NASB FINANCIAL INC
Form 10-Q
August 12, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended June 30, 2005

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 0-24033

NASB Financial, Inc.
(Exact name of registrant as specified in its charter)

Missouri	43-1805201
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

12498 South 71 Highway, Grandview, Missouri 64030
(Address of principal executive offices) (Zip Code)

(816) 765-2200
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

The number of shares of Common Stock of the Registrant outstanding as of August 11, 2005, was 8,444,942.

NASB FINANCIAL, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(In thousands)

	June 30, 2005 (Unaudited)	September 30, 2004
ASSETS		
Cash and cash equivalents	$ 18,243	18,263
Securities available for sale	240	244
Stock in Federal Home Loan Bank, at cost	23,107	17,808
Mortgage-backed securities:		
Available for sale, at market value	141,306	170,933
Held to maturity (fair value of $528 and $645 at June 30, 2005, and September 30, 2004, respectively)	507	614
Loans receivable:		
Held for sale	309,993	246,468
Held for investment, net	980,532	876,322
Allowance for loan losses	(7,456)	(8,221)
Accrued interest receivable	6,526	5,887
Foreclosed asset held for sale, net	6,287	4,014
Premises and equipment, net	10,531	8,481
Investment in LLC	9,716	7,982
Mortgage servicing rights, net	864	839
Deferred income tax asset	4,189	3,915
Other assets	8,005	8,339
	$ 1,512,590	1,361,888
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer deposit accounts	$ 657,643	653,700
Brokered deposit accounts	91,784	30,040
Advances from Federal Home Loan Bank	474,042	367,341
Securities sold under agreements to repurchase	128,000	159,100
Escrows	6,653	8,437
Income taxes payable	1,919	1,072
Accrued expenses and other liabilities	7,266	3,207
Total liabilities	1,367,307	1,222,897
Stockholders' equity:		
Common stock of $0.15 par value: 20,000,000 authorized; 9,857,112 issued at June 30, 2005 and September 30, 2004	1,479	1,479

Serial preferred stock of $1.00 par value: 7,500,000 shares authorized; none issued or outstanding	--	--
Additional paid-in capital	16,256	16,256
Retained earnings	146,792	139,663
Treasury stock, at cost; 1,412,170 shares at June 30, 2005 and 1,401,670 shares at September 30, 2004	(17,656)	(17,257)
Accumulated other comprehensive income	(1,588)	(1,150)
Total stockholders' equity	145,283	138,991
	$ 1,512,590	1,361,888

See accompanying notes to consolidated financial statements.

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NASB FINANCIAL, INC. AND SUBSIDIARY
Consolidated Statements of Income (Unaudited)
(In thousands, except share data)

	Three months ended June 30,		Nine months ended June 30,	
	2005	2004	2005	2004
Interest on loans	$ 20,039	16,511	56,020	49,510
Interest on mortgage-backed securities	1,328	1,791	4,411	4,162
Interest and dividends on securities	231	74	492	370
Other interest income	66	28	179	75
Total interest income	21,664	18,404	61,102	54,117
Interest on customer deposit accounts	4,491	3,192	11,608	9,557
Interest on advances from FHLB	2,912	1,348	7,744	3,788
Interest on securities sold under agreements to repurchase	999	567	2,667	1,189
Total interest expense	8,402	5,107	22,019	14,534
Net interest income	13,262	13,297	39,083	39,583
Provision for loan losses	--	265	417	
Net interest income after provision for loan losses	13,262	13,032	38,666	39,318
Other income (expense):				

