NASB Financial, Inc.

ANNUAL REPORT 2024

Trust your dreams to us.

NASB Financial, Inc.

December 16, 2024

Dear Fellow Shareholder:

The period ending September 30, 2024, was a building year for NASB. We continued our transition from a company with heavy dependence on our national platform of consumer direct lending and instead have placed our focus on expanding our residential and commercial construction lending, while continuing to originate permanent residential loans that we think are appropriate to be retained in our portfolio. We feel we have most of the transition expenses and efforts behind us and are looking forward to acting on new opportunities.

Reported earnings for the current fiscal year increased by $6.6 million, to $28.3 million, an increase of 30%. Investment securities increased by $92 million, which was primarily the result of our efforts to take advantage of our excess capital and a flattening interest rate curve. Total assets were relatively flat, ending at $2.9 billion, which largely reflects a scarcity of profitable asset growth opportunities. Our capital increased by $27 million (7%) to $413 million, which allowed NASB to remain well-capitalized in what we still consider to be uncertain times.

Looking forward, we feel NASB remains well positioned to take advantage of the opportunities discussed above. We also will continue to be a strong competitor for local and national deposits.

I am sorry to report the upcoming retirement of Tom Wagers following the 2025 Annual Meeting in January. He came to NASB in 2013 as an Executive Vice President and Chief Risk Officer and became CEO in May 2022. Tom was instrumental in guiding us through the large structural changes we are continuing to effect. We will still be gaining from Tom's valuable advice, as he has agreed to remain on our Board of Directors. Enrique Venegas, who joined NASB as our Chief Credit Officer in 2013 and also served as our Chief Lending Officer, will become our CEO in January. He brings many years of experience and success to his new position. Our Board looks forward to working with Enrique. Welcome, Enrique.

We invite all shareholders to attend our annual meeting in January, which will again this year be remote.

Thank you for your continued support.

Sincerely,

David H. Hancock
Board Chairman

NASB Financial, Inc.
2024 Annual Report

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Financial Highlights

		2024	2023	2022	2020	2010	2000
		(Dollars in thousands, except per share data)					
For the year ended September 30, from continuing and discontinued operations:							
Net interest income	$	77,939	83,988	89,168	94,231	53,848	35,838
Net interest spread		2.84%	3.24%	3.98%	3.83%	3.73%	3.71%
Other income	$	6,103	12,469	63,188	174,544	43,580	9,409
General and administrative expenses		50,021	67,747	109,975	119,332	57,667	20,120
Net income		28,257	21,647	32,090	103,505	6,323	14,721
Basic earnings per share		3.83	2.92	4.33	14.02	0.80	1.66
Cash dividends paid		7,353	11,855	24,448	15,879	3,540	3,370
Dividend payout ratio		26.02%	54.77%	76.18%	15.34%	55.99%	22.89%
At year end, from continuing and discontinued operations:							
Assets	$	2,860,399	2,814,082	2,644,364	2,552,198	1,434,196	984,525
Loans, net		2,109,056	2,067,101	2,098,475	2,135,497	1,220,886	914,012
Investment securities		330,238	237,686	203,605	156,407	76,511	20,451
Customer and brokered deposit accounts		1,729,642	1,794,430	1,496,041	1,752,768	933,453	621,665
Stockholders' equity		413,204	386,106	378,878	350,382	167,762	83,661
Book value per share		57.18	52.28	51.15	47.42	21.32	9.84
Basic shares outstanding (in thousands)		7,226	7,385	7,407	7,388	7,868	8,500
Other financial data:							
Return on average assets		1.00%	0.79%	1.28%	4.01%	0.42%	1.63%
Return on average equity		7.07%	5.66%	8.31%	33.79%	3.78%	18.12%
Stockholders' equity to assets		14.45%	13.72%	14.33%	13.73%	11.70%	8.50%
Average shares outstanding (in thousands)		7,377	7,409	7,408	7,384	7,868	8,863
Selected year end information:							
Stock price per share: Bid	$	37.05	28.20	52.75	55.00	15.90	14.50
Ask		38.00	29.69	53.99	60.00	16.79	15.50

NASB Financial, Inc. and Subsidiary
Consolidated Balance Sheets

		September 30, 2024	September 30, 2023
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	315,177	405,191
Securities available for sale, at fair value		265,092	173,781
Stock in Federal Home Loan Bank, at cost		32,430	22,019
Mortgage-backed securities available for sale, at fair value		65,146	63,905
Loans receivable:			
Held for sale, at fair value		3,297	4,586
Held for investment, net		2,135,851	2,092,416
Allowance for credit losses		(30,092)	(29,901)
Accrued interest receivable		11,661	10,864
Foreclosed assets held for sale, net		6,609	8,458
Premises and equipment, net		8,287	7,927
Mortgage servicing rights, net		22,491	26,281
Deferred income tax asset, net		2,268	3,616
Delinquent GNMA-backed loans available for repurchase		2,136	2,019
Goodwill and other intangibles, net		8,655	10,066
Other assets		11,391	12,854
	$	2,860,399	2,814,082
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	1,672,066	1,635,820
Brokered deposit accounts		57,576	158,610
Advances from Federal Home Loan Bank		682,490	473,000
Advances from Federal Reserve Bank		--	100,000
Subordinated debentures		--	25,774
Secured borrowings		2,136	2,019
Escrows		17,941	16,949
Income taxes payable		2,508	1,509
Accrued expenses and other liabilities		12,478	14,295
Total liabilities		2,447,195	2,427,976
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,868,281 shares issued at September 30, 2024, and at September 30, 2023		1,480	1,480
Additional paid-in capital		17,079	17,138
Retained earnings		461,009	442,284
Treasury stock, at cost; 2,642,227 shares at September 30, 2024, and 2,483,035 shares at September 30, 2023		(56,258)	(50,455)
Accumulated other comprehensive loss		(10,106)	(24,341)
Total stockholders' equity		413,204	386,106
	$	2,860,399	2,814,082

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Operations

		Years Ended September 30,	
		2024	2023
		(Dollars in thousands, except share data)	
Interest on loans receivable	$	130,033	119,763
Interest on mortgage-backed securities		2,330	2,273
Interest and dividends on securities		12,283	6,457
Other interest income		17,833	12,689
Total interest income		162,479	141,182
Interest on customer and brokered deposit accounts		61,441	42,633
Interest on advances from Federal Home Loan Bank and Federal Reserve Bank		22,029	13,409
Interest on subordinated debentures		1,070	1,638
Other interest expense		--	32
Total interest expense		84,540	57,712
Net interest income		77,939	83,470
Provision for credit losses		(1,534)	--
Net interest income after provision for credit losses		79,473	83,470
Other income (expense):			
Loan servicing fees		5,005	5,311
Customer service fees and charges		2,140	2,062
Provision for loss on real estate owned		(1,353)	(101)
Income (expense) on real estate owned, net		(408)	(439)
Gain on disposal of securities available for sale		1,362	--
Mortgage banking income (loss)		(682)	1,278
Other income		39	52
Total other income		6,103	8,163
General and administrative expenses:			
Compensation and benefits		30,347	32,789
Premises and equipment		7,285	8,132
Advertising and business promotion		3,033	2,814
Federal deposit insurance premiums		1,331	1,049
Other		8,025	9,811
Total general and administrative expenses		50,021	54,595
Income before income tax expense		35,555	37,038
Income tax (benefit) expense:			
Current		10,694	7,949
Deferred		(3,396)	1,163
Total income tax expense		7,298	9,112
Net income from continuing operations		28,257	27,926
Net loss from discontinued operations, net of tax		--	(6,279)
Net income	$	28,257	21,647
Basic earnings per share:			
From continuing operations	$	3.83	3.77
From discontinued operations		--	(0.85)
	$	3.83	2.92
Basic weighted average shares outstanding		7,377,073	7,408,745

See accompanying notes to consolidated financial statements.

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

		Years ended September 30,	
		2024	2023
		(Dollars in thousands)	
Net income	$	28,257	21,647
Other comprehensive income (loss):			
Unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of $5,085 and ($728) at September 30, 2024 and 2023, respectively		15,256	(2,183)
Reclassification adjustment for gain included in net income, net of income tax expense of $341 at September 30, 2024		(1,021)	--
Change in unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of $4,744 and ($728) at September 30, 2024 and 2023, respectively		14,235	(2,183)
Comprehensive income	$	42,492	19,464

See accompanying notes to consolidated financial statements.

