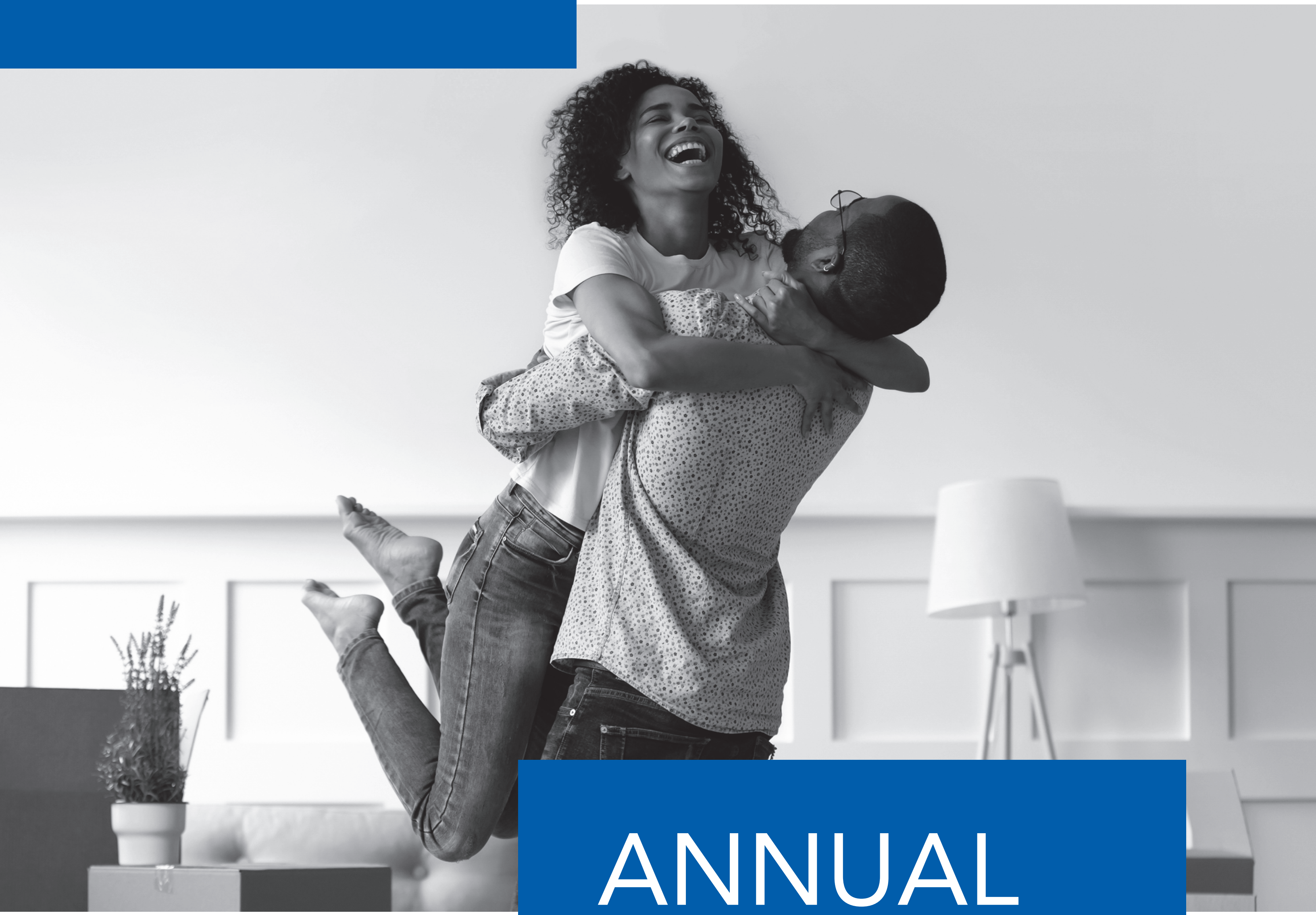
NASB Financial, Inc.



Trust your dreams to us.

ANNUAL REPORT 2021

December 15, 2021

Dear Fellow Shareholder:

While our financial results in Fiscal 2021 did not match the record net income reported in Fiscal 2020, we did have the second-best year in our company's history. The $73.7 million net income provided returns of 3.00% on assets and 19.82% on equity. These measurements compare very favorably with our peers.

As in the previous year, fiscal and monetary stimulus inspired by the COVID-19 virus kept interest rates near historically low levels. This environment negatively impacted our ability to increase our loan portfolio. On one hand, the low rates created huge demands for mortgage loans of all types, which resulted in rapid repayments of our mortgage portfolio. However, reinvestment opportunities were frequently at lower rates, longer durations, or lesser quality than we wished to consider. Our investment strategy remains to be patiently optimistic.

Due to our financial success in the past year, we approximately doubled our cash payments to shareholders. This included a $1.25 special dividend paid in September. As always, future dividends will be determined by our financial results and the alternative uses for our funds.

Again, thank you for your continued support.

Sincerely,

David H. Hancock

David H. Hancock
Board Chairman

NASB Financial, Inc.
2021 Annual Report

Contents

Financial Highlights

		2021	2020	2019	2010	2000	1990
		(Dollars in thousands, except per share data)					
For the year ended September 30:							
Net interest income	$	97,849	94,231	82,672	53,848	35,838	7,983
Net interest spread		4.19%	3.83%	3.55%	3.73%	3.71%	1.99%
Other income	$	145,614	174,544	56,286	43,580	9,409	2,774
General and administrative expenses		149,048	119,332	79,652	57,667	20,120	8,169
Net income (loss)		73,706	103,505	43,167	6,323	14,721	(369)
Basic earnings (loss) per share		9.96	14.02	5.85	0.80	1.66	(0.18)
Cash dividends paid		29,986	15,879	14,764	3,540	3,370	--
Dividend payout ratio		40.68%	15.34%	34.20%	55.99%	22.89%	--
At year end:							
Assets	$	2,359,371	2,552,198	2,605,225	1,434,196	984,525	388,477
Loans, net		1,967,120	2,135,497	2,324,961	1,220,886	914,012	180,348
Investment securities		143,045	156,407	130,310	76,511	20,451	179,599
Customer and brokered deposit accounts		1,351,337	1,752,768	1,828,972	933,453	621,665	333,634
Stockholders' equity		393,346	350,382	262,267	167,762	83,661	16,772
Book value per share		53.13	47.42	35.56	21.32	9.84	1.83
Basic shares outstanding (in thousands)		7,403	7,388	7,375	7,868	8,500	9,148
Other Financial Data:							
Return on average assets		3.00%	4.01%	1.85%	0.42%	1.63%	(0.20)%
Return on average equity		19.82%	33.79%	17.48%	3.78%	18.12%	(2.50)%
Stockholders' equity to assets		16.67%	13.73%	10.07%	11.70%	8.50%	4.30%
Average shares outstanding (in thousands)		7,403	7,384	7,384	7,868	8,863	8,116
Selected year end information:							
Stock price per share: Bid	$	62.60	55.00	42.00	15.90	14.50	1.03
Ask		63.00	60.00	44.20	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.

Cash dividends paid for the year ended September 30, 2021, include a special dividend of $9.3 million, or $1.25 per share, and regular dividends of $20.7 million, or $2.80 per share.

NASB Financial, Inc. and Subsidiary
Consolidated Balance Sheets

		September 30, 2021	September 30, 2020
		(Dollars in thousands)	
ASSETS			
Cash and cash equivalents	$	115,584	88,333
Interest bearing deposits		250	1,750
Securities available for sale, at fair value		140,455	152,549
Stock in Federal Home Loan Bank, at cost		24,052	16,047
Mortgage-backed securities available for sale, at fair value		2,590	3,858
Loans receivable:			
Held for sale, at fair value		576,927	493,212
Held for investment, net		1,416,397	1,673,237
Allowance for loan losses		(26,204)	(30,952)
Accrued interest receivable		7,059	9,957
Foreclosed assets held for sale, net		7,828	3,756
Premises and equipment, net		10,013	10,595
Investment in LLC		10,500	11,026
Mortgage servicing rights, net		13,716	10,763
Deferred income tax asset, net		2,951	4,757
Income taxes receivable		498	--
Delinquent GNMA-backed loans available for repurchase		21,551	33,191
Goodwill and other intangibles		10,757	8,269
Other assets		24,447	61,850
	$	2,359,371	2,552,198
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	1,351,337	1,577,775
Brokered deposit accounts		--	174,993
Escrows		16,622	19,306
Advances from Federal Home Loan Bank		522,000	325,000
Subordinated debentures		25,774	25,774
Secured borrowings		21,551	33,191
Income taxes payable		--	12,520
Accrued expenses and other liabilities		28,741	33,257
Total liabilities		1,966,025	2,201,816
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,868,281 shares issued at September 30, 2021 and 9,866,281 shares issued at September 30, 2020		1,480	1,480
Additional paid-in capital		16,451	16,510
Retained earnings		424,850	380,441
Treasury stock, at cost; 2,464,847 shares at September 30, 2021 and 2,477,788 shares at September 30, 2020		(50,037)	(50,366)
Accumulated other comprehensive income		602	2,317
Total stockholders' equity		393,346	350,382
	$	2,359,371	2,552,198

