basis. 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 Bank's past loan loss experience, known and inherent losses 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. Assessing the adequacy of the allowance for loan losses is inherently subjective as it requires making material estimates, including the amount and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. In management's opinion, the allowance, when taken as a whole, is adequate to absorb reasonable estimated loan losses inherent in the Bank's loan portfolio.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are initially recorded at fair value as of the date of foreclosure less any estimated selling costs (the "new basis") and are subsequently carried at the lower of the new basis or fair value less selling costs on the current measurement date. Adjustments for estimated losses are charged to operations when the fair value declines to an amount less than the carrying value. Costs and expenses related to major additions and improvements are capitalized, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. Applicable gains and losses on the sale of real estate owned are realized when the asset is disposed depending on the adequacy of the down payment and other requirements.

Premises and Equipment

Premises and equipment are recorded at cost, less accumulated depreciation. Depreciation of premises and equipment is provided over the estimated useful lives (from three to forty years for buildings and improvements and from three to ten years for furniture, fixtures, and equipment) of the respective assets using the straight-line method. Maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

Investment in LLCs

The Company is a partner in two limited liability companies, which were formed for the purpose of purchasing and developing vacant land in Platte County, Missouri. These investments are accounted for using the equity method of accounting.

Stock Options

The Company has a stock-based employee compensation plan which is described more fully in Note 18. The Company recognizes compensation cost over the five-year service period for its stock option awards. Stock based compensation expense for stock options totaled $41 thousand ($25 thousand, net of tax), $84 thousand ($52 thousand, net of tax) and $89 thousand ($55 thousand, net of tax) during the years ended September 30, 2009, 2008 and 2007, respectively.

Income Taxes

The Company files a consolidated Federal income tax return with its subsidiaries using the accrual method of accounting.

The Company provides for income taxes using the asset/liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The Bank's bad debt deduction for the years ended September 30, 2009, 2008 and 2007, was based on the specific charge off method. The percentage method for additions to the tax bad debt reserve was used prior to the fiscal year ended September 30, 1997. Under the current tax rules, Banks are required to recapture their accumulated tax bad debt reserve, except for the portion that was established prior to 1988, the "base-year." The recapture of the excess reserve was completed over a six-year phase-in-period that began with the fiscal year ended September 30, 1999. A deferred income tax liability is required to the extent the tax bad debt reserve exceeds the 1988 base year amount. Retained earnings include approximately $3.7 million representing such bad debt reserve for which no deferred taxes have been provided. Distributing the Bank's capital in the form of stock redemptions caused the Bank to recapture a significant amount of its bad debt reserve prior to the phase-in period.

Mortgage Servicing Rights

Servicing assets and other retained interests in transferred assets are measured by allocating the previous carrying amount between the assets sold, if any, and retained interest, if any, based on their relative fair values at the date of the transfer, and servicing assets and liabilities are subsequently measured by (1) amortization in proportion to and over the period of estimated net servicing income or loss, and (2) assessment for asset impairment or increased obligation based on their fair values.

Originated mortgage servicing rights are recorded at cost based upon the relative fair values of the loans and the servicing rights. Servicing release fees paid on comparable loans and discounted cash flows are used to determine estimates of fair values. Purchased mortgage servicing rights are acquired from independent third-party originators and are recorded at the lower of cost or fair value. These rights are amortized in proportion to and over the period of expected net servicing income or loss.

Impairment Evaluation - The Bank evaluates the carrying value of capitalized mortgage servicing rights on a periodic basis based on their estimated fair value. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Bank stratifies the rights based on their predominant risk characteristics. The significant risk characteristics considered by the Bank are loan type, period of origination and stated interest rate. If the fair value estimated, using a discounted cash flow methodology, is less than the carrying amount of the portfolio, the portfolio is written down to the amount of the discounted expected cash flows utilizing a valuation allowance. The Bank utilizes consensus market prepayment assumptions and discount rates to evaluate its capitalized servicing rights, which considers the risk characteristics of the underlying servicing rights. During the years ended September 30, 2009 and 2008, the value of mortgage servicing rights increased, which resulted in a recovery of valuation allowance of $43,000 and $48,000, respectively.

Derivative Instruments

The Bank regularly enters into commitments to originate and sell loans held for sale. Certain commitments are considered derivative instruments under GAAP, which requires the Bank to recognize all derivative instruments in the balance sheet and to measure those instruments at fair value. As of September 30, 2009 and 2008, the fair value of loan related commitments resulted in a net asset of $645,000 and $8,000, respectively.

Revenue Recognition

Interest income, loan servicing fees, customer service fees and charges and ancillary income related to the Bank's deposits and lending activities are accrued as earned.

Earnings Per Share

Basic earnings per share is computed based upon the weighted-average common shares outstanding during the year. Diluted earnings per share is computed using the weighted average common shares and all potential dilutive common shares outstanding during the year. Dilutive securities consist entirely of stock options granted to employees as incentive stock options under Section 442A of the Internal Revenue Code as amended.

The computations of basic and diluted earnings per share are presented in the following table. Dollar amounts are expressed in thousands, except per share data.

		Year Ended September 30,		
		2009	2008	2007
Net income	$	18,709	9,296	15,319
Average common shares outstanding		7,867,614	7,867,614	8,100,904
Average common share stock options outstanding		--	--	66,970
Average diluted common shares		7,867,614	7,867,614	8,167,874
Earnings per share:				
Basic earnings per share	$	2.38	1.18	1.89
Diluted earnings per share		2.38	1.18	1.88

At September 30, 2009 and 2008, options to purchase 62,038 shares and 72,038 shares, respectively, of the Company's stock were outstanding. These options were not included in the calculated of diluted earnings per share, as they were considered anti-dilutive.

Recently Issued Accounting Standards

On June 29, 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105-10 which establishes the Codification as the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal laws are also sources of authoritative GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. Accounting Standard Updates issued after the effective date of this update will not be considered authoritative in their own right. Instead, the Accounting Standard Updates will serve only to update the Codification, provide background information about the guidance, and provide the basis for conclusions on the change(s) in the Codification. After the effective date of this statement, all non-grandfathered non-SEC accounting literature not included in the Codification is superseded and deemed non-authoritative. ASC 105-10 is effective for interim and annual reporting periods after September 15, 2009 (effective September 30, 2009 for the Company). There was no material impact from the adoption of this update.

In September 2006, the FASB issued ASC 820-10, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard is effective for financial statements issued for fiscal years beginning after November 2, 2007, and interim periods within those fiscal years. The adoption of the standard on October 1, 2008, resulted in additional disclosures in the Company's financial statements.

In February 2007, the FASB issued ASC 825-10, more commonly known as the "The Fair Value Option for Financial Assets and Financial Liabilities." This standard provides companies with an option to measure eligible financial assets and liabilities at fair value. The fair value option may be applied instrument by instrument and is irrevocable once made. If a company elects the fair value option for an eligible instrument, changes in fair value must be reported as unrealized gains and loses in earnings at each subsequent reporting date. The standard is effective for fiscal years beginning after November 15, 2007. The Company adopted the standard on October 1, 2008, and elected to measure loans held for sale at fair value. This election resulted in a $650,000 increase in retained earnings.

In December 2007, the FASB issued ASC 805-10. The standard revises certain principles, including the definition of a business combination, the recognition and measurement of assets acquired and liabilities assumed in a business combination, the accounting for goodwill, and financial statement disclosure. This update is effective for annual periods beginning after December 15, 2008. There is currently no impact from the adoption of this update on the Company's consolidated financial statements.

In March 2008, the FASB issued ASC 815-10-65 which establishes the disclosure requirements for derivative instruments and for hedging activities. This standard amends and expands the disclosure requirements of ASC 815-10, and is effective for fiscal years and interim periods beginning after November 15, 2008. The Company's disclosure regarding derivative instruments reflects the adoption of this standard.

In April 2009, the FASB issued ASC 825-10-50 and ASC 825-10-55 to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. These topics were effective for interim reporting periods ending after June 15, 2009.

In April 2009, the FASB issued ASC 320-10-65 which amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This standard does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities and is effective for interim and annual reporting periods ending after June 15, 2009. There is currently no material impact from the adoption of this standard on the Company's consolidated financial statements.