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

		Years ended September 30,	
		2024	2023
Cash flows from operating activities:		(Dollars in thousands)	
Net income	$	28,257	21,647
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		835	941
Accretion, net		(6,209)	(4,985)
Loss on disposal of premises and equipment		6	704
Deferred income tax expense (benefit)		(3,396)	1,163
Gain on disposal of securities available for sale		(1,362)	--
Gain on sale of foreclosed assets held for sale		(31)	(238)
Gain on acquisition of foreclosed assets held for sale		(267)	(31)
Mortgage banking (income) loss		682	(5,422)
Provision for credit losses		(1,534)	--
Provision for loss on real estate owned		1,353	101
Origination of loans receivable held for sale		(130,285)	(476,963)
Sale of loans receivable held for sale		134,682	611,411
Stock based compensation		362	402
Changes in:			
Accrued interest receivable		(797)	(2,672)
Other assets, accrued expenses and other liabilities, and income taxes payable		(1,040)	233
Net cash provided by operating activities		21,256	146,291
Cash flows from investing activities:			
Principal repayments of mortgage-backed securities available for sale		5,095	3,321
Principal repayments of mortgage loans receivable held for investment		422,411	485,080
Principal repayments of other loans held for investment		1,091	1,852
Principal repayments of investment securities available for sale		7,537	--
Loan origination - mortgage loans receivable held for investment		(454,878)	(523,230)
Loan origination - other loans held for investment		(434)	(237)
Purchase of mortgage loans receivable held for investment		(4,882)	(51,623)
(Purchase) sale of Federal Home Loan Bank stock, net		(10,411)	8,407
Purchase of securities available for sale		(109,892)	(35,095)
Purchase of mortgage-backed securities available for sale		--	(5,963)
Proceeds from disposal of investment securities available for sale		26,041	422
Proceeds from sale of real estate owned		1,231	577

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

		Years ended September 30,	
		2024	2023
Cash flows from investing activities (continued):		(Dollars in thousands)	
Proceeds from sale of premises and equipment	$	5	52
Purchase of premises, equipment and software		(1,819)	(1,335)
Proceeds from sale of investment in LLC		500	500
Net cash used in investing activities		(118,405)	(117,272)
Cash flows from financing activities:			
Increase (decrease) in customer and brokered deposit accounts		(64,770)	298,383
Proceeds from advances from Federal Home Loan Bank		259,490	123,000
Repayment of advances from Federal Home Loan Bank		(50,000)	(344,000)
Proceeds from advances from Federal Reserve Bank		110,000	100,000
Repayment of advances from Federal Reserve Bank		(210,000)	--
Repayment of other borrowings		--	(422)
Repayment of subordinated debentures		(25,000)	--
Cash dividends paid		(7,353)	(11,855)
Purchase of common stock for treasury		(6,224)	(783)
Change in escrows		992	(338)
Net cash provided by financing activities		7,135	163,985
Net increase (decrease) in cash and cash equivalents		(90,014)	193,004
Cash and cash equivalents at beginning of year		405,191	212,187
Cash and cash equivalents at end of year	$	315,177	405,191
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$	9,695	1,084
Cash paid for interest		60,196	58,443
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$	840	2,468
Capitalization of originated mortgage servicing rights		46	1,708
Reclassification of delinquent loans serviced for GNMA to loans available for repurchase and secured borrowings		2,136	2,019
Transfer of treasury to restricted stock (net of forfeitures)		421	97

See accompanying notes to consolidated financial statements.

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

		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total stockholders' equity
		(Dollars in thousands)					
Balance at October 1, 2022	$	1,480	16,833	432,492	(49,769)	(22,158)	378,878
Comprehensive income:							
Net income		--	--	21,647	--	--	21,647
Other comprehensive loss, net of tax:							
Unrealized loss on securities		--	--	--	--	(2,183)	(2,183)
Total comprehensive income							19,464
Cash dividends paid ($1.60 per share)		--	--	(11,855)	--	--	(11,855)
Treasury stock purchased		--	--	--	(783)	--	(783)
Issuance of restricted stock awards		--	(481)	--	481	--	--
Restricted stock awards forfeited		--	384	--	(384)	--	--
Stock based compensation		--	402	--	--	--	402
Balance at September 30, 2023	$	1,480	17,138	442,284	(50,455)	(24,341)	386,106
Cumulative impact of ASU 2016-13		--	--	(2,179)	--	--	(2,179)
Balance at October 1, 2023	$	1,480	17,138	440,105	(50,455)	(24,341	(383,927)
Comprehensive income:							
Net income		--	--	28,257	--	--	28,257
Other comprehensive loss, net of tax:							
Unrealized gain on securities		--	--	--	--	14,235	14,235
Total comprehensive income							42,492
Cash dividends paid ($1.00 per share)		--	--	(7,353)	--	--	(7,353)
Treasury stock purchased		--	--	--	(6,224)	--	(6,224)
Issuance of restricted stock awards		--	(421)	--	421	--	--
Stock based compensation		--	362	--	--	--	362
Balance at September 30, 2024	$	1,480	17,079	461,009	(56,258)	(10,106)	413,204

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 qualified as a special purpose entity that was not required to be consolidated in the financial statements of NASB Financial, Inc. The Trust Preferred Securities issued by the Trust were included in Tier I capital for regulatory capital purposes. The Trust was dissolved in fiscal 2024 following redemption of the outstanding Trust Preferred Securities.

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 ("FHLB") and the Federal Reserve Bank totaling $238.0 million and $401.2 million as of September 30, 2024 and 2023, respectively. Management considers interest bearing deposits and investments in commercial paper with maturities of less than three months to be cash equivalents. Investments in commercial paper included in cash equivalents totaled $72.6 million at September 30, 2024. The Bank had no investments in commercial paper at September 30, 2023.

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, 2024, 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, 2024, and 2023, 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. For available for sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either condition is met, the entire loss in fair value is recognized in current earnings. If neither condition is met, and the Company does not expect to recover the amortized basis, the Company determines whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses (ACL) is recorded. The ACL is limited by the amount that the fair value is less than the amortized cost basis. Any estimated credit losses that have not been recorded through the provision for credit losses are recognized in other comprehensive income.

For estimating the ACL for held to maturity securities, such securities that share similar risk characteristics are pooled based upon major security type in accordance with ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which was adopted by the Company on October 1, 2023. The Bank had no held to maturity securities at September 30 2024, and 2023.

Stock in Federal Home Loan Bank

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in common stock is based on a predetermined formula, carried at cost, and evaluated for impairment. Both cash and stock dividends are reported as income.

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 credit 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.

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 Credit Losses - Loans Receivable

The Company adopted ASU 2016-13, Measurement of Credit Losses on Financial Instruments, effective October 1, 2023. The Current Expected Credit Loss (CECL) model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions.

The Company estimates the allowance for credit losses under CECL using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Internal historical loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels or loan terms, as well as, for changes in environmental conditions. Allowance for credit losses (ACL) 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 ACLs at adequate levels. 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.

CECL requires expected losses to be evaluated on a collective basis when financial assets share similar risks characteristics. Financial assets may be segmented based on one characteristic, or a combination of characteristics. The Company categorizes loans into pools based upon certain characteristics such as loan type, collateral type and repayment source, for the purpose of measuring expected credit losses. Loans that do not share similar risk characteristics are evaluated on an individual basis. Charge-offs against the related ACL amounts for any loan type may be recorded at any time if the Bank has knowledge of the existence of probable loss. The Company's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for loan-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the loans that are reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed. The Company has identified the following pools of loans with similar risk characteristics for measuring expected credit losses:

Residential mortgages – Loans in this segment include loans for residential real estate. Loans in this segment are dependent on credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality of this segment.

Commercial real estate – Loans in this segment are primarily income-producing properties. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

Construction and development – Loans in this segment primarily include real estate development loans for which payment is derived from the sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased customer spending, will have an effect on the credit quality in this segment.

Installment – Loans in this segment are made to individuals and are secured by personal assets, as well as loans for personal lines of credit and overdraft protection. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality in this segment.

The Company uses the Weighted Average Remaining Maturity (WARM) loss rate method for all loan segments. The WARM method uses average annual net charge-off rates and the amortization-adjusted remaining life, plus qualitative adjustments, to estimate the ACLs. This method is appropriate given the noncomplex nature of the Company's loan portfolio (primarily homogenous residential real estate loans), length of historical loss and recovery data, and stable real estate lending practices and risk appetite. Management has determined that a period ranging between one and four quarters represents a reasonable and supportable forecast period. After the reasonable and supportable forecast period, the model immediately reverts to the historical net loss rate for all loan segments.

The Company also considers qualitative adjustments to the quantitative baseline discussed above. For example, the Company considers the impact of current environmental factors at the reporting date that did not exist over the period from which historical experience was used. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), changes in underwriting standards, changes in collateral value, experience and depth of lending staff, trends in delinquencies, and the volume and terms of loans.

When a loan no longer shares the risk characteristics of other loans within its category, it must be individually evaluated. A loan is considered collateral dependent if a borrower is experiencing financial difficulty and the underlying collateral is determined to be the primary source of repayment. For collateral dependent loans, the ACL is measured based on the difference between the fair value of the collateral less estimated cost to sell and the amortized cost basis of the loan as of the measurement date. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

Prior to the adoption of ASU 2016-13, the Company's determination of the allowance took into consideration, among other matters, periodic review of the ability to collect loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. Under the prior incurred loss methodology, the Company routinely evaluated adversely risk-rated credits for impairment. Impairment, if any, was typically measured for each loan by either (i) the present value of the loan's expected future cash flows discounted at the loan's effective interest rate, (ii) the loan's obtainable market price or (iii) the estimated fair value of the collateral, if the loan was collateral dependent. General allowances were established for loans with similar characteristics. In this process, general allowance factors were based on an analysis of historical loss experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may have been made after assessing internal or external influences on credit quality that were not fully reflected in the historical loss or risk rating data. To the extent that the data supporting such factors had limitations, management's judgment and experience played a key role in determining the allowance estimates.

