NASB Financial, Inc.

ANNUAL REPORT 2022

Trust your dreams to us.

NASB Financial, Inc.

December 19, 2022

Dear Fellow Shareholder:

We are reporting pretty average results for the most recent twelve-month period. Our return on assets of 1.28% is about the same as the 75th percentile of Missouri banks, but well below our returns the previous two fiscal years (3.00% and 4.01%). Mortgage lending activity in fiscal 2020 and 2021 was greatly stimulated by the historically low rates fostered by the Federal Reserve Bank ("FRB") to offset the adverse impacts of COVID-19 on our economy. In March of this year, the FRB decided the inflation being caused by the fiscal and monetary stimulus was not quite so transitory after all and began a series of increases in Fed Funds (seven to date totaling 4.25%, with more predicted). These rate increases are designed to slow our economy and are rapidly achieving their goal, at least in housing finance.

The COVID-19 virus has impacted us in other ways. Our retail branches were mostly closed due to employee and customer health concerns. I'm pleased to say that we reopened these offices in March. Our branch managers and staff are to be congratulated for dealing with mostly remote customer service and the many modifications those changes required.

NASB's focus remains on various sectors of mortgage lending. As demonstrated especially during the last three years, this commodity dominated business is influenced by many factors, most of which are out of our control. This business is frequently cyclical, often volatile, and sometimes frustrating. We have made many changes in our mortgage banking division trying to deal with the higher rates and lower volumes, but have found we were a lot more successful mortgage lender when we could offer 30-year fixed mortgages with rates in the low 3% area.

The financial highlights table on page 2 notes that we paid a large portion of our income to shareholders as dividends (76%). We felt we had excess capital, and the very low interest rate environment provided few attractive investment alternatives. As always, future dividends will be determined by our income and other available uses of our funds.

In March, Paul Thomas announced his resignation from NASB. Paul started here in 1992 and become CEO in 2015. I would like to thank Paul for his leadership and the many contributions he made to our company and wish him well in his future endeavors.

As always, thank you for your continued support.

Sincerely,

David H Hancock

David H. Hancock
Board Chairman

NASB Financial, Inc.
2022 Annual Report

Contents

Financial Highlights

		2022	2021	2020	2010	2000	1990
		(Dollars in thousands, except per share data)					
For the year ended September 30:							
Net interest income	$	89,168	97,849	94,231	53,848	35,838	7,983
Net interest spread		3.98%	4.19%	3.83%	3.73%	3.71%	1.99%
Other income	$	63,188	145,614	174,544	43,580	9,409	2,774
General and administrative expenses		109,975	149,048	119,332	57,667	20,120	8,169
Net income (loss)		32,090	73,706	103,505	6,323	14,721	(369)
Basic earnings (loss) per share		4.33	9.96	14.02	0.80	1.66	(0.18)
Cash dividends paid		24,448	29,986	15,879	3,540	3,370	--
Dividend payout ratio		76.18%	40.68%	15.34%	55.99%	22.89%	--
At year end:							
Assets	$	2,644,364	2,359,371	2,552,198	1,434,196	984,525	388,477
Loans, net		2,098,475	1,967,120	2,135,497	1,220,886	914,012	180,348
Investment securities		203,605	143,045	156,407	76,511	20,451	179,599
Customer and brokered deposit accounts		1,496,041	1,351,337	1,752,768	933,453	621,665	333,634
Stockholders' equity		378,878	393,346	350,382	167,762	83,661	16,772
Book value per share		51.15	53.13	47.42	21.32	9.84	1.83
Basic shares outstanding (in thousands)		7,407	7,403	7,388	7,868	8,500	9,148
Other Financial Data:							
Return on average assets		1.28%	3.00%	4.01%	0.42%	1.63%	(0.20)%
Return on average equity		8.31%	19.82%	33.79%	3.78%	18.12%	(2.50)%
Stockholders' equity to assets		14.33%	16.67%	13.73%	11.70%	8.50%	4.30%
Average shares outstanding (in thousands)		7,408	7,403	7,384	7,868	8,863	8,116
Selected year end information:							
Stock price per share: Bid	$	52.75	62.60	55.00	15.90	14.50	1.03
Ask		53.99	63.00	60.00	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,	
		2022	2021
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	212,187	115,584
Interest bearing deposits		--	250
Securities available for sale, at fair value		138,950	140,455
Stock in Federal Home Loan Bank, at cost		30,426	24,052
Mortgage-backed securities available for sale, at fair value		64,655	2,590
Loans receivable:			
Held for sale, at fair value		129,281	576,927
Held for investment, net		1,998,969	1,416,397
Allowance for loan losses		(29,775)	(26,204)
Accrued interest receivable		8,193	7,059
Foreclosed assets held for sale, net		6,314	7,828
Premises and equipment, net		8,877	10,013
Investment in LLC		--	10,500
Mortgage servicing rights, net		25,736	13,716
Deferred income tax asset, net		4,052	2,951
Income taxes receivable		3,306	498
Delinquent GNMA-backed loans available for repurchase		4,448	21,551
Goodwill and other intangibles		11,799	10,757
Other assets		26,946	24,447
	$	2,644,364	2,359,371
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	1,484,405	1,351,337
Brokered deposit accounts		11,636	--
Escrows		17,287	16,622
Advances from Federal Home Loan Bank		694,000	522,000
Subordinated debentures		25,774	25,774
Secured borrowings		4,448	21,551
Accrued expenses and other liabilities		27,936	28,741
Total liabilities		2,265,486	1,966,025
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,868,281 shares issued at September 30, 2022 and September 30, 2021		1,480	1,480
Additional paid-in capital		16,833	16,451
Retained earnings		432,492	424,850
Treasury stock, at cost; 2,461,002 shares at September 30, 2022 and 2,464,847 shares at September 30, 2021		(49,769)	(50,037)
Accumulated other comprehensive income (loss)		(22,158)	602
Total stockholders' equity		378,878	393,346
	$	2,644,364	2,359,371

