NASB Financial, Inc.

ANNUAL REPORT

2014

December 15, 2014

Dear Fellow Shareholder:

The past year has seen significant changes and progress for our company:

<u>Regulatory Issues:</u>
In February 2014, the Office of the Comptroller of Currency announced the termination of the consent order dated May 12, 2012. This represents much hard work by our managers, as we completed the transition to our new primary regulator.

In July, the Federal Reserve Board terminated a similar enforcement action pertaining to NASB Financial, Inc.

In August, we notified the NASDAQ of our delisting and deregistration with the Securities and Exchange Commission. Complying with the ever-increasing registration requirements was a significant cost to our company, both in terms of dollars and employee hours. We have joined the growing number of similarly-sized companies quoted on the OTC Marketplace (specifically, OTCQX Banks), which is operated by OTC Markets Group. We retained the trading symbol “NASB”.

<u>Return of Capital to Shareholders:</u>
Our December 2013 financial statement indicated we had $192 million in capital (16.3% of total assets). While “too much” capital is one of those “too rich” or “too young” things, we feel that this large equity ratio puts us in a position to not only retain a conservatively large cushion, but also to simultaneously increase the size of our company as we have opportunity and to return capital to our shareholders in the form of cash dividends and share repurchases. To accomplish the latter, we announced in January 2014 a special cash dividend of $0.60 per share, and have subsequently paid $0.10 per share in May, July, and October, with another $0.10 dividend planned for January 2015.

Additionally, in August we announced our Board’s decision to repurchase up to $10 million of our common stock. Approximately 5.6% of our outstanding shares were repurchased in September and October.

The many challenges all financial institutions presently face also offer significant opportunities. I think we have the people, the structure, and the capital to continue our success. NASB is excited about the coming year. Thank you for your continued support.

Sincerely,

David H Hancock

David H. Hancock
Board Chairman

NASB Financial, Inc.
2014 Annual Report

Contents

Financial Highlights

		2014	2013	2012	2010	2000	1990
		(Dollars in thousands, except per share data)					
For the year ended September 30:							
Net interest income	$	43,698	42,693	49,479	53,848	35,838	7,983
Net interest spread		3.88%	3.78%	4.31%	3.73%	3.71%	1.99%
Other income	$	37,904	62,735	53,295	43,580	9,409	2,774
General and administrative expenses		60,944	70,107	62,827	57,667	20,120	8,169
Net income (loss)		16,681	27,627	18,110	6,323	14,721	(369)
Basic earnings per share		2.13	3.51	2.30	0.80	1.66	(0.18)
Cash dividends paid		6,294	--	--	3,540	3,370	--
Dividend payout ratio		37.73%	--	--	55.99%	22.89%	--
At year end:							
Assets	$	1,168,083	1,144,155	1,240,826	1,434,196	984,525	388,477
Loans, net		883,847	764,409	898,606	1,220,886	914,012	180,348
Investment securities		200,636	296,203	240,665	76,511	20,451	179,599
Customer and brokered deposit accounts		773,762	748,193	892,313	933,453	621,665	333,634
Stockholders' equity		199,892	195,517	171,503	167,762	83,661	16,772
Book value per share		26.64	24.85	21.80	21.32	9.84	1.83
Basic shares outstanding (in thousands)		7,505	7,868	7,868	7,868	8,500	9,148
Other Financial Data:							
Return on average assets		1.44%	2.32%	1.45%	0.42%	1.63%	(0.20)%
Return on average equity		8.44%	15.05%	11.25%	3.78%	18.12%	(2.50)%
Stockholders' equity to assets		17.11%	17.09%	13.82%	11.70%	8.50%	4.30%
Average shares outstanding (in thousands)		7,849	7,868	7,868	7,868	8,863	8,116
Selected year end information:							
Stock price per share: Bid	$	23.55	27.43	24.85	15.90	14.50	1.03
Ask		23.70	27.88	24.99	16.79	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.

NASB Financial, Inc. and Subsidiary
Consolidated Balance Sheets

		September 30, 2014	September 30, 2013
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	13,043	6,347
Securities:			
Available for sale, at fair value		127,175	252,696
Held to maturity, at cost		35,861	--
Stock in Federal Home Loan Bank, at cost		7,394	7,679
Mortgage-backed securities:			
Available for sale, at fair value		324	433
Held to maturity, at cost		37,276	43,074
Loans receivable:			
Held for sale, at fair value		83,109	69,079
Held for investment, net		816,227	715,713
Allowance for loan losses		(15,489)	(20,383)
Accrued interest receivable		4,096	4,098
Foreclosed assets held for sale, net		9,788	11,252
Premises and equipment, net		11,161	12,033
Investment in LLCs		16,621	16,499
Deferred income tax asset, net		8,702	12,273
Other assets		12,795	13,362
	$	1,168,083	1,144,155
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	773,762	748,193
Advances from Federal Home Loan Bank		150,000	155,000
Subordinated debentures		25,774	25,774
Escrows		9,495	8,458
Income taxes payable		878	70
Accrued expenses and other liabilities		8,282	11,143
Total liabilities		968,191	948,638
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,857,112 shares issued at September 30, 2014 and 2013		1,479	1,479
Additional paid-in capital		16,550	16,613
Retained earnings		227,530	217,143
Treasury stock, at cost; 2,352,580 shares and 1,989,498 shares at September 30, 2014 and 2013, respectively		(46,830)	(38,418)
Accumulated other comprehensive income (loss)		1,163	(1,300)
Total stockholders' equity		199,892	195,517
	$	1,168,083	1,144,155

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Operations

		Years Ended September 30,	
		2014	2013
		(Dollars in thousands, except share data)	
Interest on loans receivable	$	42,598	45,681
Interest on mortgage-backed securities		1,550	605
Interest and dividends on securities		5,911	4,260
Other interest income		15	23
Total interest income		50,074	50,569
Interest on customer and brokered deposit accounts		3,877	5,347
Interest on advances from Federal Home Loan Bank		1,996	2,007
Interest on subordinated debentures		483	504
Other interest expense		20	18
Total interest expense		6,376	7,876
Net interest income		43,698	42,693
Provision for loan losses		(5,000)	(9,600)
Net interest income after provision for loan losses		48,698	52,293
Other income (expense):			
Loan servicing fees, net		104	102
Customer service fees and charges		3,179	5,114
Provision for loss on real estate owned		(166)	(996)
Gain on sale of securities available for sale		1,027	--
Gain (loss) on sale of securities held to maturity		(10)	257
Gain from loans receivable held for sale		33,191	62,142
Other income (expense)		579	(3,884)
Total other income		37,904	62,735
General and administrative expenses:			
Compensation and fringe benefits		25,017	25,996
Commission-based mortgage banking compensation		12,227	18,766
Premises and equipment		5,906	5,492
Advertising and business promotion		7,141	6,328
Federal deposit insurance premiums		974	2,385
Other		9,679	11,140
Total general and administrative expenses		60,944	70,107
Income before income tax expense		25,658	44,921
Income tax expense:			
Current		6,908	10,134
Deferred		2,069	7,160
Total income tax expense		8,977	17,294
Net income	$	16,681	27,627
Basic earnings per share	$	2.13	3.51
Basic weighted average shares outstanding		7,849,235	7,867,614

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income

		Years ended September 30,	
		2014	2013
		(Dollars in thousands)	
Net income	$	16,681	27,627
Other comprehensive income (loss):			
Unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of $1,686 and $(2,234) at September 30, 2014 and 2013, respectively		3,131	(3,569)
Reclassification adjustment for gain included in net income, net of income tax expense of $359 at September 30, 2014		(668)	--
Change in unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of $1,326 and $(2,234) at September 30, 2014 and 2013, respectively		2,463	(3,569)
Comprehensive income	$	19,144	24,058

See accompanying notes to consolidated financial statements**.**

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

		Years ended September 30,	
		2014	2013
Cash flows from operating activities:		(Dollars in thousands)	
Net income	$	16,681	27,627
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation		1,399	1,429
Amortization and accretion, net		674	1,620
Deferred income tax expense		2,069	7,160
Gain on sale of securities available for sale		(1,027)	--
(Gain) loss on sale of securities held to maturity		10	(257)
(Gain) loss on sale of foreclosed assets held for sale		(1,314)	(180)
(Gain) Loss from investment in LLCs		(3)	731
Gain from loans receivable held for sale		(33,191)	(62,142)
Provision for loan losses		(5,000)	(9,600)
Provision for loss on real estate owned		166	996
Origination of loans receivable held for sale		(1,158,625)	(1,820,842)
Sale of loans receivable held for sale		1,177,786	1,977,739
Stock based compensation – stock options		(63)	(44)
Changes in:			
Net fair value of loan-related commitments		303	3,079
Mortgage servicing rights		(377)	--
Accrued interest receivable		2	304
Accrued expenses, other liabilities, income taxes receivable, and income taxes payable		(2,869)	(3,223)
Net cash provided by (used in) operating activities		(3,379)	124,397
Cash flows from investing activities:			
Principal repayments of mortgage-backed securities:			
Held to maturity		1,299	5,943
Available for sale		237	107
Principal repayments of mortgage loans receivable held for investment		205,485	218,700
Principal repayments of other loans receivable		1,720	3,210
Principal repayments of investment securities available for sale		35,937	42,468
Loan origination - mortgage loans receivable held for investment		(280,650)	(177,037)
Loan origination - other loans receivable		(1,661)	(2,089)
Purchase of mortgage loans receivable held for investment		(25,369)	(1,203)
Proceeds from sale (purchase) of Federal Home Loan Bank stock		285	(606)
Purchase of mortgage-backed securities held to maturity		--	(33,762)
Purchase of securities available for sale		(73,900)	(88,431)
Purchase of securities held to maturity		(36,101)	--
Proceeds from sale of mortgage-backed securities available for sale		4,351	--
Proceeds from sale of mortgage-backed securities held to maturity		508	10,800

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

		Years ended September 30,	
		2014	2013
Cash flows from investing activities (continued):		(Dollars in thousands)	
Proceeds from sale of securities available for sale		167,433	--
Proceeds from sale of real estate owned		4,061	13,632
Purchases of premises, equipment and software, net		(948)	(2,867)
Investment in LLC		(119)	(7)
Other		19	385
Net cash provided by (used in) investing activities		2,587	(10,757)
Cash flows from financing activities:			
Net increase (decrease) in customer deposit accounts		25,569	(144,129)
Proceeds from advances from Federal Home Loan Bank		401,000	80,000
Repayment of advances from Federal Home Loan Bank		(406,000)	(52,000)
Cash dividends paid		(6,294)	--
Purchase of common stock for treasury		(7,824)	--
Change in escrows		1,037	(302)
Proceeds from other borrowings		--	422
Net cash provided by (used in) financing activities		7,488	(116,009)
Net increase (decrease) in cash and cash equivalents		6,696	(2,369)
Cash and cash equivalents at beginning of year		6,347	8,716
Cash and cash equivalents at end of year	$	13,043	6,347
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$	6,038	13,554
Cash paid for interest		7,028	7,469
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$	2,028	10,113
Conversion of real estate owned to loans receivable		219	1,132
Capitalization of originated mortgage servicing rights		377	--
Transfer of securities from held to maturity to available for sale		4,410	--
Accrual for purchase of treasury stock		588	--