Allowance for Credit Losses – Off-Balance Sheet Exposures

The Company's off-balance sheet credit exposures are comprised of unfunded portions of existing loans, such as lines of credit and construction loans, and commitments to originate or purchase loans that are not unconditionally cancellable by the Company. Expected credit losses on these amounts are calculated using the same methodology that is applied in the ACL model; however, the estimate of credit risk for off-balance sheet credit exposures also takes into consideration the likelihood that funding of the unfunded commitment will occur. The reserve for these off-balance sheet credit exposures is recorded as a liability and is included in other liabilities on the consolidated balance sheet. Changes to the reserve on off-balance sheet credit exposures are recorded through increases or decreases to the provision for credit losses on the consolidated statements of income. The allowance for unfunded commitments totaled $1.1 million as of September 30, 2024.

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 credit 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.

Goodwill and Other Intangibles

The Company has goodwill of $3.6 million at September 30, 2024 and September 30, 2023, 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 $4.3 million and $5.6 million at September 30, 2024 and 2023, 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 $789,000 and $904,000 at September 30, 2024 and 2023, 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, 2024 and 2023, 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. Under the servicing assets and liabilities accounting guidance (ASC 860-50), 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. The Bank subsequently measures each class of servicing asset using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

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, default rates, and float revenue. 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.

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, 2024 and 2023, the fair value of loan related commitments resulted in a net asset of $254,000 and $86,000, 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. For fiscal 2024 and 2023, the computations of basic and diluted earnings per share are separated between continuing and discontinued operations.

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:

		2024	2023
Net income	$	28,257	21,647
Average common shares outstanding		7,377,073	7,408,745
Average common share stock options outstanding		--	3,619
Average diluted common shares		7,377,073	7,412,364
Earnings per share:			
Basic earnings per share:			
From continuing operations	$	3.83	3.77
From discontinued operations		--	(0.85)
	$	3.83	2.92
Diluted earnings per share:			
From continuing operations	$	3.83	3.77
From discontinued operations		--	(0.85)
	$	3.83	2.92

At September 30, 2024 and 2023, options to purchase 21,450 shares of the Company's stock were outstanding.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU, as amended, replaces the incurred loss methodology in GAAP, which required credit losses to be recognized when it is probable that a loss has been incurred, with an expected credit loss methodology, which is commonly known as the current expected credit loss ("CECL") methodology. The CECL 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 and off-balance sheet credit exposures, over their remaining contractual lives. Under the CECL methodology, expected credit losses are measured at each reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amended the credit loss measurements for AFS debt securities. Credit losses related to AFS debt securities are now recorded through the ACL rather than as a direct write-down. The ASU also requires enhanced disclosures related to credit quality and significant estimates and judgments used by management when estimating credit losses. The Company adopted the ASU, as amended, on October 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Financial results for reporting periods beginning on or after October 1, 2023 are reported in accordance with the new ASU, as amended, while prior period amounts continue to be reported in accordance with previous GAAP. The adoption of this standard resulted in an increase to the allowance for credit losses on loans of $1.7 million and the creation of an allowance for unfunded commitments of $1.2 million. These one-time cumulative adjustments resulted in a $2.2 million decrease to retained earnings, net of a $726,000 increase to deferred tax assets.

On October 1, 2023, the Company adopted ASU 2022-02, *"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures"*, which eliminated the accounting guidance for troubled debt restructurings ("TDRs") while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This guidance was applied on a prospective basis. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty, unless those loans do not share the same risk characteristics with other loans in the portfolio. Provided that is not the case, these modifications are included in their respective cohort and the allowance for credit losses is estimated on a pooled basis consistent with the other loans with similar risk characteristics. 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. While requiring enhanced disclosure, the adoption of this standard did not have a material impact on the Company's consolidated financial statements at September 30, 2024.

Recently Issued Accounting Standards

In December 2023, the FASB issued ASU No. 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* This ASU requires public business entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. This ASU is effective for public business entities beginning with the first annual report period after December 15, 2024, with early adoption permitted. This ASU is not expected to have a significant impact on our 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, 2024			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	223,011	3,011	5,988	220,034
U.S. Treasury notes		52,084	--	7,026	45,058
Total	$	275,095	3,011	13,014	265,092

		September 30, 2023			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$	144,433	192	12,160	132,465
U.S. Treasury notes		52,486	--	11,170	41,316
Total	$	196,919	192	23,330	173,781

During the year ended September 30, 2024, the Company realized gross gains of $1.4 million and no gross losses on the sale of securities available for sale. There were no sales of available for sale securities available for sale during the year ended September 30, 2023.

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, 2024				
		Less than 12 months			12 months or longer	
		Estimated fair value	Gross unrealized losses		Estimated fair value	Gross unrealized losses
Corporate debt securities	$	9,986	11	$	81,872	5,977
U.S. Treasury notes		--	--		45,058	7,026
Total	$	9,986	11	$	126,930	13,003

		September 30, 2023				
		Less than 12 months			12 months or longer	
		Estimated fair value	Gross Unrealized Losses		Estimated fair value	Gross unrealized losses
Corporate debt securities	$	22,369	303	$	97,251	11,857
U.S. Treasury notes		--	--		41,316	11,170
Total	$	22,369	303	$	138,567	23,027

The unrealized losses at September 30, 2024, were the result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management did not record an ACL on securities in an unrealized loss position at September 30, 2024, because there has been no default in coupon payments and it is currently expected that the entire principal balance will be collected as scheduled. Furthermore, the Company does not intend to sell these securities, and it is not more likely than not that the Company will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity.

The scheduled maturities of securities available for sale at September 30, 2024, 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	$	31,344	368	--	31,712
Due from one to five years		142,063	2,304	1,635	142,732
Due from five to ten years		101,688	339	11,379	90,648
Due after ten years		--	--	--	--
Total	$	275,095	3,011	13,014	265,092

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, 2024			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	52,085	--	7,026	45,059
FHLB advance commitments		223,010	3,011	5,988	220,033
	$	275,095	3,011	13,014	265,092

		September 30, 2023			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advance commitments	$	106,409	--	16,294	90,115
	$	106,409	--	16,294	90,115

(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, 2024			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA	$	5,571	--	743	4,828
Pass-through certificates guaranteed by FNMA		44,035	108	1,899	42,244
FHLMC participation certificates		19,012	--	938	18,074
Total	$	68,618	108	3,580	65,146

		September 30, 2023			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA	$	6,421	--	1,235	5,186
Pass-through certificates guaranteed by FNMA		46,613	--	5,500	41,113
FHLMC participation certificates		20,187	--	2,581	17,606
Total	$	73,221	--	9,316	63,905

There were no sales of mortgage-backed securities available for sale during the years ended September 30, 2024 or 2023.

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, 2024				
		Less than 12 months			12 months or longer	
		Estimated fair value	Gross unrealized 1osses		Estimated fair value	Gross unrealized losses
Pass-through certificates guaranteed by GNMA	$	--	--	$	4,826	743
Pass-through certificates guaranteed by FNMA		--	--		36,162	1,899
FHLMC participation certificates		--	--		18,067	938
Total	$	--	--	$	59,055	3,580

		September 30, 2023				
		Less than 12 months			12 months or longer	
		Estimated fair value	Gross unrealized 1osses		Estimated fair value	Gross unrealized losses
Pass-through certificates guaranteed by GNMA	$	--	--	$	5,186	1,235
Pass-through certificates guaranteed by FNMA		5,694	283		35,419	5,217
FHLMC participation certificates		11	--		17,595	2,581
Total	$	5,705	283	$	58,200	9,033

The unrealized losses at September 30, 2024, were the result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management did not record an ACL on securities in an unrealized loss position at September 30, 2024, because there has been no default in coupon payments and it is currently expected that the entire principal balance will be collected as scheduled. Furthermore, the Company does not intend to sell these securities, and it is not more likely than not that the Company will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2024, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from one to five years	$	6	--	--	6
Due from five to ten years		5,980	108	--	6,088
Due after ten years		62,632	--	3,580	59,052
Total	$	68,618	108	3,580	65,146

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

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

	September 30, 2024			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 2,712	4	326	2,390
FRB advance commitments	56,553	--	2,795	53,758
Total	$ 59,265	4	3,121	56,148

	September 30, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 7,846	--	902	6,944
FRB advance commitments	60,289	--	7,724	52,565
Total	$ 68,135	--	8,626	59,509

(4) LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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	2024	2023
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 1,729,803	1,743,087
Business properties	90,352	106,399
Partially guaranteed by VA or insured by FHA	49,078	51,320
Construction and development	462,186	375,159
Total mortgage loans	2,331,419	2,275,965
Commercial loans	3,100	3,853
Installment loans and lease financing to individuals	3,200	5,663
Total loans receivable held for investment	2,337,719	2,285,481
Less:		
Undisbursed loan funds	(151,149)	(138,717)
Unearned discounts and fees on loans, net of deferred costs	(50,719)	(54,348)
Net loans receivable held for investment	$ 2,135,851	2,092,416

HELD FOR SALE		
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 3,297	4,586

Included in the loans receivable balances are mortgage loans serviced by other institutions of approximately $5.9 million and $7.4 million at September 30, 2024 and 2023, respectively.

