NASB Financial, Inc.

2010
ANNUAL REPORT

December 14, 2010

Dear Shareholder:

While we had positive results in many areas during the past year, our net income decreased by 66%, to $6,323,000. This reduction in income is primarily the result of a $30.5 million charge for loan losses and to provide for future, potential losses. These provisions are the result of the significant changes in real estate values, of new standards imposed by our regulators, and by underwriting decisions made by your management.

Earnings were further diminished by reductions in the values of our two real estate investments in Platte County. While we remain optimistic that our "Seven Bridges" residential development will ultimately be successful, there is no dispute that our project, as with most real estate developments, is less active than projected.

As we enter 2011, we are encouraged that we can build on several positive factors and improve our future results:

1) Earnings before loan loss provisions, expenses of repossessed real estate, impairment loss on LLCs, and income taxes increased by $6.6 million from the previous year, to $49.2 million. Net income, before the loss provisions for loans and repossessed real estate, but after tax considerations, produced returns on equity and assets of 15.07%/1.77%;

2) Retail deposits increased by approximately $170 million (24.4%). This decreased dependence on wholesale funding will provide more stability to the liability side of our company, and conforms more closely to expectations of our regulators;

3) Despite the poor financial performance in 2010, we did increase our book value per share, from $21.15 to $21.32. While this was a below average year, we have increased our book value, after allowing for dividends, by 15.4%, compounded annually, over the past ten years. The compound return over this period compares quite favorably with other institutions in our industry;

4) Total assets decreased to $1.43 billion, from $1.56 billion the previous year. This decrease is primarily due to a $120.4 million decrease in residential construction and development loans. The 37% reduction in this category reflects the decreased activity in this industry, and the exit from this business of many marginal companies. It is not an indication that we do not intend to remain active in this area. NASB has strong relationships with many of the best builders and developers in the Kansas City area, and intends to continue in this business;

5) We increased our net interest margin from 3.18%, to 3.89%. We should continue this trend in 2011, as we have significant re-pricing opportunities in the early part of this year;

6) During our fiscal 2010 we increased the Bank's core capital to $167.4 million. This 11.9% equity ratio significantly exceeds the newly increased requirements imposed by the new financial regulations, and continues to provide a strong foundation for our future success.

We are disappointed in our 2010 financial results. I assure you that your management is diligently working to attempt better performance in the future.

Thank you for your continued support of NASB.

Sincerely,

David H. Hancock
Board Chairman

NASB Financial, Inc.
2010 Annual Report

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Financial Highlights

		2010	2009	2008	2007	2000	1990
		(Dollars in thousands, except per share data)					
For the year ended September 30:							
Net interest income	$	53,848	47,405	39,015	41,679	35,838	7,983
Net interest spread		3.73%	2.95%	2.36%	2.53%	3.71%	1.99%
Other income	$	43,580	40,494	18,407	21,198	9,409	2,774
General and administrative expenses		57,667	46,716	36,819	36,329	20,120	8,169
Net income (loss)		6,323	18,790	9,296	15,319	14,721	(369)
Basic earnings per share		0.80	2.38	1.18	1.89	1.66	(0.18)
Cash dividends paid		3,540	7,080	7,080	7,337	3,370	--
Dividend payout ratio		55.99%	37.84%	76.16%	47.90%	22.89%	--
At year end:							
Assets	$	1,434,196	1,559,562	1,516,761	1,506,483	984,525	388,477
Loans, net		1,220,886	1,320,362	1,344,520	1,316,592	914,012	180,348
Investment securities		76,511	80,618	60,059	80,881	20,451	179,599
Customer and brokered deposit accounts		933,453	904,625	769,379	855,536	621,665	333,634
Stockholders' equity		167,762	166,388	152,412	149,392	83,661	16,772
Book value per share		21.32	21.15	19.37	18.99	9.84	1.83
Basic shares outstanding (in thousands)		7,868	7,868	7,868	7,868	8,500	9,148
Other Financial Data:							
Return on average assets		0.42%	1.22%	0.61%	1.01%	1.63%	(0.20)%
Return on average equity		3.78%	11.74%	6.16%	10.01%	18.12%	(2.50)%
Stockholders' equity to assets		11.70%	10.67%	10.05%	9.92%	8.50%	4.30%
Average shares outstanding (in thousands)		7,868	7,868	7,868	8,101	8,863	8,116
Selected year end information:							
Stock price per share: Bid	$	15.90	25.96	29.41	35.76	14.50	1.03
Ask		16.79	26.27	31.00	35.80	15.50	1.13

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

Selected Consolidated Financial and Other Data

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

SUMMARY STATEMENT OF OPERATIONS		2010	2009	2008	2007	2006
Interest income	$	83,216	89,825	95,521	103,818	99,132
Interest expense		29,368	42,420	56,506	62,139	52,521
Net interest income		53,848	47,405	39,015	41,679	46,611
Provision for loan losses		30,500	11,250	6,200	1,634	745
Net interest income after provision for loan losses		23,348	36,155	32,815	40,045	45,866
Other income		43,580	40,494	18,407	21,198	24,524
General and administrative expenses		57,667	46,716	36,819	36,329	37,248
Income before income tax expense		9,261	29,933	14,403	24,914	33,142
Income tax expense		2,938	11,224	5,107	9,595	12,374
Net income	$	6,323	18,709	9,296	15,319	20,768
Earnings per share:						
Basic	$	0.80	2.38	1.18	1.89	2.47
Diluted		0.80	2.38	1.18	1.88	2.46
Average shares outstanding (in thousands)		7,868	7,868	7,868	8,101	8,397

SUMMARY BALANCE SHEET		2010	2009	2008	2007	2006
Assets:						
Bank deposits	$	9,669	60,771	6,331	18,847	6,511
Stock in Federal Home Loan Bank		15,873	26,640	26,284	22,307	24,043
Securities		76,511	80,618	60,059	80,881	97,584
Loans receivable held for sale, net		179,845	81,367	64,030	47,233	50,462
Loans receivable held for investment, net		1,041,041	1,238,995	1,280,490	1,269,359	1,287,709
Non-interest earning assets		111,257	71,171	79,567	67,856	58,487
Total assets	$	1,434,196	1,559,562	1,516,761	1,506,483	1,524,796
Liabilities:						
Customer & brokered deposit accounts	$	933,453	904,625	769,379	855,536	851,042
Advances from Federal Home Loan Bank		286,000	441,026	550,091	458,933	499,357
Subordinated debentures		25,774	25,774	25,774	25,774	--
Non-interest costing liabilities		21,207	21,749	19,105	16,848	17,825
Total liabilities		1,266,434	1,393,174	1,364,349	1,357,091	1,368,224
Stockholders' equity		167,762	166,388	152,412	149,392	156,572
Total liabilities and stockholders' equity	$	1,434,196	1,559,562	1,516,761	1,506,483	1,524,796
Book value per share	$	21.32	21.15	19.37	18.99	18.82

OTHER DATA		2010	2009	2008	2007	2006
Loans serviced for others	$	60,637	93,350	65,253	84,735	101,076
Number of full service branches		9	9	9	9	8
Number of employees (full-time equivalents)		398	367	322	312	362
Basic shares outstanding (in thousands)		7,868	7,868	7,868	7,868	8,319

General

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

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

Forward-Looking Statements

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

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

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

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

Financial Condition

Total assets as of September 30, 2010, were $1,434.2 million, a decrease of $125.4 million from the prior year-end. Average interest-earning assets decreased $107.0 million from the prior year to $1,384.1 million.

As the Bank originates loans each month, management evaluates the existing market conditions to determine which loans will be held in the Bank's portfolio and which loans will be sold in the secondary market. Residential mortgage loans sold in the secondary market are sold with servicing released or converted into mortgage-backed securities ("MBS") and sold with the servicing retained by the Bank. At the time of each loan commitment, a decision is made to either hold the loan for investment, hold it for sale with servicing retained, or hold it for sale with servicing released. Management monitors market conditions to decide whether loans should be held in the portfolio or sold and if sold, which method of sale is appropriate. During the year ended September 30, 2010, the Bank originated and purchased $1,765.6 million in mortgage loans held for sale, $103.8 million in mortgage loans held for investment, and $3.1 million in other loans. This total of $1,872.5 million in loan originations was an increase of $68.3 million over the prior fiscal year.

Loans held for sale as of September 30, 2010, were $179.8 million, an increase of $98.5 million from September 30, 2009. This portfolio consisted entirely of residential mortgage loans originated by the Company's mortgage banking division that will be sold with servicing released. The Company has elected to carry loans held for sale at fair value, as permitted under GAAP.

The balance of total loans held for investment at September 30, 2010, was $1,073.4 million, a decrease of $186.3 million from September 30, 2009. This decrease related primarily to the Bank's residential construction and development loan portfolio. During fiscal 2010, total originations and purchases of mortgage loans and other loans held for investment were $106.9 million. The gross balance of loans on business properties was $450.3 million at September 30, 2010, compared to $474.5 million as of the previous year-end. The gross balance of construction and development loans was $208.0 million at September 30, 2010, a decrease of $121.4 million.

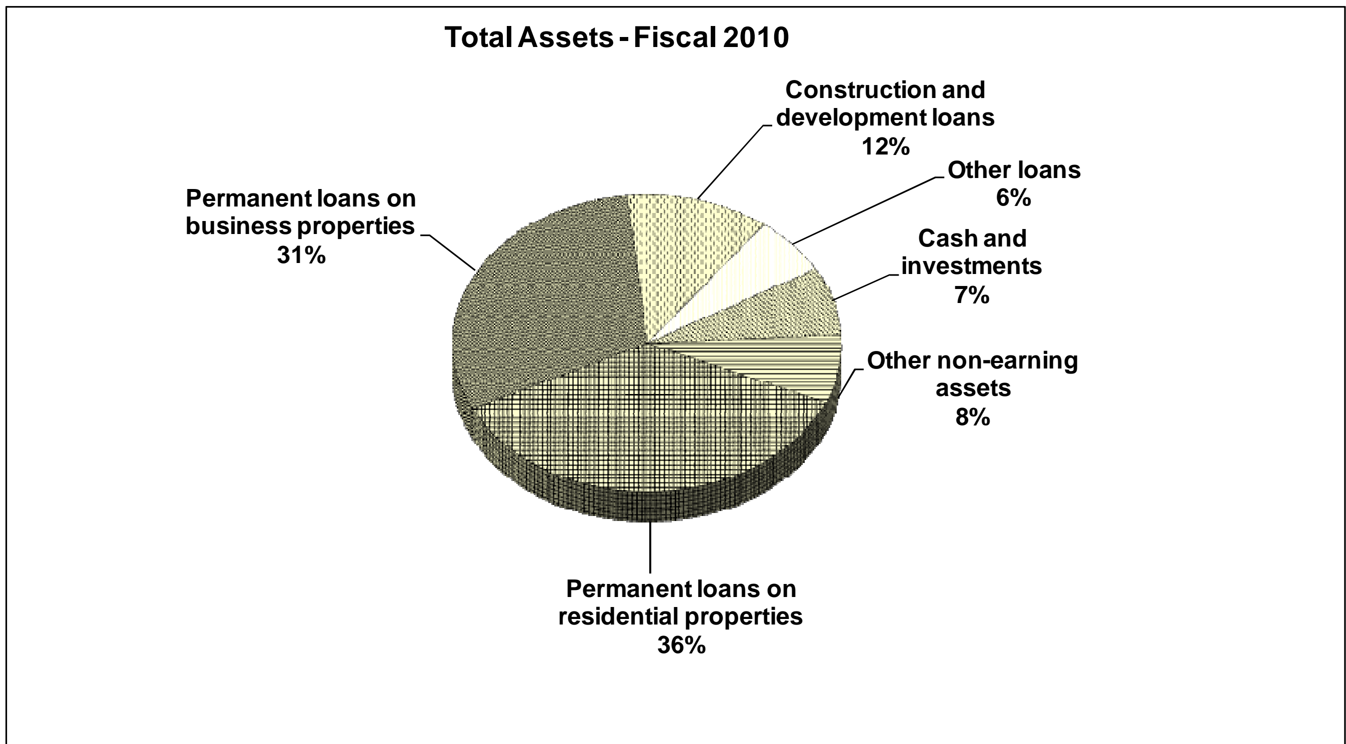
Investment securities were $29.3 million as of September 30, 2010, an increase of $6.4 million from September 30, 2009. During fiscal year 2010, the Bank purchased securities of $50.4 million and sold $46.5 million of securities available for sale. The Company realized gross gains of $4.1 million and no gross losses on the sale of securities available for sale during the year. Funds resulting from the sale of these securities were used to reduce Company's reliance on brokered deposits.