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Operations

		Years Ended September 30,	
		2021	2020
		(Dollars in thousands, except share data)	
Interest on loans receivable	$	108,731	121,463
Interest on mortgage-backed securities		67	80
Interest and dividends on securities		4,486	6,282
Other interest income		127	257
Total interest income		113,411	128,082
Interest on customer and brokered deposit accounts		8,225	24,180
Interest on advances from Federal Home Loan Bank		6,839	8,893
Interest on subordinated debentures		474	757
Other interest expense		24	21
Total interest expense		15,562	33,851
Net interest income		97,849	94,231
Provision for loan losses		--	10,150
Net interest income after provision for loan losses		97,849	84,081
Other income (expense):			
Loan servicing fees		3,948	446
Impairment recovery on mortgage servicing rights		--	195
Impairment loss on investment in LLC		(1,001)	--
Customer service fees and charges		7,609	5,084
Provision for loss on real estate owned		(567)	(451)
Income on real estate owned, net		223	360
Gain on disposal of securities available for sale		--	318
Mortgage banking income		134,637	167,473
Other income		765	1,119
Total other income		145,614	174,544
General and administrative expenses:			
Compensation and benefits		56,772	44,435
Commission-based mortgage banking compensation and benefits		56,934	45,696
Premises and equipment		8,810	7,115
Advertising and business promotion		11,722	8,973
Federal deposit insurance premiums		587	791
Other		14,223	12,322
Total general and administrative expenses		149,048	119,332
Income before income tax expense		94,415	139,293
Income tax expense (benefit):			
Current		18,332	37,803
Deferred		2,377	(2,015)
Total income tax expense		20,709	35,788
Net income	$	73,706	103,505
Basic earnings per share	$	9.96	14.02
Diluted earnings per share	$	9.94	14.01
Basic weighted average shares outstanding		7,402,949	7,384,118

See accompanying notes to consolidated financial statements.

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

	Years ended September 30,	
	2021	2020
	(Dollars in thousands)	
Net income	$ 73,706	103,505
Other comprehensive income:		
Unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) expense of $(572) and $184 at September 30, 2021 and 2020, respectively	(1,715)	554
Reclassification adjustment for gain included in net income, net of income tax expense of $80 at September 30, 2020	--	(238)
Change in unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of $(572) and $104 at September 30, 2021 and 2020, respectively	(1,715)	316
Comprehensive income	$ 71,991	103,821

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

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

	Years ended September 30, 2021	2020
Cash flows from operating activities:	(Dollars in thousands)	
Net income	$ 73,706	103,505
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,277	1,130
Accretion, net	(18,347)	(13,747)
Loss on disposal of premises and equipment	2	34
Deferred income tax expense (benefit)	2,377	(2,015)
Gain on disposal of securities available for sale	--	(318)
Gain on sale of foreclosed assets held for sale	(60)	(159)
Gain on acquisition of foreclosed assets held for sale	(277)	(357)
Income from investment in LLC	(476)	(331)
Impairment loss on investment in LLC	1,001	--
Impairment recovery on mortgage servicing rights	--	(195)
Impairment loss on premises and equipment	400	--
Mortgage banking income	(134,637)	(167,473)
Provision for loan losses	--	10,150
Provision for loss on real estate owned	567	451
Origination of loans receivable held for sale	(6,117,016)	(4,251,380)
Sale of loans receivable held for sale	6,198,391	4,304,558
Stock based compensation	603	171
Changes in:		
Accrued interest receivable	2,898	(1,127)
Other assets, accrued expenses and other liabilities, and income taxes payable	(12,849)	17,588
Net cash provided by (used in) operating activities	(2,440)	485
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities available for sale	1,180	3,093
Principal repayments of mortgage loans receivable held for investment	866,410	909,239
Principal repayments of other loans receivable	2,236	3,789
Principal repayments of investment securities available for sale	8,828	759
Proceeds from maturities of bank certificates of deposit	1,498	980
Loan origination - mortgage loans receivable held for investment	(455,987)	(542,215)
Loan origination - other loans receivable	(4,267)	(712)
Purchase of mortgage loans receivable held for investment	(139,582)	(101,541)
(Purchase) sale of Federal Home Loan Bank stock, net	(8,004)	4,658
Purchase of securities available for sale	--	(93,633)
Proceeds from sale of investment securities available for sale	--	63,317

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

		Years ended September 30,	
		2021	2020
Cash flows from investing activities (continued):		(Dollars in thousands)	
Proceeds from sale of real estate owned		781	2,371
Purchase of premises, equipment and software		(5,961)	(5,087)
Proceeds from investment in LLC		--	1,000
Net cash provided by investing activities		267,132	246,018
Cash flows from financing activities:			
Decrease in customer and brokered deposit accounts		(401,438)	(76,206)
Proceeds from advances from Federal Home Loan Bank		222,000	100,000
Repayment of advances from Federal Home Loan Bank		(25,000)	(226,000)
Cash dividends paid		(29,986)	(15,879)
Stock options exercised		73	36
Purchase of common stock for treasury		(406)	(34)
Change in escrows		(2,684)	(2,243)
Net cash used in financing activities		(237,441)	(220,326)
Net increase in cash and cash equivalents		27,251	26,177
Cash and cash equivalents at beginning of year		88,333	62,156
Cash and cash equivalents at end of year	$	115,584	88,333
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$	31,484	27,236
Cash paid for interest		15,707	34,266
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$	6,757	2,437
Capitalization of originated mortgage servicing rights		6,234	4,749
Reclassification of delinquent loans serviced for GNMA to loans available for repurchase and secured borrowings		21,551	33,191
Transfer of treasury to restricted stock		735	544

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	Total stockholders' equity
		(Dollars in thousands)					
Balance at October 1, 2019	$	1,480	16,847	292,815	(50,876)	2,001	262,267
Comprehensive income:							
Net income		--	--	103,505	--	--	103,505
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	316	316
Total comprehensive income							103,821
Cash dividends paid ($2.15 per share)		--	--	(15,879)	--	--	(15,879)
Treasury stock purchased		--	--	--	(34)	--	(34)
Issuance of restricted stock awards		--	(544)	--	544	--	--
Stock options exercised		--	36	--	--	--	36
Stock based compensation		--	171	--	--	--	171
Balance at September 30, 2020	$	1,480	16,510	380,441	(50,366)	2,317	350,382
Comprehensive income:							
Net income		--	--	73,706	--	--	73,706
Other comprehensive income, net of tax:							
Unrealized loss on securities		--	--	--	--	(1,715)	(1,715)
Total comprehensive income							71,991
Cash dividends paid ($4.05 per share)		--	--	(29,986)	--	--	(29,986)
Treasury stock purchased		--	--	--	(406)	--	(325)
Issuance of restricted stock awards		--	(735)	--	735	--	--
Stock options exercised		--	73	--	--	--	73
Stock based compensation		--	603	--	--	--	603
Change in method of accounting for mortgage servicing rights		--	--	689	--	--	689
Balance at September 30, 2021	$	1,480	16,451	424,850	(50,037)	602	393,346

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 $111.2 million and $77.1 million as of September 30, 2021 and 2020, respectively, and interest-bearing deposits in other financial institutions totaling $94,000 and $6.7 million at September 30, 2021 and 2020, respectively. Management considers interest bearing deposits with maturities of less than three months to be cash equivalents.

The Federal Reserve Board ("FRB") requires federally chartered savings banks to maintain cash reserves at specified levels against their transaction accounts. Required reserves may be maintained in the form of vault cash, an account at a Federal Reserve Bank, or a pass-through account, as defined by the FRB. At September 30, 2021, the Bank's reserve requirement was zero, as sufficient cash was on deposit with FRB.

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, 2021, and 2020, the Company had no assets designated as trading or held to maturity. 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. Premiums on callable debt securities are amortized to the earliest call date. 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 determines 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.

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 4, Loans Receivable.

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 troubled debt restructuring ("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, direct loan origination costs, and purchase discounts 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 until they become 180 days past due, at which time they are deemed impaired. 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.

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 a limited liability company, which was formed for the purpose of purchasing and developing vacant land in Platte County, Missouri. This investment is accounted for using the equity method of accounting.

Goodwill and Other Intangibles

The Company has goodwill of $3.6 million at September 30, 2021 and September 30, 2020, respectively. This asset, which resulted from the Company's acquisition of CBES Bancorp, Inc. in fiscal 2003 and its acquisition of Lexington B&L Financial Corp in fiscal 2016, is assigned to the banking segment of the business. In accordance with Generally Accepted Accounting Principles ("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.

The Company has capitalized software of $6.1 million and $3.5 million at September 30, 2021 and 2020, respectively, which is net of accumulated amortization. Amortization of software is provided over its estimated useful life (from three to five years) using the straight-line method.

The Company has core deposit intangibles of $1.1 million and $1.3 million at September 30, 2021 and 2020, respectively, which resulted from the Company's acquisition of Lexington B&L Financial Corp in fiscal 2016. This asset has a useful life of approximately 15 years and is amortized using the straight-line method.

Equity Compensation

The Company has an equity incentive compensation plan which is described more fully in Footnote 17, Equity Compensation. The Company recognizes compensation cost over the applicable service period for its stock-based awards.

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, 2021 and 2020, was based on the specific charge off method. The percentage method for additions to the tax bad debt reserve was used prior to the fiscal year ended September 30, 1997. Under the current tax rules, banks are required to recapture their accumulated tax bad debt reserve, except for the portion that was established prior to 1988, the "base-year." The recapture of the excess reserve was completed over a six-year phase-in-period that began with the fiscal year ended September 30, 1999. A deferred income tax liability is required to the extent the tax bad debt reserve exceeds the 1988 base year amount. Retained earnings include approximately $3.7 million representing such bad debt reserve for which no deferred taxes have been provided. Distributing the Bank's capital in the form of stock redemptions caused the Bank to recapture a significant amount of its bad debt reserve prior to the phase-in period.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Bank are initially measured at fair value at the date of transfer.