Loan servicing fees, net	(53)	341	31	380
Impairment (loss) recovery on mortgage servicing rights	18	(80)	7	(38)
Customer service fees and charges	1,833	1,921	5,113	4,891
Recovery on real estate owned	--	134	899	134
Gain on sale of securities available for sale	--	--	--	726
Gain on sale of loans held for sale	4,814	4,189	12,250	8,738
Other	278	(401)	1,118	1,344
Total other income	6,890	6,104	19,418	16,175
General and administrative expenses:				
Compensation and fringe benefits	4,352	4.212	12,522	12,020
Commission-based mortgage banking compensation	2,414	1,942	5,931	4,557
Premises and equipment	778	787	2,326	2,227
Advertising and business promotion	1,079	898	2,748	1,917
Federal deposit insurance premiums	24	25	75	76
Other	1,503	1,810	4,104	4,834
Total general and administrative expenses	10,150	9,674	27,706	25,631
Income before income tax expense	10,002	9,462	30,378	29,862
Income tax expense	3,601	3,450	10,991	11,011
Net income	$ 6,401	6,012	19,387	18,851
Basic earnings per share	$ 0.75	0.71	2.29	2.23
Diluted earnings per share	$ 0.75	0.71	2.29	2.23
Basic weighted average shares outstanding	8,447,893	8,457,942	8,452,926	8,455,230

See accompanying notes to consolidated financial statements.

NASB FINANCIAL, INC. AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands, except share data)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	T sto e
	(Dollars in thousands)					
Balance at October 1, 2004	$ 1,479	16,256	139,663	(17,257)	(1,150)	1
Comprehensive income:						
Net income	--	--	19,387	--	--	

Other comprehensive income (loss), net of tax:						
Unrealized loss on securities available for sale	--	--	--	--	(438)	--
Total comprehensive income	--	--	--	--	--	
Cash dividends paid	--	--	(12,258)	--	--	(
Purchase of common stock for treasury	--	--	--	(399)	--	
Balance at June 30, 2005	$ 1,479	16,256	146,792	(17,656)	(1,588)	1

See accompanying notes to consolidated financial statements.

NASB FINANCIAL, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (Unaudited)
(In thousands, except share data)

	Nine months ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net income	$ 19,387	18,851
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	793	747
Amortization and accretion, net	(2,773)	(381)
Impairment loss (recovery) on mortgage servicing rights	(7)	38
Net fair value of loan related commitments	(302)	251
Gain on sale of loans receivable held for sale	(12,250)	(8,738)
Gain on sale of securities available for sale	--	(726)
Provision for loan losses	417	265
Recovery on real estate owned	(899)	(134)
Origination of loans held for sale	(863,878)	(696,726)
Sale of loans receivable held for sale	803,736	662,915
Changes in:		
Accrued interest receivable	(639)	(887)
Accrued expenses and other liabilities and income taxes payable	5,108	(1,784)
Net cash used in operating activities	(51,307)	(26,309)
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities:		
Held to maturity	138	276

Available for sale	28,560	13,624
Principal repayments of mortgage loans receivable	322,755	348,848
Principal repayments of other loans receivable	9,955	13,645
Maturity of investment securities available for sale	4	3
Loan origination - mortgage loans held for investment	(422,324)	(379,496)
Loan origination - other loans receivable	(10,698)	(5,478)
Purchase of mortgage loans receivable held for investment	(1,310)	(4,569)
Purchase of mortgage-backed securities available for sale	--	(193,043)
Purchase of FHLB stock	(5,298)	(1,499)
Proceeds from sale of securities available for sale	--	5,369
Proceeds for sale of real estate owned	6,661	5,650
Purchases of premises and equipment, net of sales	(2,843)	(1,540)
Investment in LLC	(1,734)	(4,274)
Other	108	(3,898)
Net cash used in investing activities	(76,026)	(206,382)

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NASB FINANCIAL, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (continued)
(In thousands, except share data)

	Nine months ended June 30,	
	2005	2004
Cash flows from financing activities:		
Net increase in customer and brokered deposit accounts	65,983	54,211
Proceeds from advances from FHLB	3,994,500	361,900
Repayment on advances from FHLB	(3,887,629)	(350,229)
Proceeds from sale of securities under agreements to repurchase	292,400	194,380
Repayment of securities sold under agreements to repurchase	(323,500)	(22,180)
Cash dividends paid	(12,258)	(10,570)
Stock options exercised	--	120
Repurchase of common stock	(399)	--
Change in escrows	(1,784)	(2,253)
Net cash provided by financing activities	127,313	225,379
Net decrease in cash and cash equivalents	(20)	(7,312)
Cash and cash equivalents at beginning of the period	18,263	24,321
Cash and cash equivalents at end of period	$ 18,243	17,009

Supplemental disclosure of cash flow information:		
Cash paid for income taxes (net of refunds)	$ 10,144	13,550
Cash paid for interest	20,752	14,066
Supplemental schedule of non-cash investing and financing activities:		
Conversion of loans receivable to real estate owned	$ 8,003	3,298
Capitalization of mortgage servicing rights	253	2

See accompanying notes to consolidated financial statements.