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Operations

		Years Ended September 30,	
		2022	2021
		(Dollars in thousands, except share data)	
Interest on loans receivable	$	98,140	108,731
Interest on mortgage-backed securities		570	67
Interest and dividends on securities		5,178	4,486
Other interest income		1,315	127
Total interest income		105,203	113,411
Interest on customer and brokered deposit accounts		6,307	8,225
Interest on advances from Federal Home Loan Bank		9,030	6,839
Interest on subordinated debentures		651	474
Other interest expense		47	24
Total interest expense		16,035	15,562
Net interest income		89,168	97,849
Provision for loan losses		750	--
Net interest income after provision for loan losses		88,418	97,849
Other income (expense):			
Loan servicing fees		4,698	3,948
Impairment loss on investment in LLC		--	(1,001)
Customer service fees and charges		3,642	7,609
Provision for loss on real estate owned		(36)	(567)
Income on real estate owned, net		2,770	223
Gain on disposal of securities available for sale		550	--
Mortgage banking income		51,375	134,637
Other income		189	765
Total other income		63,188	145,614
General and administrative expenses:			
Compensation and benefits		49,628	56,772
Commission-based mortgage banking compensation and benefits		22,865	56,934
Premises and equipment		9,252	8,810
Advertising and business promotion		14,478	11,722
Federal deposit insurance premiums		544	587
Other		13,208	14,223
Total general and administrative expenses		109,975	149,048
Income before income tax expense		41,631	94,415
Income tax expense:			
Current		3,055	18,332
Deferred		6,486	2,377
Total income tax expense		9,541	20,709
Net income	$	32,090	73,706
Basic earnings per share	$	4.33	9.96
Diluted earnings per share	$	4.33	9.94
Basic weighted average shares outstanding		7,408,456	7,402,949

See accompanying notes to consolidated financial statements.

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

		Years ended September 30,	
		2022	2021
		(Dollars in thousands)	
Net income	$	32,090	73,706
Other comprehensive income (loss):			
Unrealized loss on available for sale securities, net of income tax benefit of $7,449 and $572 at September 30, 2022 and 2021, respectively		(22,347)	(1,715)
Reclassification adjustment for gain included in net income, net of income tax expense of $138 at September 30, 2022		(413)	--
Change in unrealized loss on available for sale securities, net of income tax benefit of $7,587 and $572 at September 30, 2022 and 2021, respectively		(22,760)	(1,715)
Comprehensive income	$	9,330	71,991

See accompanying notes to consolidated financial statements.

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

	Years ended September 30,	
	2022	2021
Cash flows from operating activities:	(Dollars in thousands)	
Net income	$ 32,090	73,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,170	1,277
Accretion, net	(9,408)	(18,347)
(Gain) loss on disposal of premises and equipment	(26)	2
Deferred income tax expense	6,486	2,377
Gain on disposal of securities available for sale	(550)	--
Gain on sale of foreclosed assets held for sale	(3,814)	(60)
Gain on acquisition of foreclosed assets held for sale	--	(277)
Income from investment in LLC	--	(476)
Impairment loss on investment in LLC	--	1,001
Impairment loss on premises and equipment	--	400
Mortgage banking income	(51,375)	(134,637)
Provision for loan losses	750	--
Provision for loss on real estate owned	36	567
Origination of loans receivable held for sale	(2,616,451)	(6,117,016)
Sale of loans receivable held for sale	3,106,126	6,198,391
Stock based compensation	897	603
Changes in:		
Accrued interest receivable	(1,134)	2,898
Other assets, accrued expenses and other liabilities, and income taxes payable	(7,285)	(12,849)
Net cash provided by (used in) operating activities	457,512	(2,440)
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities available for sale	1,630	1,180
Principal repayments of mortgage loans receivable held for investment	606,395	866,410
Principal repayments of other loans receivable	6,511	2,236
Principal repayments of investment securities available for sale	4,211	8,828
Proceeds from maturities of bank certificates of deposit	250	1,498
Loan origination - mortgage loans receivable held for investment	(609,220)	(455,987)
Loan origination - other loans receivable	(136)	(4,267)
Purchase of mortgage loans receivable held for investment	(570,540)	(139,582)
Purchase of Federal Home Loan Bank stock, net	(6,375)	(8,004)
Purchase of securities available for sale	(55,220)	--
Purchase of mortgage-backed securities available for sale	(69,217)	--