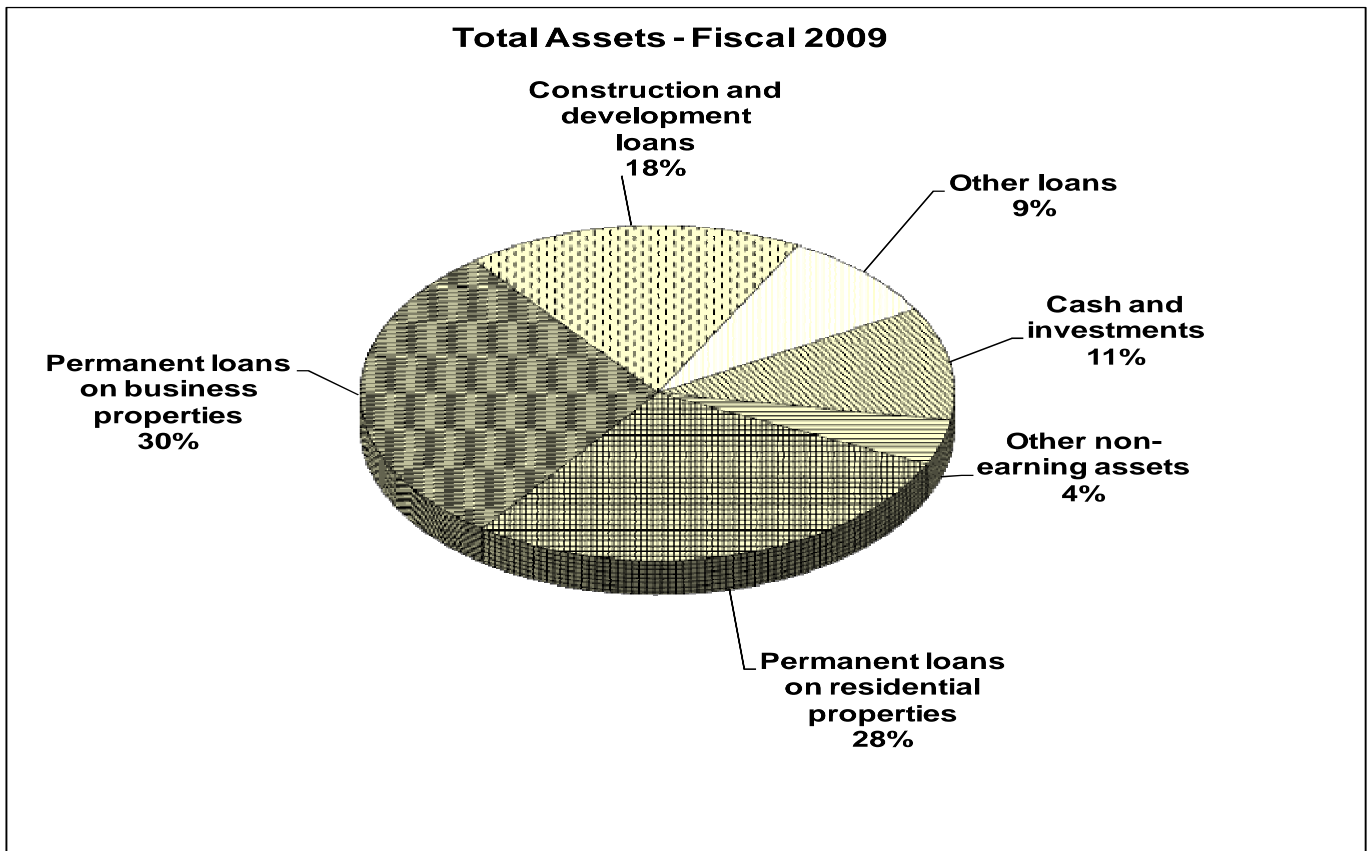
Mortgage-backed securities were $47.2 million as of September 30, 2010, a decrease of $10.5 million from the prior year end. During fiscal 2010, the Bank purchased mortgage-backed securities of $54.8 million and sold $51.2 million of mortgage-backed securities available for sale. The Company realized gross gains of $1.4 million and gross losses of $8,000 on the sale of mortgage-backed securities available for sale during the year. This activity was related to a restructuring of the Company's mortgage-backed securities portfolio which resulted in an increased yield on such assets. The average yield on the mortgage-backed securities portfolio was 4.88% at September 30, 2010, compared to 4.48% at September 30, 2009.

The Company's investment in LLCs, which is accounted for using the equity method, was $17.8 million at September 30, 2010, a decrease of $3.2 million from September 30, 2009. During fiscal year 2010, the Company recorded a $2.0 million impairment charge related to its investment in Central Platte Holdings, LLC ("Central Platte") and a $1.1 million impairment charge related to its investment in NBH Holdings, LLC ("NBH"). The Company's investment in Central Platte was $16.4 million at September 30, 2010. The Company's investment in NBH was $1.3 million at September 30, 2010.

The balance of mortgage servicing rights at September 30, 2010, was $263,000, a decrease of $88,000 from September 30, 2009. Originated mortgage servicing rights of $5,000 were capitalized during the year ended September 30, 2010. The total outstanding balance of mortgage loans serviced for others was $60.6 million, a decrease of $32.7 million from the prior fiscal year-end.

The following graphs summarize the Company's total assets as of September 30, 2010 and 2009:





Total liabilities were $1,266.4 million at September 30, 2010, a decrease of $126.7 million from the previous year. Average interest-costing liabilities during fiscal year 2010 were $1,289.4 million, a decrease of $94.5 million from fiscal 2009.

Total customer deposit accounts at September 30, 2010, were $866.6 million, an increase of $169.8 million from the prior year-end. The total change in customer deposits was comprised of increases of $157.7 million in certificates of deposit, $7.2 million in savings accounts and $5.0 million in money market demand accounts, offset by a decrease of $253,000 in demand deposit accounts. The Company held a total of $66.9 million in brokered deposits at September 30, 2010, a decrease of $141.0 million from September 30, 2009. This decrease was the result of the Company's efforts to reduce its reliance on brokered deposits. The average interest rate on customer and brokered deposits at September 30, 2010, was 1.86%, a decrease of 37 basis points from the prior year-end. The average balance of customer and brokered deposits during fiscal 2010 was $884.3 million, an increase of $16.4 million from fiscal 2009.

Advances from the FHLB were $286.0 million at September 30, 2010, a decrease of $155.0 million from the prior fiscal year-end. During fiscal year 2010, the Bank borrowed $98.0 million of new advances and made $253.0 million of repayments. Management continues to use FHLB advances as a primary funding source to provide operating liquidity and to fund the origination of mortgage loans.

Subordinated debentures were $25.8 million as of September 30, 2010. Such debentures resulted from the issuance of pooled Trust Preferred Securities through the Company's wholly owned statutory trust, NASB Preferred Trust I during fiscal 2007. The Trust used the proceeds from the offering to purchase a like amount of the Company's subordinated debentures. The debentures, which have a variable rate of 1.65% over the 3-month LIBOR and a 30-year term, are the sole assets of the Trust. The debentures are callable, in whole or in part, after five years from the issuance date.

Total stockholders' equity as of September 30, 2010 was $167.8 million (11.7% of total assets). This compares to $166.4 million (10.7% of total assets) at September 30, 2009. On a per share basis, stockholders' equity was $21.32 on September 30, 2010, compared to $21.15 on September 30, 2009.

During the year ended September 30, 2010, the Company paid a total of $3.5 million in cash dividends to its stockholders. In accordance with the April 2010 agreement with the Office of Thrift Supervision, which is described more fully in Footnote 26, the Company is restricted from the payment of dividends or other capital distributions during the period of the agreement without prior written consent from the Office of Thrift Supervision.

Net Interest Margin

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

During fiscal year 2010, average interest-earning assets exceeded average interest-costing liabilities by $94.7 million, which was 6.5% of average total assets. In fiscal year 2009, average interest-earning assets exceeded average interest-costing liabilities by $107.1 million, which was 6.9% of average total assets.

The net interest spread (earning yield less costing rate) for the fiscal year ended September 30, 2010, was 3.73%, an increase of 78 basis points from the prior year. The net interest spread for the fiscal year ended September 30, 2009, was 2.95%, an increase of 59 basis points from the prior year.

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

	Fiscal 2010			As of 9/30/10	Fiscal 2009			As of 9/30/09	Fiscal 2008			As of 9/30/08
	Average Balance	Interest	Yield/ Rate	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Yield/ Rate
Interest-earning assets:												
Loans receivable	$ 1,262,456	78,508	6.22%	5.97%	$ 1,352,561	84,934	6.28%	6.29%	$ 1,363,032	91,635	6.72%	6.49%
Mortgage-backed securities	65,420	3,175	4.85%	4.88%	54,674	2,042	3.73%	4.48%	71,196	2,546	3.58%	4.10%
Investments	35,806	1,521	4.25%	5.20%	57,554	2,750	4.78%	3.51%	25,909	1,086	4.19%	4.00%
Bank deposits	20,384	12	0.06%	0.01%	26,264	99	0.38%	0.01%	11,953	254	2.12%	1.22%
Total earning assets	1,384,066	83,216	6.01%	5.86%	1,491,053	89,825	6.02%	5.88%	1,472,090	95,521	6.49%	6.32%
Non-earning assets	79,656				65,063				61,057			
Total	$ 1,463,722				$ 1,556,116				$ 1,533,147			
Interest-costing liabilities:												
Customer checking and savings deposit accounts	$ 185,281	1,110	0.60%	0.50%	$ 169,124	1,487	0.88%	0.80%	$ 166,076	1,925	1.16%	1.01%
Customer and brokered certificates of deposit	699,011	16,366	2.34%	2.21%	698,747	23,524	3.37%	2.58%	639,113	28,814	4.51%	4.21%
FHLB advances	380,112	11,388	3.00%	3.44%	491,040	16,552	3.37%	2.99%	536,344	24,410	4.55%	4.07%
Subordinated debentures	25,000	504	2.02%	2.13%	25,000	857	3.42%	2.14%	25,000	1,357	5.43%	4.45%
Total costing liabilities	1,289,404	29,368	2.28%	2.23%	1,383,911	42,420	3.07%	2.47%	1,366,533	56,506	4.13%	3.77%
Non-costing liabilities	6,269				13,617				15,291			
Stockholders' equity	168,049				158,588				151,323			
Total	$ 1,463,722				$ 1,556,116				$ 1,533,147			
Net earning balance	$ 94,662				$ 107,142				$ 105,557			
Earning yield less costing rate			3.73%	3.63%			2.95%	3.41%			2.36%	2.55%
Avg. interest-earning assets	$ 1,384,066				$ 1,491,053				$ 1,472,090			
Net interest		53,848				47,405				39,015		
Net yield spread on avg. interest-earning assets			3.89%				3.18%				2.65%	

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

	Year ended September 30, 2010 compared to year ended September 30, 2009			
	Rate	Volume	Rate/ Volume	Total
Components of interest income:				
Loans receivable	$ (812)	(5,659)	45	(6,426)
Mortgage-backed securities	612	401	120	1,133
Investments	(305)	(1,040)	116	(1,229)
Bank deposits	(84)	(22)	19	(87)
Net change in interest income	(589)	(6,320)	300	(6,609)
Components of interest expense:				
Customer and brokered deposit accounts	(7,811)	473	(197)	(7,535)
FHLB advances	(1,817)	(3,738)	391	(5,164)
Subordinated debentures	(350)	--	(3)	(353)
Net change in interest expense	(9,978)	(3,265)	191	(13,052)
Increase (decrease) in net interest income	$ 9,389	(3,055)	109	6,443

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

Comparison of Years Ended September 30, 2010 and 2009

For the fiscal year ended September 30, 2010, the Company had net income of $6.3 million, or $0.80 per share, compared to net income $18.7 million, or $2.38 per share in the prior year.

Total interest income for the year ended September 30, 2010, was $83.2 million, a decrease of $6.6 million from fiscal year 2009. The average yield on interest-earning assets decreased slightly during fiscal 2010 to 6.01% from 6.02% during fiscal 2009, which resulted in a decrease in interest income of $589,000. The average balance of interest-earning assets decreased from $1,491.1 million during fiscal 2009 to $1,384.1 million during fiscal 2010, resulting in a decrease in interest income of $6.3 million.