In April 2009, the FASB issued ASC 820-10-65 which provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This standard also includes guidance on identifying circumstances that indicate a transaction is not orderly. The standard is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. There is currently no material impact from the adoption of this standard on the Company's consolidated financial statements.

In May 2009, the FASB issued ASC 855-10 which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. The standard sets forth the period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the required financial statement disclosures. In addition, the standard requires disclosure of the date through which an entity has evaluated subsequent events and the basis for the date, that is, whether the date represents the date the financial statements were issued or available to be issued. This standard was effective for interim or annual financial periods ending after June 15, 2009. There is currently no material impact from the adoption of the standard.

In June 2009, the FASB issued ASC 860-10, ASC 860-40 and ASC 860-50 which enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and the company's continuing involvement in transferred assets. This standard removes the concept of qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires enhanced disclosures to provide financial statement users with greater transparency about transfers of financial assets and a transferor's continuing involvement with transfers of financial assets accounted for as sales. This standard is effective for annual reporting periods beginning after November 15, 2009, for interim periods within the first annual reporting period and for interim and annual reporting periods thereafter (effective October 1, 2010 for the Company). Management does not anticipate it will have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued ASC 805-20 and ASC 810-10 which requires a company to perform a qualitative analysis when determining whether it must consolidate a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the company that has both the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance, and the obligation to absorb losses of the entity that could be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This standard requires the company to perform ongoing reassessments to determine if it must consolidate a variable interest entity. This standard requires disclosures about the company's involvement with the variable interest entities and any significant changes in risk exposure due to that involvement, how the involvement affects the company's financial statements, and significant judgments and assumptions made in determining whether it must consolidate the variable interest entity. This standard is effective for annual reporting periods beginning after November 15, 2009, for interim periods within the first annual reporting period and for interim and annual reporting periods thereafter (effective October 1, 2010 for the Company). Management does not anticipate that this update will have a material impact on the Company's consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported periods. Estimates were used to establish loss reserves, the valuation of mortgage servicing rights, accruals for loan recourse provisions, and fair values of financial instruments. Actual results could differ from those estimates.

Reclassifications

Certain amounts for 2008 and 2007 have been reclassified to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through December 14, 2009, which is the date the financial statements were issued.

Fair Value of Financial Instruments

Estimated fair value amounts have been determined using available market information and a selection from a variety of valuation methodologies. However, considerable judgment is required to interpret market data in developing the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument presented as of September 30, 2009 and 2008:

Cash and cash equivalents
The carrying amount reported in the consolidated balance sheets is a reasonable estimate of fair value.

Securities available for sale and held to maturity
Fair values are based on quoted market prices, where available.

Mortgage-backed securities available for sale and held to maturity
Fair values are based on quoted market prices, where available. When quoted market prices are unavailable, fair values are computed using consensus estimates of prepayment speeds and market spreads to treasury securities.

Stock in Federal Home Loan Bank ("FHLB")
The carrying value of stock in Federal Home Loan Bank approximates its fair value.

Loans receivable held for sale
Fair values of mortgage loans held for sale are based on quoted market prices for loans with similar characteristics.

Loans receivable held for investment
Fair values are computed for each loan category using market spreads to treasury securities for similar existing loans in the portfolio and management's estimates of prepayments.

Mortgage servicing rights
The estimated fair values of mortgage servicing rights are determined by discounting estimated future cash flows using a market rate of interest and consensus estimates of prepayment speeds.

Customer and brokered deposit accounts
The estimated fair values of demand deposits and savings accounts are equal to the amount payable on demand at the reporting date. Fair values of certificates of deposit are computed at fixed spreads to treasury securities with similar maturities.

Advances from FHLB
The estimated fair values of advances from FHLB are determined by discounting the future cash flows of existing advances using rates currently available for new advances with similar terms and remaining maturities.

Subordinated debentures
The estimated fair values of subordinated debentures is determined by discounting the future cash flows of existing debentures using a market rate of interest. As these are variable rate securities, cost approximates fair value.

Commitments to originate, purchase and sell loans
The estimated fair value of commitments to originate, purchase, or sell loans is based on the difference between current levels of interest rates and the committed rates.

(2) SECURITIES AVAILABLE FOR SALE

The following tables present a summary of securities available for sale. Dollar amounts are expressed in thousands.

		September 30, 2009			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	19,099	2,526	--	21,625
Municipal securities		29	--	--	29
Total	$	19,128	2,526	--	21,654

		September 30, 2008			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Municipal securities	$	35	--	--	35
Total	$	35	--	--	35

During the year ended September 30, 2009, the Company realized gross gains of $4.6 million and no gross losses on the sale of securities available for sale. There were no sales of securities available for sale during the years ended September 30, 2008, or 2007.

The scheduled maturities of securities available for sale at September 30, 2009, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due in less than one year	$	5	--	--	5
Due from one to five years		1,020	73	--	1,093
Due from five to ten years		18,103	2,453	--	20,556
Total	$	19,128	2,526	--	21,654

(3) SECURITIES HELD TO MATURITY

The following tables present a summary of securities held to maturity. Dollar amounts are expressed in thousands.

		September 30, 2009			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Asset-backed securities	$	1,290	85	--	1,375
Total	$	1,290	85	--	1,375

The scheduled maturities of securities held to maturity at September 30, 2009, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due after ten years	$	1,290	85	--	1,375
Total	$	1,290	85	--	1,375

Actual maturities of securities held to maturity may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments which are callable.

There were no dispositions of securities held to maturity during the year ended September 30, 2009.

(4) MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

The following tables present a summary of mortgage-backed securities available for sale. Dollar amounts are expressed in thousands.

		September 30, 2009			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	114	--	--	114
Pass-through certificates guaranteed by FNMA – adjustable rate		5,924	67	--	5,991
FHLMC participation certificates:					
Fixed rate		546	33	--	579
Adjustable rate		39,384	481	--	39,865
Total	$	45,968	581	--	46,549

		September 30, 2008			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	130	--	(1)	129
Pass-through certificates guaranteed by FNMA – adjustable rate		7,762	58	--	7,820
FHLMC participation certificates:					
Fixed rate		741	--	(45)	696
Adjustable rate		50,841	461	(58)	51,244
Total	$	59,474	519	(104)	59,889

There were no sales of mortgage-backed securities available for sale during the years ended September 30, 2009, 2008, or 2007.

There were no unrealized losses on mortgage-backed securities available for sale at September 30, 2009. The following tables present a summary of the fair value and gross unrealized losses of those mortgage-backed securities available for sale which had unrealized losses at September 30, 2008. Dollar amounts are expressed in thousands.

	Less Than 12 Months		12 Months or Longer	
	Estimated Fair Value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Pass-through certificates guaranteed by GNMA – fixed rate	$ 129	1	$ --	--
FHLMC participation certificates:				
Fixed rate	--	--	696	45
Adjustable rate	--	--	9,685	58
Total	$ 129	1	$ 10,381	103

Based upon evaluation of available evidence at September 30, 2008, including changes in market interest rates during the fiscal year, it was management's opinion that the declines in fair value of these securities, which consisted almost exclusively of moderately-seasoned 5/1 adjustable rate mortgage-backed securities, was temporary. The decline in fair value was due to significant changes in interest rates and market conditions which occurred after the securities were purchased. However, it was management's opinion that as these securities approached their reset dates, they would no longer be impaired. Should the impairment of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified. The Company has the ability to hold these securities to maturity.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2009, are presented in the following table. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from five to ten years	$ 546	33	--	579
Due after ten years	45,422	548	--	45,970
Total	$ 45,968	581	--	46,549

Actual maturities of mortgage-backed securities available for sale may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments, on which borrowers have the right to prepay certain obligations.

The principal balances of mortgage-backed securities available for sale that are pledged to secure certain obligations of the Bank as of September 30 are as follows. Dollar amounts are expressed in thousands.

	September 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 984	14	--	998
FHLB advances	43,468	527	--	43,995
Total	$ 44,452	541	--	44,993

	September 30, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 1,135	3	(9)	1,129
FHLB advances	56,232	513	(49)	56,696
Total	$ 57,367	516	(58)	57,825

(5) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

The following tables present a summary of mortgage-backed securities held to maturity. Dollar amounts are expressed in thousands.