Prior to fiscal 2021, the Company had elected to subsequently measure its mortgage servicing rights using the amortization method, whereby servicing rights were amortized in proportion to and over the period of estimated net servicing income. The amortized assets were assessed for impairment or increased obligation based on fair value at each reporting date. At the beginning of fiscal 2021, the Company elected to begin measuring its mortgage servicing rights using fair value, and an adjustment of $689,000 was recorded to increase the value of mortgage servicing rights from amortized cost to fair value.

Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions such as the cost to service, prepayment speeds, discount rate, ancillary income, and default rates. These variables change as market conditions change and may have an adverse impact on the value of mortgage servicing rights and may result in a reduction in noninterest income.

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

Derivative Instruments

The Bank regularly enters into commitments to originate and sell loans held for sale, which are described more fully in Footnote 22, Derivative Instruments. 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, 2021 and 2020, the fair value of loan related commitments resulted in a net asset of $7.5 million and $40.3 million, respectively.

Revenue Recognition

Interest income, loan servicing fees, and ancillary income related to the Bank's lending and investment activities are accrued as earned. Revenue recognition related to contracts with customers is described in Footnote 25, Revenue from Contracts with Customers.

Earnings Per Share

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

The computations of basic and diluted earnings per share are presented in the following table. Dollar amounts are expressed in thousands, except per share data, for the years ended September 30:

		2021	2020
Net income	$	73,706	103,505
Average common shares outstanding		7,402,949	7,384,118
Average common share stock options outstanding		9,603	2,213
Average diluted common shares		7,412,552	7,386,331
Earnings per share:			
Basic earnings per share	$	9.96	14.02
Diluted earnings per share		9.94	14.01

At September 30, 2021 and 2020, options to purchase 21,450 and 23,450 shares of the Company's stock were outstanding, respectively.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU replaces the incurred loss impairment methodology in current GAAP, which requires credit losses to be recognized when it is probable that a loss has incurred, with a new impairment methodology. The new impairment methodology requires an entity to measure, at each reporting date, the expected credit losses of financial assets not measured at fair value, such as loans, HTM debt securities, and loan commitments, over their contractual lives. Under the new impairment methodology, expected credit losses will be measured at each reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amends the current credit loss measurements for AFS debt securities. The ASU also requires enhanced disclosures related to credit quality and significant estimates and judgments used by management when estimating credit losses. The ASU was initially effective for the Company for annual reporting periods beginning after December 15, 2020. However, in November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses, Derivatives and Hedging, and Leases, which delayed the effective date for the Company until annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods. The Company has not yet completed its evaluation of ASU 2016-13. The Company is utilizing a third-party software solution to assist with the implementation of this ASU. Management is currently unable to reasonably estimate the impact of adopting this ASU.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the fair value measurement disclosure requirements of ASC 820. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those annual reporting periods. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The purpose of the ASU is to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those annual reporting periods. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Use of Estimates

The preparation of consolidated 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, derivatives, and mortgage servicing rights, 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.

(2) SECURITIES AVAILABLE FOR SALE

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

	September 30, 2021				
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	85,965	3,613	37	89,541
Municipal securities		422	--	--	422
U.S. Treasury notes		53,299	--	2,807	50,492
Total	$	139,686	3,613	2,844	140,455

	September 30, 2020				
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	95,399	4,294	1,276	98,417
Municipal securities		422	--	--	422
U.S. Treasury notes		53,710	--	--	53,710
Total	$	149,531	4,294	1,276	152,549

There were no sales of securities available for sale during the year ended September 30, 2021. During the year ended September 30, 2020, the Company realized gross gains of $368,000 and gross losses of $50,000 on the sale of securities available for sale.

The following tables present a summary of the fair value and gross unrealized losses of those securities available for sale which had unrealized losses at September 30. Dollar amounts are expressed in thousands.

	September 30, 2021					
	Less than 12 months			12 months or longer		
		Estimated fair value	Gross unrealized losses		Estimated fair value	Gross unrealized losses
Corporate debt securities	$	--	--	$	4,263	37
U.S. Treasury notes		50,492	2,807		--	--
Total	$	50,492	2,807	$	4,263	37

	September 30, 2020					
	Less than 12 months			12 months or longer		
		Estimated fair value	Gross Unrealized Losses		Estimated fair value	Gross unrealized losses
Corporate debt securities	$	10,980	1,276	$	--	--
Total	$	10,980	1,276	$	--	--

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. 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. There are no securities available for sale at September 30, 2021 and 2020, 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, 2021 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	$	4,300	--	37	4,263
Due from one to five years		27,234	1,411	--	28,645
Due from five to ten years		87,311	1,120	2,807	85,624
Due after ten years		20,841	1,082	--	21,923
Total	$	139,686	3,613	2,844	140,455

The principal balances of 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, 2021			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	115,152	2,201	2,807	114,546
	$	115,152	2,201	2,807	114,546

		September 30, 2020			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	117,067	2,312	--	119,379
	$	117,067	2,312	--	119,379

(3) 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, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$ 1,606	7	1	1,612
Pass-through certificates guaranteed by FNMA – adjustable rate	22	1	--	23
FHLMC participation certificates:				
Fixed rate	912	26	--	938
Adjustable rate	16	1	--	17
Total	$ 2,556	35	1	2,590

	September 30, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$ 2,661	48	10	2,699
Pass-through certificates guaranteed by FNMA – adjustable rate	23	1	--	24
FHLMC participation certificates:				
Fixed rate	1,082	31	--	1,113
Adjustable rate	21	1	--	22
Total	$ 3,787	81	10	3,858

There were no sales of mortgage-backed securities available for sale during the years ended September 30, 2021 or 2020.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2021, are presented in the following table. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from five to ten years	$ 15	--	--	15
Due after ten years	2,541	35	1	2,575
Total	$ 2,556	35	1	2,590

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 following table presents a summary of the fair value and gross unrealized losses of those mortgage-backed securities available for sale which had unrealized losses at September 30. Dollar amounts are expressed in thousands.

	September 30, 2021			
	Less than 12 months		12 months or longer	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Pass-through certificates guaranteed by GNMA – fixed rate	$ 696	1	$ --	--
Total	$ 696	1	$ --	--

	September 30, 2020			
	Less than 12 months		12 months or longer	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Pass-through certificates guaranteed by GNMA – fixed rate	$ 160	10	$ --	--
Total	$ 160	10	$ --	--

Management monitors the mortgage-backed 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 mortgage-backed securities available for sale at September 30, 2021 and 2020, for which the Company has taken an other-than-temporary impairment loss through earnings.

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, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 2,546	34	1	2,579

	September 30, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 3,773	81	10	3,844

(4) LOANS RECEIVABLE

The Bank has traditionally concentrated its lending activities on mortgage loans secured by residential and business property and, to a lesser extent, construction and development lending. Residential mortgage loans have either long-term fixed or adjustable rates. The remaining part of the Bank'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	2021	2020
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 1,029,753	1,252,267
Business properties	154,147	202,881
Partially guaranteed by VA or insured by FHA	45,717	57,270
Construction and development	377,727	313,736
Total mortgage loans	1,607,344	1,826,154
Commercial loans	11,102	8,468
Installment loans and lease financing to individuals	6,676	6,720
Total loans receivable held for investment	1,625,122	1,841,342
Less:		
Undisbursed loan funds	(170,798)	(114,416)
Unearned discounts and fees on loans, net of deferred costs	(37,927)	(53,689)
Net loans receivable held for investment	$ 1,416,397	1,673,237

HELD FOR SALE		
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 576,927	493,212

Included in the loans receivable balances are mortgage loans serviced by other institutions of approximately $11.3 million and $14.3 million at September 30, 2021 and 2020, respectively.

First mortgage loans were pledged to secure FHLB advances in the amount of approximately $1,459.8 million and $1,656.6 million at September 30, 2021 and 2020, 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, 2021 and 2020. 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 2021 and 2020, were $6,198.4 million and $4,304.6 million, respectively. In fiscal 2021, the Bank realized gross gains of $207.2 million and $72.6 million of gross losses from its mortgage banking activities. In fiscal 2020, the Bank realized gross gains of $248.8 million and $81.3 million of gross losses from its mortgage banking activities. In addition to gains and losses on the sale of mortgage loans held for sale, mortgage banking income in the consolidated statement of operations includes gains and losses on derivative instruments described in Footnote 22.

The Bank purchases single-family residential real estate loans which are of similar credit quality to other such loans held for investment in the Bank's portfolio. These loans had an unpaid principal balance totaling $565.8 million at September 30, 2021 and were purchased at an average discount of approximately 4%. At September 30, 2020, these loans had an unpaid principal balance totaling $751.2 million and were purchased at an average discount of approximately 6%.

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. Loans over $1 million up to $1.5 million must also be approved by the Underwriting Manager. Loans over $1.5 million must also be approved by either the Board Chairman, CEO or EVP/Chief Credit Officer. Prior approval is required from the Bank’s Board of Directors for newly originated residential real estate loans with a balance of $5 million or greater that will be retained in the Bank’s portfolio. 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, with the exception of Government Streamline Refinance loans, which are underwritten to the appropriate FHA or VA guidelines. 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 three to ten years before becoming adjustable. Such loans are underwritten based on the appropriate portfolio or agency guidelines and ability to pay requirements. 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 single family residential properties for resale. The Bank’s requirements for a residential 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 EVP/Chief Credit Officer. Prior approval is required from the Bank’s Board of Directors for newly originated construction and development loans with a proposed balance of $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 60 months on land acquisition and development loans. 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.