First mortgage loans were pledged to secure FHLB advances in the amount of approximately $1,663.5 million and $1,678.1 million at September 30, 2024 and 2023, respectively. First mortgage loans were pledged to secure FRB advances in the amount of approximately $74.9 million and $85.5 million at September 30, 2024 and 2023, 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, 2024 and 2023. 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 2024 and 2023, were $134.7 million and $611.4 million, respectively. In fiscal 2024, the Bank realized gross gains of $2.9 million and $3,000 of gross losses from its mortgage banking activities. In fiscal 2023, the Bank realized gross gains of $32.0 million and $20.4 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 $842.9 million at September 30, 2024 and were purchased at an average discount of approximately 5%. At September 30, 2023, these loans had an unpaid principal balance totaling $915.9 million and were purchased at an average discount of approximately 5%.

Lending Practices and Underwriting Standards

Originating and purchasing loans secured by one- to four- family residential properties is the Bank's primary lending business. The Bank offers a range of residential loan products to customers nationwide, including loans held-for-investment on the Bank's balance sheet and loans held-for-sale on the secondary market. Additionally, the Bank offers financing for residential construction, lot and land development, land acquisition, commercial real estate construction, and commercial real estate term financing.

The Bank maintains a written lending policy and compliance program that is reviewed and approved by the Bank's Board of Directors. Additionally each lending segment is supported by underwriting guidelines and procedures that govern the products they offer. Management ensures that extensions of credit conform to the intent and technical requirements of the Bank's lending policy, underwriting guidelines, and applicable lending regulations. Further, all loans held-for-investment require approval from the relevant Loan Committee based on the loan's size. Prior approval is required from the Bank's Board of Directors for loans with a proposed balance greater than $10 million.

One- to four-family residential loans originated for sale on the secondary market primarily include loans guaranteed by the Veterans Administration ("VA"), loans insured by the Federal Housing Administration ("FHA"), and conventional loans. All loans sold are underwritten to the applicable investor's underwriting guidelines.

One- to four-family residential loans originated for the Bank's portfolio include a combination of primary residences, second homes, and investment properties. These loans are underwritten to the Bank's internal underwriting standards. We consider all relevant factors including the borrower's credit score, credit history, income, debt obligations, assets, and collateral. NASB will also consider alternative documentation to support an applicant's income for some products. In these cases, the Bank establishes specific eligibility and documentation standards to support the qualifying income.

The Bank did not purchase one- to four-family loans during the fiscal year ended September 30, 2024 due to balance sheet management purposes. However, loans purchased from others are re-underwritten by NASB on a loan-by-loan basis. Original underwriting standards vary based on the seller, but generally have consisted of conventional and agency loans. NASB reviews any alternative documentation methods against the Bank's internal underwriting standards.

Residential construction and land development loans are made to professional builders/developers, who primarily construct single family residential properties for resale to consumers. These loans are largely concentrated in the Kansas City metro and secured by 1st lien on the subject property. Residential construction and land development loans are based upon construction cost estimates and as-complete value associated with the specific project or phase. The Bank also evaluates factors such as the financial capacity of the borrower and guarantor(s), feasibility of the project, absorption period, and local supply/demand. These loans are closely monitored by on-site inspections and draw approval processes.

The Bank also originates commercial real estate development and construction loans. The outstanding balance of such loans was $70.4 million and $42.4 million at September 30, 2024 and 2023, respectively. Commercial real estate construction loans are primarily made to national developers to construct build-to-suit properties for large, publicly traded retailers. These loans are typically secured by a 1st lien on the subject property and assignment of lease. The Bank underwrites based upon construction cost estimates, lease terms, and as-complete value. The Bank also evaluates factors such as the financial capacity of the borrower and guarantor(s), feasibility of the project, property cash flow, investor demand, and capitalization rates. These loans are closely monitored by on-site inspections and draw approval processes.

The Bank may consider term financing on commercial real estate from time to time. These loans are typically secured by a 1st lien on the subject property and assignment of lease. They are underwritten based on the cash flow of the subject property and collateral value.

The Bank typically obtains unlimited personal and/or corporate guaranties on residential construction, lot and land development, land acquisition, commercial real estate construction, and commercial real estate term financing from the primary owner(s) of each borrowing entity. The Bank may consider non-recourse lending from time to time, but generally only when the project offers sufficient credit risk mitigants.

Finally, in addition to real estate lending, the Bank also offers consumer loans through our branch network. These loans consist primarily of smaller dollar installment loans secured by savings accounts or lines of credit that are secured by a customer's equity in their primary residence.

Allowance for Credit Losses

As previously mentioned in Note 1, the Bank's adoption of ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, resulted in a significant change to the methodology for estimating the allowance for credit losses. As a result of this adoption, the Bank recorded a $1.7 million increase to the allowance for credit losses on October 1, 2023.

The following table presents the balance in the allowance for credit losses for the years ended September 30, 2024, and 2023. Activity during fiscal year 2023 occurred prior to the adoption of ASU 2016-13. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Allowance for credit losses:								
Balance at October 1, 2023	$	23,987	--	2,146	3,696	1	71	29,901
Adoption of ASU 2016-13		4,540	--	(1,124)	(1,700)	29	(11)	1,734
Provision for credit losses		(1,742)	--	(191)	525	(8)	(84)	(1,500)
Losses charged off		(159)	--	--	--	--	(2)	(161)
Recoveries		66	--	4	--	--	48	118
Balance at September 30, 2024	$	26,692	--	835	2,521	22	22	30,092
Balance at October 1, 2022	$	23,247	--	2,662	3,809	2	55	29,775
Provision for credit losses		645	--	(542)	(113)	(1)	11	--
Losses charged off		(10)	--	--	--	--	--	(10)
Recoveries		105	--	26	--	--	5	136
Balance at September 30, 2023	$	23,987	--	2,146	3,696	1	71	29,901

Prior to the adoption of ASU 2016-13 on October 1, 2023, the Company calculated the allowance for credit losses under the incurred loss methodology. The following table presents, by portfolio segment, the balance in the allowance for credit losses disaggregated on the basis of the Company's impairment measurement method and the related unpaid principal balance in loans as of September 30, 2023. 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 credit losses related to loans:								
Individually evaluated for impairment	$	25	--	--	--	--	--	25
Collectively evaluated for impairment	$	23,962	--	2,146	3,696	1	71	29,876
Acquired with deteriorated credit quality *	$	--	--	--	--	--	--	--
Loans:								
Balance at September 30, 2023	$	1,741,453	4,586	106,119	235,357	3,852	5,635	2,097,002
Ending balance:								
Loans individually evaluated for impairment	$	7,708	--	--	--	3,818	2	11,528
Loans collectively evaluated for impairment	$	1,733,745	4,586	106,119	235,357	34	5,633	2,085,474
Loans acquired with deteriorated credit quality *	$	1,867	--	--	--	--	--	1,867

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

Reserve for Off-Balance Sheet Credit Exposures

In accordance with the Bank's adoption of ASU 2016-13 on October 1, 2023, the Bank established a reserve of $1.2 million for off balance sheet credit exposure related to unfunded commitments. The following is a summary of the changes in reserve for off-balance sheet credit exposures during the year ended September 30, 2024. Dollar amounts are expressed in thousands.

		Residential	Residential Held For Sale	Commercial Real Estate	Construction & Development	Commercial	Installment	Total
Balance at October 1, 2023	$	--	--	--	--	--	--	--
Adoption of ASU 2016-13		32	--	1	1,115	22	2	1,171
Provision for credit losses		(32)	--	(1)	21	(22)	(1)	(34)
Balance at September 30, 2024	$	--	--	--	1,136	--	1	1,137

Delinquencies and Non-Accrual Loans

The following table presents the Company's loan portfolio aging analysis as of September 30, 2024. 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	$	17,605	5,260	17,130	39,995	1,689,193	1,729,188	--
Residential held for sale		--	--	--	--	3,297	3,297	--
Commercial real estate		--	--	--	--	90,160	90,160	--
Construction & development		--	--	--	--	310,197	310,197	--
Commercial		--	--	--	--	3,100	3,100	--
Installment		38	--	--	38	3,168	3,206	--
Total	$	17,643	5,260	17,130	40,033	2,099,115	2,139,148	--

The following table presents the Company's loan portfolio aging analysis as of September 30, 2023. 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	$	12,468	5,400	10,403	28,271	1,713,182	1,741,453	--
Residential held for sale		--	--	--	--	4,586	4,586	--
Commercial real estate		2,410	--	--	2,410	103,709	106,119	--
Construction & development		684	76	--	760	234,597	235,357	--
Commercial		--	--	--	--	3,852	3,852	--
Installment		--	--	2	2	5,633	5,635	--
Total	$	15,562	5,476	10,405	31,443	2,065,559	2,097,002	--

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 amortized cost at September 30, 2024 and, prior to the adoption of ASU 2016-13, the recorded investment at September 30, 2023, of loans classified as nonaccrual. Additionally, the amortized cost of nonaccrual loans that had no related ACL is presented as of September 30, 2024. Dollar amounts are expressed in thousands.