	September 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FHLMC participation certificates:				
Fixed rate	$ 59	4	--	63
FNMA pass-through certificates:				
Fixed rate	10	--	--	10
Balloon maturity and adjustable rate	43	--	--	43
Collateralized mortgage obligations	11,013	214	--	11,227
Total	$ 11,125	218	--	11,343

	September 30, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated Fair Value
FHLMC participation certificates:				
Fixed rate	$ 74	4	--	78
FNMA pass-through certificates:				
Fixed rate	13	--	--	13
Balloon maturity and adjustable rate	47	--	--	47
Pass-through certificates guaranteed by GNMA - fixed rate	1	--	--	1
Total	$ 135	4	--	139

The scheduled maturities of mortgage-backed securities held to maturity at September 30, 2009, are presented in the following table. Dollar amounts are expressed in thousands.

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from five to ten years	$ 112	4	--	116
Due after ten years	11,013	214	--	11,227
Total	$ 11,125	218	--	11,343

Actual maturities of mortgage-backed securities held to maturity may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments, on which borrowers have the right to prepay certain obligations.

The principal balances of mortgage-backed securities held to maturity that are pledged to secure certain obligations of the Bank as of September 30 are as follows. Dollar amounts are expressed in thousands.

	September 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 37	2	--	39

	September 30, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 41	2	--	43

All dispositions of mortgage-backed securities held to maturity during fiscal 2009, 2008, and 2007 were the result of maturities.

(6) LOANS RECEIVABLE

The following table provides a detail of loans receivable as of September 30. Dollar amounts are expressed in thousands.

HELD FOR INVESTMENT	2009	2008
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 363,132	384,258
Business properties	474,487	478,883
Partially guaranteed by VA or insured by FHA	4,771	2,812
Construction and development	329,457	396,777
Total mortgage loans	1,171,847	1,262,730
Commercial loans	121,168	93,600
Installment loans and lease financing to individuals	13,861	14,920
Total loans receivable held for investment	1,306,876	1,371,250
Less:		
Undisbursed loan funds	(38,807)	(69,300)
Unearned discounts and fees on loans, net of deferred costs	(8,375)	(7,653)
Net loans receivable held for investment	$ 1,259,694	1,294,297

HELD FOR SALE	2009	2008
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 129,526	73,829
Business properties	--	17,788
Less:		
Undisbursed loan funds	(48,159)	(27,314)
Unearned discounts and fees on loans, net of deferred costs	--	(273)
Net loans receivable held for sale	$ 81,367	64,030

During the quarter ended September 30, 2008, the Bank transferred a permanent mortgage loan on a business property with an amortized cost of $17.5 million from the held for investment category to the held for sale category. The decision was made to transfer the loan after the borrower defaulted under the terms of the note and the Bank began foreclosure. The basis at which the loans were transferred was amortized cost, which was lower than market value at the time of transfer.

Included in the loans receivable balances are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions of approximately $40,000 and $64,000 at September 30, 2009 and 2008, respectively.

Whole loans and participations serviced for others were approximately $93.3 million and $65.3 million at September 30, 2009 and 2008, respectively. Loans serviced for others are not included in the accompanying consolidated balance sheets.

First mortgage loans were pledged to secure FHLB advances in the amount of approximately $808.8 million and $800.3 million at September 30, 2009 and 2008, respectively.

Aggregate loans to executive officers, directors and their associates, including companies in which they have partial ownership interest, did not exceed 5% of equity as of September 30, 2009 and 2008. Such loans were made under terms and conditions substantially the same as loans made to parties not affiliated with the Bank.

As of September 30, 2009 and 2008, loans with an aggregate principal balance of approximately $40.6 million and $35.1 million, respectively, were on nonaccrual status. Gross interest income would have increased by $2.3 million, $1.8 million and $167,000 for the years ended September 30, 2009, 2008 and 2007, respectively, if the nonaccrual loans had been performing.

The following table presents the activity in the allowance for losses on loans for 2009, 2008, and 2007. Allowance for losses on mortgage loans includes specific valuation allowances and valuation allowances associated with homogenous pools of loans. Dollar amounts are expressed in thousands.

	2009	2008	2007
Balance at beginning of year	$ 13,807	8,097	7,991
Provisions	11,250	6,200	1,634
Charge-offs	(4,377)	(504)	(1,528)
Recoveries	19	14	--
Balance at end of year	$ 20,699	13,807	8,097

The following tables provide a summary of information on impaired loans. Dollar amounts are expressed in thousands.

	September 30,	
	2009	2008
Impaired loans with a valuation allowance	$ 40,691	10,287
Impaired loans without a valuation allowance	11,400	--
	$ 52,091	10,287
Allowance for loan losses applicable to impaired loans	$ 5,825	1,383

	2009	2008	2007
Average balance of impaired loans	$ 52,605	10,842	262
Interest income recognized on impaired loans	1,946	489	120
Interest income received on a cash basis on impaired loans	2,320	635	120

Although the Bank has a diversified loan portfolio, a substantial portion is secured by real estate. The following table presents information as of September 30 about the location of real estate that secures loans in the Bank's mortgage loan portfolio. The line item "Other" includes total investments in other states of less than $10 million each. Dollar amounts are expressed in thousands.

		2009				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		Family	Family	real estate	development	Total
Missouri	$	165,424	30,606	71,003	134,556	401,589
Kansas		43,945	10,378	24,090	176,163	254,576
Texas		16,880	8,611	51,153	6,088	82,732
Colorado		4,963	2,039	59,957	--	66,959
Arizona		11,623	584	19,306	6,050	37,563
Florida		19,215	917	14,552	--	34,684
Oklahoma		2,891	3,006	20,774	--	26,671
North Carolina		6,632	--	17,076	--	23,708
Illinois		5,969	332	11,969	--	18,270
Indiana		2,397	--	14,591	--	16,988
California		14,564	--	2,358	--	16,922
Iowa		3,619	3,603	6,423	2,650	16,295
Washington		5,090	--	10,294	--	15,384
Ohio		3,470	--	9,308	--	12,778
Georgia		6,032	964	5,731	--	12,727
Michigan		500	--	9,982	--	10,482
Other		63,516	219	55,834	3,950	123,519
	$	376,730	61,259	404,401	329,457	1,171,847

		2008				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		Family	Family	real estate	development	Total
Missouri	$	179,167	30,470	74,592	177,373	461,602
Kansas		48,023	11,935	23,606	197,756	281,320
Colorado		5,557	4,089	63,463	--	73,109
Texas		13,708	9,329	42,804	4,648	70,489
Arizona		13,126	632	19,543	9,900	43,201
Florida		19,396	936	12,184	--	32,516
Oklahoma		2,314	3,046	21,627	--	26,987
North Carolina		6,137	3,648	16,255	--	26,040
California		14,679	--	4,500	--	19,179
Illinois		5,964	571	11,054	500	18,089
Indiana		2,610	--	15,016	--	17,626
Washington		4,950	--	10,576	--	15,526
Iowa		4,800	3,640	4,184	2,650	15,274
Ohio		2,887	--	9,618	--	12,505
Georgia		5,611	283	6,181	--	12,075
Michigan		752	--	10,181	--	10,933
New Jersey		5,180	--	5,441	--	10,621
Pennsylvania		2,403	--	7,871	--	10,274
Other		58,110	236	43,068	3,950	105,364
	$	395,374	68,815	401,764	396,777	1,262,730

Proceeds from the sale of loans receivable held for sale during fiscal 2009, 2008 and 2007, were $1,576.4 million, $899.5 million, and $1,019.3 million, respectively. In fiscal 2009, the Bank realized gross gains of $29.1 million and $53,000 of gross losses. In fiscal 2008, the Bank realized gross gains of $14.3 million and gross losses of $312,000 on those sales. In fiscal 2007, gross gains of $14.6 million and gross losses of $231,000 were realized.

(7) FORECLOSED ASSETS HELD FOR SALE

The following table presents real estate owned and other repossessed property as of September 30. Dollar amounts are expressed in thousands.

		2009	2008
Real estate acquired through (or deed in lieu of) foreclosure	$	10,140	6,707
Less: allowance for losses		--	(669)
Total	$	10,140	6,038

The allowance for losses on real estate owned includes the following activity for the years ended September 30. Dollar amounts are expressed in thousands.