The Bank also originates commercial real estate development and construction loans, although at a much lower level. The outstanding balance of such loans was $26.4 million and $28.4 million at September 30, 2021 and 2020, respectively. These loans are generally the result of national developer relationships. Such loans are typically secured by built-to-suit properties to be occupied by strong tenants and are generally developed for resale. In addition, the bank also originates bridge loans for investors to acquire land for future development or to repurpose existing properties. In both scenarios, the bank obtains full personal or corporate guarantees from the primary individuals and/or company involved in the transaction, in addition to an assignment of the lease/rents, if applicable.

When construction and development loans mature, the Bank typically considers extensions for short term (six to twelve-month) 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. In addition, the Bank typically requires a 5% principal reduction 18 months after origination of a construction loan. 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.

Commercial real estate loans and commercial loans - The Bank purchases and originates several different types of commercial real estate loans. The Bank's commercial real estate loans are secured primarily by income producing properties. Property types include Multifamily, Retail, Single Tenant, Multi-Tenant, Office, and Industrial, among others. To a lesser degree, the Bank also originates several different types of commercial loans on a term or line-of-credit basis. 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 Credit Officer. Prior approval is required from the Bank's Board of Directors for newly originated commercial real estate loans with a proposed balance of $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 not secured by a single 1-to-4 family residential property in excess of $500,000. Interest rates on commercial real estate loans may be either fixed or tied to a predetermined index and adjusted daily.

The Bank typically obtains full personal or corporate guarantees from the primary individuals and/or company 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. Alternatively, the Bank may consider non-recourse lending, but typically only when loans are secured by properties leased to credit-rated, publicly traded tenants, where reliance on the primary source of repayment (lease payments) is considered strong and long-term leases are in place.

On an annual basis, the Bank develops a risk-based internal loan review scope and also engages a third party to complete an independent loan review, which validates the Bank's internal loan grading system. Collateral inspections are obtained at a minimum of every two years for commercial properties with balances equal to or in excess of $2.5 million and may be completed more frequently depending on the level of credit risk. Financial information, such as tax returns, is requested annually for all commercial and construction borrowers with aggregate debt equal to or greater than $500,000. 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 potential losses in the various loan pools.

The following table presents the balance in the allowance for loan losses for the years ended September 30, 2021 and 2020. 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, 2020	$	22,790	--	4,854	3,185	12	111	30,952
Provision for loan losses		(5,861)	16	5,416	337	74	18	--
Losses charged off		(86)	(19)	(6,049)	--	--	(35)	(6,189)
Recoveries		491	3	723	201	17	6	1,441
Balance at September 30, 2021	$	17,334	--	4,944	3,723	103	100	26,204
Balance at October 1, 2019	$	18,606	--	2,029	2,213	18	145	23,011
Provision for loan losses		4,360	(23)	5,107	779	(31)	(42)	10,150
Losses charged off		(468)	(34)	(2,332)	--	--	(2)	(2,836)
Recoveries		292	57	50	193	25	10	627
Balance at September 30, 2020	$	22,790	--	4,854	3,185	12	111	30,952

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, 2021. 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	$	68	--	--	--	--	--	68
Collectively evaluated for impairment	$	17,266	--	4,944	3,723	103	100	26,136
Acquired with deteriorated credit quality *	$	--	--	--	--	--	--	--
Loans:								
Balance at September 30, 2021	$	1,035,404	576,927	153,329	209,884	11,099	6,681	1,993,324
Ending balance:								
Loans individually evaluated for impairment	$	7,719	--	7,375	--	6,371	--	21,465
Loans collectively evaluated for impairment	$	1,027,685	576,927	145,954	209,884	4,728	6,681	1,971,859
Loans acquired with deteriorated credit quality *	$	2,419	--	--	--	--	--	2,419

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, 2020. 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	$	102	--	--	--	--	--	102
Collectively evaluated for impairment	$	22,688	--	4,854	3,185	12	111	30,850
Acquired with deteriorated credit quality *	$	--	--	--	--	--	--	--
Loans:								
Balance at September 30, 2020	$	1,257,360	493,212	201,443	199,240	8,471	6,723	2,166,449
Ending balance:								
Loans individually evaluated for impairment	$	9,410	--	5,072	--	7,558	--	22,040
Loans collectively evaluated for impairment	$	1,247,950	493,212	196,371	199,240	913	6,723	2,144,409
Loans acquired with deteriorated credit quality *	$	3,496	--	--	--	--	--	3,496

* Included in the ending balance of: 1) allowance for loan losses related to loans individually evaluated for impairment, or 2) loans individually evaluated for impairment, or 3) loans collectively evaluated for impairment, as applicable.

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, 2021. Dollar amounts are expressed in thousands.

	Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Rating:							
Pass	$ 1,023,437	576,927	85,498	145,960	4,727	6,681	1,843,230
Pass – Watch	3,621	--	60,307	63,924	6,372	--	134,224
Special Mention	--	--	--	--	--	--	--
Substandard	8,340	--	7,524	--	--	--	15,864
Doubtful	6	--	--	--	--	--	6
Loss	--	--	--	--	--	--	--
Total	$ 1,035,404	576,927	153,329	209,884	11,099	6,681	1,993,324

The following table presents the credit risk profile of the Company's loan portfolio based on risk rating category as of September 30, 2020. Dollar amounts are expressed in thousands.

	Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Rating:							
Pass	$ 1,237,752	493,212	113,730	134,417	913	6,723	1,986,747
Pass – Watch	7,893	--	69,697	64,823	7,558	--	149,971
Special Mention	--	--	11,765	--	--	--	11,765
Substandard	11,693	--	6,251	--	--	--	17,944
Doubtful	22	--	--	--	--	--	22
Loss	--	--	--	--	--	--	--
Total	$ 1,257,360	493,212	201,443	199,240	8,471	6,723	2,166,449

The following table presents the Company's loan portfolio aging analysis as of September 30, 2021. 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	$ 8,614	2,118	21,251	31,983	1,003,421	1,035,404	13,765
Residential held for sale	438	1	7,134	7,573	569,354	576,927	7,134
Commercial real estate	--	--	8,303	8,303	145,026	153,329	1,274
Construction & development	--	--	--	--	209,884	209,884	--
Commercial	--	--	--	--	11,099	11,099	--
Installment	--	34	--	34	6,647	6,681	--
Total	$ 9,052	2,153	36,688	47,893	1,945,431	1,993,324	22,173

The following table presents the Company's loan portfolio aging analysis as of September 30, 2020. 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	$	8,517	2,995	10,635	22,147	1,235,213	1,257,360	479
Residential held for sale		--	--	--	--	493,212	493,212	--
Commercial real estate		1,138	--	7,007	8,145	193,298	201,443	2,158
Construction & development		1,466	--	--	1,466	197,774	199,240	--
Commercial		--	--	--	--	8,471	8,471	--
Installment		12	--	17	29	6,694	6,723	16
Total	$	11,133	2,995	17,659	31,787	2,134,662	2,166,449	2,653

When a loan becomes more than 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.

		2021	2020
Residential	$	7,486	10,156
Residential held for sale		--	--
Commercial real estate		7,030	4,850
Construction & development		--	--
Commercial		--	--
Installment		--	--
Total	$	14,516	15,006

As of September 30, 2021 and 2020, $455,000 and $1.4 million of the loans classified as nonaccrual were current and paying as agreed, respectively. Additionally, $2.6 million and $3.5 million of the loans classified as nonaccrual were either partially guaranteed by VA or insured by FHA as of September 30, 2021 and 2020, respectively.

Gross interest income would have increased by $564,000 and $598,000 for the years ended September 30, 2021 and 2020, 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.

		2021	2020
Troubled debt restructurings:			
Residential	$	1,302	1,422
Residential held for sale		--	--
Commercial real estate		331	4,295
Construction & development		--	--
Commercial		6,371	7,558
Installment		--	--
Total	$	8,004	13,275
Performing troubled debt restructurings:			
Residential	$	1,079	1,256
Residential held for sale		--	--
Commercial real estate		63	475
Construction & development		--	--
Commercial		6,371	7,558
Installment		--	--
Total	$	7,513	9,289

At September 30, 2021 and 2020, the Bank had no outstanding commitments to be advanced in connection with TDRs.

There were no TDRs modified during the fiscal year ended September 30, 2021. The following table presents the number of loans and the Company's recorded investment in TDRs modified during the fiscal year ended September 30, 2020. 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	1	$	120	$	120	$	--
Residential held for sale	--		--		--		--
Commercial real estate	1		6,137		3,804		2,333
Construction & development	--		--		--		--
Commercial	--		--		--		--
Installment	--		--		--		--
Total	2	$	6,257	$	3,924	$	2,333

There were no TDRs restructured during the fiscal year ended September 30, 2021. The following table presents TDRs restructured during the fiscal year ended September 30, 2020, 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	$	120	--	--	120
Residential held for sale		--	--	--	--
Commercial real estate		--	--	6,137	6,137
Construction & development		--	--	--	--
Commercial		--	--	--	--
Installment		--	--	--	--
Total	$	120	--	6,137	6,257

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.