		2024		2023
		Nonaccrual Loans without a related ACL	Total Nonaccrual Loans	Nonaccrual Loans
Residential	$	17,130	17,130	10,625
Residential held for sale		--	--	--
Commercial real estate		--	--	--
Construction & development		--	--	--
Commercial		--	--	--
Installment		--	--	2
Total	$	17,130	17,130	10,627

As of September 30, 2024 and 2023, $5.6 million and $2.2 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 $637,000 and $434,000 for the years ended September 30, 2024 and 2023, respectively, if the nonaccrual loans had been performing.

Collateral Dependent Loans

A loan is considered collateral dependent if a borrower is experiencing financial difficulty and the underlying collateral is determined to be the primary source of repayment. Significant changes to the fair value of the underlying collateral for such loans can impact the ACL.

The following table presents the amortized cost basis of the collateral dependent loans by collateral type as of September 30, 2024, all of which have been individually evaluated for loss and any identified losses have been charged off. Dollar amounts expressed in thousands.

Residential	$	11,973
Residential held for sale		--
Commercial real estate		--
Construction & development		--
Commercial		--
Installment		--
Total	$	11,973

Loans Modifications Made to Borrowers Experiencing Financial Difficulty

As previously mentioned in Note 1, the adoption of ASU 2022-02 eliminated the accounting guidance for troubled debt restructurings ("TDRs") while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Upon adoption of this guidance, the Bank no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty, unless those loans do not share the same risk characteristics with other loans in the portfolio. Provided that is not the case, these modifications are included in their respective concentration category and the allowance for credit losses is estimated on a pooled basis consistent with the other loans with similar risk characteristics. Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, payment deferrals, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure.

The following table presents the amortized cost basis of the loans modified to borrowers experiencing financial difficulty by class and by type of modification as of September 30, 2024. Dollar amounts are expressed in thousands.

		Extension of Maturity	
		Amortized Cost Basis	% of Total Class of Financing Receivable
Residential	$	1,161	0.07%
Residential held for sale		--	--
Commercial real estate		--	--
Construction & development		--	--
Commercial		--	--
Installment		--	--
Total	$	1,161	0.07%

The following table presents the financial effect of the loan modifications made to borrowers experiencing financial difficulty during the year ended September 30, 2024. Dollar amounts are expressed in thousands.

	Weighted Average Extension of Maturity in Years		Weighted Average Payment Deferral	Weighted Average Interest Rate Reduction	
Residential	4.3	$	--	--	%
Residential held for sale	--		--	--	%
Commercial real estate	--		--	--	%
Construction & development	--		--	--	%
Commercial	--		--	--	%
Installment	--		--	--	%
Total	4.3	$	--	--	%

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last twelve months. 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
Residential	$	--	--	125	125
Residential held for sale		--	--	--	--
Commercial real estate		--	--	--	--
Construction & development		--	--	--	--
Commercial		--	--	--	--
Installment		--	--	--	--
Total	$	--	--	125	125

Loans that were modified in the last twelve months that had a payment default during the period had an ending balance of $125,000 at September 30, 2024, and were included in residential loans. There were no outstanding commitments to be advanced in connection with loans modifications to borrowers facing financial difficulty at September 30, 2024.

Troubled Debt Restructuring

The implementation of ASU 2022-02*, Financial Instruments – Credit Losses Troubled Debt Restructuring and Vintage Disclosures*, eliminated the guidance and disclosure requirements related to TDRs. The following tables represent disclosures for the prior fiscal year that are no longer required as of October 1, 2023, but are included in this report since the Company is required to disclose comparative information with respect to restructured loans. A restructured loan was considered a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The following table presents the recorded balance of troubled debt restructurings as of September 30, 2023. Dollar amounts are expressed in thousands.

		Total TDRs	Performing TDRs
Troubled debt restructurings:			
Residential	$	521	417
Residential held for sale		--	--
Commercial real estate		--	--
Construction & development		--	--
Commercial		3,818	3,818
Installment		--	--
Total	$	4,339	4,235

At September 30, 2023 the Bank had no outstanding commitments to be advanced in connection with TDRs.

There were no TDRs modified during the fiscal year ended September 30, 2023.

The following table presents the Company's recorded investment and number of loans considered TDRs at September 30, 2023, that defaulted during the fiscal year. Dollar amounts are expressed in thousands.

	Number of Loans		Recorded Investment
Residential	3	$	104
Residential held for sale	--		--
Commercial real estate	--		--
Construction & development	--		--
Commercial	--		--
Installment	--		--
Total	3	$	104

The following table presents impaired loans, including troubled debt restructurings, as of September 30, 2023. Prior to the adoption of ASU 2016-13, a loan was considered impaired when, based on current information and events, it was probable that the Bank would be unable to collect all amounts due, including principal and interest, according to the original contractual terms of the loan agreement. 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	$	7,504	7,809	--	7,527	57
Residential held for sale		--	--	--	--	--
Commercial real estate		--	--	--	--	--
Construction & development		--	--	--	--	--
Commercial		3,818	3,818	--	4,423	210
Installment		--	16	--	--	1
Loans with a specific valuation allowance:						
Residential	$	204	218	23	214	10
Residential held for sale		--	--	--	--	--
Commercial real estate		--	--	--	--	--
Construction & development		--	--	--	--	--
Commercial		--	--	--	--	--
Installment		2	32	2	--	1
Total:						
Residential	$	7,708	8,027	23	7,741	67
Residential held for sale		--	--	--	--	--
Commercial real estate		--	--	--	--	--
Construction & development		--	--	--	--	--
Commercial		3,818	3,818	--	4,423	210
Installment		2	48	2	_	2

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 consisted of three to six-month loan payment forbearance. The Company followed the guidance in the CARES Act and the Interagency guidance to determine if a loan modification was exempt from TDR classification. Loans in forbearance as a result of COVID-19 were 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 no loans in COVID-19 related forbearance programs at September 30, 2024 or 2023, as all such programs have ended. In addition, the Bank had loans of $50.4 million and $58.7 million that had completed a COVID-19 related modification at September 30, 2024 and 2023, respectively.

Credit Quality Indicators

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 ACL 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 Company categorizes commercial real estate, construction and development and commercial loans into risk categories based on relevant information about the ability of borrowers to service their obligations. The following tables present the amortized cost in commercial real estate, construction and development and commercial loans based on the Company’s internal risk rating category as of September 30, 2024. Dollar amounts are expressed in thousands.

		Gross Charge-offs	Total	Pass	Pass-Watch	Special Mention	Substandard	Doubtful/ Loss
Commercial real estate								
Term loans by origination year								
2024	$	--	468	468	--	--	--	--
2023		--	4,438	3,474	964	--	--	--
2022		--	13,334	13,334	--	--	--	--
2021		--	4,385	4,385	--	--	--	--
2020		--	32,909	32,820	89	--	--	--
Prior		--	33,938	27,768	6,087	--	83	--
Revolving loans		--	688	688	--	--	--	--
Total	$	--	90,160	82,937	7,140	--	83	--

		Gross Charge-offs	Total	Pass	Pass-Watch	Special Mention	Substandard	Doubtful/ Loss
Construction & development								
Term loans by origination year								
2024	$	--	142,310	142,040	270	--	--	--
2023		--	96,900	66,449	30,451	--	--	--
2022		--	57,906	42,874	15,032	--	--	--
2021		--	7,273	7,273	--	--	--	--
2020		--	3,426	--	3,426	--	--	--
Prior		--	2,146	2,052	94	--	--	--
Revolving loans		--	236	236	--	--	--	--
Total	$	--	310,197	260,924	49,273	--	--	--

		Gross Charge-offs	Total	Pass	Pass-Watch	Special Mention	Substandard	Doubtful/ Loss
Commercial								
Term loans by origination year								
2024	$	--	--	--	--	--	--	--
2023		--	--	--	--	--	--	--
2022		--	--	--	--	--	--	--
2021		--	--	--	--	--	--	--
2020		--	--	--	--	--	--	--
Prior		--	2,458	14	2,444	--	--	--
Revolving loans		--	642	642	--	--	--	--
Total	$	--	3,100	656	2,444	--	--	--

For residential, residential held for sale and installment loans, the Company evaluates credit quality primarily on the aging status of the loan. The following tables present the amortized cost in residential, residential held for sale and installment loans based on past due status of September 30, 2024. Dollar amounts are expressed in thousands.

		Gross Charge-offs	Total	Performing	30-89 Days Past Due	Non-Accrual and 90 Days or More Past Due
Residential						
Term loans by origination year						
2024	$	--	157,685	157,685	--	--
2023		--	190,197	189,049	793	355
2022		39	623,501	603,521	11,474	8,506
2021		--	241,085	238,359	1,983	743
2020		--	122,183	120,112	630	1,441
Prior		120	394,537	380,467	7,985	6,085
Revolving loans		--	--	--	--	--
Total	$	159	1,729,188	1,689,193	22,865	17,130

		Gross Charge-offs	Total	Performing	30-89 Days Past Due	Non-Accrual and 90 Days or More Past Due
Residential held for sale						
Term loans by origination year						
2024	$	--	3,297	3,297	--	--
2023		--	--	--	--	--
2022		--	--	--	--	--
2021		--	--	--	--	--
2020		--	--	--	--	--
Prior		--	--	--	--	--
Revolving loans		--	--	--	--	--
Total	$	--	3,297	3,297	--	--

		Gross Charge-offs	Total	Performing	30-89 Days Past Due	Non-Accrual and 90 Days or More Past Due
Installment						
Term loans by origination year						
2024	$	--	525	525	--	--
2023		--	52	52	--	--
2022		--	144	144	--	--
2021		--	940	940	--	--
2020		--	741	741	--	--
Prior		2	804	766	38	--
Revolving loans		--	--	--	--	--
Total	$	2	3,206	3,168	38	--

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.