		2009	2008	2007
Balance at beginning of year	$	669	204	275
Provision for loss (recovery)		727	2,050	595
Charge-offs		(1,691)	(1,819)	(1,222)
Recoveries		295	234	556
Balance at end of year	$	--	669	204

(8) PREMISES AND EQUIPMENT

The following table summarizes premises and equipment as of September 30. Dollar amounts are expressed in thousands.

		2009	2008
Land	$	4,308	4,308
Buildings and improvements		12,428	12,491
Furniture, fixtures and equipment		9,220	10,066
		25,956	26,865
Accumulated depreciation		(12,563)	(12,266)
Total	$	13,393	14,599

Certain facilities of the Bank are leased under various operating leases. Amounts paid for rent expense for the fiscal years ended September 30, 2009, 2008, and 2007, were approximately $568,000, $622,000, and $884,000, respectively.

Future minimum rental commitments under noncancelable leases are presented in the following table. Dollar amounts are expressed in thousands.

Fiscal year ended September 30,		Amount
2010	$	554
2011		312
2012		514
2013		517
2014		373
Thereafter		70

(9) INVESTMENT IN LLCs

During the year ended September 30, 2004, the Company became a partner in Central Platte Holdings, LLC, which was formed for the purpose of purchasing and developing eight hundred acres of vacant land in Platte County, Missouri for residential development. This investment is accounted for using the equity method of accounting. The company is owner of a fifty-percent (50%) membership interest in Central Platte Holdings, LLC. The Company's investment in this partnership was $18.6 million and $18.2 million at September 30, 2009 and 2008, respectively.

During the year ended September 30, 2002, the Company became a partner in NBH, LLC, which was formed for the purpose of purchasing and developing eighty-six acres of vacant land in Platte County, Missouri for residential and commercial development. This investment is accounted for using the equity method of accounting. The company is owner of a fifty-percent (50%) membership interest in NBH, LLC. The Company's investment in this partnership was $2.5 million at September 30, 2009 and 2008.

(10) MORTGAGE SERVICING RIGHTS

The following provides information about the Bank's mortgage servicing rights for the years ended September 30. Dollar amounts are expressed in thousands.

		2009	2008	2007
Balance at beginning of year	$	716	911	1,089
Originated mortgage servicing rights		10	--	6
Amortization		(418)	(243)	(218)
Impairment recovery		43	48	34
Balance at end of year	$	351	716	911

(11) CUSTOMER AND BROKERED DEPOSIT ACCOUNTS

Customer and brokered deposit accounts as of September 30 are illustrated in the following table. Dollar amounts are expressed in thousands.

	2009		2008	
	Amount	%	Amount	%
Demand deposit accounts	$ 80,201	9	76,621	10
Savings accounts	81,572	9	71,193	9
Money market demand accounts	14,991	2	13,352	2
Certificate accounts	520,017	57	530,449	69
Brokered accounts	207,844	23	77,764	10
	$ 904,625	100	769,379	100
Weighted average interest rate	2.23%		3.38%	

The aggregate amount of certificate accounts in excess of $100,000 was approximately $120.2 million and $105.9 million as of September 30, 2009 and 2008, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2009. Dollar amounts are expressed in thousands.

	Maturing during the fiscal year ended September 30,						
	2010	2011	2012	2013	2014	2015 and after	Total
Certificate accounts	$ 372,037	82,106	45,003	16,233	2,433	2,205	520,017
Brokered accounts	191,004	16,840	--	--	--	--	207,844
Total	$ 563,041	98,946	45,003	16,233	2,433	2,205	727,861

The following table presents interest expense on customer deposit accounts for the years ended September 30. Dollar amounts are expressed in thousands.

	2009	2008	2007
Savings accounts	$ 886	1,123	1,231
Money market demand and demand deposit accounts	500	701	705
Certificate and brokered accounts	23,625	28,915	31,576
	$ 25,011	30,739	33,512

(12) ADVANCES FROM FEDERAL HOME LOAN BANK

Advances from the FHLB are secured by all stock held in the FHLB, mortgage-backed securities and first mortgage loans with aggregate unpaid principal balances equal to approximately 160% of outstanding advances not secured by FHLB stock. The following table provides a summary of advances by year of maturity as of September 30. Dollar amounts are expressed in thousands.

	2009		2008	
Year ending September 30,	Amount	Weighted average rate	Amount	Weighted Average Rate
2009	$ --	--	$ 234,065	4.55%
2010	230,026	2.02%	130,026	2.89%
2011	186,000	4.30%	186,000	4.30%
2012	25,000	2.18%	--	--%
	$ 441,026	2.99%	$ 550,091	4.07%

The Bank's advances have a fixed interest rate and require monthly interest payments, with a single principal payment due at maturity. At September 30, 2009 and 2008, the Bank had advances totaling $5.0 million that are callable at the option of the Federal Home Loan Bank.

(13) SUBORDINATED DEBENTURES

On December 13, 2006, NASB Financial, Inc., through its wholly owned statutory trust, NASB Preferred Trust I (the "Trust"), issued $25 million of pooled Trust Preferred Securities. The Trust used the proceeds from the offering to purchase a like amount of NASB Financial Inc.'s subordinated debentures. The debentures, which have a variable rate of 1.65% over the 3-month LIBOR and a 30-year term, are the sole assets of the Trust. In exchange for the capital contributions made to the Trust by NASB Financial, Inc. upon formation, NASB Financial, Inc. owns all the common securities of the Trust.

In accordance with Financial Accounting Standards Board ASC 810-10, the Trust qualifies as a special purpose entity that is not required to be consolidated in the financial statements of the Company. The $25.0 million Trust Preferred Securities issued by the Trust will remain on the records of the Trust. The Trust Preferred Securities are included in Tier I capital for regulatory capital purposes.

The Trust Preferred Securities have a variable interest rate of 1.65% over the 3-month LIBOR, and are mandatorily redeemable upon the 30-year term of the dentures, or upon earlier redemption as provided in the Indenture. The debentures are callable, in whole or in part, after five years of the issuance date. The Company did not incur a placement or annual trustee fee related to the issuance. The securities are subordinate to all other debt of the Company and interest may be deferred up to five years.

(14) INCOME TAXES PAYABLE

The differences between the effective income tax rates and the statutory federal corporate tax rate for the years ended September 30 are as follows:

	2009	2008	2007
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.1	3.0	3.0
Other, net	(0.6)	(2.5)	0.5
	37.5%	35.5%	38.5%

Deferred income tax expense (benefit) results from temporary differences in the recognition of income and expense for tax purposes and financial statement purposes. The following table lists these temporary differences and their related tax effect for the years ended September 30. Dollar amounts are expressed in thousands.

		2009	2008	2007
Deferred loan fees and costs	$	30	101	34
Accrued interest receivable		463	(726)	--
Tax depreciation vs. book depreciation		41	80	209
Basis difference on investments		(3)	(5)	(15)
Loan loss reserves		(2,402)	(3,160)	961
Mark-to-market adjustment		186	(1,008)	(656)
Mortgage servicing rights		(99)	(51)	(49)
Other		(19)	(113)	(318)
	$	(1,803)	(4,882)	166

The tax effect of significant temporary differences representing deferred tax assets and liabilities are presented in the following table. Dollar amounts are expressed in thousands.

		2009	2008
Deferred income tax assets:			
Loan loss reserves	$	7,990	5,588
Book depreciation in excess of tax depreciation		160	201
Accrued interest receivable		461	924
Mark-to-market adjustment		--	565
		8,611	7,278
Deferred income tax liabilities:			
Mortgage servicing rights		(85)	(184)
Basis difference on investments		(20)	(23)
Deferred loan fees and costs		(430)	(400)
Unrealized gain on securities available for sale		(1,200)	(160)
Mark-to-market adjustment		(25)	--
Other		(200)	(218)
		(1,960)	(985)
Net deferred tax asset	$	6,651	6,293

Effective October 1, 2007, the Company adopted ASC 740-10 related to accounting for uncertainty in income taxes. The Company recognized a $217,000 increase in the liability for unrecognized tax benefits, which was accounted for as a decrease to the October 1, 2007 balance of retained earnings.

The following table reconciles the liability for unrecognized tax benefits from the beginning to the end of the fiscal year ended September 30. Dollar amounts are expressed in thousands.