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

		Years ended September 30,	
		2022	2021
Cash flows from investing activities (continued):		(Dollars in thousands)	
Proceeds from disposal of investment securities available for sale	$	27,550	--
Proceeds from sale of real estate owned		12,403	781
Proceeds from sale of premises and equipment		548	--
Purchase of premises, equipment and software		(4,401)	(5,961)
Proceeds from sale of investment in LLC		2,000	--
Net cash provided by (used in) investing activities		(653,611)	267,132
Cash flows from financing activities:			
Increase (decrease) in customer and brokered deposit accounts		144,731	(401,438)
Proceeds from advances from Federal Home Loan Bank		494,000	222,000
Repayment of advances from Federal Home Loan Bank		(322,000)	(25,000)
Cash dividends paid		(24,448)	(29,986)
Stock options exercised		--	73
Purchase of common stock for treasury		(247)	(406)
Change in escrows		666	(2,684)
Net cash provided by (used) in financing activities		292,702	(237,441)
Net increase in cash and cash equivalents		96,603	27,251
Cash and cash equivalents at beginning of year		115,584	88,333
Cash and cash equivalents at end of year	$	212,187	115,584
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$	5,863	31,484
Cash paid for interest		15,809	15,707
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$	7,074	6,757
Conversion of investment in LLC to loans receivable		7,000	--
Conversion of investment in LLC to non-interest bearing note receivable		1,500	--
Capitalization of originated mortgage servicing rights		8,053	6,234
Reclassification of delinquent loans serviced for GNMA to loans available for repurchase and secured borrowings		4,448	21,551
Transfer of treasury to restricted stock (net of forfeitures)		515	735

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, 2020	$	1,480	16,510	380,441	(50,366)	2,317	350,382
Comprehensive income:							
Net income		--	--	73,706	--	--	73,706
Other comprehensive loss, net of tax							
Unrealized gain 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)	--	(406)
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
Comprehensive income:							
Net income		--	--	32,090	--	--	32,090
Other comprehensive loss, net of tax:							
Unrealized loss on securities		--	--	--	--	(22,760)	(22,760)
Total comprehensive income							9,330
Cash dividends paid ($3.30 per share)		--	--	(24,448)	--	--	(24,448)
Treasury stock purchased		--	--	--	(247)	--	(247)
Issuance of restricted stock awards		--	(660)	--	660	--	--
Restricted stock awards forfeited		--	145	--	(145)	--	--
Stock based compensation		--	897	--	--	--	897
Balance at September 30, 2022	$	1,480	16,833	432,492	(49,769)	(22,158)	378,878

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 the Company's 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 $206.0 million and $111.2 million as of September 30, 2022 and 2021, respectively, and interest-bearing deposits in other financial institutions totaling $94,000 at September 30, 2022 and 2021, 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, 2022, 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, 2022, and 2021, 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 (loss) 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 LLC

The Company was 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 was accounted for using the equity method of accounting. The Company sold its membership interest in the LLC during the year ended September 30, 2022.

Goodwill and Other Intangibles

The Company has goodwill of $3.6 million at September 30, 2022 and September 30, 2021, 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 $7.2 million and $6.1 million at September 30, 2022 and 2021, 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 $1.0 million and $1.1 million at September 30, 2022 and 2021, 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, 2022 and 2021, 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 consolidated balance sheets and to measure those instruments at fair value. As of September 30, 2022 and 2021, the fair value of loan related commitments resulted in a net asset of $4.9 million and $7.5 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:

		2022	2021
Net income	$	32,090	73,706
Average common shares outstanding		7,408,456	7,402,949
Average common share stock options outstanding		8,660	9,603
Average diluted common shares		7,417,116	7,412,552
Earnings per share:			
Basic earnings per share	$	4.33	9.96
Diluted earnings per share		4.33	9.94

At September 30, 2022 and 2021, options to purchase 21,450 shares of the Company's stock were outstanding.

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 is utilizing a third-party software solution to assist with the implementation of this ASU. Management does not believe that the adoption of this standard will have a material impact on the Company's consolidated financial statements.

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.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminate the accounting guidance for TDRs and enhances disclosure requirements for certain loan refinancing and restructurings when a borrower is experiencing financial difficulty. In addition, this ASU requires disclosure of current period write-off by year of origination for financing receivables within the scope of ASU 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost. This ASU is effective for the Company for annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods. Management does not believe that the adoption of this standard will have a material impact on the Company's consolidated financial statements.

Use of Estimates

The preparation of 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, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 109,632	--	14,143	95,489
Municipal securities	422	--	--	422
U.S. Treasury notes	52,891	--	9,852	43,039
Total	$ 162,945	--	23,995	138,950

	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

During the year ended September 30, 2022, the Company realized gross gains of $550,000 and no gross losses on the sale of securities available for sale. There were no sales of securities available for sale during the year ended September 30, 2021.