	2021		2020	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential	4	$ 223	4	$ 166
Residential held for sale	--	--	--	--
Commercial real estate	2	268	2	3,820
Construction & development	--	--	--	--
Commercial	--	--	--	--
Installment	--	--	--	--
Total	6	$ 491	6	$ 3,986

In March 2020, the President of the United States declared a national emergency related to the coronavirus disease of 2019 ("COVID-19") pandemic. In response, Congress passed the Coronavirus Aid, Relief and Economic Security ("CARES") Act and the federal banking agencies issued Interagency guidance to provide support for individuals and businesses impacted by the pandemic. The Bank implemented loan modification programs to assist borrowers impacted by COVID-19. Generally, loan modifications under these programs consist of three to six-month loan payment forbearance. The Company follows the guidance in the CARES Act and the Interagency guidance to determine if a loan modification is exempt from TDR classification. Loans in forbearance as a result of COVID-19 are not adversely classified, reported as past due, or placed in non-accrual status unless they were reported as such prior to the national emergency. The Bank had loans of $25.7 million and $202.1 million in COVID-19 related forbearance programs at September 30, 2021 and 2020, respectively. In addition, the Bank had loans of $115.6 million that had completed a COVID-19 related modification at September 30, 2021.

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2021. 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	$ 7,156	7,874	--	7,207	143
Residential held for sale	--	--	--	--	--
Commercial real estate	7,375	13,229	--	3,560	381
Construction & development	--	132	--	--	10
Commercial	6,371	6,492	--	6,920	393
Installment	--	62	--	--	3
Loans with a specific valuation allowance:					
Residential	$ 563	578	68	576	20
Residential held for sale	--	--	--	--	--
Commercial real estate	--	--	--	--	--
Construction & development	--	--	--	--	--
Commercial	--	--	--	--	--
Installment	--	--	--	--	--
Total:					
Residential	$ 7,719	8,452	68	7,783	163
Residential held for sale	--	--	--	--	--
Commercial real estate	7,375	13,229	--	3,560	381
Construction & development	--	132	--	--	10
Commercial	6,371	6,492	--	6,920	393
Installment	--	62	--	--	3

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2020. 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	$	8,623	9,836	--	8,649	239
Residential held for sale		--	--	--	--	--
Commercial real estate		5,072	8,729	--	5,118	178
Construction & development		--	239	--	--	15
Commercial		7,558	7,696	--	8,080	397
Installment		--	33	--	218	2
Loans with a specific valuation allowance:						
Residential	$	787	802	102	804	20
Residential held for sale		--	--	--	--	--
Commercial real estate		--	--	--	--	--
Construction & development		--	--	--	--	--
Commercial		--	--	--	--	--
Installment		--	--	--	--	--
Total:						
Residential	$	9,410	10,638	102	9,453	259
Residential held for sale		--	--	--	--	--
Commercial real estate		5,072	8,729	--	5,118	178
Construction & development		--	239	--	--	15
Commercial		7,558	7,696	--	8,080	397
Installment		--	33	--	218	2

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

	2021				
	Residential			Construction	
State	1-4 family	5 or more family	Commercial real estate	and development	Total
Missouri	$ 82,375	4,272	3,771	172,037	262,455
California	240,716	3,068	3,411	3,713	250,908
Kansas	39,121	2,076	903	179,112	221,212
Florida	116,453	323	37,539	6,434	160,749
Texas	123,395	-	30,762	1,596	155,753
Georgia	36,973	-	1,599	-	38,572
Colorado	30,760	226	3,612	-	34,598
Arizona	28,242	380	3,765	1,906	34,293
Washington	28,750	735	463	3,667	33,615
Illinois	23,471	332	8,613	-	32,416
North Carolina	29,597	-	1,447	-	31,044
Massachusetts	16,833	-	-	8,860	25,693
New Jersey	21,759	834	312	-	22,905
Virginia	17,618	-	4,627	-	22,245
Maryland	20,532	-	-	-	20,532
Ohio	10,757	1,281	7,772	-	19,810
Nevada	19,221	-	-	-	19,221
Utah	17,197	-	-	-	17,197
Oregon	15,855	385	-	-	16,240
South Carolina	12,598	-	3,208	-	15,806
Hawaii	15,034	-	-	-	15,034
Tennessee	12,909	-	1,160	402	14,471
Pennsylvania	10,981	-	3,338	-	14,319
Michigan	6,881	-	5,014	-	11,895
Minnesota	9,539	302	597	-	10,438
Other	87,903	7,768	10,252	-	105,923
	$ 1,075,470	21,982	132,165	377,727	1,607,344

		2020				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		family	family	real estate	development	Total
California	$	309,844	2,895	4,935	--	317,674
Missouri		97,498	6,283	9,819	131,513	245,113
Kansas		46,235	3,593	965	159,775	210,568
Florida		138,810	--	39,185	7,557	185,552
Texas		136,124	--	40,852	--	176,976
Washington		42,269	756	1,331	1,546	45,902
Illinois		31,942	360	11,050	--	43,352
Colorado		35,470	257	7,317	--	43,044
Georgia		40,246	--	1,812	--	42,058
Arizona		37,566	389	1,988	--	39,943
North Carolina		35,334	--	2,909	--	38,243
Massachusetts		21,567	--	--	9,845	31,412
Virginia		24,856	--	6,211	--	31,067
Maryland		29,000	362	--	--	29,362
New Jersey		27,058	875	321	--	28,254
Nevada		26,088	--	--	--	26,088
Oregon		23,164	507	--	--	23,671
Ohio		11,014	1,309	8,413	--	20,736
South Carolina		15,755	41	3,523	--	19,319
Utah		17,455	--	1,300	--	18,755
Tennessee		13,542	--	1,220	3,500	18,262
Mississippi		1,217	12,428	1,699	--	15,344
Minnesota		13,658	361	636	--	14,655
Hawaii		14,146	--	--	--	14,146
Pennsylvania		9,862	--	3,411	--	13,273
Michigan		6,702	--	6,382	--	13,084
Oklahoma		10,819	--	464	--	11,283
Alabama		8,984	230	1,880	--	11,094
Indiana		6,682	753	3,338	--	10,773
Other		76,630	104	10,417	--	87,151
	$	1,309,537	31,503	171,378	313,736	1,826,154

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 $2.1 million at September 30, 2021 and 2020. The reserve for such losses is included in "Accrued expenses and other liabilities" in the Company's consolidated financial statements.

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.

		2021	2020
Balance at beginning of year	$	2,130	599
Additions to reserve		2,350	2,530
Losses, settlements, and penalties incurred		(2,337)	(999)
Balance at end of year	$	2,143	2,130

The Bank experienced higher losses in fiscal years 2021 and 2020, primarily due to increased early payoff penalties resulting from the low interest rate environment. Management made the decision to continue to increase the reserve balance in fiscal 2020, primarily due to the economic uncertainty surrounding the COVID-19 pandemic and its potential impact on the level of repurchased loans in future periods.

The Company sells and services loans for the Government National Mortgage Association ("GNMA") and, in accordance with GNMA servicing requirements, has the unilateral right to cause the holder to return a specific loan once it becomes more than ninety days past due. This unilateral right precludes sale accounting; therefore, the Company has recorded $21.6 million and $33.2 million of past due GNMA-backed loans and corresponding secured borrowings on its consolidated balance sheet at September 30, 2021 and 2020, respectively. The majority of these loans are past due because the borrower has elected to participate in a COVID-related forbearance modification program available for GNMA-backed loans.

(5) FORECLOSED ASSETS HELD FOR SALE

The carrying value of real estate owned and other repossessed property was $7.8 million and $3.8 million at September 30, 2021 and 2020, 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.

		2021	2020
Balance at beginning of year	$	--	--
Provision for loss		567	451
Charge-offs		(567)	(451)
Recoveries		--	--
Balance at end of year	$	--	--

In addition to the provision for loss noted above, the Company incurred net expenses of $545,000 and $157,000 related to foreclosed assets held for sale during the fiscal years ended September 30, 2021 and 2020, respectively.

(6) PREMISES AND EQUIPMENT

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

		2021	2020
Land	$	4,648	4,648
Buildings and improvements		15,290	15,422
Furniture, fixtures and equipment		9,361	8,532
		29,299	28,602
Accumulated depreciation		(19,286)	(18,007)
Total	$	10,013	10,595

(7) INVESTMENT IN LLC

The Company's investment in Central Platte Holdings LLC ("Central Platte") consists of a 50% ownership interest in an entity that develops land for residential real estate sales in Platte County, Missouri. 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. Prior to September 30, 2021, the Company utilized a multi-faceted approach to measure the potential impairment. The internal model utilized 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. Management believed this multi-faceted approach was reasonable given the highly subjective nature of the assumptions and the differences in valuation techniques utilized within each approach (e.g., order of distribution of assets upon potential liquidation). It was management's opinion that no one valuation method within the model was preferable to the other and that no one method was more likely to occur than the other. Therefore, the final estimate of value was determined by assigning an equal weight to the values derived from each of the three methods described above.

On September 30, 2021, the Company reduced the carrying value of its investment in Central Platte to $10.5 million, as it has agreed to sell its membership interest in the LLC for that amount, which resulted in a $1.0 million impairment loss. The terms of the sale require the sales price to be paid with a $2.0 million cash payment on the date of sale, a $1.5 million non-interest bearing promissory note with a three-year term, and a $7.0 interest bearing promissory note with a five-year term. Management expects the sale to close in the first quarter of fiscal 2022.