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 income (loss)	Total stockholders' equity
		(Dollars in thousands)					
Balance at October 1, 2012	$	1,479	16,657	189,516	(38,418)	2,269	171,503
Comprehensive income:							
Net income		--	--	27,627	--	--	27,627
Other comprehensive income, net of tax							
Unrealized loss on securities		--	--	--	--	(3,569)	(3,569)
Total comprehensive income							24,058
Stock based compensation		--	(44)	--	--	--	(44)
Balance at September 30, 2013	$	1,479	16,613	217,143	(38,418)	(1,300)	195,517
Comprehensive income:							
Net income		--	--	16,681	--	--	16,681
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	2,463	2,463
Total comprehensive income							19,144
Cash dividends paid ($0.80 per share)		--	--	(6,294)	--	--	(6,294)
Stock based compensation		--	(63)	--	--	--	(63)
Purchase of common stock for treasury		--	--	--	(8,412)	--	(8,412)
Balance at September 30, 2014	$	1,479	16,550	227,530	(46,830)	1,163	199,892

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 and the Federal Reserve Bank totaling $10.5 million and $3.5 million as of September 30, 2014 and 2013, respectively. The Federal Reserve Board ("FRB") requires federally chartered savings banks to maintain non-interest-earning 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, 2014, the Bank's reserve requirement was $4.5 million.

Securities and Mortgage-Backed Securities

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. Securities and mortgage-backed securities not classified as held to maturity or trading are classified as available for sale. As of September 30, 2014 and 2013, the Company had no assets designated as trading. Securities and mortgage-backed securities held to maturity are stated at cost. 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. Securities are valued using market prices in an active market, if available. Less frequently traded securities are valued using industry standard models which utilize various assumptions such as historical prices of the same or similar securities, and observation of market prices of securities of the same issuer, market prices of same-sector issuers, and fixed income indexes. Mortgage-backed securities are valued by using industry standard models which utilize various inputs and assumptions such as historical prices of benchmark securities, prepayment estimates, loan type, and year of origination.

Management monitors the securities and mortgage-backed securities portfolios for impairment on an ongoing basis. This process involves monitoring market conditions and other relevant information, including external credit ratings, to determine whether or not a decline in value is other-than-temporary. If management intends to sell an impaired security or mortgage-backed security, or if it is more likely than not that management will be required to sell the impaired security prior to recovery of its amortized cost basis, the Bank will recognize a loss in earnings. If management does not intend to sell a debt security or mortgage-backed security, or if it is more likely than not that management will not be required to sell the impaired security prior to recovery of its amortized cost, regardless of whether the security is classified as available for sale or held to maturity, the Bank will recognize the credit component of the loss in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is the amount of principal cash flows not expected to be received over the remaining life of the security. The amount of other-than temporary-impairment included in other comprehensive income is amortized over the remaining life of the security.

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.

Loans held for sale are carried at fair value. Gains or losses on such sales are recognized using the specific identification method. The transfer of a loan receivable held for sale is accounted for as a sale 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, which are described more fully in Footnote 6.

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 collectability 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.

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. A restructuring of debt is considered a TDR if, because of a debtor's financial difficulty, a creditor grants concessions that it would not otherwise consider. Loans modified in troubled debt restructurings are also considered impaired. Concessions granted in a TDR could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Once a loan has been deemed impaired, the impairment must be measured by comparing the recorded investment in the loan to the present value of the estimated future cash flows discounted at the loan's effective rate, or to the fair value of the loan based on the loan's observable market price, or to the fair value of the collateral if the loan is collateral dependent. Unless the loan is performing prior to the restructure, TDRs are placed in non-accrual status at the time of restructuring and may only be returned to performing status after the borrower demonstrates sustained repayment performance for a reasonable period, generally six months.

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, or 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, and various subjective factors such as economic and business 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. When foreclosed assets are acquired any excess of the loan balance over the new basis of the foreclosed asset is charged to the allowance for loan losses. Subsequent 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 of, 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.

Goodwill

The Company has goodwill of $1.8 million at September 30, 2014 and 2013. This asset, which resulted from the Bank's acquisition of CBES Bancorp, Inc. in fiscal 2003, was assigned to the banking segment of the business. In accordance with GAAP, the Company tests its goodwill for impairment annually, or more frequently if events indicate that the asset might be impaired. The first step of the goodwill impairment test compares the fair value of a reporting segment with its carrying amount, including goodwill. If the carrying value of a reporting unit exceeds its fair value, a second step of the goodwill impairment test is required, which compares the implied fair value of reporting unit goodwill to its carrying value. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination is determined.

Stock Options

The Company has a stock-based employee compensation plan which is described more fully in Footnote 17, Stock Option Plan. The Company recognizes compensation cost over the five-year service period for its stock option awards. Stock based compensation related to stock options totaled $(63,000) and $(44,000) during the years ended September 30, 2014 and 2013, 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, 2014 and 2013, 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.

Derivative Instruments

The Bank regularly enters into commitments to originate and sell loans held for sale, which are described more fully in Footnote 22. 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, 2014 and 2013, the fair value of loan related commitments resulted in a net asset of $726,000 and $1.0 million, 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.

At September 30, 2014 and 2013, options to purchase 32,138 and 41,138 shares of the Company's stock were outstanding. The exercise price of these options was greater than the average market price of the common shares for the period, thus making the options anti-dilutive.

Recently Issued Accounting Standards

In December 2011, the FASB issued ASU No. 2011-11, which requires an entity to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. This additional disclosure is intended to provide greater transparency of the effect or potential effect of rights of offset associated with certain financial instruments and derivative instruments. This standard was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The amendments within this update are to be applied retrospectively for all comparative periods presented. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarifies the scope of the requirements ASU 2011-11. This standard was effective for fiscal years beginning on or after January 1, 2013. The amendments within this update are to be applied retrospectively for all comparative periods presented. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting reclassification out of accumulated other comprehensive income. The new standard is effective for fiscal years beginning after December 15, 2012, including interim periods within those years. The amendments should be prospectively applied. The amendments do not change the current requirement for reporting net income or other comprehensive income. The amendments require an organization to present on the face of the financial statements, or in the footnotes, the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required to be reclassified to net income in its entirety in the same reporting period. Additionally, for other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required to provide additional detail about those amounts. The adoption of this standard during the quarter ended December 31, 2013, did not have a material impact on the Company's consolidated financial statements.

In January 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU No. 2014-04 clarifies when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. This standard is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Management does not believe that the adoption of this standard will have a material impact on the Company's consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with 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 for both loans and foreclosed assets, accruals for loan recourse provisions, and fair values of financial instruments, among other items. Actual results could differ from those estimates.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications

Certain amounts for 2013 have been reclassified to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the consolidated financial statements were available to be issued.

(2) SECURITIES AVAILABLE FOR SALE

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

		September 30, 2014			
		Amortized cost	Gross unrealized gains	Gross unrealized Losses	Estimated fair value
Corporate debt securities	$	50,984	1,582	--	52,566
U.S. government sponsored agency securities		73,996	208	17	74,187
Municipal securities		422	--	--	422
Total	$	125,402	1,790	17	127,175

		September 30, 2013			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	67,320	2,482	692	69,110
U.S. government sponsored agency securities		187,087	322	4,245	183,164
Municipal securities		422	--	--	422
Total	$	254,829	2,804	4,937	252,696

During the year ended September 30, 2014, the Company realized gross gains of $1.9 million and gross losses of $988,000 on the sale of securities available for sale. There were no sales of securities available for sale during the year ended September 30, 2013.

The following table presents a summary of the fair value and gross unrealized losses of those securities available for sale which had unrealized losses at September 30, 2014. 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
U.S. government sponsored agency securities	$	9,958	17	$	--	--
Total	$	9,958	17	$	--	--

Management monitors the securities portfolio for impairment on an ongoing basis. This process involves monitoring market conditions and other relevant information, including external credit ratings, to determine whether or not a decline in value is other-than-temporary. There are no securities available for sale at September 30, 2014 and 2013, for which the Company has taken an other-than-temporary impairment loss through earnings.

The scheduled maturities of securities available for sale at September 30, 2014, 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	$	19,992	56	--	20,048
Due from one to five years		88,449	1,662	17	90,094
Due from five to ten years		16,961	72	--	17,033
Total	$	125,402	1,790	17	127,175

There were no securities available for sale pledged to secure certain obligations of the Bank as of September 30, 2014. The principal balances of securities available for sale that are pledged to secure certain obligations of the Bank as of September 30, 2013 are as follows. Dollar amounts are expressed in thousands.

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	3,000	18	--	3,018

(3) SECURITIES HELD TO MATURITY

The following table presents a summary of securities held to maturity at September 30, 2014. Dollar amounts are expressed in thousands. The Bank did not have any securities classified as held to maturity at September 30, 2013.

		Amortized cost	Gross unrealized Gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	35,861	128	182	35,807
Total	$	35,861	128	182	35,807

There were no sales of securities held to maturity during the years ended September 30, 2014 and 2013.

The following table presents a summary of the fair value and gross unrealized losses of those securities held to maturity which had unrealized losses at September 30, 2014. 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
Corporate debt securities	$	24,711	182	$	--	--
Total	$	24,711	182	$	--	--

Management monitors the securities portfolio for impairment on an ongoing basis by evaluating market conditions and other relevant information, including external credit ratings, to determine whether or not a decline in value is other-than-temporary. When the fair value of a security is less than its amortized cost, an other-than-temporary impairment is considered to have occurred if the present value of expected cash flows is not sufficient to recover the entire amortized cost, or if the Company intends to, or will be required to, sell the security prior to the recovery of its amortized cost. The unrealized losses at September 30, 2014, are primarily the result of changes in market yields from the time of purchase. Management generally views changes in fair value caused by changes in interest rates as temporary. In addition, all scheduled payments for securities with unrealized losses at September 30, 2014, have been made, and it is anticipated that the Company will hold such securities to maturity and that the entire principal balance will be collected.

The scheduled maturities of securities held to maturity at September 30, 2014 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 one to five years	$	4,995	--	33	4,962
Due from five to ten years		30,866	128	149	30,845
Total	$	35,861	128	182	35,807

The principal balances of securities held to maturity that are pledged to secure certain obligations of the Bank as of September 30, 2014 are as follows. Dollar amounts are expressed in thousands.