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements are prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. All adjustments are of a normal and recurring nature and, in the opinion of management, the statements include all adjustments considered necessary for fair presentation. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K to the Securities and Exchange Commission. Operating results for the nine months ended June 30, 2005, are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2005. The consolidated balance sheet of the Company as of September 30, 2004, has been derived from the audited balance sheet of the Company as of that date.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowances for losses on loans, real estate owned, and valuation of mortgage servicing rights. Management believes that these allowances are adequate, future additions to the allowances may be necessary based on changes in economic conditions.

The Company's critical accounting policies involving the more significant judgements and assumptions used in the preparation of the consolidated financial statements as of June 30, 2005, have remained unchanged from September 30, 2004. These policies relate to provision for loan losses and mortgage servicing rights. Disclosure of these critical accounting policies is incorporated by reference under Item 8 "Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the Company's year ended September 30, 2004.

Certain quarterly amounts for previous periods have been reclassified to conform to the current quarter's presentation.

(2) RECONCILIATION OF BASIC EARNINGS PER SHARE TO DILUTED EARNINGS PER SHARE

The following table presents a reconciliation of basic earnings per share to diluted earnings per share for the periods indicated.

	Three months ended		Nine months ended	
	6/30/05	6/30/04	6/30/05	6/30/04
Net income (in thousands)	$ 6,401	6,012	19,387	18,851
Average common shares outstanding	8,447,893	8,457,942	8,452,926	8,455,230
Average common share stock options outstanding	12,256	583	12,242	1,180
Average diluted common shares	8,460,149	8,458,525	8,465,168	8,456,410
Earnings per share:				
Basic	$ 0.75	0.71	2.29	2.23
Diluted	0.75	0.71	2.29	2.23

The dilutive securities included for each period presented above consist entirely of stock options granted to employees as incentive stock options under Section 442A of the Internal Revenue Code as amended.

(3) SECURITIES AVAILABLE FOR SALE

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

	June 30, 2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Debt securities	$ 180	--	--	180
Municipal securities	60	--	--	60
Total	$ 240	--	--	240

(4) MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

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

	June 30, 2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Pass-through certificates guaranteed by GNMA - fixed rate	$ 403	--	2	401
Pass-through certificates guaranteed by FNMA - adjustable rate	21,728	--	423	21,305
FHLMC participation certificates				
- fixed rate	1,731	--	87	1,644
- adjustable rate	120,027	--	2,071	117,956
Total	$ 143,889	--	2,583	141,306

(5) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

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

	June 30, 2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
FHLMC participation certificates:				
Balloon maturity and adjustable rate	$ 216	16	--	232
FNMA pass-through certificates:				
Fixed rate	108	--	--	108
Balloon maturity and adjustable rate	110	--	--	110
Pass-through certificates guaranteed by GNMA - fixed rate	55	5	--	60
Collateralized mortgage obligation bonds	18	--	--	18
Total	$ 507	21	--	528

(6) LOANS RECEIVABLE

Loans receivable are as follows:

	June 30, 2005 (Dollars in thousands)
LOANS HELD FOR INVESTMENT:	
Mortgage loans:	
Permanent loans on:	
Residential properties	$ 184,962
Business properties	410,495
Partially guaranteed by VA or insured by FHA	3,988
Construction and development	500,173
Total mortgage loans	1,099,618
Commercial loans	44,593
Installment loans to individuals	22,828
Total loans held for investment	1,167,039
Less:	
Undisbursed loan funds	(182,771)
Unearned discounts and fees and costs on loans, net	(3,736)
Net loans held for investment	$ 980,532

	June 30, 2005 (Dollars in thousands)
LOANS HELD FOR SALE:	
Mortgage loans:	
Permanent loans on:	
Residential properties	$ 347,467
Less:	
Undisbursed loan funds	(37,674)
Unearned discounts and fees and costs on loans, net	200
Net loans held for sale	$ 309,993

Included in the loans receivable balances at June 30, 2005, are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions in the amount of $161,000. Loans and participations serviced for others amounted to approximately $110.3 million at June 30, 2005.