(8) MORTGAGE SERVICING RIGHTS

In fiscal 2020, the Company measured its mortgage servicing rights using the amortization method, whereby servicing rights were amortized in proportion to and over the period of estimated net servicing income. The amortized assets were assessed for impairment or increased obligation based on fair value at each reporting date. At the beginning fiscal 2021, the Company elected to begin measuring its mortgage servicing rights using fair value, and an adjustment of $689,000 was recorded to increase the value of mortgage servicing rights from amortized cost to fair value.

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

	Mortgage Servicing Rights		Valuation Allowance
	2021	2020	2020
Balance at beginning of year	$ 10,763	8,674	$ 2,136
Initial adjustment to fair value	689	--	--
Originated mortgage servicing rights	6,233	4,749	--
Subsequent changes in fair value:			
Due to changes in valuation model inputs or assumptions	641	--	--
Due to collection of cash flows	(4,610)	--	--
Amortization	--	(2,855)	--
Impairment recovery	--	195	(195)
Balance at end of year	$ 13,716	10,763	$ 1,941

Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions such as the cost to service, prepayment speeds, discount rate, ancillary income, and default rates. At September 30, 2021, key assumptions utilized in the valuation model included an average constant prepayment rate of 14.1% and an average discount rate of 10.0%. At September 30, 2020, key assumptions utilized in the valuation model included an average constant prepayment rate of 20.2% and an average discount rate of 10.2%. Mortgage servicing rights are classified within Level 3 of the fair value hierarchy.

During fiscal 2020, an impairment recovery of $195,000 was recorded to partially reverse the previously recorded valuation allowance and adjust the aggregate cost basis of the Company's mortgage servicing asset to lower of amortized cost or fair market value. The Company's mortgage servicing asset had a carrying value of $10.8 million and a market value of $11.5 million at September 30, 2020.

Whole loans and participations serviced for others were approximately $1,727.1 million and $2,014.3 million at September 30, 2021 and 2020, respectively. Loans serviced for others are not included in the accompanying consolidated balance sheets.

(9) LEASES

The Company has operating leases for office space. Right-of-use ("ROU") assets and lease liabilities are recognized based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the remaining lease term to determine the present value of future lease payments. Lease extension options that were considered reasonably certain of exercise were included in the lease term. As of September 30, 2021, and 2020 both the ROU assets and lease liability for operating leases recognized on the Company's balance sheet totaled $6.5 million and $7.5 million, respectively. ROU assets are included in other assets and lease liabilities are included in accrued expenses and other liabilities within the Company's consolidated balance sheets. The total operating lease cost for fiscal 2021 and 2020 was $1.4 million and $1.4 million, respectively, and included variable lease costs for common area maintenance charges.

The following table presents the components of lease expense for the years ended September 30. Dollar amounts are expressed in thousands.

		2021	2020
Operating lease costs	$	1,358	1,358
Variable lease costs		86	23
Total lease expense	$	1,444	1,381

The table below summarizes other information related to lease liabilities recognized as of and for the year ended September 30. Dollar amounts are expressed in thousands.

		2021	2020
Weighted average lease term (years)		5.4	6.4
Weighted average discount rate		4.1%	4.1%
Cash paid for amounts included in the measurement of lease liabilities	$	1,343	1,343
Right-of-use assets obtained in exchange for new operating lease liabilities	$	--	--

The following table summarizes the maturity of remaining lease liabilities. Dollar amounts are expressed in thousands.

Fiscal year ended September 30,		Amount
2022	$	1,343
2023		1,343
2024		1,340
2025		1,311
2026		1,311
Thereafter		547
Total payments		7,195
Less: Interest		727
Present value of lease liabilities	$	6,468

(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.

		2021		2020	
		Amount	%	Amount	%
Demand deposit accounts	$	270,380	20	258,431	15
Savings accounts		188,957	14	197,765	11
Money market demand accounts		309,306	23	296,660	17
Certificate accounts		582,694	43	824,919	47
Brokered accounts		--	--	174,993	10
	$	1,351,337	100	1,752,768	100
Weighted average interest rate		0.35%		0.97%	

The aggregate amount of certificate accounts in excess of $250,000 was approximately $87.4 million and $141.2 million as of September 30, 2021 and 2020, respectively. In addition, the entire amount of brokered accounts was in excess of $100,000 as of September 30, 2020.

At September 30, 2021 and 2020, the Bank had certificate accounts in the amount of $165.8 million and $311.0 million which were acquired through a deposit listing service, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2021. Dollar amounts are expressed in thousands.

		Maturing during the fiscal year ended September 30,						
		2022	2023	2024	2025	2026	2027 and after	Total
Certificate accounts	$	527,486	39,695	7,815	3,855	3,375	468	582,694

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

		2021	2020
Savings accounts	$	449	2,218
Money market demand and demand deposit accounts		1,217	3,197
Certificate and brokered accounts		6,559	18,765
	$	8,225	24,180

(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 126% 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.

	2021		2020	
Year ending September 30,	Amount	Weighted average rate	Amount	Weighted average rate
2021	$ --	--	$ 25,000	1.53%
2022	322,000	0.92%	100,000	2.29%
2023	50,000	3.26%	50,000	3.26%
2024	50,000	2.23%	50,000	2.23%
2030	100,000	1.37%	100,000	1.37%
	$ 522,000	1.35%	$ 325,000	2.09%

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, 2021 and 2020, 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.

(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:

	2021	2020
Statutory federal income tax rate	21.0%	21.0%
State income taxes, net of federal benefit	2.6	4.3
Other, net	(1.7)	0.4
	21.9%	25.7%

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.

		2021	2020
Deferred loan fees and costs	$	(255)	(190)
Tax depreciation vs. book depreciation		245	640
Mortgage servicing rights		752	511
Loan loss reserves		1,132	(1,892)
Mark-to-market adjustment		10	(22)
Accrued expenses		579	(1,199)
NOL carryforward		61	88
Prepaid expenses		197	(21)
Impairment loss on LLCs		(247)	57
Other		(97)	13
	$	2,377	(2,015)

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.

		2021	2020
Deferred income tax assets:			
Loan loss reserves	$	6,857	7,989
Accrued expenses		1,849	2,428
Impairment loss on LLCs		797	550
Mark-to-market adjustment		8	18
NOL carryforward		--	61
		9,511	11,046
Deferred income tax liabilities:			
Basis difference on investments		(4)	(4)
Deferred loan fees and costs		(1,548)	(1,803)
Unrealized gain on securities available for sale		(201)	(772)
Tax depreciation in excess of book depreciation		(925)	(680)
Mortgage servicing rights		(3,408)	(2,656)
Prepaid expenses		(392)	(195)
Other		(82)	(179)
		(6,560)	(6,289)
Net deferred tax asset	$	2,951	4,757

The Company’s policy is to recognize interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statements of operations.

The Company’s federal and state income tax returns for fiscal years 2018 through 2020 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(14) STOCKHOLDERS’ EQUITY

During fiscal 2021, the Company paid cash dividends on common stock of $0.55 per share on December 24, 2020, and $0.75 per share on March 31, 2021, June 25, 2021, and September 24, 2021. In addition, a special cash dividend of $1.25 per share was paid out on September 24, 2021.

During fiscal 2020, the Company paid cash dividends on common stock of $0.50 per share on December 27, 2019 and $0.55 per share on March 27, 2020, June 26, 2020, and September 25, 2020.

During fiscal 2021, the Company repurchased 5,656 shares of its own stock with a value of $406,000 at the time of repurchase. During fiscal 2020, the Company repurchased 847 shares of its own stock with a value of $34,000 at the time of repurchase.

(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.

In July 2013, the federal banking agencies published final rules establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank act. Basel III refers to various documents released by the Basel Committee on Banking Supervision. The new rules became effective for the Bank in January 2015, with some rules being transitioned into full effectiveness over two-to-four years. The new rules, among other things, introduced a new capital measure called Common Equity Tier 1 ("CET1"), increased the Tier 1 capital ratio requirement, changed the total assets utilized in the Tier 1 leverage ratio calculation from total assets at quarter-end to total average assets during the quarter, changed the risk-weighting of certain assets for purpose of risk-based capital ratios, created an additional capital conservation buffer over the required capital ratios, and changed what qualified as capital for purposes of meeting various capital requirements.

As of September 30, 2021, the most recent regulatory guidelines categorize the Bank as "well capitalized" under the framework for prompt corrective action. The Bank must maintain minimum capital ratios as set forth in the tables below. As of September 30, 2021, management believes that 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.

	As of September 30, 2021					
	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage ratio	394,534	17.2%	91,624	≥4%	114,530	≥5%
CET1 capital ratio	394,534	22.7%	78,166	≥4.5%	112,907	≥6.5%
Tier 1 capital ratio	394,534	22.7%	104,222	≥6%	138,963	≥8%
Total capital ratio	416,302	24.0%	138,963	≥8%	173,703	≥10%

	As of September 30, 2020					
	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage ratio	348,444	13.8%	100,701	≥4%	125,876	≥5%
CET1 capital ratio	348,444	18.3%	85,844	≥4.5%	123,998	≥6.5%
Tier 1 capital ratio	348,444	18.3%	114,459	≥6%	152,612	≥8%
Total capital ratio	372,377	19.5%	152,612	≥8%	190,765	≥10%

(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 $1.7 million and $1.4 million for the years ended September 30, 2021 and 2020, respectively. These amounts have been included as compensation and benefits expense in the accompanying consolidated statements of operations.