		2009	2008
Balance at beginning of year	$	850	--
Reclassification of deferred tax liability		--	1,070
FIN 48 adoption adjustment to retained earnings		--	217
Adjusted balance at beginning of year		850	1,287
Increases attributable to tax positions taken during a prior period		--	872
Reductions attributable to tax positions taken during a prior period		(300)	--
Settlements attributable to tax positions taken during a prior period		(224)	
Decreases attributable to lapse of statute of limitations		--	(1,309)
Liability for unrecognized tax benefits at end of year	$	326	850

The Company's liability for unrecognized tax benefit is expected to decrease in the next twelve months as a result of the settlements with various taxing authorities.

The Company's liability for unrecognized tax benefits included $96,000 and $149,000 of related interest and penalties as of September 30, 2009 and 2008, respectively. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statements of income

The Company's federal and state income tax returns for fiscal years 2006 through 2008 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(15) STOCKHOLDERS' EQUITY

During fiscal 2009, the Company paid quarterly cash dividends on common stock of $0.225 per share on November 28, 2008, February 27, 2009, May 29, 2009, and August 28, 2009.

During fiscal 2008, the Company paid quarterly cash dividends on common stock of $0.225 per share on November 30, 2007, February 22, 2008, May 23, 2008, and August 22, 2008.

During fiscal 2007, the Company paid quarterly cash dividends on common stock of $0.225 per share on November 24, 2006, February 23, 2007, May 25, 2007, and August 24, 2007.

During fiscal 2007, the Company repurchased 451,028 shares of its own stock with a total value of $16.4 million at the time of repurchase. During fiscal 2009 and 2008, the Company did not repurchase any shares of its own stock.

(16) REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements as administered by Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital amounts and ratios (set forth in the table below). The Bank's primary regulatory agency, the Office of Thrift Supervision ("OTS"), requires that the Bank maintain minimum ratios of tangible capital (as defined in the regulations) of 1.5%, core capital (as defined) of 4%, and total risk-based capital (as defined) of 8%. The Bank is also subject to prompt corrective action capital requirement regulations set forth by the FDIC. The FDIC requires the Bank to maintain a minimum of Tier 1, total and core capital (as defined) to risk-weighted assets (as defined), and of core capital (as defined) to adjusted tangible assets (as defined). Management believes that, as of September 30, 2009, the Bank meets all capital adequacy requirements, to which it is subject.

As of September 30, 2009 and 2008, the most recent guidelines from the OTS categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. Management does not believe that there are any conditions or events occurring since notification that would change the Bank's category.

The following tables summarize the relationship between the Bank's capital and regulatory requirements. Dollar amounts are expressed in thousands.

	September 30, 2009	September 30, 2008
GAAP capital (Bank only)	$ 167,168	153,460
Adjustment for regulatory capital:		
Intangible assets	(2,671)	(2,771)
Disallowed servicing and deferred tax assets	(39)	(6,293)
Reverse the effect of SFAS No. 115	(1,911)	(255)
Tangible capital	162,547	144,141
Qualifying intangible assets	--	--
Tier 1 capital (core capital)	162,547	144,141
Qualifying valuation allowance	14,284	12,366
Risk-based capital	$ 176,831	156,507

As of September 30, 2009

	Actual		Minimum Required For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 176,831	13.5%	105,140	≥8%	131,425	≥10%
Core capital (to adjusted tangible assets)	162,547	10.6%	61,236	≥4%	76,545	≥5%
Tangible capital (to tangible assets)	162,547	10.6%	22,963	≥1.5%	--	--
Tier 1 capital (to risk-weighted assets)	162,547	12.4%	--	--	78,855	≥6%

As of September 30, 2008

	Actual		Minimum Required For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 156,507	12.5%	100,470	≥8%	125,588	≥10%
Core capital (to adjusted tangible assets)	144,141	9.7%	59,397	≥4%	74,247	≥5%
Tangible capital (to tangible assets)	144,141	9.7%	22,274	≥1.5%	--	--
Tier 1 capital (to risk-weighted assets)	144,141	11.5%	--	--	75,353	≥6%

(17) EMPLOYEES' RETIREMENT PLAN

Substantially all of the Bank's full-time employees participate in a 401(k) retirement plan (the "Plan"). The Plan is administered by Standard Insurance Company, through which employees can choose from a variety of retail mutual funds to invest their fund contributions. Under the terms of the Plan, the Bank makes monthly contributions for the benefit of each participant in an amount that matches one-half of the participant's contribution, not to exceed 3% of the participants' monthly base salary. All contributions made by participants are immediately vested and cannot be forfeited. Contributions made by the Bank, and related earnings thereon, become vested to the participants according to length of service requirements as specified in the Plan. Any forfeited portions of the contributions made by the Bank and the allocated earnings thereon are used to reduce future contribution requirements of the Bank. The Plan may be modified, amended or terminated at the discretion of the Bank.

The Bank's contributions to the Plan amounted to $468,000, $337,000, and $324,000 for the years ended September 30, 2009, 2008, and 2007, respectively. These amounts have been included as compensation and fringe benefits expense in the accompanying consolidated statements of income.

(18) STOCK OPTION PLAN

During fiscal year 1986, the Company's stockholders approved a stock option plan ("1986 Option Plan") through which options to purchase up to 10% of the number of shares of common stock originally issued, as adjusted for a 4-for-1 stock split in March 1999 and stock dividends, were granted to officers and employees of the Bank. The time frame for issuing new options under the 1986 Option Plan has expired and, as of September 30, 2009, there are no options granted under this plan that remain outstanding. Options were granted for a period of ten years. The option price could not be less than 100% of the fair market value of the shares on the date of the grant.

On January 27, 2004, the Company's stockholders approved a new equity stock option plan ("2004 Option Plan") through which options to purchase up to 250,000 shares of common stock may be granted to officers and employees of the Company. Options may be granted over a period of ten years. The option price may not be less than 100% of the fair market value of the shares on the date of the grant.

The following table summarizes Option Plan activity during fiscal years 2009, 2008, and 2007. The number of shares and price per share have been adjusted to reflect the 4-for-1 stock split in fiscal 1999. All options outstanding at September 30, 2009, were granted under the 2004 Option Plan.

	Number of shares	Weighted avg. exercise price per share	Range of exercise price per share
Options outstanding at October 1, 2006	58,000	$ 37.70	$ 32.91-42.53
Granted	21,657	32.82	30.33-39.33
Forfeited	(1,000)	42.17	42.17
Options outstanding at September 30, 2007	78,657	36.30	30.33-42.53
Forfeited	(6,619)	35.08	30.33-42.17
Options outstanding at September 30, 2008	72,038	36.42	30.33-42.53
Forfeited	(10,000)	35.50	35.50
Options outstanding at September 30, 2009	62,038	$ 36.56	$ 30.33-42.53

The weighted average remaining contractual life of options outstanding at September 30, 2009, 2008, and 2007, were 5.6 years, 5.8 years and 7.0 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2009.

	Number of shares	Weighted average exercise price
Expiring on:		
August 1, 2010	12,500	$ 42.17
July 27, 2014	3,000	35.50
November 30, 2014	500	39.79
August 1, 2015	10,000	42.17
August 4, 2015	500	42.53
July 21, 2016	15,500	32.91
November 29, 2016	6,000	39.33
July 24, 2017	14,038	30.33
	62,038	$ 36.56

Of the options outstanding at September 30, 2009, 39,115 are immediately exercisable and 22,923 are exercisable at future dates in accordance with the vesting schedules outlined in each stock option agreement.

The following table illustrates the range of exercise prices and the weighted average remaining contractual lives for options outstanding under the Option Plan as of September 30, 2009.

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number	Weighted avg. remaining contractual life	Weighted avg. exercise price	Number	Weighted avg. exercise Price
$ 42.17	12,500	0.8 years	$ 42.17	10,000	$ 42.17
35.50	3,000	4.8 years	35.50	3,000	35.50
39.79	500	5.2 years	39.79	400	39.79
42.17-42.53	10,500	5.8 years	42.18	8,400	42.18
32.91	15,500	6.8 years	32.91	9,300	32.91
39.33	6,000	7.2 years	39.33	2,400	39.33
30.33	14,038	7.8 years	30.33	5,615	30.33
	62,038			39,115	

(19) SEGMENT INFORMATION

The Company has identified two principal operating segments for purposes of financial reporting: Banking and Mortgage Banking. These segments were determined based on the Company's internal financial accounting and reporting processes and are consistent with the information that is used to make operating decisions and to assess the Company's performance by the Company's key decision makers.