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	10,273	--	33	10,240

(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, 2014			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	59	2	--	61
Pass-through certificates guaranteed by FNMA – adjustable rate		103	7	--	110
FHLMC participation certificates:					
Fixed rate		60	2	--	62
Adjustable rate		85	6	--	91
Total	$	307	17	--	324

		September 30, 2013			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	68	2	--	70
Pass-through certificates guaranteed by FNMA – adjustable rate		119	7	--	126
FHLMC participation certificates:					
Fixed rate		122	5	--	127
Adjustable rate		105	5	--	110
Total	$	414	19	--	433

During the year ended September 30, 2014, the Bank transferred one collateralized mortgage obligation security with an amortized cost of $4.4 million and an unrealized gain of $79,000 from held to maturity to available for sale. The security was transferred after it was determined that it was not an allowable investment under provisions of the Volcker Rule. Management determined that it did not have the ability to hold the security to maturity, as the Volcker Rule requires banks to bring their activities into compliance on or before July 21, 2015. This security was subsequently sold, and the Company recognized a gain of $72,000. There were no other sales of mortgage-backed securities available for sale during the year ended September 30, 2014. There were no sales of mortgage-backed securities available for sale during the year ended September 30, 2013.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2014, 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 one to five years	$	60	2	--	62
Due after ten years		247	15	--	262
Total	$	307	17	--	324

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, 2014			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$	60	2	--	62

		September 30, 2013			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$	65	3	--	68

(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, 2014				
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FHLMC participation certificates:					
Fixed rate	$	22	--	--	22
FNMA pass-through certificates:					
Balloon maturity and adjustable rate		1	--	--	1
Collateralized mortgage obligations		37,253	295	--	37,548
Total	$	37,276	295	--	37,571

	September 30, 2013				
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FHLMC participation certificates:					
Fixed rate	$	30	2	--	32
FNMA pass-through certificates:					
Fixed rate		1	--	--	1
Balloon maturity and adjustable rate		14	--	--	14
Collateralized mortgage obligations		43,029	94	27	43,096
Total	$	43,074	96	27	43,143

During the year ended September 30, 2014, the Bank recognized a loss of $10,000 on the sale of one mortgage backed security which was classified as held to maturity. This security had an amortized cost of $518,000 at the time of sale. During the year ended September 30, 2013, the Bank recognized a gain of $295,000 and a loss of $38,000 on the sale of two mortgage backed securities which were classified as held to maturity. The securities had a combined amortized cost of $10.5 million at the time of sale. The decision was made to sell these securities after it was determined that there was significant deterioration in the issuer's creditworthiness.

The scheduled maturities of mortgage-backed securities held to maturity at September 30, 2014, 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 one to five years	$	23	--	--	23
Due after ten years		37,253	295	--	37,548
Total	$	37,276	295	--	37,571

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.

(6) LOANS RECEIVABLE

The Bank has traditionally concentrated its lending activities on mortgage loans secured by residential and business property and, to a lesser extent, development lending. Residential mortgage loans have either long-term fixed or adjustable rates. The Bank also has a portfolio of mortgage loans that are secured by multifamily, construction, development, and commercial real estate properties. The remaining part of North American's loan portfolio consists of non-mortgage commercial and installment loans.

The following table presents the Bank's total loans receivable at September 30. Dollar amounts are expressed in thousands.

HELD FOR INVESTMENT	2014	2013
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 410,793	365,248
Business properties	277,458	268,641
Partially guaranteed by VA or insured by FHA	22,045	7,694
Construction and development	153,758	91,451
Total mortgage loans	864,054	733,034
Commercial loans	9,271	12,226
Installment loans and lease financing to individuals	5,264	5,599
Total loans receivable held for investment	878,589	750,859
Less:		
Undisbursed loan funds	(56,651)	(30,749)
Unearned discounts and fees on loans, net of deferred costs	(5,711)	(4,397)
Net loans receivable held for investment	$ 816,227	715,713
HELD FOR SALE		
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 83,109	69,079

Included in the loans receivable balances are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions of approximately $621,000 and $976,000 at September 30, 2014 and 2013, respectively.

Whole loans and participations serviced for others were approximately $60.4 million and $24.4 million at September 30, 2014 and 2013, 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 $604.9 million and $522.1 million at September 30, 2014 and 2013, 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, 2014 and 2013. Such loans were made under terms and conditions substantially the same as loans made to parties not affiliated with the Bank.

Proceeds from the sale of loans receivable held for sale during fiscal 2014 and 2013, were $1,177.8 million and $1,977.7 million, respectively. In fiscal 2014, the Bank realized gross gains of $33.4 million and $223,000 of gross losses. In fiscal 2013, the Bank realized gross gains of $62.2 million and $30,000 of gross losses.

During the fourth quarter of fiscal 2014, the Bank began purchasing single-family residential real estate loans which were of similar credit quality to other such loans held for investment in the Bank's portfolio. These loans had an unpaid principal balance totaling $24.7 million at September 30, 2014, and were purchased at a discount of approximately 8%.

Lending Practices and Underwriting Standards

Residential real estate loans - The Bank offers a range of residential loan programs, including programs offering loans guaranteed by the Veterans Administration ("VA") and loans insured by the Federal Housing Administration ("FHA"). The Bank's residential loans come from several sources. The loans that the Bank originates are generally a result of direct solicitations of real estate brokers, builders, developers, or potential borrowers via the internet. North American periodically purchases real estate loans from other financial institutions or mortgage bankers.

The Bank's residential real estate loan underwriters are grouped into three different levels, based upon each underwriter's experience and proficiency. Underwriters within each level are authorized to approve loans up to prescribed dollar amounts. Any loan over $1 million must also be approved by either the Board Chairman, CEO or EVP/Residential Lending. Conventional residential real estate loans are underwritten using FNMA's Desktop Underwriter or FHLMC's Loan Prospector automated underwriting systems, which analyze credit history, employment and income information, qualifying ratios, asset reserves, and loan-to-value ratios. If a loan does not meet the automated underwriting standards, it is underwritten manually. Full documentation to support each applicant's credit history, income, and sufficient funds for closing is required on all loans. An appraisal report, performed in conformity with the Uniform Standards of Professional Appraisers Practice by an approved outside licensed appraiser, is required for substantially all loans. Typically, the Bank requires borrowers to purchase private mortgage insurance when the loan-to-value ratio exceeds 80%.

NASB originates Adjustable Rate Mortgages ("ARMs"), which fully amortize and typically have initial rates that are fixed for one to seven years before becoming adjustable. Such loans are underwritten based on the initial interest rate and the borrower's ability to repay based on the maximum first adjustment rate. Each underwriting decision takes into account the type of loan and the borrower's ability to pay at higher rates. While lifetime rate caps are taken into consideration, qualifying ratios may not be calculated at this level due to an extended number of years required to reach the fully-indexed rate.

At the time a potential borrower applies for a residential mortgage loan, it is designated as either a portfolio loan, which is held for investment and carried at amortized cost, or a loan held-for-sale in the secondary market and carried at fair value. All the loans on single family property that the Bank holds for sale conform to secondary market underwriting criteria established by various institutional investors. All loans originated, whether held for sale or held for investment, conform to internal underwriting guidelines, which consider, among other things, a property's value and the borrower's ability to repay the loan.

Construction and development loans - Construction and land development loans are made primarily to builders/developers, who construct properties for resale. The Bank's requirements for a construction loan are similar to those of a mortgage on an existing residence. In addition, the borrower must submit accurate plans, specifications, and cost projections of the property to be constructed. All construction and development loans are manually underwritten using NASB's internal underwriting standards. All construction and development loans require two approvals, from either the Board Chairman, CEO, or SVP/Construction Lending. Prior approval is required from the Bank's Board of Directors for newly originated construction and development loans with a proposed balance of $2.5 million or greater. The bank has adopted internal loan-to-value limits consistent with regulations, which are 65% for raw land, 75% for land development, and 85% for residential and non-residential construction. An appraisal report performed in conformity with the Uniform Standards of Professional Appraisers Practice by an approved outside licensed appraiser is required on all loans in excess of $250,000. Generally, the Bank will commit to an initial term of 12 to 18 months on construction loans, and an initial term of 24 to 48 months on land acquisition and development loans, with six month renewals thereafter. Interest rates on construction loans typically adjust daily and are tied to a predetermined index. NASB's staff regularly performs inspections of each property during its construction phase to help ensure adequate progress is achieved before making scheduled loan disbursements.

When construction and development loans mature, the Bank typically considers extensions for short, six-month term periods. This allows the Bank to more frequently evaluate the loan, including creditworthiness and current market conditions and, if management believes it is in the best interest of the Company, to modify the terms accordingly. This portfolio consists primarily of assets with rates tied to the prime rate and, in most cases, the conditions for loan renewal include an interest rate "floor" in accordance with the market conditions that exist at the time of renewal. Such extensions are accounted for as Troubled Debt Restructurings ("TDRs") if the restructuring was related to the borrower's financial difficulty, and if the Bank made concessions that it would not otherwise consider. In order to determine whether or not a renewal should be accounted for as a TDR, management reviewed the borrower's current financial information, including an analysis of income and liquidity in relation to debt service requirements. During the year ended September 30, 2014, the Bank renewed ninety-three loans within its construction and development loan portfolio, fifteen of which were considered TDRs.

Commercial real estate loans - The Bank purchases and originates several different types of commercial real estate loans. Permanent multifamily mortgage loans on properties of 5 to 36 dwelling units have a 50% risk-weight for risk-based capital requirements if they have an initial loan-to-value ratio of not more than 80% and if their annual average occupancy rate exceeds 80%. All other performing commercial real estate loans have 100% risk-weights.

The Bank's commercial real estate loans are secured primarily by multi-family and nonresidential properties. Such loans are manually underwritten using NASB's internal underwriting standards, which evaluate the sources of repayment, including the ability of income producing property to generate sufficient cash flow to service the debt, the capacity of the borrower or guarantors to cover any shortfalls in operating income, and, as a last resort, the ability to liquidate the collateral in such a manner as to completely protect the Bank's investment. All commercial real estate loans require two approvals, from either the Board Chairman, CEO, or EVP/Chief Lending Officer. Prior approval is required from the Bank's Board of Directors for newly originated commercial loans with a proposed balance of $2.5 million or greater. Typically, loan-to-value ratios do not exceed 80%; however, exceptions may be made when it is determined that the safety of the loan is not compromised, and the rationale for exceeding this limit is clearly documented. An appraisal report performed in conformity with the Uniform Standards of Professional Appraisers Practice by an approved outside licensed appraiser is required on all loans in excess of $250,000. Interest rates on commercial loans may be either fixed or tied to a predetermined index and adjusted daily.