(7) FORECLOSED ASSETS HELD FOR SALE

Real estate owned and other repossessed property consisted of the following:

	June 30, 2005
	(Dollars in thousands)
Real estate acquired through (or deed in lieu of) foreclosure	$ 6,518
Less: allowance for losses	(231)
Total	$ 6,287

Foreclosed assets held for sale are initially recorded at fair value as of the date of foreclosure minus 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

(8) MORTGAGE SERVICING RIGHTS

The following provides information about the Bank's mortgage servicing rights for the period ended June 30, 2005. Dollar amounts are expressed in thousands.

Balance at October 1, 2004	$ 839
Additions:	
Originated mortgage servicing rights	253
Impairment Recovery	7
Reductions:	
Amortization	(235)
Balance at June 30, 2005	$ 864

(9) REPURCHASE AGREEMENTS

During the nine-month period ended June 30, 2005, the Bank sold various adjustable-rate mortgage-backed securities under agreements to repurchase. The outstanding balance of such repurchase agreements was $128.0 million at June 30, 2005. These agreements have a weighted average rate of 3.03% and a weighted average maturity of 135 days.

(10) SEGMENT INFORMATION

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has identified three principal operating segments for purposes of financial reporting: Banking, Local Mortgage Banking, and National 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 National Mortgage Banking segment originates mortgage loans via the internet primarily for sale to investors. The Local 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 periods indicated. Dollar amounts are expressed in thousands.

Three months ended June 30, 2005	Banking	Local Mortgage Banking	National Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 13,230	--	--	32	13,262
Provision for loan losses	--	--	--	--	--
Other income	1,133	3,757	2,940	(940)	6,890
General and administrative expenses	3,974	3,259	3,127	(210)	10,150
Income tax expense (benefit)	3,740	179	(67)	(251)	3,601
Net income	$ 6,649	319	(120)	(447)	6,401

Three months ended June 30, 2004	Banking	Local Mortgage Banking	National Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 13,276	--	--	21	13,297
Provision for loan losses	265	--	--	--	265
Other income	1,862	3,927	2,164	(1,849)	6,104
General and administrative expenses	4,026	3,746	2,413	(511)	9,674
Income tax expense (benefit)	3,959	66	(91)	(484)	3,450
Net income	$ 6,888	115	(158)	(833)	6,012

Nine months ended June 30, 2005	Banking	Local Mortgage Banking	National Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$39,004	--	--	79	39,083
Provision for loan losses	417	--	--	--	417
Other income	5,133	9,701	7,212	(2,628)	19,418
General and administrative expenses	11,245	9,153	7,910	(602)	27,706
Income tax expense (benefit)	11,691	197	(251)	(646)	10,991
Net income	$20,784	351	(447)	(1,301)	19,387

Nine months ended June 30, 2004	Banking	Local Mortgage Banking	National Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$39,562	--	--	21	39,583
Provision for loan losses	265	--	--	--	265
Other income	6,886	9,294	4,831	(4,836)	16,175
General and administrative expenses	11,323	10,078	5,617	(1,387)	25,631
Income tax expense (benefit)	12,724	(286)	(287)	(1,140)	11,011
Net income	$22,136	(498)	(499)	(2,288)	18,851

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

The principal business of the Company is to provide banking services through the Bank. Specifically, the Bank obtains savings and checking deposits from the public, then 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, advances from the Federal Home Loan Bank ("FHLB"), and the purchase of brokered deposit accounts. The Bank's primary sources of income are interest on loans, MBS, and investment securities plus customer service fees and income from mortgage banking activities. Expenses consist primarily of interest payments on customer deposits and other borrowings and general and administrative costs.