The Mortgage Banking segment originates mortgage loans for sale to investors and for the portfolio of the Banking segment. Effective October 1, 2007, the National Mortgage Banking and Local Mortgage Banking segments were combined for reporting purposes due to the consolidation of substantial operating and occupancy resources. The Banking segment provides a full range of banking services through the Bank's branch network, exclusive of mortgage loan originations. A portion of the income presented in the Mortgage Banking segment is derived from sales of loans to the Banking segment based on a transfer pricing methodology that is designed to approximate economic reality. The Other and Eliminations segment includes financial information from the parent company plus inter-segment eliminations.

The following table presents financial information from the Company's operating segments for the years ended September 30, 2009, 2008, and 2007. Dollar amounts are expressed in thousands.

Year ended September 30, 2009	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 48,213	--	(808)	47,405
Provision for loan losses	11,250	--	--	11,250
Other income	8,419	34,212	(2,137)	40,494
General and administrative expenses	20,941	26,667	(892)	46,716
Income tax expense	9,410	2,905	(1,091)	11,224
Net income (loss)	$ 15,031	4,640	(962)	18,709
Total assets	$ 1,536,640	1,716	21,206	1,559,562

Year ended September 30, 2008	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 40,299	--	(1,284)	39,015
Provision for loan losses	6,200	--	--	6,200
Other income	1,157	21,114	(3,864)	18,407
General and administrative expenses	17,494	20,159	(834)	36,819
Income tax expense	6,838	368	(2,099)	5,107
Net income (loss)	$ 10,924	587	(2,215)	9,296
Total assets	$ 1,494,589	2,617	19,555	1,516,761

Year ended September 30, 2007	Banking	Local Mortgage Banking	National Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 43,027	--	--	(1,348)	41,679
Provision for loan losses	1,634	--	--	--	1,634
Other income	4,035	6,608	13,022	(2,467)	21,198
General and administrative expenses	16,249	7,242	13,150	(312)	36,329
Income tax expense	11,234	(244)	(49)	(1,346)	9,595
Net income (loss)	$ 17,945	(390)	(79)	(2,157)	15,319
Total assets	$ 1,485,602	2,790	348	17,743	1,506,483

(20) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank has entered into financial agreements with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk, interest rate risk, and liquidity risk, which may exceed the amount recognized in the consolidated financial statements. The contract amounts or notional amounts of those instruments express the extent of involvement the Bank has in particular classes of financial instruments.

With regard to financial instruments for commitments to extend credit, standby letters of credit, and financial guarantees, the Bank's exposure to credit loss because of non-performance by another party is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

As of September 30, 2009, the Bank had outstanding commitments to originate $140.4 million of fixed rate residential first mortgage loans and $15.9 million of adjustable rate residential first mortgage loans. Such commitments have an approximate average committed rate of 4.9% and approximate average fees and discounts of 0.3%. The interest rate commitments on residential loans generally expire 60 days after the commitment date. As of September 30, 2009, the Bank had outstanding commitments related to stand-by letters of credit of $2.3 million.

As of September 30, 2008, the Bank had outstanding commitments to originate $8.0 million in commercial real estate loans, $90.3 million of fixed rate residential first mortgage loans and $4.9 million of adjustable rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 6.9%. Residential mortgage loan commitments have an approximate average committed rate of 6.1% and approximate average fees and discounts of 0.7%. The interest rate commitments on residential loans generally expire 60 days after the commitment date. Interest rate commitments on commercial real estate loans have varying terms to expiration. As of September 30, 2008, the Bank had outstanding commitments related to stand-by letters of credit of $7.3 million.

At September 30, 2009 and 2008, the Bank had commitments to sell loans of approximately $154.7 million and $89.1 million, respectively. These instruments contain an element of risk in the event that other parties are unable to meet the terms of such agreements. In such event, the Bank's loans receivable held for sale would be exposed to market fluctuations. Management does not expect any other party to default on its obligations and, therefore, does not expect to incur any costs due to such possible default.

(21) LEGAL CONTINGENCIES

Various legal claims arise from time to time within the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

(22) SIGNIFICANT ESTIMATES AND CONCENTRATIONS

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses, and capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity.

(23) FAIR VALUE OPTION

On October 1, 2008, the Company elected to measure loans held for sale at fair value. This portfolio is made up entirely of mortgage loans held for immediate sale with servicing released. Such loans are sold prior to origination at a contracted price to outside investors on a best-efforts basis (i.e., the loan becomes mandatorily deliverable to the investor only when, and if, it closes) and remain on the Company's balance sheet for a very short period of time, typically less than one month. It is management's opinion, given the short-term nature of these loans, that fair value provides a reasonable measure of the economic value of these assets. In addition, carrying such loans at fair value eliminates some measure of volatility created by the timing of sales proceeds from outside investors, which typically occur in the month following origination.

The Company elected the fair value option for the following item (in thousands):

	Balance Sheet Prior to Adoption October 1, 2008	Gain Upon Adoption	Balance Sheet After Adoption October 1, 2008
Loans held for sale	$ 64,030	1,058	65,088

Pre-tax cumulative effect of adoption	$ 1,058
Decrease in deferred tax asset	(408)
Cumulative effect of adoption	$ 650

The difference between the aggregate fair value and the aggregate unpaid principal balance of these loans was $2.0 million at September 30, 2009. Interest income on loans held for sale is included in interest on loans receivable in the accompanying statements of income.

(24) DERIVATIVE INSTRUMENTS

The Company has commitments outstanding to extend credit that have not closed prior to the end of the period. As the Company enters into commitments to originate loans, it also enters into commitments to sell the loans in the secondary market. Such commitments to originate loans held for sale are considered derivative instruments in accordance with GAAP, which requires the Company to recognize all derivative instruments in the balance sheet and to measure those instruments at fair value. As a result of marking to market commitments to originate loans, the Company recorded an increase in other assets of $646,000, a decrease in other liabilities of $50,000, and an increase in other income of $696,000 for the year ended September 30, 2009. The Company recorded an increase in other assets of $543,000, an increase in other liabilities of $257,000, and an increase in other income of $287,000 for the year ended September 30, 2008.

Additionally, the Company has commitments to sell loans that have closed prior to the end of the period. Due to the mark to market adjustment on commitments to sell loans held for sale, the Company recorded an increase in other assets of $89,000, an increase in other liabilities of $147,000, and a decrease in other income of $59,000 during the year ended September 30, 2009. The Company recorded an increase in other assets of $163,000, an increase in other liabilities of $481,000, and a decrease in other income of $318,000 during the year ended September 30, 2008.

The balance of derivative instruments related to commitments to originate and sell loans at September 30, 2009 and 2008, is disclosed in Footnote 25, Fair Value Measurements.

(25) FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would likely be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. GAAP identifies three primary measurement techniques: the market approach, the income approach, and the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuations or techniques to convert future amounts, such as cash flows or earnings, to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capability of an asset.

GAAP establishes a fair value hierarchy and prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The maximization of observable inputs and the minimization of the use of unobservable inputs are required. Classification within the fair value hierarchy is based upon the objectivity of the inputs that are significant to the valuation of an asset or liability as of the measurement date. The three levels within the fair value hierarchy are characterized as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

- Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Company's own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The Company measures certain financial assets and liabilities at fair value in accordance with GAAP. These measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market for the Company.

The following is a summary of valuation techniques utilized by the Company for its significant financial assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

Available for sale securities

Securities available for sale consist of corporate debt and municipal securities and are valued using quoted market prices in an active market. This measurement is classified as Level 1 within the hierarchy.

Mortgage-backed available for sale securities are valued using industry-standard pricing models that consider assumptions, including market yield and prepayment speeds. These measurements are classified as Level 2.

Loans held for sale

Loans held for sale are valued using quoted market prices for loans with similar characteristics. This measurement is classified as Level 2 within the hierarchy.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active market with readily observable market prices. Therefore, fair value is assessed using a valuation model that calculates the discounted cash flow using assumptions such as estimates of prepayment speeds, market discount rates, servicing fee income, and cost of servicing. These measurements are classified as Level 3. Mortgage servicing rights are carried on the Company's books at fair value and are amortized over the period of net servicing income. Additionally, they are evaluated for impairment monthly.