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, 2022			
	Less than 12 months		12 months or longer	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate debt securities	$ 95,490	14,143	$ --	--
U.S. Treasury notes	--	--	43,039	9,852
Total	$ 95,490	14,143	$ 43,039	9,852

	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

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, 2022 and 2021, 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, 2022 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	$	459	--	--	459
Due from one to five years		25,000	--	2,563	22,437
Due from five to ten years		116,668	--	20,144	96,524
Due after ten years		20,818	--	1,288	19,530
Total	$	162,945	--	23,995	138,950

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, 2022			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	107,279	--	15,862	91,417
	$	107,279	--	15,862	91,417

		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

(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, 2022			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	6,660	--	920	5,740
Pass-through certificates guaranteed by FNMA –					
Fixed rate		42,389	--	3,086	39,303
Adjustable rate		20	--	--	20
FHLMC participation certificates:					
Fixed rate		21,123	--	1,544	19,579
Adjustable rate		13	--	--	13
Total	$	70,205	--	5,550	64,655

		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

There were no sales of mortgage-backed securities available for sale during the years ended September 30, 2022 or 2021.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2022, 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	$	12	--	1	11
Due after ten years		70,193	--	5,549	64,644
Total	$	70,205	--	5,550	64,655

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, 2022			
	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	$ 5,248	833	$ 492	87
Pass-through certificates guaranteed by FNMA – adjustable rate	39,303	3,086	--	--
FHLMC participation certificates – fixed rate	19,579	1,544	--	--
Total	$ 64,130	5,463	$ 492	87

	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	$ --	--

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, 2022 and 2021, 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, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 1,676	--	217	1,459

	September 30, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 2,546	34	1	2,579

(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		2022	2021
Mortgage loans:			
Permanent loans on:			
Residential properties	$	1,627,817	1,029,753
Business properties		109,964	154,147
Partially guaranteed by VA or insured by FHA		41,370	45,717
Construction and development		432,216	377,727
Total mortgage loans		2,211,367	1,607,344
Commercial loans		5,184	11,102
Installment loans and lease financing to individuals		4,300	6,676
Total loans receivable held for investment		2,220,851	1,625,122
Less:			
Undisbursed loan funds		(171,657)	(170,798)
Unearned discounts and fees on loans, net of deferred costs		(50,225)	(37,927)
Net loans receivable held for investment	$	1,998,969	1,416,397
HELD FOR SALE			
Mortgage loans:			
Permanent loans on:			
Residential properties	$	129,281	576,927

Included in the loans receivable balances are mortgage loans serviced by other institutions of approximately $9.0 million and $11.3 million at September 30, 2022 and 2021, respectively.

First mortgage loans were pledged to secure FHLB advances in the amount of approximately $1,588.9 million and $1,459.8 million at September 30, 2022 and 2021, 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, 2022 and 2021. 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 2022 and 2021, were $3,106.1 million and $6,198.4 million, respectively. In fiscal 2022, the Bank realized gross gains of $101.5 million and $47.4 million of gross losses from its mortgage banking activities. 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 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 $943.4 million at September 30, 2022 and were purchased at an average discount of approximately 5%. At September 30, 2021, these loans had an unpaid principal balance totaling $565.8 million and were purchased at an average discount of approximately 4%.

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. For loans sold on the secondary market, 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. The Bank also originates loans for its portfolio that are not sold on the secondary market. For such loans, full documentation is used, but alternative documentation may be allowed to support each applicant's income. Specifically, alternative documentation is allowed the NASB's bank statement loan product, in which twelve to twenty-four months of bank statements are analyzed in lieu of a borrower's tax returns for income qualifying. 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 approval from the relevant Loan Committee based on the loan's size. The Commercial-Construction-IRA Loan Committee consists of the Board Chairman, EVP/Chief Credit Officer, and VP/Credit Risk Manager and has authority to approve up to $5 million. The Senior Loan Committee consists of the Board Chairman, CEO, and EVP/Chief Credit Officer and has authority to approve up to $10 million. Prior approval is required from the Bank's Board of Directors for newly originated construction and development loans with a proposed balance greater than $10 million. 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 $400,000. 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 $20.5 million and $26.4 million at September 30, 2022 and 2021, 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 may consider 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 reviews 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 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 are subject to the same Loan Committee approval structure as construction and development loans. 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, 2022 and 2021. 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, 2021	$ 17,334	--	4,944	3,723	103	100	26,204
Provision for loan losses	4,190	--	(3,022)	(153)	(222)	(43)	750
Losses charged off	(63)	--	--	--	--	(20)	(83)
Recoveries	1,786	--	740	239	121	18	2,904
Balance at September 30, 2022	$ 23,247	--	2,662	3,809	2	55	29,775
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

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, 2022. 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	$ 43	--	--	--	--	--	43
Collectively evaluated for impairment	$ 23,204	--	2,662	3,809	2	55	29,732
Acquired with deteriorated credit quality *	$ --	--	--	--	--	--	--
Loans:							
Balance at September 30, 2022	$ 1,618,287	129,281	109,605	261,592	5,182	4,303	2,128,250
Ending balance:							
Loans individually evaluated for impairment	$ 10,269	--	122	--	5,126	--	15,517
Loans collectively evaluated for impairment	$ 1,608,018	129,281	109,483	261,592	56	4,303	2,112,733
Loans acquired with deteriorated credit quality *	$ 2,185	--	--	--	--	--	2,185

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

* 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, 2022. Dollar amounts are expressed in thousands.

	Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Rating:							
Pass	$ 1,598,440	129,281	70,614	232,050	56	4,303	2,034,744
Pass – Watch	973	--	38,764	29,542	5,126	--	74,405
Special Mention	--	--	--	--	--	--	--
Substandard	18,874	--	227	--	--	--	19,101
Doubtful	--	--	--	--	--	--	--
Loss	--	--	--	--	--	--	--
Total	$ 1,618,287	129,281	109,605	261,592	5,182	4,303	2,128,250

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 Company's loan portfolio aging analysis as of September 30, 2022. 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	$ 6,153	5,486	13,999	25,638	1,592,649	1,618,287	732
Residential held for sale	499	--	1,824	2,323	126,958	129,281	1,824
Commercial real estate	--	--	--	--	109,605	109,605	--
Construction & development	--	--	--	--	261,592	261,592	--
Commercial	--	--	--	--	5,182	5,182	--
Installment	--	--	--	--	4,303	4,303	--
Total	$ 6,652	5,486	15,823	27,961	2,100,289	2,128,250	2,556

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

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.