Interest income on loans decreased $6.4 million to $78.5 million in fiscal 2010, compared to $84.9 million during fiscal 2009. A decrease of $5.7 million resulted from a $90.1 million decrease in the average balance of loans outstanding over the prior year. Additionally, a decrease of $812,000 resulted from a 6 basis point decrease in the average yield on loans outstanding during the fiscal year. The weighted average rate on loans receivable at September 30, 2010, was 5.97%, a 32 basis point decrease from September 30, 2009. Interest income on mortgage-backed securities increased $1.1 million to $3.2 million in fiscal 2010, compared to $2.0 million during fiscal 2009. An increase of $401,000 resulted from a $10.7 million increase in the average balance of mortgage-backed securities from the prior year. Additionally, an increase of $612,000 was the result of a 112 basis point increase in the average yield on mortgage-backed securities during the fiscal year. Interest and dividend income on investment securities decreased $1.2 million to $1.5 million in fiscal 2010, compared to $2.8 million during fiscal 2009. A decrease of $1.0 million resulted from a $21.7 million decrease in the average balance of investment securities from the prior year. In addition, interest and dividend income on investment securities decreased as a result of a 53 basis point decrease in the average yield on investment securities during the fiscal year.

Total interest expense during the year ended September 30, 2010, decreased $13.1 million from the prior year. Specifically, interest on customer and brokered deposit accounts decreased $7.5 million during fiscal 2010. Of that decrease, approximately $7.8 million resulted from a 90 basis point decrease in the average rate paid on such interest-costing liabilities. This decrease was partially offset by a $473,000 increase in interest on customer and brokered deposits which resulted from a $16.4 million increase in the average balance of such liabilities. A decrease in interest on FHLB advances of approximately $3.7 million resulted from a $110.9 million decrease in the average balance of FHLB advances over the prior year. Additionally, the average rate paid on FHLB advances decreased 37 basis points, which resulted in a decrease in interest on FHLB advances of approximately $1.8 million from fiscal year 2009. Management continues to use FHLB advances as a primary source of short-term financing. Interest expense on subordinated debentures decreased $353,000 resulting from a 140 basis point decrease in the average rate paid on such liabilities from the prior year.

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

The provision for losses on loans was $30.5 million during the year ended September 30, 2010, compared to $11.3 million during fiscal 2009. The allowance for loan losses was $32.3 million or 3.01% of the total loan portfolio held for investment and approximately 110% of total nonaccrual loans as of September 30, 2010. This compares with an allowance for loan losses of $20.7 million or 1.64% of the total loan portfolio held for investment and approximately 51% of the total nonaccrual loans as of September 30, 2009. The increase in the allowance for loan loss of $11.6 million resulted from the $30.5 million provision for loss, which was partially offset by net charge-offs for the year of $18.9 million. The increase in the provision for loss from the prior year resulted primarily from increases in loans classified as substandard or loss during fiscal 2010. In addition, the Company enhanced its ALLL methodology during the fiscal year to incorporate a shorter historical loss "look-back" period, and to more formally document qualitative factors used to determine the appropriate level of allowance for losses on loans. Management believes that the provision for loan losses is sufficient to provide for a level of loan loss allowance at year end that would adequately absorb all estimated credit losses on outstanding balances over the subsequent twelve-month period. The provision can fluctuate based on changes in economic conditions, changes in the level of classified assets, changes in the amount of loan charge-offs and recoveries, or changes in other information available to management. Also, regulatory agencies review the Company's allowances for losses as a part of their examination process and they may require changes in loss provision amounts based on information available at the time of their examination

In accordance with the Supervisory Agreement of April 30, 2010, with the Office of Thrift Supervision, which is described more fully in Footnote 26, the Bank was required to engage a third-party consultant to perform an independent review of a significant portion of its non-homogenous loan portfolios, an independent assessment of its internal asset review structure, and an independent assessment of its allowance for loan and lease losses methodology. This review was completed during the quarter ended June 30, 2010, and resulted in an increase in classified assets, primarily in the Bank's residential land development portfolio. As new home and lot sales continue to slow in the current economic environment, management determined that the primary source of repayment for such loans was weakened and that it was prudent to classify them, typically as substandard. It should be noted that, although they are adversely classified, many of these loans continue to perform according to their contractual terms and, as such, are not deemed impaired at September 30, 2010.

With regard to loan portfolio concentrations at September 30, 2010, loans secured by business properties made up 32% of the Bank's total loans receivable, and 21% of the allowance for loan losses was allocated to such loans. This compares to 34% of total loans receivable and 43% of the allowance at September 30, 2009. At September 30, 2010, loans secured by residential properties made up 46% percent of the Bank's total loans receivable, and 14% of the allowance for loan losses was allocated to such loans. This compares to 34% of total loans receivable and 18% of the allowance at September 30, 2009. At September 30, 2010, construction and development loans made up 15% of the Bank's total loans receivable, and 59% percent of the allowance for loan losses was allocated to such loans. This compares to 23% of total loans receivable and 30% of the allowance at September 30, 2009.

Total other income for fiscal year 2010 was $43.6 million, an increase of $3.1 million from the amount earned in fiscal year 2009. Specifically, gain on sale of loans held for sale increased $7.6 million due to increased mortgage banking volume and spreads from the prior year. Gain on sale of securities available for sale increased $993,000 due to an increased volume of securities sold during the year. Customer service fees and charges increased $753,000 due primarily to an increase in miscellaneous loan origination fees resulting from the increase in mortgage banking volume. Loan servicing fees increased $295,000 due primarily to a decrease in capitalized servicing amortization, which resulted from a decrease in actual prepayments and estimated future repayments of the underlying mortgage loans during the period. These increases were partially offset by a $1.5 million decrease in other income related resulting from an increase in expenses related to foreclosed assets held for sale. Provision for loss on real estate owned increased $1.9 million due primarily to deterioration in the value of foreclosed assets held for sale during the year. In addition, the Company recorded a $3.1 million impairment charge related to the Company's investment in LLCs during fiscal 2010.

Total general and administrative expenses for fiscal 2010 were $57.7 million, an increase of $11.0 million from the prior year. Specifically, compensation and fringe benefits increased $1.1 million due primarily to the addition of personnel in the Company's information technology, mortgage banking, and loan servicing departments. Commission-based mortgage banking compensation increased $4.5 million due primarily to an increase in mortgage banking volume and spreads from the prior year. Federal deposit insurance premium expense increased $1.6 million due to an increase in insurance rates during the year. Advertising and business promotion expense increased $869,000 from the prior year due to costs related the Company's rebranding efforts and due to an increase in costs related to the mortgage banking operation. Premises and equipment expenses increased $248,000 due primarily to increased depreciation and maintenance costs related to the Company's software applications. Additionally, other expense increased $2.7 million from the prior year due primarily to increases in legal, consulting, and audit fees and other operating expenses related to the Company's lending operations.

Comparison of Years Ended September 30, 2009 and 2008

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

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

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

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

The provision for losses on loans was $11.3 million during the year ended September 30, 2009, compared to $6.2 million during fiscal 2008. The allowance for loan losses was $20.7 million or 1.64% of the total loan portfolio held for investment and approximately 51% of total nonaccrual loans as of September 30, 2009. This compares with an allowance for loan losses of $13.8 million or 1.07% of the total loan portfolio held for investment and approximately 39% of the total nonaccrual loans as of September 30, 2008. The increase in the allowance for loan loss of $6.9 million resulted from the $11.3 million provision for loss, which was partially offset by net charge-offs for the year of $4.4 million. The increase in the provision for loss from the prior year related primarily to significant increases in loans classified as substandard or loss. Additionally, management determined that the significant increase in the allowance for loan loss was appropriate due to the continued deterioration in the real estate markets. With regard to loan portfolio concentrations at September 30, 2009, loans secured by business properties made up 34% of the Bank's total loans receivable, and 43% of the allowance for loan losses was allocated to such loans. This compares to 34% of total loans receivable and 41% of the allowance at September 30, 2008. At September 30, 2009, loans secured by residential properties made up 34% of the Bank's total loans receivable, and 18% of the allowance for loan losses was allocated to such loans. This compares to 31% of total loans receivable and 9% of the allowance at September 30, 2008. At September 30, 2009, construction and development loans made up 23% of the Bank's total loans receivable, and 30% of the allowance for loan losses was allocated to such loans. This compares to 27% of total loans receivable and 41% of the allowance at September 30, 2008. Management believes that the provision for loan losses is sufficient to provide for a level of loan loss allowance at year end that would adequately absorb all estimated credit losses on outstanding balances over the subsequent twelve-month period.

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

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

Asset/Liability Management

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

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

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

The following table is an interest rate sensitivity analysis, which summarizes information provided by the OTS that estimates the changes in NPV of the Bank's portfolio of assets, liabilities, and off-balance sheet items given a range of assumed changes in market interest rates. These computations estimate the effect on the Bank's NPV of an instantaneous and sustained change in market interest rates of plus and minus 300 basis points, as well as the Bank's current IRR policy limits on such estimated changes. The computations of the estimated effects of interest rate changes are based on numerous assumptions, including a constant relationship between the levels of various market interest rates and estimates of prepayments of financial assets. The OTS compiled this information using data from the Bank's Thrift Financial Report as of September 30, 2010. The model output data associated with the -200 and -300 basis point scenarios was suppressed because of the relatively low current interest rate environment. Dollar amounts are expressed in thousands.

Changes in market interest rates	Net portfolio value			NPV as % of PV of assets	
	$ Amount	$ Change	% Change	Actual	Board approved minimum
+ 3%	182,898	(69,937)	-28%	13.0%	6%
+ 2%	205,242	(47,593)	- 19%	14.2%	6%
+ 1%	230,074	(22,761)	-9%	15.6%	7%
no change	252,836	--	--	16.8%	8%
- 1%	270,778	17,942	+7%	17.6%	8%
- 2%	--	--	--	--	8%
- 3%	--	--	--	--	8%

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

Impact of Inflation and Changing Prices

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

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

Impact of Current Economic Conditions

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

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

Liquidity and Capital Resources

Effective July 18, 2001, the OTS adopted a rule that removed the regulation to maintain a specific average daily balance of liquid assets, but retained a provision that requires institutions to maintain sufficient liquidity to ensure their safe and sound operation. North American maintains a level of liquid assets adequate to meet the requirements of normal banking activities, including the repayment of maturing debt and potential deposit withdrawals. The Bank's primary sources of liquidity are the sale and repayment of loans, retention of existing or newly acquired retail deposits, and FHLB advances. Management continues to use FHLB advances as a primary source of short-term funding. FHLB advances are secured by a blanket pledge agreement of the loan and securities portfolio, as collateral, supported by quarterly reporting of eligible collateral to FHLB. Available FHLB borrowings are limited based upon a percentage of the Bank's assets and eligible collateral, as adjusted by appropriate eligibility and maintenance levels. Management continually monitors the balance of eligible collateral relative to the amount of advances outstanding. At September 30, 2010, the Bank had a total borrowing capacity at FHLB of $495.0 million, and outstanding advances of $286.0 million. The Bank has established relationships with various brokers, and, as a secondary source of liquidity, the Bank may purchase brokered deposit accounts.

The Bank entered into a Supervisory Agreement with the Office of Thrift Supervision on April 30, 2010, which, among other things, required the Bank to reduce its reliance on brokered deposits. The OTS subsequently approved the Bank's plan to reduce brokered deposits to $145.0 million by June 30, 2010, to $135.0 million by June 30, 2011 and to $125.0 million by June 30, 2012. As of September 30, 2010, the Bank's brokered deposits totaled $66.9 million. Thus, the Bank could acquire an additional $78.1 million in brokered deposits and still comply with the plan as of September 30, 2010.