	2024				
	Residential			Construction	
State	1-4 family	5 or more family	Commercial real estate	and development	Total
California	$ 483,278	1,881	2,437	5,197	492,793
Kansas	41,572	1,536	390	260,745	304,243
Missouri	79,599	2,258	802	164,560	247,219
Florida	206,375	3,744	28,525	8,005	246,649
Texas	160,938	-	8,609	8,915	178,462
Georgia	58,460	-	-	-	58,460
North Carolina	54,762	-	819	-	55,581
Washington	51,442	662	1,328	-	53,432
Arizona	48,401	229	2,006	-	50,636
Colorado	38,513	24	2,991	-	41,528
Virginia	38,131	-	3,254	-	41,385
New Jersey	37,642	--	727	-	38,369
Nevada	35,557	321	-	-	35,878
Illinois	27,022	155	8,689	-	35,866
Ohio	26,438	1,507	1,744	4,030	33,719
South Carolina	28,652	-	2,086	1,968	32,706
Tennessee	28,224	-	-	-	28,224
Maryland	28,044	-	-	-	28,044
Massachusetts	26,276	-	-	-	26,276
Utah	25,494	-	-	-	25,494
Oregon	22,202	631	-	-	22,833
Pennsylvania	18,986	-	3,107	-	22,093
Michigan	13,577	-	951	4,831	19,359
Idaho	18,072	-	-	-	18,072
Minnesota	16,934	248	475	-	17,657
Connecticut	15,992	-	-	-	15,992
Alabama	14,763	-	413	-	15,176
Hawaii	15,098	-	-	-	15,098
Wisconsin	10,176	-	-	2,840	13,016
Indiana	11,676	-	-	-	11,676
Oklahoma	11,251	-	-	-	11,251
New York	9,472	-	1,412	-	10,884
Other	75,863	1,372	5,019	1,095	83,349
	$ 1,778,882	14,568	75,784	462,186	2,331,420

		2023				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		family	family	real estate	development	Total
California	$	510,803	2,439	9,074	7,701	530,017
Kansas		43,846	1,649	422	223,875	269,792
Florida		208,929	3,859	30,148	339	243,275
Missouri		81,193	3,005	1,162	124,226	209,586
Texas		161,949	-	10,105	7,557	179,611
Georgia		57,808	-	1,132	-	58,940
Washington		55,048	688	1,377	--	57,113
North Carolina		53,068	-	838	-	53,906
Arizona		50,522	259	2,055	-	52,836
Colorado		39,130	39	3,204	-	42,373
Virginia		37,161	-	4,190	-	41,351
Illinois		28,705	290	9,018	-	38,013
Nevada		36,181	337	-	-	36,518
New Jersey		34,922	-	291	-	35,213
Ohio		25,389	1,455	1,812	1,890	30,546
South Carolina		25,761	-	2,249	-	28,010
Maryland		27,881	-	-	-	27,881
Tennessee		26,937	-	-	-	26,937
Utah		24,911	-	-	-	24,911
Massachusetts		23,961	-	-	-	23,961
Oregon		23,265	217	-	-	23,482
Pennsylvania		18,438	-	3,183	-	21,621
Michigan		13,325	-	2,322	3,461	19,108
Idaho		17,542	-	-	-	17,542
Minnesota		16,181	267	516	-	16,964
Hawaii		16,217	-	-	-	16,217
Indiana		10,370	-	88	-	10,458
Other		124,963	1,435	7,275	6,110	139,783
	$	1,794,406	15,939	90,461	375,159	2,275,965

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 $170,000 and $325,000 at September 30, 2024 and 2023, 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.

		2024	2023
Balance at beginning of year	$	325	780
Additions to (reductions from) reserve		(124)	(181)
Losses, settlements, and penalties incurred		(31)	(274)
Balance at end of year	$	170	325

The Company 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 $2.1 million and $2.0 million of past due GNMA-backed loans and corresponding secured borrowings on its consolidated balance sheet at September 30, 2024 and 2023, respectively.

(5) FORECLOSED ASSETS HELD FOR SALE

The carrying value of real estate owned and other repossessed property was $6.6 million and $8.5 million at September 30, 2024 and 2023, 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.

		2024	2023
Balance at beginning of year	$	--	--
Provision for loss		1,353	101
Charge-offs		(1,353)	(101)
Recoveries		--	--
Balance at end of year	$	--	--

In addition to the provision for loss noted above, the Company incurred net expenses of $1.1 million and $3.6 million related to foreclosed assets held for sale during the fiscal years ended September 30, 2024 and 2023, respectively.

(6) PREMISES AND EQUIPMENT

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

		2043	2023
Land	$	4,241	4,241
Buildings and improvements		15,066	14,826
Furniture, fixtures and equipment		7,213	6,263
		26,520	25,330
Accumulated depreciation		(18,233)	(17,403)
Total	$	8,287	7,927

(7) DISCONTINUED OPERATIONS

On January 6, 2023, the Company announced that it was exiting the consumer direct lending business, which originated residential loans nationwide for sale in the secondary market. The decision was made due to challenging market conditions created by rapidly rising interest rates, low housing inventory, and double-digit growth in median home prices. Results of the consumer direct business line are classified as net income (loss) from discontinued operations, net of tax, in the consolidated statements of operations for all periods presented. Additionally, assets and liabilities associated with the consumer direct lending business are classified as discontinued operations in the consolidated balance sheets for all periods presented.

The Bank had no assets or liabilities related to discontinued operations at September 30, 2024 or 2023.

The following table presents the financial results of the consumer direct business line for the year ending September 30, 2023. Dollar amounts are expressed in thousands.

		2023
Interest income	$	2,238
Interest expense		1,720
Net interest income		518
Customer service fees		162
Mortgage banking income		4,144
Other income		4,306
Compensation and benefits		7,392
Premises and equipment		144
Advertising		2,699
Other		2,917
General and administrative expenses		13,152
Income (loss) before income tax expense		(8,328)
Income tax (expense) benefit		2,049
Net income (loss) from discontinued operations	$	(6,279)

(8) MORTGAGE SERVICING RIGHTS

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

		Mortgage Servicing Rights	
		2024	2023
Balance at beginning of year	$	26,281	25,736
Originated mortgage servicing rights		46	1,708
Subsequent changes in fair value:			
Due to changes in valuation model inputs or assumptions		(2,626)	(107)
Due to collection of cash flows		(1,210)	(1,056)
Balance at end of year	$	22,491	26,281

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, default rates, and float revenue. At September 30, 2024, key assumptions utilized in the valuation model included an average constant prepayment rate of 7.7% an average discount rate of 10.3%, and an interest rate of 3.53% used to value float revenue. At September 30, 2023, key assumptions utilized in the valuation model included an average constant prepayment rate of 7.4%, an average discount rate of 10.3%, and an interest rate of 4.66% used to value float revenue. Mortgage servicing rights are classified within Level 3 of the fair value hierarchy.

Whole loans and participations serviced for others were approximately $1,832.1 million and $1,999.4 million at September 30, 2024 and 2023, 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, 2024, and 2023 both the ROU assets and lease liability for operating leases recognized on the Company's balance sheet totaled $3.0 million and $4.2 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 2024 and 2023 was $1.6 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.

		2024	2023
Operating lease costs	$	1,327	1,342
Variable lease costs		61	53
Total lease expense	$	1,387	1,395

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.

		2024	2023
Weighted average lease term (years)		2.4	3.4
Weighted average discount rate		4.1%	4.1%
Cash paid for amounts included in the measurement of lease liabilities	$	1,312	1,327
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
2025	$	1,312
2026		1,312
2027		546
Total payments		3,170
Less: Interest		147
Present value of lease liabilities	$	3,023

(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.

	2024		2023	
	Amount	%	Amount	%
Demand deposit accounts	$ 202,611	12	227,832	13
Savings accounts	643,006	37	566,574	32
Money market demand accounts	54,209	3	97,429	5
Certificate accounts	772,240	45	743,985	41
Brokered accounts	57,576	3	158,610	9
	$ 1,729,642	100	1,794,430	100
Weighted average interest rate	3.66%		3.12%	

The aggregate amount of certificate accounts in excess of $250,000 was approximately $173.0 million and $158.9 million as of September 30, 2024 and 2023, respectively. In addition, the entire amount of brokered accounts was in excess of $250,000 as of September 30, 2024 and 2023.

At September 30, 2024 and 2032, the Bank had certificate accounts in the amount of $55.0 million and $75.2 million which were acquired through a deposit listing service, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2024. Dollar amounts are expressed in thousands.