		2022	2021
Residential	$	14,201	7,486
Residential held for sale		--	--
Commercial real estate		105	7,030
Construction & development		--	--
Commercial		--	--
Installment		--	--
Total	$	14,306	14,516

As of September 30, 2022 and 2021, $5.5 million and $2.6 million of the loans classified as nonaccrual were either partially guaranteed by VA or insured by FHA, respectively.

Gross interest income would have increased by $478,000 and $564,000 for the years ended September 30, 2022 and 2021, 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.

		2022	2021
Troubled debt restructurings:			
Residential	$	779	1,302
Residential held for sale		--	--
Commercial real estate		--	331
Construction & development		--	--
Commercial		5,126	6,371
Installment		--	--
Total	$	5,905	8,004
Performing troubled debt restructurings:			
Residential	$	611	1,079
Residential held for sale		--	--
Commercial real estate		--	63
Construction & development		--	--
Commercial		5,126	6,371
Installment		--	--
Total	$	5,737	7,513

At September 30, 2022 and 2021, the Bank had no outstanding commitments to be advanced in connection with TDRs.

The following table presents the number of loans and the Company's recorded investment in TDRs modified during the fiscal year ended September 30, 2022. 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	$	32	$	36	$	--
Residential held for sale	--		--		--		--
Commercial real estate	--		--		--		--
Construction & development	--		--		--		--
Commercial	--		--		--		--
Installment	--		--		--		--
Total	1	$	32	$	36	$	--

There were no TDRs modified during the fiscal year ended September 30, 2021.

The following table presents TDRs restructured during the fiscal year ended September 30, 2022, 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	$	--	--	32	32
Residential held for sale		--	--	--	--
Commercial real estate		--	--	--	--
Construction & development		--	--	--	--
Commercial		--	--	--	--
Installment		--	--	--	--
Total	$	--	--	32	32

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.

	2022			2021		
	Number of Loans		Recorded Investment	Number of Loans		Recorded Investment
Residential	3	$	168	4	$	223
Residential held for sale	--		--	--		--
Commercial real estate	--		--	2		268
Construction & development	--		--	--		--
Commercial	--		--	--		--
Installment	--		--	--		--
Total	3	$	168	6	$	491

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 $2.7 million and $25.7 million in COVID-19 related forbearance programs at September 30, 2022 and 2021, respectively. In addition, the Bank had loans of $63.5 million that had completed a COVID-19 related modification at September 30, 2022.

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2022. 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	$	9,940	10,431	--	9,958	104
Residential held for sale		--	--	--	--	--
Commercial real estate		122	123	--	125	6
Construction & development		--	--	--	--	--
Commercial		5,126	5,126	--	5,710	271
Installment		--	69	--	4	2
Loans with a specific valuation allowance:						
Residential	$	329	342	43	342	16
Residential held for sale		--	--	--	--	--
Commercial real estate		--	--	--	--	--
Construction & development		--	--	--	--	--
Commercial		--	--	--	--	--
Installment		--	--	--	--	--
Total:						
Residential	$	10,269	10,773	43	10,300	120
Residential held for sale		--	--	--	--	--
Commercial real estate		122	123	--	125	6
Construction & development		--	--	--	--	--
Commercial		5,126	5,126	--	5,710	271
Installment		--	69	--	4	2

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

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.

	2022				
	Residential				
State	1-4 family	5 or more family	Commercial real estate	Construction and development	Total
California	$ 513,349	2,640	3,069	6,547	525,605
Missouri	77,659	2,900	1,574	202,969	285,102
Kansas	42,772	1,756	645	205,099	250,272
Florida	178,357	3,967	37,223	-	219,547
Texas	152,946	-	12,048	9,153	174,147
Arizona	50,061	363	2,102	1,625	54,151
Washington	48,535	712	1,837	1,911	52,995
Georgia	48,483	-	1,630	-	50,113
North Carolina	44,800	-	857	-	45,657
Colorado	36,745	54	3,412	-	40,211
Illinois	30,961	313	8,348	-	39,622
Virginia	29,365	-	4,407	-	33,772
New Jersey	32,534	-	302	-	32,836
Nevada	32,629	351	-	-	32,980
Maryland	28,358	-	-	-	28,358
South Carolina	24,219	-	1,290	-	25,509
Ohio	19,845	1,496	2,396	1,890	25,627
Utah	24,526	-	-	-	24,526
Oregon	21,062	257	-	1,710	23,029
Tennessee	22,005	-	-	-	22,005
Massachusetts	20,912	-	-	-	20,912
Pennsylvania	17,055	-	3,261	-	20,316
Hawaii	18,626	-	-	-	18,626
Idaho	15,500	-	-	-	15,500
Minnesota	13,303	285	556	-	14,144
Michigan	10,126	-	2,486	-	12,612
Indiana	10,870	-	232	-	11,102
Other	103,584	561	6,634	1,312	112,091
	$ 1,669,187	15,655	94,309	432,216	2,211,367

		2021				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		family	family	real estate	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

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 $780,000 and $2.1 million at September 30, 2022 and 2021, respectively. 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.