Fluctuations in the level of interest rates typically impact prepayments on mortgage loans and mortgage related securities. During periods of falling rates, these prepayments increase and a greater demand exists for new loans. The Bank's ability to attract and retain customer deposits is partially impacted by area competition and by other alternative investment sources that may be available to the Bank's customers in various interest rate environments. Management believes that the Bank will retain most of its maturing time deposits in the foreseeable future. However, any material funding needs that may arise in the future can be reasonably satisfied through the use of additional FHLB advances and/or brokered deposits. The Bank's contingency liquidity sources include the Federal Reserve discount window and sales of securities available for sale. Management is not currently aware of any other trends, market conditions, or other economic factors that could materially impact the Bank's primary sources of funding or affect its future ability to meet obligations as they come due. Although future changes to the level of market interest rates is uncertain, management believes its sources of funding will continue to remain stable during upward and downward interest rate environments

Off Balance Sheet Arrangements and Contractual Obligations

Various commitments and contingent liabilities arise in the normal course of business, which are not required to be recorded on the balance sheet. The most significant of these are loan commitments and standby letters of credit. The bank had outstanding commitments to originate mortgage loans for its portfolio and standby letters of credit totaling $5.9 million and $1.3 million, respectively, at September 30, 2010. In addition, the Bank had outstanding commitments to originate mortgage loans totaling $298.1 million at September 30, 2010, which it had committed to sell to outside investors. Since commitments may expire unused or be only partially used, these totals do not necessarily reflect future cash requirements. Management does not anticipate any material losses arising from commitments and contingent liabilities and believes that there are no material commitments to extend credit that represent risk of an unusual nature.

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

The following table discloses payments due on the Company's contractual obligations at September 30, 2010:

	Total	Due in less than one year	Due from one to three years	Due from three to five years	Due in more than five years
Advances from FHLB	$ 286,000	186,000	100,000	--	--
Subordinated debentures	25,774	--	--	--	25,774
Operating leases	2,242	452	1,286	504	--
Total contractual obligations	$ 314,016	186,452	101,286	504	25,774

Critical Accounting Policies

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

Allowance for Loan and Lease Losses

The Allowance for Loan and Lease Losses ("ALLL") recognizes the inherent risks associated with lending activities for individually identified problem assets as well as the entire homogenous and non-homogenous loan portfolios. ALLLs are established by charges to the provision for loan losses and carried as contra assets. Management analyzes the adequacy of the allowance on a quarterly basis and appropriate provisions are made to maintain the ALLLs at adequate levels. At any given time, the ALLL should be sufficient to absorb at least all estimated credit losses on outstanding balances over the next twelve months. While management uses information currently available to determine these allowances, they can fluctuate based on changes in economic conditions and changes in the information available to management. Also, regulatory agencies review the Bank's allowances for loan loss as part of their examination, and they may require the Bank to recognize additional loss provisions based on the information available at the time of their examinations.

The ALLL is determined based upon two components. The first is made up of specific reserves for loans which have been deemed impaired in accordance with Generally Accepted Accounting Principles ("GAAP"). The second component is made up of general reserves for loans that are not impaired. A loan becomes impaired when management believes it will be unable to collect all principal and interest due according to the contractual terms of the loan. Once a loan has been deemed impaired, the impairment must be measured by comparing the recorded investment in the loan to the present value of the estimated future cash flows discounted at the loan's effective rate, or to the fair value of the loan based on the loan's observable market price, or to the fair value of the collateral if the loan is collateral dependent. The Bank records a specific allowance equal to the amount of measured impairment.

Loans that are not impaired are evaluated based upon the Bank's historical loss experience, as well as various subjective factors, to estimate potential unidentified losses with the various loan portfolios. These loans are categorized into pools based upon certain characteristics such as loan type, collateral type and repayment source. The Bank's loss history is analyzed in terms of loss frequency and loss severity. Loss frequency represents the likelihood of loans not repaying in accordance with their original terms, which would result in the foreclosure and subsequent liquidation of the property. Loss severity represents any potential loss resulting from the loan's foreclosure and subsequent liquidation. Management calculates estimated loss frequency and loss severity ratios for each loan pool. In addition to analyzing historical losses, the Bank also evaluates the following subjective factors for each loan pool to estimate future losses: changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and volume of the portfolio, changes in management and other relevant staff, changes in the volume and severity of past due loans, changes in the quality of the Bank's loan review system, changes in the value of the underlying collateral for collateral dependent loans, changes in the level of lending concentrations, and changes in other external factors such as competition and legal and regulatory requirements. Historical loss ratios are adjusted accordingly, based upon the effect that the subjective factors have in estimated future losses. These adjusted ratios are applied to the balances of the loan pools to determine the adequacy of the ALLL each quarter. In addition, the Bank applies ALLLs for unimpaired loans classified as Special Mention, Substandard and Doubtful in the amount of 2%, 10%, and 50%, respectively.

Valuation of Derivative Instruments

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

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

Valuation of Equity Method Investments

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

The Company evaluates its investments for impairment, in accordance with ASC 323-10-35-32, which provides guidance related to a loss in value of an equity method investment. The Company utilizes a multi-faceted approach to measure the potential impairment. The internal model utilizes liquidation or appraised values determined by an independent third party appraisal; an on-going business, or discounted cash flows value; and a combination of both the previous approaches. The significant inputs include raw land values, absorption rates of lot sales, and a market discount rate. Management believes this multi-faceted approach is reasonable given the highly subjective nature of the assumptions and the differences in valuation techniques that are utilized within each approach (e.g., order of distribution of assets upon potential liquidation).

NASB Financial, Inc. and Subsidiary
Consolidated Balance Sheets

		September 30, 2010	September 30, 2009
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	14,033	63,250
Securities:			
Available for sale, at fair value		28,092	21,654
Held to maturity, at cost		1,232	1,290
Stock in Federal Home Loan Bank, at cost		15,873	26,640
Mortgage-backed securities:			
Available for sale, at fair value		911	46,549
Held to maturity, at cost		46,276	11,125
Loans receivable:			
Held for sale, at fair value		179,845	81,367
Held for investment, net		1,073,357	1,259,694
Allowance for loan losses		(32,316)	(20,699)
Accrued interest receivable		5,520	6,195
Foreclosed assets held for sale, net		38,362	10,140
Premises and equipment, net		13,836	13,393
Investment in LLCs		17,799	21,045
Mortgage servicing rights, net		263	351
Deferred income tax asset, net		14,758	6,651
Other assets		16,355	10,917
	$	1,434,196	1,559,562
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Customer deposit accounts	$	866,559	696,781
Brokered deposit accounts		66,894	207,844
Advances from Federal Home Loan Bank		286,000	441,026
Subordinated debentures		25,774	25,774
Escrows		11,149	10,178
Income taxes payable		504	4,210
Liability for unrecognized tax benefits		--	326
Accrued expenses and other liabilities		9,554	7,035
Total liabilities		1,266,434	1,393,174
Stockholders' equity:			
Common stock of $0.15 par value: 20,000,000 authorized; 9,857,112 shares issued at September 30, 2010 and 2009		1,479	1,479
Additional paid-in capital		16,603	16,525
Retained earnings		187,674	184,891
Treasury stock, at cost; 1,989,498 shares at September 30, 2010 and 2009		(38,418)	(38,418)
Accumulated other comprehensive income		424	1,911
Total stockholders' equity		167,762	166,388
	$	1,434,196	1,559,562

See accompanying notes to consolidated financial statements.

NASB Financial, Inc. and Subsidiary
Consolidated Statements of Income

	Years Ended September 30,		
	2010	2009	2008
	(Dollars in thousands, except share data)		
Interest on loans receivable	$ 78,508	84,934	91,635
Interest on mortgage-backed securities	3,175	2,042	2,546
Interest and dividends on securities	1,521	2,750	1,086
Other interest income	12	99	254
Total interest income	83,216	89,825	95,521
Interest on customer and brokered deposit accounts	17,476	25,011	30,739
Interest on advances from Federal Home Loan Bank	11,388	16,552	24,410
Interest on subordinated debentures	504	857	1,357
Total interest expense	29,368	42,420	56,506
Net interest income	53,848	47,405	39,015
Provision for loan losses	30,500	11,250	6,200
Net interest income after provision for loan losses	23,348	36,155	32,815
Other income (expense):			
Loan servicing fees, net	122	(173)	18
Impairment recovery on mortgage servicing rights	12	43	48
Customer service fees and charges	7,626	6,873	5,547
Provision for loss on real estate owned	(2,649)	(727)	(2,050)
Gain on sale of securities available for sale	5,558	4,565	122
Gain from loans receivable held for sale	36,617	29,042	14,043
Impairment loss on investment in LLCs	(3,126)	--	--
Other	(580)	871	679
Total other income	43,580	40,494	18,407
General and administrative expenses:			
Compensation and fringe benefits	18,715	17,615	15,553
Commission-based mortgage banking compensation	17,981	13,518	7,482
Premises and equipment	4,220	3,972	4,147
Advertising and business promotion	5,612	4,743	4,305
Federal deposit insurance premiums	2,854	1,246	104
Other	8,285	5,622	5,228
Total general and administrative expenses	57,667	46,716	36,819
Income before income tax expense	9,261	29,933	14,403
Income tax expense (benefit):			
Current	10,111	13,027	9,989
Deferred	(7,173)	(1,803)	(4,882)
Total income tax expense	2,938	11,224	5,107
Net income	$ 6,323	18,709	9,296
Basic earnings per share	$ 0.80	2.38	1.18
Diluted earnings per share	$ 0.80	2.38	1.18
Basic weighted average shares outstanding	7,867,614	7,867,614	7,867,614

See accompanying notes to consolidated financial statements.

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

	Years ended September 30,		
	2010	2009	2008
Cash flows from operating activities:	(Dollars in thousands)		
Net income	$ 6,323	18,709	9,296
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	1,779	1,768	1,809
Amortization and accretion, net	(1,385)	(5,387)	(1,068)
Deferred income tax benefit	(7,173)	(1,803)	(4,882)
Gain on sale of securities available for sale	(5,558)	(4,565)	(122)
Loss from investment in LLCs	128	117	265
Impairment loss on investment in LLCs	3,126	--	--
Impairment recovery on mortgage servicing rights	(12)	(43)	(48)
Gain from loans receivable held for sale	(36,617)	(29,042)	(14,043)
Provision for loan losses	30,500	11,250	6,200
Provision for loss on real estate owned	2,649	727	2,050
Origination of loans receivable held for sale	(1,765,568)	(1,563,400)	(884,725)
Sale of loans receivable held for sale	1,703,708	1,576,436	899,486
Stock based compensation – stock options	78	41	84
Changes in:			
Net fair value of loan-related commitments	(661)	(637)	31
Accrued interest receivable	675	691	1,512
Accrued expenses, other liabilities and income taxes payable	(5,982)	2,144	996
Net cash provided by (used in) operating activities	(73,990)	7,006	16,841
Cash flows from investing activities:			
Principal repayments of mortgage-backed securities:			
Held to maturity	11,445	649	82
Available for sale	3,738	13,408	21,972
Principal repayments of mortgage loans receivable held for investment	225,700	256,076	309,108
Principal repayments of other loans receivable	5,446	5,415	10,524
Principal repayments of investment securities:			
Held to maturity	99	--	--
Available for sale	6	6	7
Loan origination - mortgage loans receivable held for investment	(102,550)	(234,868)	(342,219)
Loan origination - other loans receivable	(3,158)	(4,355)	(7,847)
Purchase of mortgage loans receivable held for investment	(1,236)	(1,610)	(9,500)
Proceeds from sale (purchase) of Federal Home Loan Bank stock	10,766	(356)	(3,977)
Purchase of mortgage-backed securities held to maturity	(54,806)	(11,632)	--
Purchase of securities available for sale	(50,403)	(110,005)	--
Purchase of securities held to maturity	--	(1,283)	--
Proceeds from sale of mortgage-backed securities available for sale	51,154	--	--
Proceeds from sale of securities available for sale	46,461	96,135	122
Proceeds from sale of real estate owned	13,881	10,259	5,427
Purchases of premises and equipment, net	(2,242)	(562)	(643)

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

	Years ended September 30,		
	2010	2009	2008
Cash flows from investing activities (continued):	(Dollars in thousands)		
Investment in LLC	(7)	(479)	(1,890)
Other	(392)	(1,334)	(330)
Net cash provided by (used in) investing activities	153,902	15,464	(19,164)
Cash flows from financing activities:			
Net (decrease) increase in customer and brokered deposit accounts	28,440	134,723	(86,570)
Proceeds from advances from Federal Home Loan Bank	98,000	444,000	378,000
Repayment of advances from Federal Home Loan Bank	(253,000)	(553,000)	(286,650)
Cash dividends paid	(3,540)	(7,080)	(7,080)
Change in escrows	971	402	308
Net cash provided by (used in) financing activities	(129,129)	19,045	(1,992)
Net increase (decrease) in cash and cash equivalents	(49,217)	41,515	(4,315)
Cash and cash equivalents at beginning of period	63,250	21,735	26,050
Cash and cash equivalents at end of period	$ 14,033	63,250	21,735
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$ 14,100	13,114	6,613
Cash paid for interest	30,704	41,812	58,686
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$ 59,357	18,884	10,465
Conversion of real estate owned to loans receivable	344	391	2,772
Capitalization of originated mortgage servicing rights	5	10	--
Transfer of loans from held for investment to held for sale	--	--	17,515
Transfer of securities from held to maturity to available for sale	8,361	--	--

See accompanying notes to consolidated financial statements.