Commitments to Originate Loans and Forward Sales Commitments

Commitments to originate loans and forward sales commitments are valued using a valuation model which considers differences between current market interest rates and committed rates. The model also includes assumptions which estimate fall-out percentages for commitments to originate loans. These measurements use significant unobservable inputs and are classified as Level 3 within the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall at September 30, 2009 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities, available for sale				
Corporate debt securities	$ 21,625	21,625	--	--
Municipal securities	29	29	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	114	--	114	--
Pass through certificates guaranteed by FNMA – adjustable rate	5,991	--	5,991	--
FHLMC participation certificates:				
Fixed rate	579	--	579	--
Adjustable rate	39,865	--	39,865	--
Loans held for sale	81,367	--	81,367	--
Mortgage servicing rights	351	--	--	351
Commitments to originate loans	1,230	--	--	1,230
Forward sales commitments	260	--	--	260
Total assets	$ 151,411	21,654	127,916	1,841
Liabilities:				
Commitments to originate loans	$ 206	--	--	206
Forward sales commitments	638	--	--	638
Total liabilities	$ 844	--	--	844

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

	Mortgage Servicing Rights	Commitments to Originate Loans	Forward Sales Commitments
Balance at October 1, 2008	$ 716	327	(319)
Total realized and unrealized gains (losses):			
Included in net income	(375)	696	(59)
Included in other comprehensive income	--	--	--
Purchases, issuances, and settlements	10	--	--
Transfers in (out) of Level 3	--	--	--
Balance at September 30, 2009	$ 351	1,023	(378)

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2009, are reported in the consolidated statements of income as follows (in thousands):

	Loan Servicing Fees	Impairment Recovery on Mortgage Servicing Rights	Other Income
Total gains (losses)	$ (418)	43	637
Changes in unrealized gains (losses) relating to assets still held at the balance sheet date	$ --	--	--

The following is a summary of valuation techniques utilized by the Company for its significant financial assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

Impaired loans

Loans for which it is probable that the Company will not collect principal and interest due according to contractual terms are measured for impairment in accordance with GAAP. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans, or, where the loan is determined not to be collateral dependent, using the discounted cash flows.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and other internal assessments of value. If the impaired loan is determined not to be collateral dependent, then the discounted cash flow method is used. The method requires the impaired loan to be recorded at the present value of expected future cash flows discounted at the loans effective interest rate. Impaired loans are classified within Level 3 of the fair value hierarchy.

The carrying value of impaired loans was $46.3 million at September 30, 2009.

The following tables present the carrying values and fair values of the Company's financial instruments. Dollar amounts are expressed in thousands.

	September 30, 2009		September 30, 2008	
	Carrying value	Estimated Fair Value	Carrying value	Estimated fair value
Financial Assets:				
Cash and cash equivalents	$ 63,250	63,250	$ 21,735	21,735
Securities:				
Available for sale	21,654	21,654	35	35
Held to maturity	1,290	1,375	--	--
Stock in Federal Home Loan Bank	26,640	26,640	26,284	26,284
Mortgage-backed securities:				
Available for sale	46,549	46,549	59,889	59,889
Held to maturity	11,125	11,343	135	139
Loans receivable:				
Held for sale	81,367	81,367	64,030	66,248
Held for investment	1,238,995	1,272,543	1,280,490	1,316,964
Mortgage servicing rights	351	351	716	716
Lending commitments on mortgage loans held for sale – fixed rate	1,079	1,079	578	578
Lending commitments on mortgage loans held for sale – floating rate	150	150	6	6
Commitments to sell loans	260	260	171	171

	September 30, 2009		September 30, 2008	
	Carrying value	Estimated Fair Value	Carrying value	Estimated fair value
Financial Liabilities:				
Customer deposit accounts	696,781	706,330	691,615	691,915
Brokered deposit accounts	207,844	208,634	77,764	78,210
Advances from FHLB	441,026	449,613	550,091	556,370
Subordinated debentures	25,774	25,774	25,774	25,774
Lending commitments on mortgage loans held for sale – fixed rate	198	198	233	233
Lending commitments on mortgage loans held for sale – floating rate	8	8	24	24
Commitments to sell loans	638	638	490	490

	September 30, 2009		September 30, 2008	
	Contract or notional amount	Estimated unrealized gain	Contract or notional amount	Estimated unrealized gain
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 1,326	47	$ 11,788	54
Lending commitments – floating rate	--	--	2,290	1
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2009 and 2008. Although management is not aware of any factors that would significantly affect the estimated fair values, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date. Therefore, current estimates of fair value may differ significantly from the amounts presented above.

(26) PARENT COMPANY FINANCIAL INFORMATION

NASB Financial, Inc.
Balance Sheets

		September 30, 2009	September 30, 2008
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	2,172	2,559
Loans receivable		724	890
Accrued interest receivable		3	3
Investment in subsidiary		167,168	153,460
Investment in LLC		21,045	20,683
Investment in NASB Trust Preferred I		774	774
Other assets		302	--
	$	192,188	178,369
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Subordinated debentures	$	25,774	25,774
Escrows		36	41
Accrued interest payable		93	195
Income taxes receivable		(103)	(53)
Total liabilities		25,800	25,957
Stockholders' equity			
Common stock		1,479	1,479
Additional paid-in capital		16,525	16,484
Retained earnings		184,891	172,612
Treasury stock		(38,418)	(38,418)
Accumulated other comprehensive income		1,911	255
Total stockholders' equity		166,388	152,412
	$	192,188	178,369

NASB Financial, Inc.
Statements of Income

		Years Ended September 30,		
		2009	2008	2007
			(Dollars in thousands)	
Income:				
Income from subsidiary	$	19,360	10,326	16,338
Interest and dividend income		49	73	72
Loss from investment in LLC		(117)	(265)	(197)
Total income		19,292	10,134	16,213
Expenses:				
Interest on subordinated debentures		856	1,357	1,421
Professional fees		70	63	75
Other expense		64	63	36
Total general expenses		990	1,483	1,532
Income before income tax expense		18,302	8,651	14,681
Income tax benefit		(407)	(645)	(638)
Net income	$	18,709	9,296	15,319

NASB Financial, Inc.
Statements of Cash Flows

	Years ended September 30,		
	2009	2008	2007
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 18,709	9,296	15,319
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from investment in LLC	117	265	197
Equity in undistributed earnings of subsidiary	(11,361)	(326)	--
Change in income taxes payable	(50)	(62)	(42)
Change in accrued interest payable	(102)	(111)	306
Net cash proved by operating activities	7,313	9,062	15,780
Cash flows from investing activities:			
Distributions in excess of net income of subsidiary	--	--	11,662
Principal repayments of loans receivable	166	275	26
Investment in subsidiary	--	--	(25,000)
Investment in NASB Trust Preferred I	--	--	(774)
Investment in LLC	(479)	(1,890)	(2,518)
Other	(302)	--	--
Net cash used in investing activities	(615)	(1,615)	(16,604)
Cash flows from financing activities:			
Proceeds from subordinated debentures	--	--	25,774
Cash dividends paid	(7,080)	(7,080)	(7,337)
Repurchase of common stock	--	--	(16,357)
Change in escrows	(5)	1	--
Net cash provided by (used in) financing activities	(7,085)	(7,079)	2,080
Net increase (decrease) in cash and cash equivalents	(387)	368	1,256
Cash and cash equivalents at beginning of period	2,559	2,191	935
Cash and cash equivalents at end of period	$ 2,172	2,559	2,191

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
NASB Financial, Inc.
Grandview, Missouri

We have audited the accompanying consolidated balance sheets of NASB Financial, Inc. (the "Company") as of September 30, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2009. The Company'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and 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 NASB Financial, Inc. as of September 30, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NASB Financial, Inc.'s internal control over financial reporting as of September 30, 2009 based on criteria established in, *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 14, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 25 to the consolidated financial statements, the Company has changed its method of accounting for fair value measurements, effective October 1, 2008, in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 820-10. In addition, as discussed in Note 23 to the consolidated financial statements, the Company has elected to change its method of accounting for mortgage loans held for sale, effective October 1, 2008, by applying the fair value option in accordance with ASC 825-10.