	Maturing during the fiscal year ended September 30,						
	2025	2026	2027	2028	2029	2030 and after	Total
Certificate accounts	$ 669,216	99,802	2,064	722	331	105	772,240

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

	2024	2023
Savings accounts	$ 25,596	19,498
Money market demand and demand deposit accounts	1,243	1,836
Certificate and brokered accounts	34,602	21,299
	$ 61,441	42,633

(11) ADVANCES FROM FEDERAL HOME LOAN BANK AND FEDERAL RESERVE 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 143% of allowable 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.

	2024		2023	
Year ending September 30,	Amount	Weighted average rate	Amount	Weighted average rate
2024	$ --	--	$ 50,000	2.23%
2025	202,100	2.91%	163,000	2.49%
2026	130,200	4.58%	100,000	4.45%
2027	113,890	3.89%	--	--
2028	74,300	4.56%	60,000	4.63%
2029	62,000	4.30%	--	--
2030 and after	100,000	1.37%	100,000	1.37%
	$ 682,490	3.47%	$ 473,000	2.91%

The Bank's advances from FHLB have a fixed interest rate and require monthly interest payments, with a single principal payment due at maturity. At September 30, 2024 and 2023, the Bank had no advances that were callable at the option of the Federal Home Loan Bank.

During fiscal 2023, the Bank borrowed $100 million from the FRB's Bank Term Funding Program, which was secured by investment securities, mortgage-backed securities and first mortgage loans with aggregate unpaid principal balances equal to approximately 109% of allowable advances. Such FRB borrowings, which had a weighted average rate of 4.5% at September 30, 2023, were repaid during the fiscal year ending September 30, 2024.

(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 had a variable rate of 1.91% over the 3-month CME Term SOFR at September 30, 2023. The debentures had a 30-year term and were the sole assets of the Trust. In exchange for the capital contributions made to the Trust by the Company upon formation, the Company owned 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 remained on the records of the Trust. The Trust Preferred Securities were included in Tier I capital for regulatory capital purposes at September 30, 2023.

The Trust Preferred Securities had a variable interest rate of 1.91% over the 3-month CME Term SOFR at September 30, 2023. The Trust Preferred Securities were mandatorily redeemable upon the 30-year term of the debentures, or upon earlier redemption as provided in the Indenture. The debentures were 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 were subordinate to all other debt of the Company and interest may be deferred up to five years.

On April 30, 2024, the Company redeemed its $25.0 million of outstanding Trust Preferred Securities at the contractual call price of 100% plus accrued interest payable. The related $25.0 million of subordinated debentures issued by the Company to the Trust were repaid as part of the redemption transaction.

(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:

	2024	2023
Statutory federal income tax rate	21.0%	21.0%
State income taxes, net of federal benefit	2.5	2.3
Other, net	(3.0)	1.3
	20.5%	24.6%

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.

		2024	2023
Deferred loan fees and costs	$	(22)	198
Tax depreciation vs. book depreciation		(329)	(613)
Mortgage servicing rights		(945)	132
Loan loss reserves		(654)	38
Mark-to-market adjustment		(1,461)	942
Accrued expenses		(158)	469
Prepaid expenses		76	(58)
Impairment loss on LLCs		341	18
Other		(244)	37
	$	(3,396)	1,163

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.

		2024	2023
Deferred income tax assets:			
Loan loss reserves	$	8,221	7,567
Unrealized loss on securities available for sale		3,369	8,114
Accrued expenses		677	519
Impairment loss on LLCs		441	782
		12,708	16,982
Deferred income tax liabilities:			
Basis difference on investments		(4)	(4)
Deferred loan fees and costs		(3,213)	(3,235)
Tax depreciation in excess of book depreciation		(649)	(978)
Mortgage servicing rights		(5,599)	(6,544)
Mark-to-market adjustment		(868)	(2,329)
Prepaid expenses		(284)	(208)
Other		177	(68)
		(10,440)	(13,366)
Net deferred tax asset	$	2,268	3,616

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 2021 through 2023 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(14) STOCKHOLDERS' EQUITY

During fiscal 2024, the Company paid cash dividends on common stock of $0.25 per share on December 29, 2023, March 22, 2024, June 28, 2024, and September 27, 2024.

During fiscal 2023, the Company paid cash dividends on common stock of $0.85 per share on December 30, 2022, and $0.25 per share on March 31, 2023, June 30, 2023, and September 30, 2023.

During fiscal 2024, the Company repurchased 172,711 shares of its own stock with a value of $6.2 million at the time of repurchase. During fiscal 2023, the Company repurchased 24,036 shares of its own stock with a value of $783,000 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, 2024, 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, 2024, 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, 2024					
	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage ratio	406,736	13.9%	117,270	≥4%	146,587	≥5%
CET1 capital ratio	406,736	22.0%	83,093	≥4.5%	120,024	≥6.5%
Tier 1 capital ratio	406,736	22.0%	110,791	≥6%	147,721	≥8%
Total capital ratio	429,918	23.3%	147,721	≥8%	184,652	≥10%

	As of September 30, 2023					
	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage ratio	415,591	15.0%	111,098	≥4%	138,873	≥5%
CET1 capital ratio	415,591	25.0%	74,770	≥4.5%	108,001	≥6.5%
Tier 1 capital ratio	415,591	25.0%	99,693	≥6%	132,925	≥8%
Total capital ratio	436,473	26.3%	132,925	≥8%	166,156	≥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 $540,000 and $706,000 for the years ended September 30, 2024 and 2023, 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 2024 and 2023. Dollar amounts are expressed in thousands.

		2024	2023
Stock options	$	--	--
Restricted stock awards		362	402
Total stock-based compensation	$	362	402

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 2024 and 2023.

	Number of shares		Weighted avg. exercise price per share		Range of exercise price per share
Options outstanding at October 1, 2022	21,450	$	36.53	$	36.53
Exercised	--		--		--
Options outstanding at September 30, 2023	21,450	$	36.53	$	36.53
Exercised	--		--		--
Options outstanding at September 30, 2024	21,450	$	36.53	$	36.53

The weighted average remaining contractual life of options outstanding at September 30, 2024 and 2023 were 2.5 years and 3.5 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2024.

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

All the options outstanding at September 30, 2024, 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, 2024.

	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	2.5 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 2024 and 2023.

	Number of shares	Weighted avg. grant date fair value
Unvested restricted stock at October 1, 2022	20,339	$ 60.72
Vested	(9,862)	58.96
Forfeited	(8,755)	57.89
Granted	10,758	53.00
Unvested restricted stock at September 30, 2023	12,480	$ 57.44
Vested	(6,120)	58.92
Forfeited	--	--
Granted	13,519	26.64
Unvested restricted stock at September 30, 2024	19,879	$ 36.03

Unrecognized stock-based compensation related to restricted stock grants issued through September 30, 2024, was $389,000 and is expected to be recognized over 1.7 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, 2024, the Bank had outstanding commitments to originate $62.8 million in construction and development loans, $30.5 million of fixed rate residential first mortgage loans, and $385,000 of adjustable rate residential first mortgage loans. Construction and development loan commitments have approximate average committed rates of 8.7%. Residential mortgage loan commitments have an approximate average committed rate of 6.4% and approximate average fees and discounts of 1.2%. The interest rate commitments on residential loans generally expire 60 days after the commitment date. Interest rate commitments on construction and development loans have varying terms to expiration. As of September 30, 2024, the Bank had outstanding commitments related to construction and development lines of credit secured by real estate of $1.0 million and stand-by letters of credit of $972,000. In addition, the Bank had outstanding commitments related to installment lines of credit of $613,000 at September 30, 2024.

As of September 30, 2023, the Bank had outstanding commitments to originate $17.9 million in construction and development loans and $29.5 million of fixed rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 8.5%. Residential mortgage loan commitments have an approximate average committed rate of 8.4% and approximate average fees and discounts of 1.7%. 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, 2023, the Bank had outstanding commitments related to commercial lines of credit secured by real estate of $34.5 million and stand-by letters of credit of $1.5 million. In addition, the Bank had outstanding commitments related to installment lines of credit of $719,000 at September 30, 2023.

At September 30, 2024 and 2023, the Bank had commitments to sell loans of approximately $23.0 million and $7.5 million, respectively. These instruments contain an element of risk in the event that other parties are unable to meet the terms of such agreements. In such event, the Bank's loans receivable held for sale would be exposed to market fluctuations. Management does not expect any other party to default on its obligations and, therefore, does not expect to incur any costs due to such possible default.

(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, 2024 and 2023, 2.31% and 0.94% 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 $60,000 more than the aggregate unpaid principal balance at September 30, 2024, and $63,000 greater than the aggregate unpaid principal balance at September 30, 2023. 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 an increase in other assets of $168,000, no change in other liabilities, and an increase in mortgage banking income of $168,000 for the year ended September 30, 2024. The Company recorded a decrease in other assets of $162,000, a decrease in other liabilities of $4.4 million, and an increase in mortgage banking income of $4.2 million for the year ended September 30, 2023.