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

		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total stockholders' equity
		(Dollars in thousands)					
Balance at October 1, 2007	$	1,479	16,400	170,613	(38,418)	(682)	149,392
Comprehensive income:							
Net income		--	--	9,296	--	--	9,296
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	937	937
Total comprehensive income							10,233
Cash dividends paid		--	--	(7,080)	--	--	(7,080)
Stock based compensation expense		--	84	--	--	--	84
Adjustment for the adoption of FIN 48		--	--	(217)	--	--	(217)
Balance at September 30, 2008	$	1,479	16,484	172,612	(38,418)	255	152,412
Comprehensive income:							
Net income		--	--	18,709	--	--	18,709
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	1,656	1,656
Total comprehensive income							20,365
Cash dividends paid		--	--	(7,080)	--	--	(7,080)
Stock based compensation expense		--	41	--	--	--	41
Adjustment for the adoption of FAS 159, net of tax		--	--	650	--	--	650
Balance at September 30, 2009	$	1,479	16,525	184,891	(38,418)	1,911	166,388
Comprehensive income:							
Net income		--	--	6,323	--	--	6,323
Other comprehensive income, net of tax							
Unrealized gain on securities		--	--	--	--	(1,487)	(1,487)
Total comprehensive income							4,836
Cash dividends paid		--	--	(3,540)	--	--	(3,540)
Stock based compensation expense		--	78	--	--	--	78
Balance at September 30, 2010	$	1,479	16,603	187,674	(38,418)	424	167,762

		Year ended September 30, 2010	Year ended September 30, 2009
Reclassification Disclosure:			
Unrealized gain on available for sale securities, net of income taxes of $1,209 and $2,794 at September 30, 2010 and 2009, respectively	$	1,931	4,463
Reclassification adjustment for gain included in net income, net of income taxes of $2,140 and $1,758 at September 30, 2010 and 2009, respectively		(3,418)	(2,807)
Change in unrealized gain (loss) on available for sale securities, net of income taxes of $(931) and $1,037 at September 30, 2010 and 2009, respectively	$	(1,487)	1,656

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand plus interest-bearing deposits in the Federal Home Loan Bank of Des Moines totaling $9.7 million and $60.8 million as of September 30, 2010 and 2009, respectively. The Federal Reserve Board ("FRB") requires federally chartered savings banks to maintain non-interest-earning cash reserves at specified levels against their transaction accounts. Required reserves may be maintained in the form of vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account, as defined by FRB. At September 30, 2010, the Bank's reserve requirement was $3.7 million.

Securities and Mortgage-Backed Securities

Securities and mortgage-backed securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities and mortgage-backed securities not classified as held to maturity or trading are classified as available for sale. As of September 30, 2010 and 2009, the Company had no assets designated as trading. Securities and mortgage-backed securities held to maturity are stated at cost. Securities and mortgage-backed securities classified as available for sale are recorded at their fair values, with unrealized gains and losses, net of income taxes, reported as accumulated other comprehensive income or loss.

Premiums and discounts are recognized as adjustments to interest income over the life of the securities using a method that approximates the level yield method. Gains or losses on the disposition of securities are based on the specific identification method. Securities that trade in an active market are valued using quoted market prices. Securities that do not trade in an active market are valued using quotes from broker-dealers that reflect estimated offer prices.

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

Loans Receivable Held for Sale

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

Loans held for sale are carried at fair value. Gains or losses on such sales are recognized using the specific identification method. Transfers of loan receivable held for sale are accounted for as sales when control over the asset has been surrendered. The Bank issues various representations and warranties and standard recourse provisions associated with the sale of loans, which are described more fully in Footnote 6.

Loans Receivable Held for Investment, Net

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

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

Allowance for Loan Losses

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

Foreclosed Assets Held for Sale

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

Premises and Equipment

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

Investment in LLCs

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

Stock Options

The Company has a stock-based employee compensation plan which is described more fully in Footnote 18. The Company recognizes compensation cost over the five-year service period for its stock option awards. Stock based compensation expense for stock options totaled $78 thousand ($48 thousand, net of tax), $41 thousand ($25 thousand, net of tax) and $84 thousand ($52 thousand, net of tax) during the years ended September 30, 2010, 2009 and 2008, respectively.

Income Taxes

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

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

The Bank's bad debt deduction for the years ended September 30, 2010, 2009 and 2008, was based on the specific charge off method. The percentage method for additions to the tax bad debt reserve was used prior to the fiscal year ended September 30, 1997. Under the current tax rules, Banks are required to recapture their accumulated tax bad debt reserve, except for the portion that was established prior to 1988, the "base-year." The recapture of the excess reserve was completed over a six-year phase-in-period that began with the fiscal year ended September 30, 1999. A deferred income tax liability is required to the extent the tax bad debt reserve exceeds the 1988 base year amount. Retained earnings include approximately $3.7 million representing such bad debt reserve for which no deferred taxes have been provided. Distributing the Bank's capital in the form of stock redemptions caused the Bank to recapture a significant amount of its bad debt reserve prior to the phase-in period.

Mortgage Servicing Rights

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

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

Impairment Evaluation - The Bank evaluates the carrying value of capitalized mortgage servicing rights on a periodic basis based on their estimated fair value. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Bank stratifies the rights based on their predominant risk characteristics. The significant risk characteristics considered by the Bank are loan type, period of origination and stated interest rate. If the fair value estimated, using a discounted cash flow methodology, is less than the carrying amount of the portfolio, the portfolio is written down to the amount of the discounted expected cash flows utilizing a valuation allowance. The Bank utilizes consensus market prepayment assumptions and discount rates to evaluate its capitalized servicing rights, which considers the risk characteristics of the underlying servicing rights. During the years ended September 30, 2010 and 2009, the value of mortgage servicing rights increased, which resulted in a recovery of valuation allowance of $12,000 and $43,000, respectively.

Derivative Instruments

The Bank regularly enters into commitments to originate and sell loans held for sale. Certain commitments are considered derivative instruments under GAAP, which requires the Bank to recognize all derivative instruments in the balance sheet and to measure those instruments at fair value. As of September 30, 2010 and 2009, the fair value of loan related commitments resulted in a net asset of $1.3 million and $645,000, respectively.

Revenue Recognition

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

Earnings Per Share

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

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

		Year Ended September 30,		
		2010	2009	2008
Net income	$	6,323	18,709	9,296
Average common shares outstanding		7,867,614	7,867,614	7,867,614
Average common share stock options outstanding		--	--	--
Average diluted common shares		7,867,614	7,867,614	7,867,614
Earnings per share:				
Basic earnings per share	$	0.80	2.38	1.18
Diluted earnings per share		0.80	2.38	1.18

At September 30, 2010 and 2009, options to purchase 49,538 shares and 62,038 shares, respectively, of the Company's stock were outstanding. These options were not included in the calculation of diluted earnings per share, as they were considered anti-dilutive.

Recently Issued Accounting Standards

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

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

In January 2010, the FASB issued Accounting Standards Update ("ASU") which requires a company to disaggregate, by portfolio segment or class of financing receivable, certain existing disclosure and provide certain new disclosures about its financing receivables and related allowance for credit losses. Existing disclosures are amended to require an entity to provide a roll-forward schedule of the allowance for credit losses on a portfolio segment basis, with the ending balance further disaggregated by impairment method. In addition, the related recorded investment in financing receivables for each portfolio or class of financing receivable must be disclosed, along with the balance of impaired financing receivables and those in nonaccrual status. The ASU also requires an entity to provide the following additional disclosures about its financing receivables: the credit quality indicators of financing receivables by class, the aging of past due financing receivables at the end of the reporting period by class, the nature and extent of troubled debt restructurings that occurred during the period by class and their effect on the allowance for credit losses, the nature and extent of financing receivables modified as troubled debt restructurings within the previous 12 months that defaulted during the reporting period by class and their effect on the allowance for credit losses, and significant purchases and sales of financing receivables during the period disaggregated by portfolio segment. For public companies, this standard is effective for interim and annual reporting periods ending on or after December 15, 2010. Management does not anticipate that this update will have a material impact on the Company's consolidated financial statements.

Use of Estimates

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

Reclassifications

Certain amounts for 2009 and 2008 have been reclassified to conform to the current year presentation.

(2) SECURITIES AVAILABLE FOR SALE

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

	September 30, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 17,347	376	--	17,723
Trust preferred securities	10,084	282	20	10,346
Municipal securities	23	--	--	23
Total	$ 27,454	658	20	28,092

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

During the year ended September 30, 2010, the Company realized gross gains of $4.1 million and no gross losses on the sale of securities available for sale. During the year ended September 30, 2009, the Company realized gross gains of $4.6 million and no gross losses on the sale of securities available for sale. There were no sales of securities available for sale during the year ended September 30, 2008.

The following table presents a summary of the fair value and gross unrealized losses of those securities available for sale which had unrealized losses at September 30, 2010. Dollar amounts are expressed in thousands.

	Less than 12 months		12 months or longer	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Trust preferred securities	$ 7,232	20	$ --	--

The scheduled maturities of securities available for sale at September 30, 2010, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due in less than one year	$	5	--	--	5
Due from one to five years		18	--	--	18
Due from five to ten years		3,170	194	--	3,364
Due after ten years		24,261	464	20	24,705
Total	$	27,454	658	20	28,092

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, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advances	$	6,002	475	--	6,477

(3) SECURITIES HELD TO MATURITY

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

		September 30, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Asset-backed securities	$	1,232	329	--	1,561
Total	$	1,232	329	--	1,561

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

The scheduled maturities of securities held to maturity at September 30, 2010, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due after ten years	$	1,232	329	--	1,561

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

There were no dispositions of securities held to maturity during the years ended September 30, 2010 and 2009.

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

		September 30, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FRB advances	$	1,232	329	--	1,561

(4) MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

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

		September 30, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA – fixed rate	$	98	3	--	101
Pass-through certificates guaranteed by FNMA – adjustable rate		186	7	--	193
FHLMC participation certificates:					
Fixed rate		403	34	--	437
Adjustable rate		173	7	--	180
Total	$	860	51	--	911

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

During the year ended September 30, 2010, the Company realized gross gains of $1.4 million and gross losses of $8,000 on the sale of securities available for sale. There were no sales of mortgage-backed securities available for sale during the years ended September 30, 2009 and 2008.

During the year ended September 30, 2010, the Bank transferred two mortgage-backed securities with a total amortized cost of $8.4 million from the held to maturity category to the available for sale category. The amortized cost of the securities approximated its market value; thus, there were no unrealized gains or losses at the date of transfer. The decision was made to transfer the securities after it was determined that there was a significant deterioration in the issuer's creditworthiness, as ratings agencies had downgraded the security to below investment grade. The mortgage-backed securities were subsequently sold during the year ended September 30, 2010. The Bank recognized a gain of $39,000 and a loss of $8,000 on the sale of these securities.

The scheduled maturities of mortgage-backed securities available for sale at September 30, 2010, are presented in the following table. Dollar amounts are expressed in thousands.

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from five to ten years	$	403	34	--	437
Due after ten years		457	17	--	474
Total	$	860	51	--	911

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, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$	447	20	--	467

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

(5) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

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

		September 30, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FHLMC participation certificates:					
Fixed rate	$	52	2	--	54
FNMA pass-through certificates:					
Fixed rate		7	--	--	7
Balloon maturity and adjustable rate		32	1	--	33
Collateralized mortgage obligations		46,185	230	209	46,206
Total	$	46,276	233	209	46,300

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

The following tables present a summary of the fair value and gross unrealized losses of those mortgage-backed securities held to maturity which had unrealized losses at September 30, 2010. Dollar amounts are expressed in thousands.

		Less Than 12 Months			12 Months or Longer	
		Estimated fair value	Gross unrealized losses		Estimated fair value	Gross unrealized losses
Collateralized mortgage obligations	$	15,755	209	$	--	--

The scheduled maturities of mortgage-backed securities held to maturity at September 30, 2010, 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	$	7	--	--	7
Due from five to ten years		84	2	--	86
Due after ten years		46,185	231	209	46,207
Total	$	46,276	233	209	46,300

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

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

	September 30, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Customer deposit accounts	$ 24	--	--	24
FRB advances	46,185	231	209	46,207
Total	$ 46,209	231	209	46,231

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

All dispositions of mortgage-backed securities held to maturity during fiscal 2010, 2009, and 2008 were the result of maturities, with the exception of the transfers noted in Footnote 4.