The Bank typically obtains full personal guarantees from the primary individuals involved in the transaction. Guarantor financial statements and tax returns are reviewed annually to determine their continuing ability to perform under such guarantees. The Bank typically pursues repayment from guarantors when the primary source of repayment is not sufficient to service the debt. However, the Bank may decide not to pursue a guarantor if, given the guarantor's financial condition, it is likely that the estimated legal fees would exceed the probable amount of any recovery. Although the Bank does not typically release guarantors from their obligation, the Bank may decide to delay the decision to pursue civil enforcement of a deficiency judgment.

At least once during each calendar year, a review is prepared for each borrower relationship in excess of $1 million and for each individual loan over $1 million. Collateral inspections are obtained on an annual basis for each loan over $1 million, and on a triennial basis for each loan between $500,000 and $1 million. Financial information, such as tax returns, is requested annually for all commercial real estate loans over $500,000, which is consistent with industry practice, and the Bank believes it has sufficient monitoring procedures in place to identify potential problem loans. A loan is deemed impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Any loans deemed impaired, regardless of their balance, are reviewed by management at the time of the impairment determination, and monitored on a quarterly basis thereafter, including calculation of specific valuation allowances, if applicable.

Installment Loans - These loans consist primarily of loans on savings accounts and consumer lines of credit that are secured by a customer's equity in their primary residence.

Allowance for Loan Losses

The Allowance for Loan and Lease Losses ("ALLL") recognizes the inherent risks associated with lending activities for individually identified problem assets as well as the entire homogenous and non-homogenous loan portfolios. ALLLs are established by charges to the provision for loan losses and carried as contra assets. Management analyzes the adequacy of the allowance on a quarterly basis and appropriate provisions are made to maintain the ALLLs at adequate levels. 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. 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, within their regulatory filings, based on the information available at the time of their examinations.

The ALLL is determined based upon two components. The first is made up of specific reserves for loans which have been deemed impaired in accordance with GAAP. The second component is made up of general reserves for loans that are not impaired. 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. Once a loan has been deemed impaired, the impairment must be measured by comparing the recorded investment in the loan to the present value of the estimated future cash flows discounted at the loan's effective rate, or to the fair value of the loan based on the loan's observable market price, or to the fair value of the collateral if the loan is collateral dependent. Any measured impairments that are deemed "confirmed losses" are charged-off and netted from their respective loan balances. For impaired loans that are collateral dependent, a "confirmed loss" is generally the amount by which the loan's recorded investment exceeds the fair value of its collateral. If a loan is considered uncollectible, the entire balance is deemed a "confirmed loss" and is fully charged-off.

Loans that are not impaired are evaluated based upon the Bank's historical loss experience, as well as various subjective factors, to estimate potential unidentified losses within the various loan portfolios. These loans are categorized into pools based upon certain characteristics such as loan type, collateral type and repayment source. In addition to analyzing historical losses, the Bank also evaluates the following subjective factors for each loan pool to estimate future losses: changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and volume of the portfolio, changes in management and other relevant staff, changes in the volume and severity of past due loans, changes in the quality of the Bank's loan review system, changes in the value of the underlying collateral for collateral dependent loans, changes in the level of lending concentrations, and changes in other external factors such as competition and legal and regulatory requirements. Historical loss ratios are adjusted accordingly, based upon the effect that the subjective factors have in estimated future losses. These adjusted ratios are applied to the balances of the loan pools to determine the adequacy of the ALLL each quarter.

The Bank does not routinely obtain updated appraisals for their collateral dependent loans that are not adversely classified. However, when analyzing the adequacy of its allowance for loan losses, the Bank considers potential changes in the value of the underlying collateral for such loans as one of the subjective factors used to estimate future losses in the various loan pools.

The following table presents the balance in the allowance for loan losses for the years ended September 30, 2014 and 2013. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Allowance for loan losses:								
Balance at October 1, 2013	$	8,642	--	6,561	4,841	58	281	20,383
Provision for loan losses		175	--	(4,047)	(850)	(45)	(233)	(5,000)
Losses charged off		(2,320)	--	(902)	(651)	--	(15)	(3,888)
Recoveries		946	--	2,147	744	--	157	3,994
Balance at September 30, 2014	$	7,443	--	3,759	4,084	13	190	15,489
Balance at October 1, 2012	$	6,941	--	7,086	16,590	513	699	31,829
Provision for loan losses		3,031	--	246	(11,956)	(455)	(466)	(9,600)
Losses charged off		(2,129)	--	(1,196)	(684)	--	(149)	(4,158)
Recoveries		799	--	425	891	--	197	2,312
Balance at September 30, 2013	$	8,642	--	6,561	4,841	58	281	20,383

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method at September 30, 2014. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Allowance for loan losses:								
Ending balance of allowance for loan losses related to loans:								
Individually evaluated for impairment	$	212	--	9	--	--	--	221
Collectively evaluated for impairment	$	7,231	--	3,750	4,084	13	190	15,268
Acquired with deteriorated credit quality *	$	27	--	--	--	--	--	27
Loans:								
Balance at September 30, 2014	$	429,785	83,109	275,658	96,259	9,271	5,254	899,336
Ending balance:								
Loans individually evaluated for impairment	$	13,387	--	10,330	10,006	8,650	22	42,395
Loans collectively evaluated for impairment	$	416,398	83,109	265,328	86,253	621	5,232	856,941
Loans acquired with Deteriorated credit quality	$	3,958	--	--	--	--	--	3,958

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method at September 30, 2013. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Allowance for loan losses:								
Ending balance of allowance for loan losses related to loans:								
Individually evaluated for impairment	$	333	--	35	4	25	--	397
Collectively evaluated for impairment	$	8,309	--	6,526	4,837	33	281	19,986
Acquired with deteriorated credit quality *	$	31	--	--	--	--	--	31
Loans:								
Balance at September 30, 2012	$	370,296	69,079	266,895	60,697	12,226	5,599	784,792
Ending balance:								
Loans individually evaluated for impairment	$	18,864	--	10,235	23,917	11,250	3	64,269
Loans collectively evaluated for impairment	$	351,432	69,079	256,660	36,780	976	5,596	720,523
Loans acquired with Deteriorated credit quality	$	4,196	--	--	--	--	--	4,196

* Included in ending balance of allowance for loan losses related to loans individually evaluated for impairment at September 30, 2014 and 2013.

Classified Assets, Delinquencies, and Non-accrual Loans

Classified assets **-** In accordance with the Bank's asset classification system, problem assets are classified with risk ratings of either "substandard," "doubtful," or "loss." An asset is considered substandard if it is inadequately protected by the borrower's ability to repay, or the value of collateral. Substandard assets include those characterized by a possibility that the institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have the same weaknesses of those classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are considered uncollectible and of little value. Such assets are charged-off against the ALLL at the time they are deemed to be a "confirmed loss."

In addition to the risk rating categories for problem assets noted above, loans may be assigned a risk rating of "pass," "pass-watch," or "special mention." The pass category includes loans with borrowers and/or collateral that is of average quality or better. Loans in this category are considered average risk and satisfactory repayment is expected. Assets classified as pass-watch are those in which the borrower has the capacity to perform according to the terms and repayment is expected. However, one or more elements of uncertainty exist. Assets classified as special mention have a potential weakness that deserves management's close attention. If left undetected, the potential weakness may result in deterioration of repayment prospects.

Each quarter, management reviews the problem loans in its portfolio to determine whether changes to the asset classifications or allowances are needed. The following table presents the credit risk profile of the Company's loan portfolio based on risk rating category as of September 30, 2014. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Rating:								
Pass	$	391,330	83,109	220,096	72,409	--	5,232	772,176
Pass – Watch		20,044	--	41,493	17,434	9,271	--	88,242
Special Mention		--	--	--	--	--	--	--
Substandard		18,411	--	14,069	6,416	--	21	38,917
Doubtful		--	--	--	--	--	1	1
Loss		--	--	--	--	--	--	--
Total	$	429,785	83,109	275,658	96,259	9,271	5,254	899,336

The following table presents the credit risk profile of the Company's loan portfolio based on risk rating category as of September 30, 2013. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Rating:								
Pass	$	320,090	69,079	194,070	20,789	--	5,595	609,623
Pass – Watch		24,449	--	56,640	20,698	976	--	102,763
Special Mention		227	--	583	--	--	--	810
Substandard		25,397	--	15,567	19,210	11,250	4	71,428
Doubtful		133	--	35	--	--	--	168
Loss		--	--	--	--	--	--	--
Total	$	370,296	69,079	266,895	60,697	12,226	5,599	784,792

The following table presents the Company's loan portfolio aging analysis as of September 30, 2014. Dollar amounts are expressed in thousands.

		30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Residential	$	2,137	1,684	5,182	9,003	420,782	429,785	--
Residential held for sale		--	--	2	2	83,107	83,109	--
Commercial real estate		236	--	2,881	3,117	272,541	275,658	--
Construction & development		--	1,779	714	2,493	93,766	96,259	--
Commercial		--	8,650	--	8,650	621	9,271	--
Installment		--	--	1	1	5,253	5,254	--
Total	$	2,373	12,113	8,780	23,266	876,070	899,336	--

The following table presents the Company's loan portfolio aging analysis as of September 30, 2013. Dollar amounts are expressed in thousands.

		30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Residential	$	1,044	1,308	7,079	9,431	360,865	370,296	--
Residential held for sale		--	--	--	--	69,079	69,079	--
Commercial real estate		4,195	334	328	4,857	262,038	266,895	--
Construction & development		--	--	774	774	59,923	60,697	--
Commercial		--	--	--	--	12,226	12,226	--
Installment		--	--	1	1	5,598	5,599	--
Total	$	5,239	1,642	8,182	15,063	769,729	784,792	--

When a loan becomes 90 days past due, or when full payment of interest and principal is not expected, the Bank stops accruing interest and establishes a reserve for the unpaid interest accrued-to-date. In some instances, a loan may become 90 days past due if it has exceeded its maturity date but the Bank and borrower are still negotiating the terms of an extension agreement. In those instances, the Bank typically continues to accrue interest, provided the borrower has continued making interest payments after the maturity date and full payment of interest and principal is expected.

The following table presents the Company's loans meeting the regulatory definition of nonaccrual, which includes certain loans that are current and paying as agreed. This table does not include purchased impaired loans or troubled debt restructurings that are performing. Dollar amounts are expressed in thousands.

		2014	2013
Residential	$	11,080	18,073
Residential held for sale		--	--
Commercial real estate		5,825	8,354
Construction & development		2,331	5,195
Commercial		--	--
Installment		1	--
Total	$	19,237	31,622

As of September 30, 2014 and 2013, $11.3 million (58.7%) and $20.2 million (63.8%) of the loans classified as nonaccrual were current and paying as agreed, respectively.