The Bank is regulated by the Office of Thrift Supervision ("OTS") and the Federal Deposit Insurance Corporation ("FDIC"), and is subject to periodic examination by both entities. The Bank is also subject to the regulations of the Board of Governors of the Federal Reserve System ("FRB"), which establishes rules regarding reserves that must be maintained against customer deposits.

FINANCIAL CONDITION

ASSETS

The Company's total assets as of June 30, 2005, were $1,512.6 million, an increase of $150.7 million from September 30, 2004, the prior fiscal year end.

As the Bank originates mortgage 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 can be sold with servicing released or converted into MBS and sold with the loan 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 portfolio or sold and if sold, which method of sale is appropriate. During the nine months ended June 30, 2005, the Bank originated and purchased $863.9 million in mortgage loans held for sale, $423.6 million in mortgage loans held for investment, and $10.7 million in other loans. This total of $1,298.2 million in loans originated compares to $1,086.3 million in loans originated during the nine months ended June 30, 2004.

Included in the $310.0 million in loans held for sale as of June 30, 2005, are $133.3 million in mortgage loans held for sale with servicing released. All loans held for sale are carried at the lower of cost or fair value.

The Bank classifies problem assets as "substandard," "doubtful" or "loss." Substandard assets have one or more defined weaknesses, and it is possible that the Bank will sustain some loss unless the deficiencies are corrected. Doubtful assets have the same defects as substandard assets plus other weaknesses that make collection or full liquidation improbable. Assets classified as loss are considered uncollectible and of such little value that a specific loss allowance is warranted.

The following table summarizes the Bank's classified assets as reported to the OTS, plus any classified assets of the holding company. Dollar amounts are expressed in thousands.

	6/30/05	9/30/04	6/30/04

Asset Classification:			
Substandard	$ 11,305	17,462	17,627
Doubtful	--	--	--
Loss	490	1,861	1,567
	11,795	19,323	19,194
Allowance for losses on loans and real estate owned	(7,687)	(9,315)	(9,127)
	$ 4,108	10,008	10,067

The following table summarizes non-performing assets, troubled debt restructurings, and real estate acquired through foreclosure or in-substance foreclosure. Dollar amounts are expressed in thousands.

	6/30/05	9/30/04	6/30/04
Total Assets	$ 1,512,590	1,361,888	1,345,837
Non-accrual loans	$ 6,437	15,748	12,698
Troubled debt restructurings	74	2,844	2,883
Net real estate and other assets acquired through foreclosure	6,287	4,014	3,740
Total	$ 12,798	22,606	19,321
Percent of total assets	0.85%	1.66%	1.44%

Management records a provision for loan losses in amounts sufficient to cover current net charge-offs and an estimate of probable losses based on an analysis of risks that management believes to be inherent in the loan portfolio. The Allowance for Loan and Lease Losses ("ALLL") recognizes the inherent risks associated with lending activities but, unlike specific allowances, have not been allocated to particular problem assets but to a homogenous pool of loans. Management believes that the specific loss allowances and ALLL are adequate. While management uses available information to determine these allowances, future allowances may be necessary because of changes in economic conditions. Also, regulatory agencies (OTS and FDIC) review the Bank's allowance for losses as part of their examinations, and they may require the Bank to recognize additional loss provisions based on the information available at the time of their examinations.

The following table sets forth the activity in the allowance for loan losses for the nine months ending June 30, 2005, and 2004. Dollar amounts are expressed in thousands.

	2005	2004
Balance at beginning of year	$ 8,221	7,986

Provision for loan losses	417	265
Recoveries	58	91
Charge-offs	(1,240)	(313)
Balance at June 30	$ 7,456	8,029

The Company is a partner in Central Platte Holdings, LLC, which was formed for the purpose of purchasing more than eight hundred acres of vacant land in Platte County, Missouri for single-family housing development. The Company's investment in this partnership was $7.1 million at June 30, 2005. The Company is also a partner in NBH, LLC, which was formed for the purpose of purchasing eighty-six acres of vacant land in Platte County, Missouri for mixed-use development. The Company's investment in this partnership was $2.6 million at June 30, 2005. The Company has recorded these investments using the equity method of accounting.