		2022	2021
Balance at beginning of year	$	2,143	2,130
Additions to (reductions from) reserve		(140)	2,350
Losses, settlements, and penalties incurred		(1,223)	(2,337)
Balance at end of year	$	780	2,143

Management reduced the reserve balance in fiscal 2022, primarily due to a lower estimate of early payoff penalties resulting from the higher interest rate environment, in addition to reduced uncertainty surrounding the impact of the COVID-19 pandemic on the Bank's loan portfolio.

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 $4.4 million and $21.6 million of past due GNMA-backed loans and corresponding secured borrowings on its consolidated balance sheet at September 30, 2022 and 2021, 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 $6.3 million and $7.8 million at September 30, 2022 and 2021, 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.

		2022	2021
Balance at beginning of year	$	--	--
Provision for loss		36	567
Charge-offs		(36)	(567)
Recoveries		--	--
Balance at end of year	$	--	--

In addition to the provision for loss noted above, the Company incurred net expenses of $3.2 million and $545,000 related to foreclosed assets held for sale during the fiscal years ended September 30, 2022 and 2021, respectively.

(6) PREMISES AND EQUIPMENT

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

		2022	2021
Land	$	4,241	4,648
Buildings and improvements		14,897	15,290
Furniture, fixtures and equipment		9,640	9,361
		28,778	29,299
Accumulated depreciation		(19,901)	(19,286)
Total	$	8,877	10,013

(7) INVESTMENT IN LLC

The Company's investment in Central Platte Holdings LLC ("Central Platte") consisted of a 50% ownership interest in an entity that developed land for residential real estate sales in Platte County, Missouri.

On September 30, 2021, the Company reduced the carrying value of its investment in Central Platte to $10.5 million, as it had 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, which was completed in fiscal 2022, required 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 million interest bearing promissory note with a five-year term.

(8) MORTGAGE SERVICING RIGHTS

Prior to fiscal 2021, 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	
		2022	2021
Balance at beginning of year	$	13,716	10,763
Initial adjustment to fair value		--	689
Originated mortgage servicing rights		8,053	6,233
Subsequent changes in fair value:			
Due to changes in valuation model inputs or assumptions		6,418	641
Due to collection of cash flows		(2,451)	(4,610)
Balance at end of year	$	25,736	13,716

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, 2022, key assumptions utilized in the valuation model included an average constant prepayment rate of 7.6% and an average discount rate of 9.8%. 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%. Mortgage servicing rights are classified within Level 3 of the fair value hierarchy.

Whole loans and participations serviced for others were approximately $2,028.9 million and $1,727.1 million at September 30, 2022 and 2021, 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, 2022, and 2021 both the ROU assets and lease liability for operating leases recognized on the Company's balance sheet totaled $5.4 million and $6.5 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 2022 and 2021 was $1.3 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.

		2022	2021
Operating lease costs	$	1,358	1,358
Variable lease costs		(56)	86
Total lease expense	$	1,302	1,444

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.

		2022	2021
Weighted average lease term (years)		4.4	5.4
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
2023	$	1,343
2024		1,340
2025		1,311
2026		1,311
2027		547
Total payments		5,852
Less: Interest		486
Present value of lease liabilities	$	5,366

(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.

	2022		2021	
	Amount	%	Amount	%
Demand deposit accounts	$ 267,882	18	270,380	20
Savings accounts	428,772	29	188,957	14
Money market demand accounts	231,597	15	309,306	23
Certificate accounts	556,154	37	582,694	43
Brokered accounts	11,636	1	--	--
	$ 1,496,041	100	1,351,337	100
Weighted average interest rate	1.01%		0.35%	

The aggregate amount of certificate accounts in excess of $250,000 was approximately $89.5 million and $87.4 million as of September 30, 2022 and 2021, respectively. In addition, the entire amount of brokered accounts was in excess of $100,000 as of September 30, 2022.

At September 30, 2022 and 2021, the Bank had certificate accounts in the amount of $132.0 million and $165.8 million which were acquired through a deposit listing service, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2022. Dollar amounts are expressed in thousands.

	Maturing during the fiscal year ended September 30,						
	2023	2024	2025	2026	2027	2028 and after	Total
Certificate accounts	$ 329,931	117,054	103,381	4,600	909	279	556,154

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

	2022	2021
Savings accounts	$ 1,246	449
Money market demand and demand deposit accounts	1,151	1,217
Certificate and brokered accounts	3,910	6,559
	$ 6,307	8,225

(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 129% 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.

	2022		2021	
Year ending September 30,	Amount	Weighted average rate	Amount	Weighted average rate
2022	$ --	--	$ 322,000	0.92%
2023	394,000	3.22%	50,000	3.26%
2024	50,000	2.23%	50,000	2.23%
2025	150,000	2.26%	--	--
2030	100,000	1.37%	100,000	1.37%
	$ 694,000	2.67%	$ 522,000	1.35%

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, 2022 and 2021, 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:

	2022	2021
Statutory federal income tax rate	21.0%	21.0%
State income taxes, net of federal benefit	2.0	2.6
Other, net	(0.1)	(1.7)
	22.9%	21.9%

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.