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 $3,000, no change in other liabilities, and a decrease in mortgage banking income of $3,000 during the year ended September 30, 2024. The Company recorded a decrease in other assets of $24,000, an increase in other liabilities of $28,000, and a decrease in mortgage banking income of $52,000 during the year ended September 30, 2023

The Company also has typically entered into mandatory commitments to sell loans that have closed prior to the end of the period, although there are no such commitments at September 30, 2024 and 2023. Due to the mark to market adjustment on commitments to sell such loans held for sale in prior periods of fiscal 2023, the Company recorded a decrease in other assets of $69,000, a decrease in other liabilities of $1.5 million, and an increase in mortgage banking income of $1.4 million during the year ended September 30, 2023.

In addition, the Company has typically entered into forward sales commitments of mortgage-backed securities that have not settled prior to the end of the period, although there are no such commitments at September 30, 2024 and 2023. Due to the mark to market adjustment on forward sales of mortgage-backed securities in prior periods of fiscal 2023, the Company recorded a decrease in other assets of $9.1 million, a decrease in other liabilities of $70,000, and a decrease in mortgage banking income of $9.0 million during the year ended September 30, 2023.

The balance of derivative instruments related to commitments to originate and sell loans at September 30, 2024 and 2023, 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:

Securities and Mortgage-backed securities available for sale

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. 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, default rates, and float revenue. 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, 2024 (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	$ 220,034	--	220,034	--
U.S. Treasury notes	45,058	45,058	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA	4,828	--	4,828	--
Pass through certificates guaranteed by FNMA	42,244	--	42,244	--
FHLMC participation certificates	18,074	--	18,074	--
Loans held for sale	3,297	--	3,297	--
Mortgage servicing rights	22,491	--	--	22,491
Commitments to originate loans	254	--	--	254
Total assets	$ 356,280	45,058	288,477	22,745
Liabilities:				
Commitments to originate loans	$ --	--	--	--
Forward sales commitments	--	--	--	--
Total liabilities	$ --	--	--	--

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, 2023 (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	$ 132,465	--	132,465	--
Municipal securities	--	--	--	--
U.S. Treasury notes	41,316	41,316	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA	5,186	--	5,186	--
Pass through certificates guaranteed By FNMA	41,113	--	41,113	--
FHLMC participation certificates	17,606	--	17,606	--
Loans held for sale	4,586	--	4,586	--
Mortgage servicing rights	26,281	--	--	26,281
Commitments to originate loans	86	--	--	86
Total assets	$ 268,639	41,316	200,956	26,367
Liabilities:				
Commitments to originate loans	$ --	--	--	--
Forward sales commitments	--	--	--	--
Total liabilities	$ --	--	--	--

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, 2022	$ (4,120)	25,736
Issuances	--	1,708
Total realized and unrealized losses:		
Included in net income	4,206	(1,163)
Balance at September 30, 2023	$ 86	26,281
Issuances	--	46
Total realized and unrealized gains (losses):		
Included in net income	168	(3,836)
Balance at September 30, 2024	$ 254	22,491

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2024, are reported in the consolidated statements of operations as follows (in thousands):

	Mortgage Banking Income
Total gains	$ 168
Changes in unrealized gains relating to assets still held at the balance sheet date	$ 276

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2023, are reported in the consolidated statements of operations as follows (in thousands):

	Mortgage Banking Income
Total losses	$ 4,206
Changes in unrealized gains relating to assets still held at the balance sheet date	$ 112

The following table presents quantitative information about recurring Level 3 fair value instruments and the fair value measurements as of September 30, 2024.

Unobservable Input	Range	Weighted Average
Commitments to origination loans:		
Loan funding probability	70% - 90%	90%
Mortgage servicing rights:		
Discount rate	10.0% - 11.0%	10.3%
Prepayment rate	6.0% - 10.8%	7.7%

The following table presents quantitative information about recurring Level 3 fair value instruments and the fair value measurements as of September 30, 2023.

Unobservable Input	Range	Weighted Average
Commitments to origination loans:		
Loan funding probability	70% - 90%	88%
Mortgage servicing rights:		
Discount rate	10.0% - 11.0%	10.3%
Prepayment rate	6.0% - 10.8%	7.4%

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:

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 $6.6 million and $8.5 million at September 30, 2024 and 2023, respectively. During fiscal 2024, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $1.4 million. During fiscal 2023, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $101,000.

Collateral Dependent Loans

Fair value estimates of collateral dependent loans that are individually reviewed are based on the fair value of the collateral, less estimated costs to sell. This method requires obtaining a current independent appraisal of the collateral and other internal assessments of value. Appraisals are obtained when a 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. Collateral dependent loans are classified within Level 3 of the fair value hierarchy.

The carrying value of collateral dependent loans that were re-measured during the years ended September 30, 2024 and 2023 was $2.1 million and $4.3 million, respectively.

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, 2024 (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	$ 315,177	315,177	--	--
Stock in Federal Home Loan Bank	32,430	--	32,430	--
Loans receivable held for investment	2,135,851	--	--	1,955,884
Accrued interest receivable	11,661	--	11,661	--
Financial Liabilities:				
Customer deposit accounts	1,672,066	--	--	1,620,912
Brokered deposit accounts	57,576	--	--	57,690
Advances from FHLB	682,490	--	--	668,662
Accrued interest payable	1,337	--	1,337	--

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, 2023 (in thousands):

	Carrying Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and cash equivalents	$ 405,191	405,191	--	--
Stock in Federal Home Loan Bank	22,019	--	22,019	--
Loans receivable held for investment	2,092,416	--	--	1,773,745
Accrued interest receivable	10,864	--	10,864	--
Financial Liabilities:				
Customer deposit accounts	1,635,820	--	--	1,693,289
Brokered deposit accounts	158,610	--	--	157,943
Advances from FHLB	473,000	--	--	440,786
Advances from Federal Reserve Bank	100,000	--	--	99,600
Subordinated debentures	25,774	--	--	20,361
Accrued interest payable	3,800	--	3,800	--

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, 2024		September 30, 2023	
	Contract or notional amount	Estimated unrealized gain (loss)	Contract or notional amount	Estimated unrealized gain (loss)
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 73,418	(55)	$ 43,041	(71)
Lending commitments – floating rate	--	--	4,359	7,115
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2024 and 2023. 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 2024	2023	Affected line item in the Statement of Operations
Unrealized gains on available for sale securities:			
	$ 1,362	--	Gain on disposal of securities available for sale
	--	--	Impairment loss on securities
	1,362	--	Total reclassified before tax
	(341)	--	Income tax expense
	$ 1,021	--	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 $1.2 and $1.3 million for the years ended September 30, 2024 and 2023, respectively.

Card Fee Income – Card fee income includes debit card interchange fees earned on a per transaction basis through the card payment networks, as well as ATM processing fees. The performance obligation for these fees is satisfied on a daily basis, concurrent with the settlement of such transactions. Revenue from card transactions is reported net of various interchange networks charges established by the payment networks. Card fee income totaled $700,000 and $683,000 for the years ended September 30, 2024 and 2023, 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 $31,000 and $238,000 for the years ended September 30, 2024 and 2023, respectively.

(26) SUBSEQUENT EVENT

Subsequent events have been evaluated through December 16, 2024, which is the date the consolidated financial statements were available to be issued.

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Independent Auditor's Report

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

Opinions on the Consolidated 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, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows 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, 2024 and 2023, 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, 2024, 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, 2024, 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.

Emphasis of Matter

As discussed in *Note 1* to the consolidated financial statements, NASB Financial, Inc. adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments,* as amended, on October 1, 2023. Our opinion is not modified with respect to this matter.

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 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 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

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 North American Savings Bank, F.S.B.'s internal control over financial reporting included controls over the preparation of NASB Financial, Inc.'s financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to the basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report Instructions). 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 consolidated 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 Mazars, LLP

Kansas City, Missouri
December 16, 2024

NASB
NORTH AMERICAN SAVINGS BANK

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

December 16, 2024

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, 2024. 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, 2024.

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

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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, 2024, 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, 2024, 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, 2024, has been audited by Forvis Mazars, LLP, an independent public accounting firm, as stated in their report dated December 16, 2024.

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

Thomas B. Wagers, Sr.
Chief Executive Officer

Rhonda Nyhus
Vice President
Chief Financial Officer & Treasurer

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Board of Directors of NASB Financial, Inc.

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Chairman
NASB Financial, Inc. and
North American Savings Bank

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

J. Enrique Venegas
President
NASB Financial, Inc. and
North American Savings Bank

Barrett Brady
Retired

Laura Brady
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Royal Street Ventures
Kansas City, Missouri

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Finial Point Capital Management
Shawnee Mission, Kansas

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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.
Chief Executive Officer

J. Enrique Venegas
President

Rhonda Nyhus
Vice President, Treasurer &
Corporate Secretary

Fred Azar
Vice President

John M. Nesselrode
Vice President

Dena Sanders
Vice President

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and
7012 NW Barry Road

Platte City, Missouri
2707 NW Prairie View Road

Harrisonville, Missouri
2002 East Mechanic

Excelsior Springs, Missouri
1001 North Jesse James Road

St. Joseph, Missouri
920 North Belt

Lexington, Missouri
205 South 13th Street

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 28, 2025, 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 Mazars, 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 customers seeking rewarding savings deposits and real estate loans that fit their unique needs and goals.

EQUAL HOUSING LENDER
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NMLS ID#: 400039

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