Gross interest income would have increased by $544,000 and $675,000 for the years ended September 30, 2014 and 2013, respectively, if the nonaccrual loans had been performing.

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. A restructuring of debt is considered a TDR if, because of a debtor's financial difficulty, a creditor grants concessions that it would not otherwise consider. Loans modified in troubled debt restructurings are also considered impaired. Concessions granted in a TDR could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Once a loan has been deemed impaired, the impairment must be measured by comparing the recorded investment in the loan to the present value of the estimated future cash flows discounted at the loan's effective rate, or to the fair value of the loan based on the loan's observable market price, or to the fair value of the collateral if the loan is collateral dependent. Unless the loan is performing prior to the restructure, TDRs are placed in non-accrual status at the time of restructuring and may only be returned to performing status after the borrower demonstrates sustained repayment performance for a reasonable period, generally six months.

The following table presents the recorded balance of troubled debt restructurings as of September 30. Dollar amounts are expressed in thousands.

		2014	2013
Troubled debt restructurings:			
Residential	$	5,968	9,381
Residential held for sale		--	--
Commercial real estate		5,833	6,079
Construction & development		9,291	23,144
Commercial		8,650	11,250
Installment		21	3
Total	$	29,763	49,857
Performing troubled debt restructurings:			
Residential	$	1,337	1,626
Residential held for sale		--	--
Commercial real estate		3,588	1,036
Construction & development		7,675	18,722
Commercial		8,650	11,250
Installment		21	3
Total	$	21,271	32,637

At September 30, 2014, the Bank had no outstanding commitments to be advanced in connection with TDRs. At September 30, 2013, the Bank had outstanding commitments of $1,000 to be advanced in connection with TDRs.

The following table presents the number of loans and the Company's recorded investment in TDRs modified during the fiscal year ended September 30, 2014. Dollar amounts are expressed in thousands.

	Number of Loans		Recorded Investment Prior to Modification		Recorded Investment After Modification		Increase in ALLL or Charge-offs
Residential	6	$	1,137	$	1,137	$	--
Residential held for sale	--		--		--		--
Commercial real estate	2		1,477		990		--
Construction & development	15		8,147		8,147		--
Commercial	--		--		--		--
Installment	2		39		39		15
Total	25	$	10,800	$	10,313	$	15

The following table presents the number of loans and the Company's recorded investment in TDRs modified during the fiscal year ended September 30, 2013. Dollar amounts are expressed in thousands.

	Number of Loans	Recorded Investment Prior to Modification	Recorded Investment After Modification	Increase in ALLL or Charge-offs
Residential	20	$ 7,716	$ 7,658	$ 19
Residential held for sale	--	--	--	--
Commercial real estate	3	1,471	1,338	133
Construction & development	25	25,511	25,511	--
Commercial	1	16,251	13,751	25
Installment	2	5	5	--
Total	51	$ 50,954	$ 48,263	$ 177

The following table presents TDRs restructured during the fiscal year ended September 30, 2014, by type of modification. Dollar amounts are expressed in thousands.

	Extension Of Maturity	Interest Only Period	Combination of Terms Modified	Total Recorded Investment Prior to Modification
Residential	$ 769	--	368	1,137
Residential held for sale	--	--	--	--
Commercial real estate	--	--	1,477	1,477
Construction & development	4,255	--	3,892	8,147
Commercial	--	--	--	--
Installment	15	--	24	39
Total	$ 5,039	--	5,761	10,800

The following table presents TDRs restructured during the fiscal year ended September 30, 2013, by type of modification. Dollar amounts are expressed in thousands.

	Extension of Maturity	Interest Only Period	Combination of Terms Modified	Total Recorded Investment Prior to Modification
Residential	$ 6,719	--	997	7,716
Residential held for sale	--	--	--	--
Commercial real estate	--	--	1,471	1,471
Construction & development	25,488	--	23	25,511
Commercial	--	--	16,251	16,251
Installment	--	--	5	5
Total	$ 32,207	--	18,747	50,954

The following table presents the Company's recorded investment and number of loans considered TDRs at September 30 that defaulted during the fiscal year. Dollar amounts are expressed in thousands.

	2014			2013		
	Number of Loans		Recorded Investment	Number of Loans		Recorded Investment
Residential	14	$	3,900	24	$	5,271
Residential held for sale	--		--	--		--
Commercial real estate	--		--	3		2,802
Construction & development	--		--	--		--
Commercial	--		--	--		--
Installment	3		21	1		3
Total	17	$	3,921	28	$	8,076

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2014. Dollar amounts are expressed in thousands.

		Recorded Balance	Unpaid Principal Balance	Specific Allowance	YTD Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:						
Residential	$	11,173	15,008	--	11,922	526
Residential held for sale		--	--	--	--	--
Commercial real estate		9,023	13,454	--	9,262	813
Construction & development		10,006	12,561	--	11,032	733
Commercial		8,650	8,650	--	11,033	769
Installment		22	396	--	36	24
Loans with a specific valuation allowance:						
Residential	$	2,214	2,620	212	2,275	164
Residential held for sale		--	--	--	--	--
Commercial real estate		1,307	2,017	9	1,729	215
Construction & development		--	--	--	--	--
Commercial		--	--	--	--	--
Installment		--	--	--	--	--
Total:						
Residential	$	13,387	17,628	212	14,197	690
Residential held for sale		--	--	--	--	--
Commercial real estate		10,330	15,471	9	10,991	1,028
Construction & development		10,006	12,561	--	11,032	733
Commercial		8,650	8,650	--	11,033	769
Installment		22	396	--	36	24

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2013. Dollar amounts are expressed in thousands.

		Recorded Balance	Unpaid Principal Balance	Specific Allowance	YTD Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:						
Residential	$	17,063	20,053	--	17,317	900
Residential held for sale		--	--	--	--	--
Commercial real estate		9,199	16,925	--	9,576	985
Construction & development		22,138	25,377	--	28,436	1,803
Commercial		--	--	--	--	--
Installment		3	457	--	54	44
Loans with a specific valuation allowance:						
Residential	$	1,801	1,828	333	1,813	79
Residential held for sale		--	--	--	--	--
Commercial real estate		1,036	1,036	35	1,056	67
Construction & development		1,779	1,779	4	1,779	122
Commercial		11,250	11,250	25	12,709	897
Installment		--	--	--	--	--
Total:						
Residential	$	18,864	21,881	333	19,130	979
Residential held for sale		--	--	--	--	--
Commercial real estate		10,235	17,961	35	10,632	1,052
Construction & development		23,917	27,156	4	30,215	1,925
Commercial		11,250	11,250	25	12,709	897
Installment		3	457	--	54	44

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.

		2014				
		Residential				
State		1-4 family	5 or more family	Commercial real estate	Construction and development	Total
Missouri	$	114,926	22,858	23,344	51,110	212,238
Kansas		42,821	413	12,487	91,676	147,397
Texas		33,885	1,740	38,662	--	74,287
California		40,330	1,471	7,651	--	49,452
Florida		29,119	147	6,305	--	35,571
Illinois		6,809	242	26,698	--	33,749
Colorado		7,769	1,344	22,224	--	31,337
Indiana		3,588	944	20,615	--	25,147
Virginia		9,815	--	3,669	10,765	24,249
Georgia		9,567	3,115	5,693	--	18,375
North Carolina		10,842	--	7,048	--	17,890
Arizona		14,362	--	3,447	--	17,809
Washington		6,747	--	9,285	--	16,032
Ohio		3,161	1,481	10,852	--	15,494
Other		99,097	1,409	44,314	207	145,027
	$	432,838	35,164	242,294	153,758	864,054

		2013				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		Family	family	real estate	development	Total
Missouri	$	124,561	17,588	25,848	49,149	217,146
Kansas		42,670	437	13,239	41,473	97,819
Texas		26,979	4,035	36,964	--	67,978
Colorado		7,093	1,474	25,797	--	34,364
California		25,072	878	6,974	--	32,924
Florida		17,803	155	5,955	--	23,913
Indiana		1,915	--	20,343	--	22,258
Illinois		6,572	--	13,395	615	20,582
Arizona		12,524	--	4,188	--	16,712
North Carolina		7,843	--	7,788	--	15,631
Ohio		2,803	--	12,645	--	15,448
Washington		5,007	311	8,470	--	13,788
Virginia		7,916	--	3,885	--	11,801
Georgia		5,020	820	5,038	--	10,878
Other		79,164	3,801	48,613	214	131,792
	$	372,942	29,499	239,142	91,451	733,034

The Bank issues various representations and warranties and standard recourse provisions associated with the sale of loans to outside investors, which may require the Bank to repurchase a loan that defaults or has identified defects, or to indemnify the investor in the event of a material breach of contractual representations and warranties. Such provisions related to early payoff and early payment default typically expire 90 to 180 days after purchase. Repurchase obligations related to fraud or misrepresentation remain outstanding during the life of the loan. The Bank has established reserves related to various representations and warranties that reflect management's estimate of losses based on various factors. Such factors include estimated level of defects, historical repurchase demand, success rate in avoiding claims, and projected loss severity. Reserves are established at the time loans are sold, and updated during their estimated life. It is management's estimate that the total recourse liability associated with such loans was $1.1 million and $2.6 million at September 30, 2014 and 2013, respectively. The reserve for such losses is included in "Accrued expenses and other liabilities" in the Bank's consolidated financial statements.

In recent years, the Bank has experienced increased losses resulting from investor charges for loans with defects, repurchased loans, early prepayment penalties, and early default penalties. This trend accelerated during the last half of the fiscal 2009 and continued through fiscal 2013. During fiscal 2013, the Bank negotiated global settlements with two investors, which released the Bank from further liability for all known and unknown claims, subject to certain exceptions for fraud committed by Bank employees. As a result of these settlements and improving economic conditions, the Bank experienced fewer losses during fiscal 2014. The Company repurchased or incurred losses on loans with balances of $6.4 million and $13.6 million during fiscal year 2014 and 2013, respectively. Total losses incurred on these loans were $544,000 and $923,000 during fiscal year 2014 and 2013, respectively. Repurchased loans are recorded at fair value and evaluated for impairment in accordance with GAAP.

The following table presents the activity in the reserve related to representations and warranties for the year ended September 30. Dollar amounts are expressed in thousands.