BKD, LLP

Kansas City, Missouri
December 14, 2009

Summary of Unaudited Quarterly Operating Results

The following tables include certain information concerning the quarterly consolidated results of operations of the Company at the dates indicated. Dollar amounts are expressed in thousands, except per share data.

2009		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Interest income	$	22,955	21,758	22,527	22,585	89,825
Interest expense		12,373	10,752	10,339	8,956	42,420
Net interest income		10,582	11,006	12,188	13,629	47,405
Provision for loan losses		250	1,000	4,000	6,000	11,250
Net interest income after provision for loan losses		10,332	10,006	8,188	7,629	36,155
Other income		5,199	9,230	12,742	13,323	40,494
General and administrative expenses		9,599	11,544	14,032	11,541	46,716
Income before income tax expense		5,932	7,692	6,898	9,411	29,933
Income tax expense		2,284	2,961	2,656	3,323	11,224
Net income	$	3,648	4,731	4,242	6,088	18,709
Earnings per share - basic	$	0.46	0.60	0.54	0.77	2.38
Average shares outstanding		7,868	7,868	7,868	7,868	7,868

2008		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Interest income	$	25,545	24,014	23,188	22,774	95,521
Interest expense		15,456	14,962	13,330	12,758	56,506
Net interest income		10,089	9,052	9,858	10,016	39,015
Provision for loan losses		700	700	1,600	3,200	6,200
Net interest income after provision for loan losses		9,389	8,352	8,258	6,816	32,815
Other income		2,288	5,390	6,772	3,957	18,407
General and administrative expenses		8,638	9,145	9,908	9,128	36,819
Income before income tax expense		3,039	4,597	5,122	1,645	14,403
Income tax expense		1,170	1,791	1,512	634	5,107
Net income	$	1,869	2,806	3,610	1,011	9,296
Earnings per share - basic	$	0.24	0.36	0.46	0.13	1.18
Average shares outstanding		7,868	7,868	7,868	7,868	7,868

Board of Directors of NASB Financial, Inc. and North American Savings Bank, F.S.B.

David H. Hancock
Chairman
Chief Executive Officer
NASB Financial, Inc. and
North American Savings Bank

Keith B. Cox
President
NASB Financial, Inc. and
North American Savings Bank

Paul L. Thomas
Vice President
NASB Financial, Inc.
Executive Vice President and
Chief Credit Officer
North American Savings Bank

Frederick V. Arbanas
Retired
Jackson County Legislature

Barrett Brady
Retired

Laura Brady
Vice President and General Manager of
Franchise Operations and E-Commerce
Three Dog Bakery
Kansas City, Missouri

Linda S. Hancock
Linda Smith Hancock Interiors
Kansas City, Missouri

W. Russell Welsh
Chairman & CEO
Polsinelli Shughart PC
Kansas City, Missouri

Officers of NASB Financial, Inc.

David H. Hancock Chairman Chief Executive Officer	**Shauna Olson** Corporate Secretary	**John M. Nesselrode** Vice President	**Paul L. Thomas** Vice President
Keith B. Cox President	**Mike Anderson** Vice President	**Dena Sanders** Vice President	
Rhonda Nyhus Vice President and Treasurer	**Wade Hall** Vice President	**Bruce Thielen** Vice President	

Officers of North American Savings Bank, F.S.B.

David H. Hancock Chairman Chief Executive Officer	**John M. Nesselrode** Senior Vice President Chief Investment Officer	**Jeff Jackson** Vice President Information Technology	**Rick Speciale** Vice President Internal Audit
Keith B. Cox President	**Dena Sanders** Senior Vice President Retail Banking	**Karen Jacobson** Vice President Branch Operations	**Ron Stafford** Vice President Residential Lending
Paul L. Thomas Executive Vice President Chief Credit Officer	**Bruce Thielen** Senior Vice President Residential Lending	**Lisa Lillard** Vice President Loan Servicing	**Christine Todd** Vice President Risk Management
Rhonda Nyhus Senior Vice President Chief Financial Officer	**Phil Craven** Vice President Commercial Lending	**Marquise Mansaw** Vice President Residential Lending	**Drake Vidrine** Vice President Construction Lending
Shauna Olson Corporate Secretary	**Sherrie Eimer** Vice President Branch Administration	**Dan Morton** Vice President Information Technology	**James A. Watson** Vice President Banking Compliance
Mike Anderson Senior Vice President Construction Lending	**Cathleen Gwin** Vice President Residential Lending	**Dan Reynoldson** Vice President Residential Lending	**Donna Williams** Vice President Construction Lending
Wade Hall Senior Vice President Commercial Lending	**Scott Haase** Vice President Residential Lending	**Christine Schaben** Vice President Human Resources	

Other Disclosures regarding Directors, Officers and Employees of NASB Financial, Inc.

Audit Committee

Directors Barrett Brady, Fred Arbanas, and Laura Brady serve on the Company's audit committee. Director Barrett Brady serves as the audit committee chairman and financial expert. Director Barrett Brady meets the audit committee independence requirements as prescribed by provisions of the Sarbanes-Oxley Act.

Code of Ethics for Senior Financial Officers

All Senior Financial Officers are required to abide by a Code of Ethics, which meets the requirements of Section 406 of the Sarbanes-Oxley Act. A copy of the Company's Code of Ethics for Senior Financial Officers will be provided upon written request to: Keith B. Cox, NASB Financial, Inc., 12498 South 71 Highway, Grandview, Missouri 64030.

Procedure for Anonymous Complaints

The Company has procedures in place to receive, retain, and treat complaints received regarding accounting, internal controls, or auditing matters. These procedures allow for confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Branch Offices

Headquarters **Grandview, Missouri** 12498 South 71 Highway	**Harrisonville, Missouri** 2002 East Mechanic	**Residential Lending** 10950 El Monte, Suite 210 Overland Park, Kansas	**Construction Lending** 12520 South 71 Highway Grandview, Missouri
Lee's Summit, Missouri 646 North 291 Highway	**St. Joseph, Missouri** 920 North Belt	789 NE Rice Road Lee's Summit, Missouri	**Loan Administration** 12520 South 71 Highway Grandview, Missouri
Excelsior Springs, Missouri 1001 North Jesse James Road	**Independence, Missouri** 11400 East 23rd Street	4350 S National, Suite A100 Springfield, Missouri	
Kansas City, Missouri 8501 North Oak Trafficway and 7012 NW Barry Road	**Platte City, Missouri** 2707 NW Prairie View Road		

Investor Information

Annual Meeting of Stockholders:

The Annual Meeting of Stockholders will be held on Tuesday, January 26, 2010, at 8:30 a.m. in the lobby of North American Savings Bank, 12498 South 71 Highway, Grandview, Missouri.

Annual Report on 10-K:

Copies of NASB Financial, Inc. Form 10-K Report to the Securities and Exchange Commission are available without charge upon written request to Keith B. Cox, President, NASB Financial, Inc., 12498 South 71 Highway, Grandview, Missouri 64030.

Transfer Agent:

Registrar & Transfer Co., 10 Commerce Drive, Cranford, New Jersey 07016

Stock Trading Information:

The common stock of NASB Financial, Inc. and subsidiaries is traded in the over-the-counter market. The Company's symbol is **NASB.**

Independent Auditors:

BKD LLP, 120 West 12th Street, Suite 1200, Kansas City, Missouri 64105

Shareholder and Financial Information:

Contact Keith B. Cox, NASB Financial, Inc., 12498 South 71 Highway, Grandview, Missouri 64030, (816) 765-2200.

Common Stock Prices and Dividends

At September 30, 2009, stockholders held 7,867,614 outstanding shares of NASB Financial, Inc. common stock. The company paid cash dividends of $0.225 per share in February, May, August, and November 2007. Cash dividends of $0.225 per share were paid in February, May, August, and November 2008. The Company paid cash dividends of $0.225 per share in February, May, and August 2009.

The table below reflects the Company's high and low bid prices. The quotations represent intra-dealer quotations without retail markups, markdowns or commissions, and do not necessarily represent actual transactions.

	Fiscal 2009		Fiscal 2008	
Quarter ended	High	Low	High	Low
December 31	$ 29.74	21.00	36.74	24.22
March 31	26.81	12.48	28.58	19.80
June 30	31.10	20.60	28.70	17.75
September 30	31.94	23.55	32.50	16.06