(17) EQUITY COMPENSATION

On March 14, 2017, the Company's Board of Directors approved an equity incentive compensation plan (the "Plan") through which up to 400,000 shares of common stock may be granted as awards to officers and employees of the Company. The Plan allows for awards to be granted in the form of stock options, restricted stock, and restricted stock units.

The following table summarizes stock-based compensation for fiscal years 2021 and 2020. Dollar amounts are expressed in thousands.

		2021	2020
Stock options	$	27	27
Restricted stock awards		576	144
Total stock-based compensation	$	603	171

Stock Options

Stock 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 stock option activity during fiscal years 2021 and 2020.

	Number of shares		Weighted avg. exercise price per share		Range of exercise price per share
Options outstanding at October 1, 2019	24,450	$	36.53	$	36.53
Exercised	(1,000)		36.53		36.53
Options outstanding at September 30, 2020	23,450	$	36.53	$	36.53
Exercised	(2,000)		36.53		36.53
Options outstanding at September 30, 2021	21,450	$	36.53	$	36.53

The weighted average remaining contractual life of options outstanding at September 30, 2021 and 2020 were 5.5 years and 6.5 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2021.

	Number of shares	Weighted average exercise price
Expiring on:		
March 14, 2027	21,450	$ 36.53

All the options outstanding at September 30, 2021, are exercisable at future dates in accordance with the vesting schedule outlined in the 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, 2021.

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number	Weighted avg. remaining contractual life	Weighted avg. Exercise Price	Number	Weighted avg. exercise price
$ 36.53	21,450	5.5 years	$ 36.53	16,450	$ 36.53

Restricted Stock

Restricted stock awards have a value equal to the fair market value of an identical number of shares of common stock on the grant date and vest over a three-year period.

The following table summarizes restricted stock activity during fiscal year 2021 and 2020.

	Number of shares	Weighted avg. grant date fair value
Unvested restricted stock at October 1, 2019	--	$ --
Granted	13,389	48.50
Unvested restricted stock at September 30, 2020	13,389	$ 48.50
Vested	(4,557)	48.50
Granted	18,597	63.26
Unvested restricted stock at September 30, 2021	27,429	$ 58.51

Unrecognized stock-based compensation related to restricted stock grants issued through September 30, 2021, was $1.1 million and is expected to be recognized over 1.8 years.

(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, 2021, the Bank had outstanding commitments to originate $12.6 million in commercial real estate loans, and $706.1 million of fixed rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 5.07%. Residential mortgage loan commitments have an approximate average committed rate of 2.8% 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, 2021, the Bank had outstanding commitments related to stand-by letters of credit of $1.8 million.

As of September 30, 2020, the Bank had outstanding commitments to originate $2.1 million in commercial real estate loans, $1,903.2 million of fixed rate residential first mortgage loans, and $430,000 of adjustable rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 5.4%. Residential mortgage loan commitments have an approximate average committed rate of 2.7% and approximate average fees and discounts of 0.2%. 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, 2020, the Bank had outstanding commitments related to stand-by letters of credit of $1.6 million.

At September 30, 2021 and 2020, the Bank had commitments to sell loans of approximately $226.2 million and $336.6 million, respectively. In addition, the Company had forward sales commitments of mortgage-backed securities of approximately $861.5 million and $1,653.0 million that have not settled at September 30, 2021 and 2020, respectively. These instruments contain an element of risk in the event that other parties are unable to meet the terms of such agreements. In such event, the Bank's loans receivable held for sale would be exposed to market fluctuations. Management does not expect any other party to default on its obligations and, therefore, does not expect to incur any costs due to such possible default.

(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, 2021 and 2020, 4.54% and 0.3% of this portfolio was made up of such loans, respectively.

(21) FAIR VALUE OPTION

The Company has 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 $6.7 million and $20.0 million greater than the aggregate unpaid principal balance at September 30, 2021 and 2020, respectively. Interest income on loans held for sale is included in interest on loans receivable in the accompanying statements of operations.

(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 $41.9 million, an increase in other liabilities of $1.1 million, and a decrease in mortgage banking income of $43.1 million for the year ended September 30, 2021. The Company recorded an increase in other assets of $41.2 million, a decrease in other liabilities of $60,000, and an increase in mortgage banking income of $41.3 million for the year ended September 30, 2020.

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 a decrease in other assets of $513,000, an increase in other liabilities of $6,000, and a decrease in mortgage banking income of $518,000 during the year ended September 30, 2021. The Company recorded an increase in other assets of $613,000, a decrease in other liabilities of $2,000, and an increase in mortgage banking income of $614,000 during the year ended September 30, 2020.

The Company also has mandatory 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 a decrease in other assets of $7.7 million, an increase in other liabilities of $27,000, and a decrease in mortgage banking income of $7.7 million during the year ended September 30, 2021. The Company recorded an increase in other assets of $8.2 million, no change in other liabilities, and an increase in mortgage banking income of $8.2 million during the year ended September 30, 2020.

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 $4.3 million, a decrease in other liabilities of $6.1 million, and an increase in mortgage banking income of $10.3 million during the year ended September 30, 2021. The Company had $861.5 million of forward sales commitments of mortgage-backed securities that had not settled at September 30, 2021. The Company recorded a decrease in other assets of $335,000, an increase in other liabilities of $4.2 million, and a decrease in mortgage banking income of $4.5 million during the year ended September 30, 2020. The Company had $1,653.0 million of forward sales commitments of mortgage-backed securities that had not settled at September 30, 2020.

The balance of derivative instruments related to commitments to originate and sell loans at September 30, 2021 and 2020, 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, municipal securities, and U.S. Treasury notes. 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

The Company's valuation model estimates the fair value for commitments to originate loans based upon prices for similar loans available from investors with whom the Company is currently doing business and includes estimated origination costs. The model also includes fall-out assumptions, ranging from zero to fifty percent, which are estimated based primarily upon the loan stage and difference between current market rates and committed rates. These measurements use significant unobservable inputs and are classified as Level 3 within the hierarchy. The fair value of forward commitments to sell loans is based upon prices for similar loans available from investors with whom the Company is currently doing business. This measurement is classified as Level 2 within the hierarchy. The fair value of forward commitments to sell mortgage-backed securities is based upon current market prices provided by an on-line trading platform. This measurement is classified as Level 2 within the hierarchy.

Mortgage Servicing Rights

Mortgage servicing rights are initially recorded at fair value at the date of transfer. Prior to fiscal 2021, the Company had elected to subsequently measure its mortgage servicing rights using the amortization method, whereby servicing rights were amortized in proportion to and over the period of estimated net servicing income. The amortized assets were assessed for impairment or increased obligation based on fair value at each reporting date. At the beginning fiscal 2021, the Company elected to begin measuring its mortgage servicing rights using fair value, and an adjustment of $689,000 was recorded to increase the value of mortgage servicing rights from amortized cost to fair value.

Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions such as the cost to service, prepayment speeds, discount rate, ancillary income, and default rates. These variables change as market conditions change and may have an adverse impact on the value of mortgage servicing rights and may result in a reduction in noninterest income. Mortgage servicing rights are classified within Level 3 of the fair value hierarchy.

Prior to fiscal 2021, impairment was determined by stratifying the rights into tranches based on predominant characteristics, such as interest rate and loan type. Impairment was recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of servicing assets for that tranche. During fiscal 2020, an impairment recovery of $195,000 was recorded to adjust the aggregate cost basis of the Company's mortgage servicing asset to fair market value. The Company's mortgage servicing asset had a carrying value of $10.8 million and a market value of $11.5 million at September 30, 2020.

The following table presents the fair value measurements of assets and liabilities 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, 2021 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities, available for sale				
Corporate debt securities	$ 89,541	--	89,541	--
Municipal securities	422	--	422	--
U.S. Treasury notes	50,492	50,492	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	1,612	--	1,612	--
Pass through certificates guaranteed by FNMA – adjustable rate	23	--	23	--
FHLMC participation certificates:				
Fixed rate	938	--	938	--
Adjustable rate	17	--	17	--
Loans held for sale	576,927	--	576,927	--
Mortgage servicing rights	13,716	--	--	13,716
Commitments to originate loans	4,073	--	--	4,073
Forward sales commitments	4,742	--	4,742	--
Total assets	$ 742,503	50,492	674,222	17,789
Liabilities:				
Commitments to originate loans	$ 1,132	--	--	1,132
Forward sales commitments	134	--	134	--
Total liabilities	$ 1,266	--	134	1,132

The following table presents the fair value measurements of assets and liabilities 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, 2020 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities, available for sale				
Corporate debt securities	$ 98,417	--	98,417	--
Municipal securities	422	--	422	--
U.S. Treasury notes	53,710	53,710	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	2,699	--	2,699	--
Pass through certificates guaranteed by FNMA – adjustable rate	24	--	24	--
FHLMC participation certificates:				
Fixed rate	1,113	--	1,113	--
Adjustable rate	22	--	22	--
Loans held for sale	493,212	--	493,212	--
Commitments to originate loans	45,998	--	--	45,998
Forward sales commitments	465	--	465	--
Total assets	$ 696,082	53,710	596,374	45,998
Liabilities:				
Commitments to originate loans	$ 5	--	--	5
Forward sales commitments	6,192	--	6,192	--
Total liabilities	$ 6,197	--	6,192	5

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

	Commitments to Originate Loans	Mortgage Servicing Rights
Balance at October 1, 2019	$ 4,730	--
Total realized and unrealized gains (losses):		
Included in net income	41,263	--
Balance at September 30, 2020	$ 45,993	--
Initial valuation at fair value	--	11,452
Issuances	--	6,233
Total realized and unrealized gains (losses):		
Included in net income	(43,052)	(3,969)
Balance at September 30, 2021	$ 2,941	13,716

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2021, are reported in the consolidated statements of operations as follows (in thousands):

	Mortgage Banking Income
Total losses	$ (47,021)
Changes in unrealized gains relating to assets still held at the balance sheet date	$ 16,657

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2020, are reported in the consolidated statements of operations as follows (in thousands):

	Mortgage Banking Income
Total gains	$ 41,263
Changes in unrealized gains relating to assets still held at the balance sheet date	$ 45,993

The following table presents quantitative information about recurring Level 3 fair value instruments and the fair value measurements as of September 30, 2021.