		2014	2013
Balance at beginning of year	$	2,637	5,267
Additions to (reductions in) reserve		(1,000)	1,433
Losses, settlements, and penalties incurred		(544)	(4,063)
Balance at end of year	$	1,093	2,637

The increase in repurchase loans and settlement losses originated primarily from weak economic conditions, as investors made increased demands associated with the higher level of loans in default. The Bank has had some success in avoiding claims. During fiscal 2014, the Bank successfully cleared twenty out of thirty-eight, or fifty-three percent, of the repurchase requests that it received. During fiscal 2013, the Bank successfully cleared twenty-five out of fifty, or fifty percent, of the repurchase requests that it received. This success rate is one indicator of future losses, but it is affected by various factors such as the type of claim and the investor making the claim. If economic conditions, particularly the housing market, decline in future periods, it is management's opinion that the Bank may experience increased loss severity on repurchased loans, resulting in further additions to the reserve. However, the Bank began to tighten underwriting standards in mid-2008, so it expects a lower level of repurchase requests for loans originated thereafter. Management believes that the current reserve is adequate to cover the expected settlement amount on loans that remain outstanding and are not covered under the aforementioned global settlements.

(7) FORECLOSED ASSETS HELD FOR SALE

The carrying value of real estate owned and other repossessed property was $9.8 million and $11.3 million at September 30, 2014 and 2013, respectively

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. When foreclosed assets are acquired, any excess of the loan balance over the new basis of the foreclosed asset is charged to the allowance for loan losses. Subsequent 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 of, depending on the adequacy of the down payment and other requirements.

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

		2014	2013
Balance at beginning of year	$	--	--
Provision for loss		166	996
Charge-offs		(166)	(1,037)
Recoveries		--	41
Balance at end of year	$	--	--

In addition to the provision for loss noted above, the Company incurred net expenses of $1.0 million and $1.5 million related to foreclosed assets held for sale during the fiscal years ended September 30, 2014 and 2013, respectively.

(8) PREMISES AND EQUIPMENT

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

		2014	2013
Land	$	4,308	4,308
Buildings and improvements		13,141	13,198
Furniture, fixtures and equipment		8,595	8,901
		26,044	26,407
Accumulated depreciation		(14,883)	(14,374)
Total	$	11,161	12,033

Certain facilities of the Bank are leased under various operating leases. Amounts paid for rent expense for the fiscal years ended September 30, 2014 and 2013, were approximately $1.3 million and $1.1 million, 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
2015	$	997
2016		823
2017		798
2018		133
Thereafter		--

(9) INVESTMENT IN LLCs

The Company is a partner in two limited liability companies, Central Platte Holdings LLC ("Central Platte") and NBH, LLC ("NBH"), 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.

The Company's investment in Central Platte consists of a 50% ownership interest in an entity that develops land for residential real estate sales. Sales of lots have not met previous expectations and, as a result, the Company evaluated its investment for impairment, in accordance with ASC 323-10-35-32, which provides guidance related to a loss in value of an equity method investment. The Company utilizes a multi-faceted approach to measure the potential impairment. The internal model utilizes the following valuation methods: 1) liquidation or appraised values determined by an independent third party appraisal; 2) an on-going business, or discounted cash flows method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the value of raw land obtained from an independent third party appraiser; and 3) another on-going business method, which utilizes the same inputs as method 2, but presumes that cash flows will first be generated from the sale of raw ground and then from the sale of fully-developed and partially-developed lots and the operation of the homeowner's association. The internal model also includes method 4, an on-going business method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the development and sale of lots from the property that is currently raw land. However, management does not feel the results from this method provide a reliable indication of value because the time to "build-out" the development exceeds 18 years. Because of this unreliability, the results from method 4 are given a zero weighting in the final impairment analysis. The significant inputs include raw land values, absorption rates of lot sales, and a market discount rate. Management believes this multi-faceted approach is reasonable given the highly subjective nature of the assumptions and the differences in valuation techniques that are utilized within each approach (e.g., order of distribution of assets upon potential liquidation). It is management's opinion that no one valuation method within the model is preferable to the other and that no one method is more likely to occur than the other. Therefore, the final estimate of value is determined by assigning an equal weight to the values derived from each of the first three methods described above.

The following table displays the results derived from the Company's internal valuation model at September 30, 2014, and the carrying value of its investment in Central Platte at September 30, 2014. Dollar amounts are expressed in thousands.

Method 1	$	15,682
Method 2		16,825
Method 3		18,060
Average of methods 1, 2, and 3	$	16,856
Carrying value of investment in Central Platte Holdings, LLC	$	15,141

The Company's investment in NBH consists of a 50% ownership interest in an entity that holds raw land, which is currently zoned as agricultural. The general managers intend to rezone this property for commercial and/or residential development. The raw land was purchased in 2002. The Company accounts for its investment in NBH under the equity method. Due to the overall economic conditions surrounding real estate, the Company evaluated its investment for impairment in accordance with ASC 323-10-35-32, which provides guidance related to a loss in value of an equity method investment. Potential impairment was measured based on liquidation or appraised values determined by an independent third party appraisal. The results of this analysis as of September 30, 2014, did not indicate any impairment of the Company's investment in NBH. The carrying value of the Company's investment in NBH was $1.5 million at September 30, 2014.

(10) 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.

	2014		2013	
	Amount	%	Amount	%
Demand deposit accounts	$ 108,873	14	103,401	14
Savings accounts	165,293	21	164,597	22
Money market demand accounts	95,690	13	107,337	14
Certificate accounts	403,906	52	372,858	50
	$ 773,762	100	748,193	100
Weighted average interest rate	0.57%		0.50%	

The aggregate amount of certificate accounts in excess of $100,000 was approximately $155.9 million and $98.5 million as of September 30, 2014 and 2013, respectively.

At September 30, 2014 and 2013, the Bank had certificate accounts in the amount of $52.7 million and $496,000 which were acquired through a deposit listing service, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2014. Dollar amounts are expressed in thousands.

	Maturing during the fiscal year ended September 30,						
	2015	2016	2017	2018	2019	2020 and after	Total
Certificate accounts	$ 300,080	50,098	21,760	11,163	20,231	574	403,906

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

	2014	2013
Savings accounts	$ 687	678
Money market demand and demand deposit accounts	534	663
Certificate and brokered accounts	2,656	4,006
	$ 3,877	5,347

(11) 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 140% 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.

	2014		2013	
Year ending September 30,	Amount	Weighted average rate	Amount	Weighted average rate
2014			$ 55,000	0.21%
2015	$ 75,000	1.29%	50,000	1.83%
2016	25,000	1.57%	25,000	1.57%
2017	25,000	1.53%	25,000	1.53%
2018	--	--	--	--
2019	25,000	1.89%	--	--
	$ 150,000	1.48%	$ 155,000	1.16%

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, 2014 and 2013, the Bank had no advances that were callable at the option of the Federal Home Loan Bank.

(12) SUBORDINATED DEBENTURES

On December 13, 2006, the Company, 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 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. In exchange for the capital contributions made to the Trust by the Company upon formation, the Company 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 debentures, 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.

In accordance with the Company's written agreement with the Federal Reserve Bank of Kansas City ("FRB"), dated November 29, 2012, the Company is prohibited from making any distributions of principal or interest on its Trust Preferred Securities without the prior written non-objection of the FRB. On July 11, 2012, the Company notified security holders that it was exercising its right to defer the payment of interest on its Trust Preferred Securities for a period of up to five years.

On December 18, 2013, the Company received written non-objection from the FRB to pay all accrued interest on Trust Preferred Securities, and on December 23, 2013, the Company notified security holders that it intended to end the elective deferral period and pay all accrued interest at the next regularly scheduled payment date in January 2014. On January 30, 2014, the Company paid $893,000 of accrued interest on Trust Preferred Securities, which brought all payments current. The Board's intent was to continue making quarterly interest payments on Trust Preferred Securities; however, while the Company was operating under the regulatory written agreement, each interest payment required prior written non-objection from its regulators. On April 24, 2014, Company received regulatory written non-objection to pay accrued interest on its outstanding Trust Preferred Securities on the April 30, 2014, payment date, which amounted to $122,000. On June 27, 2014, Company received regulatory written non-objection to pay accrued interest on its outstanding Trust Preferred Securities on the July 30, 2014, payment date, which amounted to $122,000. On July 22, 2014, the FRB announced that their written agreement with the Company dated November 29, 2012, was terminated. Therefore, quarterly interest payments on Trust Preferred Securities are no longer subject to prior written no-objection from the Company's regulators.

(13) INCOME TAXES

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

	2014	2013
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	2.1	2.2
Other, net	(2.1)	1.3
	35.0%	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.

		2014	2013
Deferred loan fees and costs	$	196	201
Accrued interest receivable		124	405
Tax depreciation vs. book depreciation		(251)	(121)
Basis difference on investments		(1)	--
Loan loss reserves		1,935	6,546
Mark-to-market adjustment		(116)	(1,180)
Accrued expenses		(11)	1,511
Other		193	(202)
	$	2,069	7,160

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.

		2014	2013
Deferred income tax assets:			
Loan loss reserves	$	7,739	9,678
Accrued interest receivable		23	147
Accrued expenses		1,378	1,367
Unrealized loss on securities available for sale		--	814
Impairment loss on LLCs		1,281	1,281
Book depreciation in excess of tax depreciation		179	--
Other		--	49
		10,600	13,336
Deferred income tax liabilities:			
Basis difference on investments		(6)	(7)
Deferred loan fees and costs		(791)	(595)
Unrealized gain on securities available for sale		(689)	--
Mark-to-market adjustment		(273)	(389)
Tax depreciation in excess of book depreciation		--	(72)
Other		(139)	--
		(1,898)	(1,063)
Net deferred tax asset	$	8,702	12,273

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 2011 through 2013 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(14) STOCKHOLDERS' EQUITY

Upon receipt of written non-objection from the Federal Reserve Bank of Kansas City, the Company paid a special cash dividend of $0.60 per share on January 17, 2014. Also upon receipt of written non-objection from the FRB, the Company's Board of Directors paid cash dividends of $0.10 per share on May 20, 2014, and July 25, 2014. The Company did not pay any cash dividends to its stockholders during the year ended September 30, 2013. In accordance with the regulatory agreement, which is described more fully in Footnote 24, the Company was restricted from the payment of dividends or other capital distributions during the period of the agreement without prior written consent from its primary regulator. On July 22, 2014, the Federal Reserve Bank of Kansas City, the Company's primary regulator, announced that their written agreement with the Company dated November 29, 2012, was terminated. Therefore, future dividends or other capital distributions are no longer subject to the prior written non-objection from the Company's primary regulator.

During fiscal 2014, the Company repurchased 363,082 shares of its own stock with a value of $8.4 million at the time of repurchase. During fiscal 2013, the Company did not repurchase any shares of its own stock.

(15) 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 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, 2014, the Bank meets all capital adequacy requirements, to which it is subject.