(6) LOANS RECEIVABLE

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

HELD FOR INVESTMENT	2010	2009
Mortgage loans:		
Permanent loans on:		
Residential properties	$ 347,177	363,132
Business properties	450,305	474,487
Partially guaranteed by VA or insured by FHA	3,801	4,771
Construction and development	208,039	329,457
Total mortgage loans	1,009,322	1,171,847
Commercial loans	79,138	121,168
Installment loans and lease financing to individuals	11,573	13,861
Total loans receivable held for investment	1,100,033	1,306,876
Less:		
Undisbursed loan funds	(19,650)	(38,807)
Unearned discounts and fees on loans, net of deferred costs	(7,026)	(8,375)
Net loans receivable held for investment	$ 1,073,357	1,259,694

HELD FOR SALE		2010	2009
Mortgage loans:			
Permanent loans on:			
Residential properties	$	286,766	129,526
Less:			
Undisbursed loan funds		(106,921)	(48,159)
Net loans receivable held for sale	$	179,845	81,367

Included in the loans receivable balances are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions of approximately $16.4 million and $26.6 million at September 30, 2010 and 2009, respectively.

Whole loans and participations serviced for others were approximately $60.6 million and $93.3 million at September 30, 2010 and 2009, respectively. Loans serviced for others are not included in the accompanying consolidated balance sheets.

First mortgage loans were pledged to secure FHLB advances in the amount of approximately $847.2 million and $808.8 million at September 30, 2010 and 2009, 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, 2010 and 2009. Such loans were made under terms and conditions substantially the same as loans made to parties not affiliated with the Bank.

As of September 30, 2010 and 2009, loans with an aggregate principal balance of approximately $29.4 million and $40.6 million, respectively, were on nonaccrual status. Gross interest income would have increased by $1.8 million, $2.3 million and $1.8 million for the years ended September 30, 2010, 2009 and 2008, respectively, if the nonaccrual loans had been performing. As of September 30, 2010 and 2009, the Bank has no loans in its portfolio that are 90 days or more past due and still accruing.

The following table presents the activity in the allowance for losses on loans for 2010, 2009, and 2008. Allowance for losses on mortgage loans includes specific valuation allowances and valuation allowances associated with homogenous pools of loans. Dollar amounts are expressed in thousands.

		2010	2009	2008
Balance at beginning of year	$	20,699	13,807	8,097
Provisions		30,500	11,250	6,200
Charge-offs		(18,884)	(4,377)	(504)
Recoveries		1	19	14
Balance at end of year	$	32,316	20,699	13,807

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

		September 30,	
		2010	2009
Impaired loans with a valuation allowance	$	59,686	40,691
Impaired loans without a valuation allowance		24,753	11,400
	$	84,439	52,091
Allowance for loan losses applicable to impaired loans	$	14,629	5,825

		2010	2009	2008
Average balance of impaired loans	$	57,744	52,605	10,842
Interest income recognized on impaired loans		4,019	1,946	489
Interest income received on a cash basis on impaired loans		4,218	2,320	635

A restructuring of debt is considered a Troubled Debt Restructuring (TDR) if, because of a debtor's financial difficulty, a creditor grants concessions that it would not otherwise consider. Included in the loans receivable balances are TDRs of approximately $23.7 million and $23.4 million at September 30, 2010 and 2009, respectively. At September 30, 2010 and 2009, no additional funds were committed to be advanced in connection with TDRs.

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

		2010				
		Residential			Construction	
		1-4	5 or more	Commercial	and	
State		family	family	real estate	development	Total
Missouri	$	157,444	32,806	62,281	82,174	334,705
Kansas		42,539	5,978	31,579	114,966	195,062
Texas		17,127	7,697	46,632	6,088	77,544
Colorado		5,903	1,769	51,502	--	59,174
Arizona		10,400	533	16,507	4,811	32,251
Oklahoma		2,727	3,953	19,837	--	26,517
Florida		14,330	896	9,699	--	24,925
North Carolina		8,202	--	16,715	--	24,917
Illinois		8,100	200	11,406	--	19,706
California		16,988	--	2,304	--	19,292
Ohio		3,479	--	14,532	--	18,011
Indiana		2,260	--	14,142	--	16,402
Washington		5,123	--	9,963	--	15,086
Georgia		4,840	884	5,533	--	11,257
Michigan		381	--	9,760	--	10,141
Other		65,663	4,361	54,308	--	124,332
	$	365,506	59,077	376,700	208,039	1,009,322

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

Proceeds from the sale of loans receivable held for sale during fiscal 2010, 2009 and 2008, were $1,703.7 million, $1,576.4 million, and $899.5 million, respectively. In fiscal 2010, the Bank realized gross gains of $36.6 million and $17,000 of gross losses. In fiscal 2009, the Bank realized gross gains of $29.1 million and $53,000 of gross losses. In fiscal 2008, the Bank realized gross gains of $14.3 million and gross losses of $312,000 on those sales

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. During the fiscal year ended September 30, 2010 and 2009, the Bank 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. Although an investor may demand repurchase at any time, most occur within the first two to three years following origination. During the last six fiscal years, the Bank sold loans with recourse totaling $7.3 billion, of which $4.3 billion and $3.9 billion remain outstanding at September 30, 2010 and 2009, respectively. It is management's estimate that the total recourse associated with such loans was $2.2 million and $1.1 million at September 30, 2010 and 2009, respectively. The reserve for such losses is included in "Accrued expenses and other liabilities" in the Bank's consolidated financial statements. Prior to fiscal 2009, losses related to such representations and warranties were minimal.

During the fiscal years ended September 30, 2010 and 2009, the Bank experienced increased losses resulting from investor charges for loans with defects, repurchased loans, and early prepayment and early default penalties. This trend accelerated during the last half of the fiscal 2009 and continued through fiscal 2010. The Company repurchased or incurred losses on loans with balances of $6.1 million and $12.4 million during fiscal year 2010 and 2009, respectively. Total losses incurred on these loans were $754,000 and $841,000 during fiscal year 2010 and 2009, respectively. Repurchased loans are recorded at fair value and evaluated for impairment in accordance with GAAP.

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

	2010	2009
Balance at beginning of year	$ 1,063	--
Additions to reserve	1,848	1,904
Losses and penalties incurred	(754)	(841)
Balance at end of year	$ 2,157	1,063

The increase in repurchase loans and settlement losses related primarily to weak economic conditions, as investors made increased demands associated with the higher level of loans in default. The Bank has had some success in avoiding claims. During fiscal 2009, the Bank successfully cleared nine out of thirty-two, or twenty-eight percent, of the repurchase requests that it received. During Fiscal 2010, the Bank successfully cleared eighteen out of forty-nine, or thirty-seven percent, of the repurchase and make whole requests that it received. This success rate is one indicator of future losses, but it is affected by various factors such as the type of claim and the investor making the claim. To the extent that economic conditions, particularly the housing market, do not recover, it is management's opinion that the Bank will continue to have increased loss severity on repurchased loans, resulting in further additions to the reserve. However, the Bank began to tighten underwriting standards in mid 2008, so it expects a lower level of repurchase requests for loans originated thereafter.

(7) FORECLOSED ASSETS HELD FOR SALE

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

	2010	2009
Real estate acquired through (or deed in lieu of) foreclosure	$ 40,689	10,140
Less: allowance for losses	(2,327)	--
Total	$ 38,362	10,140

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

	2010	2009	2008
Balance at beginning of year	$ --	669	204
Provision for loss	2,649	727	2,050
Charge-offs	(1,060)	(1,691)	(1,819)
Recoveries	738	295	234
Balance at end of year	$ 2,327	--	669

In addition to the provision for loss noted above, the Company incurred net expenses of $2.0 million, $335,000, and $207,000 related to foreclosed assets held for sale during the fiscal years ended September 30, 2010, 2009 and 2008, respectively.

(8) PREMISES AND EQUIPMENT

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

		2010	2009
Land	$	4,308	4,308
Buildings and improvements		12,671	12,428
Furniture, fixtures and equipment		10,911	9,220
		27,890	25,956
Accumulated depreciation		(14,054)	(12,563)
Total	$	13,836	13,393

Certain facilities of the Bank are leased under various operating leases. Amounts paid for rent expense for the fiscal years ended September 30, 2010, 2009, and 2008, were approximately $552,000, $568,000, and $622,000, respectively.

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

Fiscal year ended September 30,		Amount
2011	$	452
2012		654
2013		632
2014		434
2015		70
Thereafter		--

(9) INVESTMENT IN LLCs

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

The Company's investment in Central Platte consists of a 50% ownership interest in an entity that develops land for residential real estate sales. Sales of lots had not met previous expectations and, as a result, the Company evaluated its investment for impairment, in accordance with ASC 323-10-35-32, which provides guidance related to a loss in value of an equity method investment. The Company utilizes a multi-faceted approach to measure the potential impairment. The internal model utilizes liquidation or appraised values determined by an independent third party appraisal; an on-going business, or discounted cash flows value; and a combination of both the previous approaches. The significant inputs include raw land values, absorption rates of lot sales, and a market discount rate. Management believes this multi-faceted approach is reasonable given the highly subjective nature of the assumptions and the differences in valuation techniques that are utilized within each approach (e.g., order of distribution of assets upon potential liquidation). As a result of this analysis, the Company determined that its investment in Central Platte was materially impaired and recorded an impairment charge of $2.0 million ($1.2 million, net of tax) during the year ended September 30, 2010. The Company's investment in Central Platte was $16.4 million at September 30, 2010.

The Company's investment in NBH consists of a 50% ownership interest in an entity that holds raw land, which is currently zoned as agricultural. The general managers intend to rezone this property for commercial and/or residential development. The raw land was purchased in 2002. The Company accounts for its investment in NBH under the equity method. Due to the overall economic conditions surrounding real estate, the Company evaluated its investment for impairment in accordance with ASC 323-10-35-32, which provides guidance related to a loss in value of an equity method investment. Potential impairment was measured based on liquidation or appraised values determined by an independent third party appraisal. As a result of this analysis, the Company determined that its investment in NBH was materially impaired and recorded an impairment charge of $1.1 million ($693,000, net of tax) during the year ended September 30, 2010. The Company's investment in NBH was $1.4 million at September 30, 2010.

(10) MORTGAGE SERVICING RIGHTS

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

		2010	2009	2008
Balance at beginning of year	$	351	716	911
Originated mortgage servicing rights		5	10	--
Amortization		(105)	(418)	(243)
Impairment recovery		12	43	48
Balance at end of year	$	263	351	716

(11) CUSTOMER AND BROKERED DEPOSIT ACCOUNTS

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

		2010		2009	
		Amount	%	Amount	%
Demand deposit accounts	$	79,948	8	80,201	9
Savings accounts		88,814	10	81,572	9
Money market demand accounts		20,033	2	14,991	2
Certificate accounts		677,764	73	520,017	57
Brokered accounts		66,894	7	207,844	23
	$	933,453	100	904,625	100
Weighted average interest rate		1.86%		2.23%	

The aggregate amount of certificate accounts in excess of $100,000 was approximately $201.5 million and $120.2 million as of September 30, 2010 and 2009, respectively.

The following table presents contractual maturities of certificate accounts as of September 30, 2010. Dollar amounts are expressed in thousands.

		Maturing during the fiscal year ended September 30,						
		2011	2012	2013	2014	2015	2016 and after	Total
Certificate accounts	$	470,326	161,797	28,211	4,219	11,789	1,422	677,764
Brokered accounts		66,894	--	--	--	--	--	66,894
Total	$	537,220	161,797	28,211	4,219	11,789	1,422	744,658

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

		2010	2009	2008
Savings accounts	$	690	886	1,123
Money market demand and demand deposit accounts		320	500	701
Certificate and brokered accounts		16,466	23,625	28,915
	$	17,476	25,011	30,739

(12) ADVANCES FROM FEDERAL HOME LOAN BANK

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

		2010			2009	
Year ending September 30,		Amount	Weighted average rate		Amount	Weighted average rate
2010	$	--	--%	$	230,026	2.02%
2011		186,000	4.30%		186,000	4.30%
2012		25,000	2.18%		25,000	2.18%
2013		25,000	1.54%		--	--%
2014		--	--%		--	--%
2015		50,000	1.83%		--	--%
	$	286,000	3.44%	$	441,026	2.99%

The Bank's advances have a fixed interest rate and require monthly interest payments, with a single principal payment due at maturity. At September 30, 2009, the Bank had advances totaling $5.0 million that were callable at the option of the Federal Home Loan Bank. These advances matured during the year ended September 30, 2010.