	2022	2021
Deferred loan fees and costs	$ 1,489	(255)
Tax depreciation vs. book depreciation	666	245
Mortgage servicing rights	3,004	752
Loan loss reserves	(748)	1,132
Mark-to-market adjustment	1,395	10
Accrued expenses	861	579
NOL carryforward	--	61
Prepaid expenses	(126)	197
Impairment loss on LLCs	(3)	(247)
Other	(52)	(97)
	$ 6,486	2,377

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.

	2022	2021
Deferred income tax assets:		
Loan loss reserves	$ 7,605	6,857
Unrealized loss on securities available for sale	7,386	--
Accrued expenses	988	1,849
Impairment loss on LLCs	800	797
Mark-to-market adjustment	--	8
	16,779	9,511
Deferred income tax liabilities:		
Basis difference on investments	(4)	(4)
Deferred loan fees and costs	(3,037)	(1,548)
Unrealized gain on securities available for sale	--	(201)
Tax depreciation in excess of book depreciation	(1,591)	(925)
Mortgage servicing rights	(6,412)	(3,408)
Mark-to-market adjustment	(1,387)	--
Prepaid expenses	(266)	(392)
Other	(30)	(82)
	(12,727)	(6,560)
Net deferred tax asset	$ 4,052	2,951

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 2019 through 2021 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(14) STOCKHOLDERS' EQUITY

During fiscal 2022, the Company paid cash dividends on common stock of $0.75 per share on December 27, 2021, and $0.85 per share on March 25, 2022, June 30, 2022, and September 30, 2022.

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 2022, the Company repurchased 4,135 shares of its own stock with a value of $247,000 at the time of repurchase. During fiscal 2021, the Company repurchased 5,656 shares of its own stock with a value of $406,000 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, 2022, 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, 2022, 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, 2022					
	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage ratio	403,870	16.1%	100,228	≥4%	125,285	≥5%
CET1 capital ratio	403,870	22.8%	79,682	≥4.5%	115,097	≥6.5%
Tier 1 capital ratio	403,870	22.8%	106,243	≥6%	141,658	≥8%
Total capital ratio	426,098	24.1%	141,658	≥8%	177,072	≥10%

	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%

(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 $1.1 million and $1.7 million for the years ended September 30, 2022 and 2021, 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 2022 and 2021. Dollar amounts are expressed in thousands.

		2022	2021
Stock options	$	12	27
Restricted stock awards		885	576
Total stock-based compensation	$	897	603

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 2022 and 2021.

	Number of shares		Weighted avg. exercise price per share		Range of exercise price per share
Options outstanding at October 1, 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
Exercised	--		--		--
Options outstanding at September 30, 2022	21,450	$	36.53	$	36.53

The weighted average remaining contractual life of options outstanding at September 30, 2022 and 2021 were 4.5 years and 5.5 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2022.

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

All the options outstanding at September 30, 2022, 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, 2022.

	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	4.5 years	$ 36.53	21,450	$ 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 2022 and 2021.

	Number of shares	Weighted avg. grant date fair value
Unvested restricted stock at October 1, 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
Vested	(15,070)	58.31
Forfeited	(3,651)	60.70
Granted	11,631	62.80
Unvested restricted stock at September 30, 2022	20,339	$ 60.72

Unrecognized stock-based compensation related to restricted stock grants issued through September 30, 2022, was $729,000 and is expected to be recognized over 1.1 years. The Company has elected to account for forfeitures of restricted stock grants as they occur. Previously recognized compensation expense related to forfeited stock grants is reversed in the period of forfeiture.

(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, 2022, the Bank had outstanding commitments to originate $9.6 million in commercial real estate loans, and $285.1 million of fixed rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 7.2%. Residential mortgage loan commitments have an approximate average committed rate of 5.9% and approximate average fees and discounts of 0.7%. The interest rate commitments on residential loans generally expire 60 days after the commitment date. Interest rate commitments on commercial real estate loans have varying terms to expiration. As of September 30, 2022, the Bank had outstanding commitments related to stand-by letters of credit of $46.2 million.

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 5.1%. 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.

At September 30, 2022 and 2021, the Bank had commitments to sell loans of approximately $76.1 million and $226.2 million, respectively. In addition, the Company had forward sales commitments of mortgage-backed securities of approximately $209.5 million and $861.5 million that have not settled at September 30, 2022 and 2021, 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, 2022 and 2021, 1.75% and 4.54% 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 $4.2 million less than the aggregate unpaid principal balance at September 30, 2022, and $6.7 million greater than the aggregate unpaid principal balance at September 30, 2021. 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 $3.8 million, an increase in other liabilities of $3.2 million, and a decrease in mortgage banking income of $7.0 million for the year ended September 30, 2022. 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 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 $108,000, a decrease in other liabilities of $34,000, and a decrease in mortgage banking income of $75,000 during the year ended September 30, 2022. 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 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 $2.6 million, an increase in other liabilities of $1.5 million, and a decrease in mortgage banking income of $4.1 million during the year ended September 30, 2022. 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.

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 $65,000, and an increase in mortgage banking income of $4.4 million during the year ended September 30, 2022. The Company had $209.5 million of forward sales commitments of mortgage-backed securities that had not settled at September 30, 2022. 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 balance of derivative instruments related to commitments to originate and sell loans at September 30, 2022 and 2021, 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 eighty-five 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.