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

	September 30, 2014	September 30, 2013
GAAP capital (Bank only)	$ 202,253	200,221
Adjustment for regulatory capital:		
Intangible assets	(2,171)	(2,271)
Reverse the effect of ASC 320-10	(1,163)	1,300
Tangible capital	198,919	199,250
Qualifying intangible assets	--	--
Tier 1 capital (core capital)	198,919	199,250
Qualifying valuation allowance	11,548	10,586
Risk-based capital	$ 210,467	209,836

As of September 30, 2014

	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital to risk-weighted assets	$ 210,467	22.9%	73,593	≥8%	91,992	≥10%
Tier 1 capital to adjusted tangible assets	198,919	17.4%	45,763	≥4%	57,204	≥5%
Tangible capital to tangible assets	198,919	17.4%	17,161	≥1.5%	--	--
Tier 1 capital to risk-weighted assets	198,919	21.6%	--	--	55,195	≥6%

As of September 30, 2013

	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital to risk-weighted assets	$ 209,836	25.1%	66,968	≥8%	83,710	≥10%
Tier 1 capital to adjusted tangible assets	199,250	17.7%	44,978	≥4%	56,223	≥5%
Tangible capital to tangible assets	199,250	17.7%	16,867	≥1.5%	--	--
Tier 1 capital to risk-weighted assets	199,250	23.8%	--	--	50,226	≥6%

(16) 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 $591,000 and $716,000 for the years ended September 30, 2014 and 2013, respectively. These amounts have been included as compensation and fringe benefits expense in the accompanying consolidated statements of operations.

(17) STOCK OPTION PLAN

On January 27, 2004, the Company's stockholders approved an equity stock 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 2014 and 2013.

	Number of shares		Weighted avg. exercise price per share		Range of exercise price per share
Options outstanding at October 1, 2012	47,538	$	35.05	$	30.33-42.53
Forfeited	(6,400)		34.14		30.33-42.53
Options outstanding at September 30, 2013	41,138	$	35.19	$	30.33-42.17
Forfeited	(9,000)		38.05		35.50-39.33
Options outstanding at September 30, 2014	32,138	$	34.39	$	30.33-42.17

The weighted average remaining contractual life of options outstanding at September 30, 2014 and 2013 were 1.9 years and 2.8 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2014.

	Number of shares	Weighted average exercise price
Expiring on:		
November 30, 2014	500	$ 39.79
August 1, 2015	8,000	42.17
July 21, 2016	12,000	32.91
July 24, 2017	11,638	30.33
	32,138	$ 34.39

All of the options outstanding at September 30, 2014, are currently exercisable 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, 2014.

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number	Weighted avg. remaining contractual life	Weighted avg. exercise price	Number	Weighted avg. exercise price
$ 39.79	500	0.2 years	$ 39.79	500	$ 39.79
42.17	8,000	0.8 years	42.17	8,000	42.17
32.91	12,000	1.8 years	32.91	12,000	32.91
30.33	11,638	2.8 years	30.33	11,638	30.33
	32,138			32,138	

(18) 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, 2014, the Bank had outstanding commitments to originate $16.6 million in commercial real estate loans, $158.9 million of fixed rate residential first mortgage loans and $17.3 million of adjustable rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 4.6%. Residential mortgage loan commitments have an approximate average committed rate of 3.9% and approximate average fees and discounts of 0.1%. 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, 2014, the Bank had outstanding commitments related to stand-by letters of credit of $690,000.

As of September 30, 2013, the Bank had outstanding commitments to originate $6.6 million in commercial real estate loans, $181.8 million of fixed rate residential first mortgage loans and $12.4 million of adjustable rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 5.0%. Residential mortgage loan commitments have an approximate average committed rate of 4.2% and approximate average fees and discounts of 0.1%. 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, 2013, the Bank had outstanding commitments related to stand-by letters of credit of $646,000.

At September 30, 2014 and 2013, the Bank had commitments to sell loans of approximately $171.5 million and $177.6 million, respectively. In addition, the Company had forward sales commitments of mortgage-backed securities of approximately $57.5 million that have not settled at September 30, 2014. 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.

(19) LEGAL CONTINGENCIES

Various legal claims arise from time to time within the normal course of business which, in the opinion of management, are not expected to have a material effect on the Company's consolidated financial statements.

(20) SIGNIFICANT ESTIMATES AND CONCENTRATIONS

The Company's construction and development loan portfolio includes loans that are in excess of supervisory loan-to-value limits. As of September 30, 2014 and 2013, 9.3% and 5.0% of this portfolio was made up of such loans, respectively.

(21) FAIR VALUE OPTION

On October 1, 2008, the Company elected to measure loans held for sale at fair value. 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 first few months following origination.

The aggregate fair value of these loans was $1.6 million and $2.1 million greater than the aggregate unpaid principal balance at September 30, 2014 and 2013, respectively. Interest income on loans held for sale is included in interest on loans receivable in the accompanying statements of income.

(22) DERIVATIVE INSTRUMENTS

The Company enters into derivative contracts to manage interest rate and pricing risk associated with its mortgage banking activities. In accordance with GAAP, derivative instruments are recorded in the Company's balance sheet at fair value. As the Company enters into commitments to originate loans, it also enters into commitments to sell certain loans in the secondary market. These derivative commitments to sell loans, which may include best efforts commitments, mandatory commitments, and forward sales of mortgage-backed securities, are used to hedge the risks resulting from interest rate movements on the Company's outstanding commitments to originate loans held for sale and its portfolio of loans held for sale.

The Company has commitments outstanding to extend credit that have not closed prior to the end of the period. Commitments to originate loans held for sale are also considered derivative instruments in accordance with GAAP. As a result of marking to market commitments to originate loans held for sale, the Company recorded a decrease in other assets of $975,000, a decrease in other liabilities of $58,000, and a decrease in other income of $917,000 for the year ended September 30, 2014. The Company recorded a decrease in other assets of $1.2 million, a decrease in other liabilities of $299,000, and a decrease in other income of $873,000 for the year ended September 30, 2013.

The Company also has best-efforts 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 such loans held for sale, the Company recorded an increase in other assets of $333,000, a decrease in other liabilities of $318,000, and an increase in other income of $651,000 during the year ended September 30, 2014. The Company recorded a decrease in other assets of $2.0 million, an increase in other liabilities of $230,000, and a decrease in other income of $2.2 million during the year ended September 30, 2013.

In addition, the Company has forward sales commitments of mortgage-backed securities that have not settled prior to the end of the period. Due to the mark to market adjustment on forward sales of mortgage-backed securities, the Company recorded an increase in other assets of $66,000, an increase in other liabilities of $102,000, and a decrease in other income of $36,000 during the year ended September 30, 2014. The Company had $57.5 million of forward sales commitments of mortgage-backed securities that had not settled at September 30, 2014. The Company did not have any such commitments at September 30, 2013.

The balance of derivative instruments related to commitments to originate and sell loans at September 30, 2014 and 2013, is disclosed in Footnote 23, Fair Value Measurements.

(23) 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, U. S. government sponsored agency, and municipal securities. Such securities are valued using market prices in an active market, if available. This measurement is classified as Level 1 within the hierarchy. Less frequently traded securities are valued using industry standard models which utilize various assumptions such as historical prices of the same or similar securities, and observation of market prices of securities of the same issuer, market prices of same-sector issuers, and fixed income indexes. Substantially all of these assumptions are observable in the marketplace or can be derived from observable data. These measurements are classified as Level 2 within the hierarchy.

Mortgage-backed securities available for sale, which consist of collateralized mortgage obligations and agency pass-through and participation certificates issued by GNMA, FNMA, and FHLMC, were valued by using industry standard models which utilize various inputs and assumptions such as historical prices of benchmark securities, prepayment estimates, loan type, and year of origination. Substantially all of these assumptions are observable in the marketplace or can be derived from observable data. These measurements are classified as Level 2 within the hierarchy.

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.

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, and average lives. Fall-out percentages, which range from ten to forty percent, are estimated based upon the difference between current market rates and committed rates. Average lives are based upon estimates for similar types of loans. These measurements use significant unobservable inputs and are classified as Level 3 within the hierarchy. Forward commitments to sell mortgage-backed securities are valued based upon the gain or loss that would occur if the Bank were to pair-off the transaction. This value is obtained by using industry standard models which utilize various inputs and assumptions such as historical prices of benchmark securities, prepayment estimates, loan type, and year of origination. Substantially all of these assumptions are observable in the marketplace or can be derived from observable data. This measurement is classified as Level 2 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, 2014 (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				
U. S. government agency securities	$ 74,187	--	74,187	--
Corporate debt securities	52,566	--	52,566	--
Municipal securities	422	--	422	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	61	--	61	--
Pass through certificates guaranteed by FNMA – adjustable rate	110	--	110	--
FHLMC participation certificates:				
Fixed rate	62	--	62	--
Adjustable rate	91	--	91	--
Loans held for sale	83,109	--	83,109	--
Commitments to originate loans	411	--	--	411
Forward loan sales commitments	551	--	--	551
Forward loan sales commitments of mortgage-backed securities	66	--	66	--
Total assets	$ 211,636	--	210,674	962
Liabilities:				
Commitments to originate loans	$ 154	--	--	154
Forward loan sales commitments	45	--	--	45
Forward loan sales commitments of mortgage-backed securities	103	--	103	--
Total liabilities	$ 302	--	103	199

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, 2013 (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				
U. S. government agency securities	$ 183,164	110,982	72,182	--
Corporate debt securities	69,110	--	69,110	--
Municipal securities	422	--	422	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	70	--	70	--
Pass through certificates guaranteed by FNMA – adjustable rate	126	--	126	--
FHLMC participation certificates:				
Fixed rate	127	--	127	--
Adjustable rate	110	--	110	--
Loans held for sale	69,079	--	69,079	--
Commitments to originate loans	1,387	--	--	1,387
Forward loan sales commitments	217	--	--	217
Total assets	$ 323,812	110,982	211,226	1,604
Liabilities:				
Commitments to originate loans	$ 213	--	--	213
Forward loan sales commitments	362	--	--	362
Total liabilities	$ 575	--	--	575

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):

	Commitments to Originate Loans	Forward Sales Commitments
Balance at October 1, 2012	$ 2,047	2,061
Total realized and unrealized gains (losses):		
Included in net income	(873)	(2,206)
Balance at September 30, 2013	$ 1,174	(145)
Total realized and unrealized gains:		
Included in net income	(917)	651
Balance at September 30, 2014	$ 257	506

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2014, are reported in the consolidated statements of operations as follows (in thousands):

	Other Income
Total gains (losses)	$ (266)
Changes in unrealized gains (losses) relating to assets still held at the balance sheet date	$ 763

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2013, are reported in the consolidated statements of operations as follows (in thousands):

	Other Income
Total gains (losses)	$ (3,079)
Changes in unrealized gains (losses) relating to assets still held at the balance sheet date	$ 1,029

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. 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. Appraisals are obtained when an impaired loan is deemed to be collateral dependent, and at least annually thereafter, an updated appraisal is obtained or an internal valuation is performed. Fair value is generally the appraised value less selling costs, which are estimated at 9% of the appraised value, and may be discounted further if management believes any other factors or events have affected the fair value. Impaired loans are classified within Level 3 of the fair value hierarchy.