(13) SUBORDINATED DEBENTURES

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

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

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

(14) INCOME TAXES PAYABLE

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

	2010	2009	2008
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.2	3.1	3.0
Other, net	(6.5)	(0.6)	(2.5)
	31.7%	37.5%	35.5%

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

		2010	2009	2008
Deferred loan fees and costs	$	(11)	30	101
Accrued interest receivable		21	463	(726)
Tax depreciation vs. book depreciation		124	41	80
Basis difference on investments		(10)	(3)	(5)
Loan loss reserves		(6,332)	(2,402)	(3,160)
Mark-to-market adjustment		460	186	(1,008)
Mortgage servicing rights		(21)	(99)	(51)
Impairment loss on investment in LLCs		(1,207)	--	--
Accrued expenses		(135)	(166)	--
Other		(62)	147	(113)
	$	(7,173)	(1,803)	(4,882)

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.

		2010	2009
Deferred income tax assets:			
Loan loss reserves	$	14,322	7,990
Book depreciation in excess of tax depreciation		36	160
Accrued interest receivable		440	461
Accrued expenses		301	166
Impairment loss on LLCs		1,207	--
		16,306	8,777
Deferred income tax liabilities:			
Mortgage servicing rights		(64)	(85)
Basis difference on investments		(10)	(20)
Deferred loan fees and costs		(419)	(430)
Unrealized gain on securities available for sale		(266)	(1,200)
Mark-to-market adjustment		(485)	(25)
Other		(304)	(366)
		(1,548)	(2,126)
Net deferred tax asset	$	14,758	6,651

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

		2010	2009
Balance at beginning of year	$	326	850
Reductions attributable to tax positions taken during a prior period		--	(300)
Settlements attributable to tax positions taken during a prior period		(251)	(224)
Adjustment for over-accrual of liability for unrecognized tax benefits		(75)	--
Liability for unrecognized tax benefits at end of year	$	--	326

During the year ended September 30, 2010, the Company's liability for unrecognized tax benefit was eliminated due to settlements with various taxing authorities.

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

The Company's federal and state income tax returns for fiscal years 2007 through 2009 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(15) STOCKHOLDERS' EQUITY

During fiscal 2010, the Company paid quarterly cash dividends on common stock of $0.225 per share on November 27, 2009, and February 26, 2010. In accordance with the agreement with the Office of Thrift Supervision, the Company is restricted from the payment of dividends or other capital distributions during the period of the agreement without prior written consent from the Office of Thrift Supervision.

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

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

During fiscal 2010, 2009 and 2008, the Company did not repurchase any shares of its own stock.

(16) REGULATORY CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital amounts and ratios (set forth in the table below). The Bank's primary regulatory agency, the Office of Thrift Supervision ("OTS"), requires that the Bank maintain minimum ratios of tangible capital (as defined in the regulations) of 1.5%, core capital (as defined) of 4%, and total risk-based capital (as defined) of 8%. The Bank is also subject to prompt corrective action capital requirement regulations set forth by the FDIC. The FDIC requires the Bank to maintain a minimum of Tier 1, total and core capital (as defined) to risk-weighted assets (as defined), and of core capital (as defined) to adjusted tangible assets (as defined). Management believes that, as of September 30, 2010, the Bank meets all capital adequacy requirements, to which it is subject.

As of September 30, 2010 and 2009, the most recent guidelines from the OTS categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. Management does not believe that there are any conditions or events occurring since notification that would change the Bank's category.

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

	September 30, 2010	September 30, 2009
GAAP capital (Bank only)	$ 170,419	167,168
Adjustment for regulatory capital:		
Intangible assets	(2,571)	(2,671)
Disallowed servicing and deferred tax assets	(23)	(39)
Reverse the effect of SFAS No. 115	(424)	(1,911)
Tangible capital	167,401	162,547
Qualifying intangible assets	--	--
Tier 1 capital (core capital)	167,401	162,547
Qualifying valuation allowance	16,227	14,284
Risk-based capital	$ 183,628	176,831

As of September 30, 2010	Actual		Minimum Required For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 183,628	14.2%	103,738	≥8%	129,673	≥10%
Core capital (to adjusted tangible assets)	167,401	11.9%	56,444	≥4%	70,555	≥5%
Tangible capital (to tangible assets)	167,401	11.9%	21,167	≥1.5%	--	--
Tier 1 capital (to risk-weighted assets)	167,401	12.9%	--	--	77,804	≥6%

As of September 30, 2009	Actual		Minimum Required For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 176,831	13.5%	105,140	≥8%	131,425	≥10%
Core capital (to adjusted tangible assets)	162,547	10.6%	61,236	≥4%	76,545	≥5%
Tangible capital (to tangible assets)	162,547	10.6%	22,963	≥1.5%	--	--
Tier 1 capital (to risk-weighted assets)	162,547	12.4%	--	--	78,855	≥6%

(17) EMPLOYEES' RETIREMENT PLAN

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

The Bank's contributions to the Plan amounted to $583,000, $468,000, and $337,000 for the years ended September 30, 2010, 2009, and 2008, respectively. These amounts have been included as compensation and fringe benefits expense in the accompanying consolidated statements of income.

(18) STOCK OPTION PLAN

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

The following table summarizes Option Plan activity during fiscal years 2010, 2009, and 2008.

	Number of shares	Weighted avg. exercise price per share	Range of exercise price per share
Options outstanding at October 1, 2007	78,657	$ 36.30	$ 30.33-42.53
Forfeited	(6,619)	35.08	30.33-42.17
Options outstanding at September 30, 2008	72,038	36.42	30.33-42.53
Forfeited	(10,000)	35.50	35.50
Options outstanding at September 30, 2009	62,038	36.56	30.33-42.53
Forfeited	(12,500)	42.17	42.17
Options outstanding at September 30, 2010	49,538	$ 35.15	$ 30.33-42.53

The weighted average remaining contractual life of options outstanding at September 30, 2010, 2009, and 2008, were 5.8 years, 5.6 years and 5.8 years, respectively.

The following table provides information regarding the expiration dates of the stock options outstanding at September 30, 2010.

	Number of shares	Weighted average exercise price
Expiring on:		
July 27, 2014	3,000	$ 35.50
November 30, 2014	500	39.79
August 1, 2015	10,000	42.17
August 4, 2015	500	42.53
July 21, 2016	15,500	32.91
November 29, 2016	6,000	39.33
July 24, 2017	14,038	30.33
	49,538	$ 35.15

Of the options outstanding at September 30, 2010, 38,423 are immediately exercisable and 11,115 are exercisable at future dates in accordance with the vesting schedules outlined in each stock option agreement.

The following table illustrates the range of exercise prices and the weighted average remaining contractual lives for options outstanding under the Option Plan as of September 30, 2010.

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number	Weighted avg. remaining contractual life	Weighted avg. exercise price	Number	Weighted avg. exercise price
$ 35.50	3,000	3.8 years	$ 35.50	3,000	$ 35.50
39.79	500	4.2 years	39.79	500	39.79
42.17-42.53	10,500	4.8 years	42.18	10,500	42.18
32.91	15,500	5.8 years	32.91	12,400	32.91
39.33	6,000	6.2 years	39.33	3,600	39.33
30.33	14,038	6.8 years	30.33	8,423	30.33
	49,538			38,423	

(19) SEGMENT INFORMATION

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

The Mortgage Banking segment originates mortgage loans for sale to investors and for the portfolio of the Banking segment. The Banking segment provides a full range of banking services through the Bank's branch network, exclusive of mortgage loan originations. A portion of the income presented in the Mortgage Banking segment is derived from sales of loans to the Banking segment based on a transfer pricing methodology that is designed to approximate economic reality. The Other and Eliminations segment includes financial information from the parent company plus inter-segment eliminations.

The following table presents financial information from the Company's operating segments for the years ended September 30, 2010, 2009, and 2008. Dollar amounts are expressed in thousands.

Year ended September 30, 2010	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 54,310	--	(462)	53,848
Provision for loan losses	30,500	--	--	30,500
Other income	5,532	42,444	(4,396)	43,580
General and administrative expenses	24,345	33,838	(516)	57,667
Income tax expense	1,349	3,313	(1,724)	2,938
Net income (loss)	$ 3,648	5,293	(2,618)	6,323
Total assets	$ 1,413,199	1,192	19,805	1,434,196

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

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

(20) COMMITMENTS AND CONTINGENCIES

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

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

As of September 30, 2010, the Bank had outstanding commitments to originate $4.0 million in commercial real estate loans, $228.5 million of fixed rate residential first mortgage loans and $71.4 million of adjustable rate residential first mortgage loans. Commercial real estate loan commitments have approximate average committed rates of 5.5%. Residential mortgage loan commitments have an approximate average committed rate of 4.2% and approximate average fees and discounts of 0.1%. The interest rate commitments on residential loans generally expire 60 days after the commitment date. Interest rate commitments on commercial real estate loans have varying terms to expiration. As of September 30, 2010, the Bank had outstanding commitments related to stand-by letters of credit of $1.3 million.

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

At September 30, 2010 and 2009, the Bank had commitments to sell loans of approximately $298.1 million and $154.7 million, respectively. These instruments contain an element of risk in the event that other parties are unable to meet the terms of such agreements. In such event, the Bank's loans receivable held for sale would be exposed to market fluctuations. Management does not expect any other party to default on its obligations and, therefore, does not expect to incur any costs due to such possible default.

(21) LEGAL CONTINGENCIES

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

(22) SIGNIFICANT ESTIMATES AND CONCENTRATIONS

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

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

(23) FAIR VALUE OPTION

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

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

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

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

The difference between the aggregate fair value and the aggregate unpaid principal balance of these loans was $5.0 million and $2.0 million at September 30, 2010 and 2009, respectively. Interest income on loans held for sale is included in interest on loans receivable in the accompanying statements of income.

(24) DERIVATIVE INSTRUMENTS

The Company has commitments outstanding to extend credit that have not closed prior to the end of the period. As the Company enters into commitments to originate loans, it also enters into commitments to sell the loans in the secondary market. Such commitments to originate loans held for sale are considered derivative instruments in accordance with GAAP, which requires the Company to recognize all derivative instruments in the balance sheet and to measure those instruments at fair value. As a result of marking to market commitments to originate loans, the Company recorded an increase in other assets of $948,000, an increase in other liabilities of $424,000, and an increase in other income of $524,000 for the year ended September 30, 2010. The Company recorded an increase in other assets of $646,000, a decrease in other liabilities of $50,000, and an increase in other income of $696,000 for the year ended September 30, 2009.

Additionally, the Company has commitments to sell loans that have closed prior to the end of the period. Due to the mark to market adjustment on commitments to sell loans held for sale, the Company recorded an increase in other assets of $642,000, an increase in other liabilities of $505,000, and an increase in other income of $138,000 during the year ended September 30, 2010. The Company recorded an increase in other assets of $89,000, an increase in other liabilities of $147,000, and a decrease in other income of $59,000 during the year ended September 30, 2009

The balance of derivative instruments related to commitments to originate and sell loans at September 30, 2010 and 2009, is disclosed in Footnote 25, Fair Value Measurements.

(25) FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

Available for sale securities

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

Mortgage-backed available for sale securities are valued by using broker dealer quotes for similar assets in markets that are not active. Such quotes are based on actual transactions for similar assets. Although the Company does not validate these quotes, they are reviewed by management for reasonableness in relation to current market conditions. Additionally, they are obtained from experienced brokers who have an established relationship with the Bank and deal regularly with these types of securities. The Company does not make any adjustment to the quotes received from broker dealers. These measurements are classified as Level 2.

Loans held for sale

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

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active market with readily observable market prices. Therefore, fair value is assessed using a valuation model that calculates the discounted cash flow using assumptions such as estimates of prepayment speeds, market discount rates, servicing fee income, and cost of servicing. These measurements are classified as Level 3. Mortgage servicing rights are initially recorded at amortized cost and are amortized over the period of net servicing income. They are evaluated for impairment monthly, and valuation adjustments are recorded as necessary to reduce the carrying value to fair value.