Unobservable Input	Range	Weighted Average
Commitments to origination loans:		
Loan funding probability	39% - 100%	85%
Mortgage servicing rights:		
Discount rate	9.5% - 10.5%	10.0%
Prepayment rate	8.5% - 31.3%	14.1%

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, 2021 and 2020 was $11.1 million and $6.1 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 $7.8 million and $3.8 million at September 30, 2021 and 2020, respectively. During fiscal 2021, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $567,000. During fiscal 2020, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $451,000

The following table presents estimated fair values of the Company's financial instruments which are held at amortized cost and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2021 (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	$ 115,584	115,584	--	--
Interest bearing deposits	250	250	--	--
Stock in Federal Home Loan Bank	24,052	--	24,052	--
Loans receivable held for investment	1,416,397	--	--	1,439,768
Accrued interest receivable	7,059	--	7,059	--
Investment in LLC	10,500	10,500	--	--
Financial Liabilities:				
Customer deposit accounts	1,351,337	--	--	1,282,977
Advances from FHLB	522,000	--	--	527,350
Subordinated debentures	25,774	--	--	19,588
Accrued interest payable	131	--	131	--

The following table presents estimated fair values of the Company's financial instruments which are held at amortized cost and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020 (in thousands):

	Carrying Value	Fair Value Measurements Using: 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	$ 88,333	88,333	--	--
Interest bearing deposits	1,750	1,750	--	--
Stock in Federal Home Loan Bank	16,047	--	16,047	--
Loans receivable held for investment	1,673,237	--	--	1,696,381
Accrued interest receivable	9,957	--	9,957	--
Investment in LLC	11,026	--	--	14,678
Financial Liabilities:				
Customer deposit accounts	1,577,775	--	--	1,552,478
Brokered deposit accounts	174,993	--	--	174,987
Advances from FHLB	325,000	--	--	341,314
Subordinated debentures	25,774	--	--	18,042
Accrued interest payable	276	--	276	--

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, 2021		September 30, 2020	
	Contract or notional amount	Estimated unrealized gain (loss)	Contract or notional amount	Estimated unrealized gain (loss)
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 36,716	15	$ 11,897	60
Lending commitments – floating rate	--	--	430	7
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2021 and 2020. 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) 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
		2021	2020	
Unrealized gains on available for sale securities:				
	$	--	318	Gain on disposal of securities available for sale
		--	--	Impairment loss on securities
		--	318	Total reclassified before tax
		--	(80)	Income tax expense
	$	--	238	Net reclassified amount

(25) REVENUE FROM CONTRACTS WITH CUSTOMERS

On October 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers. The majority of the Company's revenue results from loans and investment securities, which are excluded from the ASU. Management completed an assessment of revenue within the scope of the ASU and concluded that the new guidance did not require any material changes in the Company's revenue recognition practices. The Company's sources of revenue that were determined to be within the scope of the ASU are disclosed below, by financial statement line reported in the consolidated statements of operations.

Customer Service Fees and Charges

Customer Fees on Deposit Accounts – Customer fees on deposit accounts include account service charges and transaction-related fees, such as return item, overdraft protection, wire transfers, insufficient funds, cashier's checks, and stop payment fees. The Company's performance obligation is over time, typically one month for account services charges, and at the time of service for transaction-related fees. Revenue is recognized when the performance obligation has been satisfied and payment is typically collected from the customer's account at the time the transaction is processed. Customer fees on deposit accounts totaled $1.3 million and $1.5 million for the years ended September 30, 2021 and 2020, respectively.

Card Fee Income – Card fee income includes debit card interchange fees earned on a per transaction basis through the card payment networks, as well as ATM processing fees. The performance obligation for these fees is satisfied on a daily basis, concurrent with the settlement of such transactions. Revenue from card transactions is reported net of various interchange networks charges established by the payment networks. Card fee income totaled $1.0 million and $847,000 for the years ended September 30, 2021 and 2020, respectively.

Income (Expense) on Real Estate Owned

Gains and losses on the Sale of Real Estate Owned – Gains on the sale of real estate owned result from the sale of assets that have been acquired by the Company through foreclosure. The performance obligation is satisfied when control of the property is delivered to the buyer. The gain or loss is calculated as the difference between the transaction price and the carrying value of the real estate owned. If the Company is providing seller financing, consideration of credit risk and market financing terms must be included in the determination of the transaction price. Net gains from the sale of real estate owned totaled $61,000 and $159,000 for the years ended September 30, 2021 and 2020, respectively.

(26) SUBSEQUENT EVENT

Subsequent events have been evaluated through December 15, 2021, which is the date the consolidated financial statements were available to be issued.

BKD
CPAs & Advisors

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of NASB Financial, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, cash flows and stockholders' equity for the years then ended, and the related notes to the consolidated financial statements. We also have audited NASB Financial, Inc.'s internal control over financial reporting as of September 30, 2021, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Assertion Regarding the Effectiveness of Internal Controls Over Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements 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 financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the *Federal Deposit Insurance Corporation Improvement Act* (FDICIA), our audit of NASB Financial, Inc.'s internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Parent Company Only Financial Statements for Small Holding Companies (Form FR Y-9SP). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

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, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, NASB Financial, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the COSO.

BKD, LLP

Kansas City, Missouri
December 15, 2021

NASB
NORTH AMERICAN SAVINGS BANK

MANAGEMENT'S ASSERTION REGARDING THE EFFECTIVENESS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

December 15, 2021

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

Statement of Management's Responsibilities
The management of NASB Financial, Inc. and North American Savings Bank, F.S.B. (the "Company") is responsible for preparing the Company's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report); and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance With Designated Laws and Regulations
The management of NASB Financial, Inc. and North American Savings Bank, F.S.B. (the "Company") has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on September 30, 2021. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on September 30, 2021.

Management's Assessment of Internal Control Over Financial Reporting
NASB Financial, Inc. and North American Savings Bank, F.S.B. (the "Company") internal control over financial reporting is a process designed and effected by those charged with governance, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, *i.e.*, the Call Report. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding

prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal control over financial reporting including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Call Report, as of September 30, 2021, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013).*

Based on that assessment, management concluded that, as of September 30, 2021, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Call Report, is effective based on the criteria established in *Internal Control - Integrated Framework (2013).*

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Call Report, as of September 30, 2021, has been audited by BKD, LLP, an independent public accounting firm, as stated in their report dated December 15, 2021.

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

Paul L. Thomas
Chief Executive Officer

Rhonda Nyhus
Vice President
Chief Financial Officer & Treasurer

Board of Directors of NASB Financial, Inc.

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

Thomas B. Wagers, Sr.
Vice President
NASB Financial, Inc.
Executive Vice President and
Chief Risk Officer
North American Savings Bank

Rich Agar
Retired
Former Chief Information Officer
H&R Block
Kansas City, Missouri

Barrett Brady
Retired

Laura Brady
Partner
Royal Street Ventures
Kansas City, Missouri

Thomas S. Dreyer
Manager
CN Capital, LLC
Kansas City, Missouri

E. Alexander Hancock
Principal
Finial Point Capital Management
Shawnee Mission, Kansas

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

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

Officers of NASB Financial, Inc.

David H. Hancock
Chairman

Paul L. Thomas
Chief Executive Officer

Rhonda Nyhus
Vice President and Treasurer

Brian Zoellner
Corporate Secretary

Tim Franchett
Vice President

John M. Nesselrode
Vice President

Dena Sanders
Vice President

J. Enrique Venegas
Vice President

Thomas B. Wagers, Sr.
Vice President

Burke R. Walker
Vice President

Branch Offices

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Lee's Summit, Missouri
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Harrisonville, Missouri
2002 East Mechanic

Lexington, Missouri
205 South 13th Street

Residential Lending
Lee's Summit, Missouri
937 NE Columbus Street

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

Excelsior Springs, Missouri
1001 North Jesse James Road

Investor Information

Annual Meeting of Stockholders:

The Annual Meeting of Stockholders will be held virtually and will be conducted solely online via live webcast on Tuesday, January 25, 2022, at 8:30 a.m. Central Standard Time.

Transfer Agent:

Computershare, P.O. Box 505000, Louisville, KY 40233-5002, (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 Rhonda Nyhus, NASB Financial, Inc., 903 East 104th Street, Suite 400, Kansas City, MO 64131. (816) 765-2200.

OUR VISION

When trust and service matter most, NASB will be the first choice for savings and mortgages.

NASB Financial, Inc.

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