The carrying value of impaired loans that were re-measured during the years ended September 30, 2014 and 2013, was $8.8 million and $21.2 million, respectively.

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. Fair value is estimated through current appraisals, broker price opinions, or listing prices. Appraisals are obtained when the real estate is acquired, and at least annually thereafter, an updated appraisal is obtained or an internal valuation is performed. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

The carrying value of foreclosed assets held for sale was $9.8 million and $11.3 million at September 30, 2014 and 2013, respectively. During fiscal 2014, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $169,000. During fiscal 2013, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $1.0 million.

Investment in LLCs

Investments in LLCs are accounted for using the equity method of accounting. On a quarterly basis, these investments are analyzed for impairment in accordance with ASC 323-10-35-32, which states that an other than temporary decline in value of an equity method investment should be recognized. The Company utilizes a multi-faceted approach to measure the potential impairment. The internal model utilizes the following valuation methods: 1) liquidation or appraised values determined by an independent third party appraisal; 2) an on-going business, or discounted cash flows method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the value of raw land obtained from an independent third party appraiser; and 3) an on-going business method, which utilizes the same inputs as method 2, but presumes that cash flows will first be generated from the sale of raw ground and then from the sale of fully-developed and partially-developed lots and the operation of the homeowner's association. The significant inputs include raw land values, absorption rates of lot sales, and a market discount rate. Management believes this multi-faceted approach is reasonable given the highly subjective nature of the assumptions and the differences in valuation techniques that are utilized within each approach (e.g., order of distribution of assets upon potential liquidation). As a result of this analysis, the Company determined that its investment in Central Platte was materially impaired and recorded an impairment charge of $2.0 million ($1.2 million, net of tax) during the year ended September 30, 2010. During the quarter ended March 31, 2012, list prices of fully-developed lots in Central Platte's residential development were reduced. The Company incorporated these lower prices into its internal valuation model, which resulted in an additional impairment charge of $200,000 ($123,000, net of tax) during the quarter ended March 31, 2012. No other events have occurred that would indicate any additional impairment of the Company's investment in Central Platte. Investment in LLCs is classified within Level 3 of the fair value hierarchy.

The carrying value of the Company's investment in LLCs was $16.6 million and $16.5 million at September 30, 2014 and 2013, respectively

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value:

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

Securities and mortgage-backed securities held to maturity
Securities that trade in an active market are valued using market prices, if available. Securities that do not trade in an active market were valued by using industry standard models which utilize various inputs and assumptions such as historical prices of similar securities, estimated delinquencies, defaults, and loss severity.

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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 investment
Fair values are computed for each loan category using market spreads to treasury securities with similar maturities and management's estimates of prepayments.

Customer 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
Fair values are based on quotes from broker-dealers that reflect estimated offer prices.

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.

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2014 (in thousands):

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and cash equivalents	$ 13,043	13,043	--	--
Stock in Federal Home Loan Bank	7,394	--	7,394	--
Corporate debt securities held to maturity	35,861	--	35,807	--
Mortgage-backed securities held to maturity	37,276	--	37,571	--
Loans receivable held for investment	800,738	--	--	829,781
Financial Liabilities:				
Customer deposit accounts	773,762	--	--	774,005
Advances from FHLB	150,000	--	--	151,396
Subordinated debentures	25,774	--	--	17,526

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2013 (in thousands):

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and cash equivalents	$ 6,347	6,347	--	--
Stock in Federal Home Loan Bank	7,679	--	7,679	--
Mortgage-backed securities held to maturity	43,074	--	43,143	--
Loans receivable held for investment	695,330	--	--	726,408
Financial Liabilities:				
Customer deposit accounts	748,193	--	--	749,561
Advances from FHLB	155,000	--	--	156,885
Subordinated debentures	25,774	--	--	10,310

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

	September 30, 2014		September 30, 2013	
	Contract or notional amount	Estimated unrealized gain (loss)	Contract or notional amount	Estimated unrealized gain (loss)
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 20,143	13	$ 17,421	(73)
Lending commitments – floating rate	7,800	44	5,813	34
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2014 and 2013. 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.

(24) REGULATORY AGREEMENTS

On April 30, 2010, the Board of Directors of North American Savings Bank, F.S.B. (the "Bank"), a wholly-owned subsidiary of the Company, entered into a Supervisory Agreement with the Office of Thrift Supervision ("OTS"), the Bank's primary regulator at that time. The agreement required, among other things, that the Bank revise its policies regarding internal asset review, obtain an independent assessment of its allowance for loan and lease losses methodology and conduct an independent third-party review of a portion of its commercial and construction loan portfolios. The agreement also directed the Bank to provide a plan to reduce its classified assets and its reliance on brokered deposits, and restricted the payment of dividends or other capital distributions by the Bank during the period of the agreement. The agreement did not direct the Bank to raise capital, make management or board changes, revise any loan policies or restrict lending growth.

On May 22, 2012, the Board of Directors of the Bank agreed to a Consent Order with the Office of the Comptroller of the Currency ("OCC"), which replaced and terminated a previous Supervisory Agreement. The Consent Order required that the Bank establish various plans and programs to improve its asset quality, including board approval for loans over certain limits, and to ensure the adequacy of allowances for loan and lease losses. It required the Bank to obtain an independent third-party review of its non-homogenous loan portfolios and to enhance its credit administration systems. Among other items, it also required a written capital maintenance plan to ensure that the Bank's Tier 1 leverage capital and total risk-based capital ratios remain equal to or greater than 10% and 13%, respectively. The Consent Order did not direct the Bank to raise capital, make management or board changes, or restrict lending. On February 25, 2014, the Board of Directors of the Bank was notified by the OCC that they were terminating their Consent Order with the Bank, dated May 22, 2012, effective immediately. In achieving compliance with the Consent Order, the Bank established, among other things, various processes and programs that improved the asset quality of the Bank and ensured the adequacy of allowances for loan and lease losses.

On February 1, 2013, the Board of Directors of the Bank signed an additional Consent Order with the OCC, which requires the Bank to take corrective action to enhance its program for compliance with the Bank Secrecy Act ("BSA") and other anti-money laundering requirements. The BSA Consent Order requires, among other things, that the Bank improve its processes to better identify and monitor accounts and transactions that pose a greater than normal risk for compliance with the BSA. The Consent Order also requires the Bank to maintain an effective risk assessment process, monitoring mechanisms, training programs and appropriate systems to review the activities of customer accounts.

On November 29, 2012, the Company's Board of Directors entered into a formal written agreement with the Federal Reserve Bank of Kansas City ("FRB"), which replaced and terminated a previous written agreement. The agreement with FRB prohibited the Company from making distributions of capital, including the payment of shareholder dividends or other capital distributions or the purchase or redemption of Company stock, unless the Company received prior written non-objection from the FRB. The agreement also restricted the Company's ability to incur, increase, or guarantee any debt and restricted the Company and its wholly-owned statutory trust, NASB Preferred Trust I, from making distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without prior written non-objection from the FRB. On July 22, 2014, the Federal Reserve Bank of Kansas City announced that their written agreement with the Company dated November 29, 2012, was terminated.

(25) CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Amounts reclassified from Accumulated Other Comprehensive Income ("AOCI") and the affected line items in the statement of operations during the years ending September 30, were as follows (in thousands):

	Amounts reclassified from AOCI		Affected line item in the Statement of Operations
	2014	2013	
Unrealized gains (losses) on available for sale Securities:			
	$ 1,027	--	Gain (loss) on sale of securities available for sale
	--	--	Impairment loss on securities
	1,027	--	Total reclassified before tax
	(359)	--	Income tax expense (benefit)
	$ 668	--	Net reclassified amount

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 financial statements of NASB Financial, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of September 30, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NASB Financial, Inc. and its subsidiaries as of September 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, NASB Financial, Inc.'s internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 19, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

Kansas City, Missouri
December 19, 2014

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 sheet of NASB Financial, Inc. as of September 30, 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year ended September 30, 2013. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit also 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 audit provides 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, 2013, and the results of its operations and its cash flows for the year ended September 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
December 19, 2014

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

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

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

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

Frederick V. Arbanas
Retired

Barrett Brady
Retired

Laura Brady
President
Chief Executive Officer
Medical Positioning, Inc.
Kansas City, Missouri

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

W. Russell Welsh
Chairman
Chief Executive Officer
Polsinelli Shughart PC
Kansas City, Missouri

Officers of NASB Financial, Inc.

David H. Hancock
Chairman

Paul L. Thomas
Chief Executive Officer

Keith B. Cox
President

Rhonda Nyhus
Vice President and Treasurer

Shauna Olson
Corporate Secretary

Mike Anderson
Vice President

Michael Braman
Vice President

John M. Nesselrode
Vice President

Dena Sanders
Vice President

Bruce Thielen
Vice President

Thomas B. Wagers, Sr.
Vice President

Branch Offices

Headquarters
Grandview, Missouri
12498 South 71 Highway

Lee's Summit, Missouri
646 North 291 Highway

Excelsior Springs, Missouri
1001 North Jesse James Road

Kansas City, Missouri
8501 North Oak Trafficway
and
7012 NW Barry Road

Harrisonville, Missouri
2002 East Mechanic

St. Joseph, Missouri
920 North Belt

Independence, Missouri
11400 East 23rd Street

Platte City, Missouri
2707 NW Prairie View Road

Residential Lending
903 East 104th Street
Building C, Suite 400
Kansas City, Missouri

789 NE Rice Road
Lee's Summit, Missouri

Construction Lending
12520 South 71 Highway
Grandview, Missouri

Loan Administration
12520 South 71 Highway
Grandview, Missouri

Investor Information

Annual Meeting of Stockholders:

The Annual Meeting of Stockholders will be held on Tuesday, January 27, 2015, at 8:30 a.m. in the lobby of North American Savings Bank, 12498 South 71 Highway, Grandview, Missouri.

Transfer Agent:

Computershare, 250 Royall Street, Canton, Massachusetts 02021, (800) 368-5948, www.computershare.com

Stock Trading Information:

The common stock of NASB Financial, Inc. is quoted on the OTCQX . The Company's symbol is **NASB.**

Independent Registered Public Accounting Firm:

BKD LLP, 1201 Walnut, Suite 1700, Kansas City, Missouri 64106

Shareholder and Financial Information:

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

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816.765.2200