Commitments to Originate Loans and Forward Sales Commitments

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

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall at September 30, 2010 (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	$ 17,723	17,723	--	--
Trust preferred securities	10,346	10,346	--	--
Municipal securities	23	23	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA – fixed rate	101	--	101	--
Pass through certificates guaranteed by FNMA – adjustable rate	193	--	193	--
FHLMC participation certificates:				
Fixed rate	437	--	437	--
Adjustable rate	180	--	180	--
Loans held for sale	179,845	--	179,845	--
Mortgage servicing rights	263	--	--	263
Commitments to originate loans	2,177	--	--	2,177
Forward sales commitments	902	--	--	902
Total assets	$ 212,190	28,092	180,756	3,342
Liabilities:				
Commitments to originate loans	$ 630	--	--	630
Forward sales commitments	1,142	--	--	1,142
Total liabilities	$ 1,772	--	--	1,772

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

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

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

	Mortgage Servicing Rights	Commitments to Originate Loans	Forward Sales Commitments
Balance at October 1, 2008	$ 716	327	(319)
Total realized and unrealized gains (losses):			
Included in net income	(375)	696	(59)
Issuances	10	--	--
Balance at September 30, 2009	$ 351	1,023	(378)
Total realized and unrealized gains (losses):			
Included in net income	(93)	524	138
Issuances	5	--	--
Balance at September 30, 2010	$ 263	1,547	(240)

Realized and unrealized gains and losses noted in the table above and included in net income for the year ended September 30, 2010, are reported in the consolidated statements of income as follows (in thousands):

	Loan Servicing Fees	Impairment Recovery on Mortgage Servicing Rights	Other Income
Total gains (losses)	$ (105)	12	662
Changes in unrealized gains (losses) relating to assets still held at the balance sheet date	$ --	--	--

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

Impaired loans

Loans for which it is probable that the Company will not collect principal and interest due according to contractual terms are measured for impairment. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and other internal assessments of value. Impaired loans are classified within Level 3 of the fair value hierarchy.

The carrying value of impaired loans that were re-measured during the year ended September 30, 2010 was $67.6 million. There were no impaired loans that were re-measured during the year ended September 30, 2009.

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. 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 $38.3 million at September 30, 2010. During fiscal 2010, charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the period totaled $2.3 million. During fiscal 2009, charge-offs related to foreclosed assets held for sale that were re-measured during the period totaled $293,000.

Investment in LLCs

Investments in LLCs are accounted for using the equity method of accounting. These investments are analyzed for impairment in accordance with ASC 323-10-35-32, which states that an other than temporary decline in value of an equity method investment should be recognized. The Company evaluates its investments in LLCs using a multi-faceted approach. The internal model utilizes liquidation or appraised values as determined by an independent third party appraiser; an on-going business or discounted cash flows value; and a combination of both the previous approaches. The significant inputs include raw land values, absorption rates of lot sales, and a market discount rate. Management believes this multi-faceted approach is reasonable given the highly subjective nature the assumptions and the differences in valuation techniques that are utilized within each approach (e.g., order of distribution of assets upon potential liquidation). Investment in LLCs are classified within Level 3 of the fair value hierarchy.

The carrying value of the Company's investment in LLCs was $17.8 million at September 30, 2010. During fiscal 2010, the Company recorded an impairment charge of $3.1 million on its investment in LLCs (see Footnote 9).

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

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

Securities and mortgage-backed securities held to maturity
Securities that trade in an active market are valued using quoted market prices. Securities that do not trade in an active market are valued using quotes from broker-dealers that reflect estimated offer prices.

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

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

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

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

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

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

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

	September 30, 2010		September 30, 2009	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial Assets:				
Cash and cash equivalents	$ 14,033	14,033	$ 63,250	63,250
Securities held to maturity	1,232	1,561	1,290	1,375
Stock in Federal Home Loan Bank	15,873	15,873	26,640	26,640
Mortgage-backed securities held to maturity	46,276	46,300	11,125	11,343
Loans receivable held for investment	1,041,041	1,043,886	1,238,995	1,272,543
Financial Liabilities:				
Customer deposit accounts	866,559	869,941	696,781	706,330
Brokered deposit accounts	66,894	66,797	207,844	208,634
Advances from FHLB	286,000	288,061	441,026	449,613
Subordinated debentures	25,774	10,310	25,774	25,774

	September 30, 2010		September 30, 2009	
	Contract or notional amount	Estimated unrealized gain (loss)	Contract or notional amount	Estimated unrealized gain
Unrecognized financial instruments:				
Lending commitments – fixed rate, net	$ 6,127	(5)	$ 1,326	47
Lending commitments – floating rate	417	6	--	--
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of September 30, 2010 and 2009. Although management is not aware of any factors that would significantly affect the estimated fair values, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date. Therefore, current estimates of fair value may differ significantly from the amounts presented above.

(26) SUPERVISORY AGREEMENT

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

On April 30, 2010, the Company's Board of Directors entered into an agreement with the Office of Thrift Supervision ("OTS"), the Company's primary regulator, effective as of that date. The agreement restricts the payment of dividends or other capital distributions by the Company and restricts the Company's ability to incur, issue or renew any debt during the period of the agreement.

As of September 30, 2010, the Company and the subsidiary Bank are in compliance with these regulatory agreements.

(27) PARENT COMPANY FINANCIAL INFORMATION

NASB Financial, Inc.
Balance Sheets

		September 30, 2010	September 30, 2009
ASSETS		(Dollars in thousands)	
Cash and cash equivalents	$	2,060	2,172
Loans receivable		698	724
Accrued interest receivable		3	3
Investment in subsidiary		170,418	167,168
Investment in LLCs		17,799	21,045
Investment in NASB Trust Preferred I		774	774
Other assets		531	302
	$	192,283	192,188
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Subordinated debentures	$	25,774	25,774
Escrows		36	36
Accrued interest payable		93	93
Income taxes receivable		(1,382)	(103)
Total liabilities		24,521	25,800
Stockholders' equity			
Common stock		1,479	1,479
Additional paid-in capital		16,603	16,525
Retained earnings		187,674	184,891
Treasury stock		(38,418)	(38,418)
Accumulated other comprehensive income		424	1,911
Total stockholders' equity		167,762	166,388
	$	192,283	192,188

NASB Financial, Inc.
Statements of Income

	Years Ended September 30,		
	2010	2009	2008
	(Dollars in thousands)		
Income:			
Income from subsidiary	$ 8,659	19,360	10,326
Interest and dividend income	42	49	73
Gain on sale of real estate	70	--	--
Impairment loss on investment in LLCs	(3,126)	--	--
Loss from investment in LLCs	(128)	(117)	(265)
Total income	5,517	19,292	10,134
Expenses:			
Interest on subordinated debentures	504	856	1,357
Professional fees	87	70	63
Other expense	65	64	63
Total general expenses	656	990	1,483
Income before income tax expense	4,861	18,302	8,651
Income tax benefit	(1,462)	(407)	(645)
Net income	$ 6,323	18,709	9,296

NASB Financial, Inc.
Statements of Cash Flows

	Years ended September 30,		
	2010	2009	2008
Cash flows from operating activities:		(Dollars in thousands)	
Net income	$ 6,323	18,709	9,296
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of real estate	(70)	--	--
Loss from investment in LLCs	128	117	265
Impairment loss on investment in LLCs	3,126		
Equity in undistributed earnings of subsidiary	(4,659)	(11,361)	(326)
Change in income taxes payable	(1,278)	(50)	(62)
Change in accrued interest payable	--	(102)	(111)
Other	(161)	--	--
Net cash provided by operating activities	3,409	7,313	9,062
Cash flows from investing activities:			
Principal repayments of loans receivable	26	166	275
Investment in LLC	(7)	(479)	(1,890)
Other	--	(302)	--
Net cash provided by (used in) investing activities	19	(615)	(1,615)
Cash flows from financing activities:			
Cash dividends paid	(3,540)	(7,080)	(7,080)
Change in escrows	--	(5)	1
Net cash used in financing activities	(3,540)	(7,085)	(7,079)
Net increase (decrease) in cash and cash equivalents	(112)	(387)	368
Cash and cash equivalents at beginning of period	2,172	2,559	2,191
Cash and cash equivalents at end of period	$ 2,060	2,172	2,559

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of NASB Financial, Inc. (the "Company") as of September 30, 2010 and 2009, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2010. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NASB Financial, Inc. as of September 30, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NASB Financial, Inc.'s internal control over financial reporting as of September 30, 2010 based on criteria established in, *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 14, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

Kansas City, Missouri
December 14, 2010

Summary of Unaudited Quarterly Operating Results

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

2010		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Interest income	$	21,965	20,508	20,864	19,879	83,216
Interest expense		8,160	7,389	6,934	6,885	29,368
Net interest income		13,805	13,119	13,930	12,994	53,848
Provision for loan losses		9,000	5,000	11,500	5,000	30,500
Net interest income after provision for loan losses		4,805	8,119	2,430	7,994	23,348
Other income		10,200	9,314	11,522	12,544	43,580
General and administrative expenses		13,657	12,320	14,909	16,781	57,667
Income before income tax expense		1,348	5,113	(957)	3,757	9,261
Income tax expense		19	1,894	(497)	1,522	2,938
Net income	$	1,329	3,219	(460)	2,235	6,323
Earnings per share - basic	$	0.17	0.41	(0.06)	0.28	0.80
Average shares outstanding		7,868	7,868	7,868	7,868	7,868

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

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

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

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

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

Frederick V. Arbanas
Retired
Jackson County Legislature

Barrett Brady
Retired

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

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

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

Officers of NASB Financial, Inc.

David H. Hancock
Chairman
Chief Executive Officer

Shauna Olson
Corporate Secretary

John M. Nesselrode
Vice President

Paul L. Thomas
Vice President

Keith B. Cox
President

Mike Anderson
Vice President

Dena Sanders
Vice President

Rhonda Nyhus
Vice President and Treasurer

Wade Hall
Vice President

Bruce Thielen
Vice President

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

David H. Hancock
Chairman
Chief Executive Officer

Dena Sanders
Senior Vice President
Retail Banking

Karen Jacobson
Vice President
Branch Operations

Rick Speciale
Vice President
Internal Audit

Keith B. Cox
President

Bruce Thielen
Senior Vice President
Residential Lending

Rachel Jones
Vice President
Loan Servicing

Ron Stafford
Vice President
Residential Lending

Paul L. Thomas
Executive Vice President
Chief Credit Officer

Michael Braman
Vice President
Loan Servicing

Lisa Lillard
Vice President
Information Technology

Christine Todd
Vice President
Risk Management

Rhonda Nyhus
Senior Vice President
Chief Financial Officer

Phil Craven
Vice President
Commercial Lending

Marquise Mansaw
Vice President
Residential Lending

Drake Vidrine
Vice President
Construction Lending

Shauna Olson
Corporate Secretary

Sherrie Eimer
Vice President
Branch Administration

Luke Miller
Vice President
Internal Asset Review

James A. Watson
Vice President
Banking Compliance

Mike Anderson
Senior Vice President
Construction Lending

Cathleen Gwin
Vice President
Residential Lending

Dan Morton
Vice President
Information Technology

Lori West
Vice President
Loan Servicing

Wade Hall
Senior Vice President
Commercial Lending

Scott Haase
Vice President
Residential Lending

Dan Reynoldson
Vice President
Residential Lending

Donna Williams
Vice President
Construction Lending

John M. Nesselrode
Senior Vice President
Chief Investment Officer

Jeff Jackson
Vice President
Information Technology

Christine Schaben
Vice President
Human Resources

Branch Offices

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

Investor Information

Annual Meeting of Stockholders:

The Annual Meeting of Stockholders will be held on Thursday, January 20, 2011, at 8:30 a.m. in the lobby of North American Savings Bank, 12498 South 71 Highway, Grandview, Missouri.

Annual Report on 10-K:

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

Transfer Agent:

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

Stock Trading Information:

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

Independent Registered Public Accounting Firm:

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

Shareholder and Financial Information:

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

Common Stock Prices and Dividends

At September 30, 2010, stockholders held 7,867,614 outstanding shares of NASB Financial, Inc. common stock. The company paid cash dividends of $0.225 per share in February, May, August, and November 2008. Cash dividends of $0.225 per share were paid in February, May, August, and November 2009. The Company paid cash dividends of $0.225 per share in February 2010.

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

	Fiscal 2010		Fiscal 2009	
Quarter ended	High	Low	High	Low
December 31	$ 27.24	22.47	29.74	21.00
March 31	24.08	18.85	26.81	12.48
June 30	24.40	14.96	31.10	20.60
September 30	15.97	13.05	31.94	23.55