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, 2022 (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	$ 95,489	--	95,489	--
Municipal securities	422	--	422	--
U.S. Treasury notes	43,039	43,039	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	5,740	--	5,740	--
Pass through certificates guaranteed by FNMA:				
Fixed rate	39,303	--	39,303	--
Adjustable rate	20	--	20	--
FHLMC participation certificates:				
Fixed rate	19,579	--	19,579	--
Adjustable rate	13	--	13	--
Loans held for sale	129,281	--	129,281	--
Mortgage servicing rights	25,736	--	--	25,736
Commitments to originate loans	248	--	--	248
Forward sales commitments	9,065	--	9,065	--
Total assets	$ 367,935	43,039	298,912	25,984
Liabilities:				
Commitments to originate loans	$ 4,368	--	--	4,368
Forward sales commitments	70	--	70	--
Total liabilities	$ 4,438	--	70	4,368

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 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, 2020	$ 45,993	--
Initial valuation at fair value	--	11,452
Issuances	--	6,233
Total realized and unrealized losses:		
Included in net income	(43,052)	(3,969)
Balance at September 30, 2021	$ 2,941	13,716
Issuances	--	8,053
Total realized and unrealized gains (losses):		
Included in net income	(7,061)	3,967
Balance at September 30, 2022	$ (4,120)	25,736

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2022, are reported in the consolidated statements of operations as follows (in thousands):

	Mortgage Banking Income
Total losses	$ (3,094)
Changes in unrealized gains relating to assets still held at the balance sheet date	$ 21,616

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

The following table presents quantitative information about recurring Level 3 fair value instruments and the fair value measurements as of September 30, 2022.

Unobservable Input	Range	Weighted Average
Commitments to origination loans:		
Loan funding probability	15% - 100%	76%
Mortgage servicing rights:		
Discount rate	9.5% - 10.5%	9.8%
Prepayment rate	6.3% - 11.1%	7.6%

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, 2022 and 2021 was $6.3 million and $11.1 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 $6.3 million and $7.8 million at September 30, 2022 and 2021, respectively. During fiscal 2022, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $36,000. 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.

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, 2022 (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	$ 212,187	212,187	--	--
Stock in Federal Home Loan Bank	30,426	--	30,426	--
Loans receivable held for investment	1,998,969	--	--	1,703,714
Accrued interest receivable	8,193	--	8,193	--
Financial Liabilities:				
Customer deposit accounts	1,484,405	--	--	1,345,621
Brokered deposit accounts	11,636	--	--	10,808
Advances from FHLB	694,000	--	--	665,464
Subordinated debentures	25,774	--	--	18,557
Accrued interest payable	473	--	473	--

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

	September 30, 2022		September 30, 2021	
	Contract or notional amount	Estimated unrealized gain (loss)	Contract or notional amount	Estimated unrealized gain (loss)
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 45,191	(583)	$ 36,716	15
Lending commitments – floating rate	--	--	--	--
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2022 and 2021. 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
	2022	2021	Statement of Operations
Unrealized gains on available for sale securities:			
	$ 550	--	Gain on disposal of securities available for sale
	--	--	Impairment loss on securities
	550	--	Total reclassified before tax
	(137)	--	Income tax expense
	$ 413	--	Net reclassified amount

(25) 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 for the years ended September 30, 2022 and 2021.

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 $608,000 and $1.0 million for the years ended September 30, 2022 and 2021, 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 $3.8 million and $61,000 for the years ended September 30, 2022 and 2021, respectively.

(26) SUBSEQUENT EVENT

Subsequent events have been evaluated through December 19, 2022, which is the date the consolidated financial statements were available to be issued.

FORV/S

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Independent Auditor's Report

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of NASB Financial, Inc., which comprise the consolidated balance sheets as of September 30, 2022 and 2021, 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. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NASB Financial, Inc. as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited NASB Financial, Inc.'s internal control over financial reporting as of September 30, 2022, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, NASB Financial, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on COSO.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting" section of our report. We are required to be independent of NASB Financial, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated 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*.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NASB Financial, Inc.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NASB Financial, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audits.

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.

FORVIS, LLP

Kansas City, Missouri
December 19, 2022

NASB
NORTH AMERICAN SAVINGS BANK

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

December 19, 2022

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, 2022. 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, 2022.

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, 2022, 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, 2022, 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, 2022, has been audited by FORIVS, LLP, an independent public accounting firm, as stated in their report dated December 19, 2022.

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

Thomas B. Wagers, Sr.
Thomas B. Wagers, Sr.
President & Chief Executive Officer

Rhonda Nyhus
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

Thomas B. Wagers, Sr.
President & Chief Executive Officer
NASB Financial, Inc. and
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

Thomas B. Wagers, Sr.
President & Chief Executive Officer

Rhonda Nyhus
Vice President and Treasurer

Brian Zoellner
Corporate Secretary

John M. Nesselrode
Vice President

Burke R. Walker
Vice President

Dena Sanders
Vice President

J. Enrique Venegas
Vice President

Branch Offices

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Building C, Suite 400

Lee's Summit, Missouri
646 North 291 Highway

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 24, 2023, 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:

FORVIS, 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.

12498 S. 71 Highway Grandview, MO 64030

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