LIABILITIES AND EQUITY

Customer deposit accounts increased $3.9 million, and brokered deposit accounts increased $61.7 million during the nine months ended June 30, 2005. The weighted average rate on customer and brokered deposits as of June 30, 2005, was 2.67%, an increase from 1.90% as of June 30, 2004.

Advances from the FHLB were $474.0 million as of June 30, 2005, an increase of $106.7 million from September 30, 2004. During the nine-month period, the Bank borrowed $3,994.5 million of new advances and repaid $3,887.6 million. Management regularly uses FHLB advances as an alternate funding source to provide operating liquidity and to fund the origination and purchase of mortgage loans.

Securities sold under agreements to repurchase were $128.0 million as of June 30, 2005, a decrease of $31.1 million from September 30, 2004. During the nine-month period, the Bank sold a total of $292.4 million of mortgage-backed securities under agreements to repurchase, and repurchase agreements of $323.5 million were repaid.

Escrows were $6.7 million as of June 30, 2005, a decrease of $1.8 million from September 30, 2004. This decrease is due to amounts paid for borrowers' taxes during the fourth calendar quarter of 2004.

Total stockholders' equity as of June 30, 2005, was $145.3 million (9.6% of total assets). This compares to $139.0 million (10.2% of total assets) at September 30, 2004. On a per share basis, stockholders' equity was $17.20 on June 30, 2005, compared to $16.44 on September 30, 2004.

The Company paid cash dividends on its common stock of $1.00 on November 26, 2004, and $0.225 on February 25, 2005 and May 27, 2005. Subsequent to the quarter ended June 30, 2005, the Company announced a cash dividend of $0.225 per share to be paid on August 26, 2005, to stockholders of record as of August 5, 2005.

Total stockholders' equity as of June 30, 2005, includes an unrealized loss of $1.6 million, net of deferred income taxes, on available for sale securities. This amount is reflected in the line item "Accumulated other comprehensive income."

RATIOS

The following table illustrates the Company's return on assets (annualized net income divided by average total assets); return on equity (annualized net income divided by average total equity); equity-to-assets ratio (ending total equity divided by ending total assets); and dividend payout ratio (dividends paid divided by net income).

	Nine months ended	
	6/30/05	6/30/04
Return on assets	1.80%	2.05%
Return on equity	18.19%	19.26%
Equity-to-assets ratio	9.60%	9.92%
Dividend payout ratio	63.23%	56.07%

RESULTS OF OPERATIONS - Comparison of three months and nine months ended June 30, 2005 and 2004.

For the three months ended June 30, 2005, the Company had net income of $6,401,000 or $0.75 per share. This compares to net income of $6,012,000 or $0.71 per share for the quarter ended June 30, 2004.

For the nine months ended June 30, 2005, the Company had net income of $19,387,000 or $2.29 per share. This compares to net income of $18,851,000 or $2.23 per share for the nine months ended June 30, 2004.

NET INTEREST MARGIN

The Company's net interest margin is comprised of the difference ("spread") between interest income on loans, MBS, and investments and the interest cost of customer deposits and brokered deposits 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.

The following table presents the total dollar amounts of interest income and expense on the indicated amounts of average interest-earning assets or interest-costing liabilities for the nine months ended June 30, 2005 and 2004. Average yields reflect reductions due to non-accrual loans. Once a loan becomes 90 days delinquent, any interest that has accrued up to that time is reserved and no further interest income is recognized unless the loan is paid current. Average balances and weighted average yields for the periods include all accrual and non-accrual loans. The table also presents the interest-earning assets and yields for each respective period. Dollar amounts are expressed in thousands.

	Nine months ended 6/30/05			As of 6/30/05
	Average Balance	Interest	Yield/ Rate	Yield/ Rate

Interest-earning assets				
Loans	$1,188,041	56,020	6.29%	6.24%
Mortgage-backed securities	156,888	4,411	3.75%	4.22%
Securities	21,017	492	3.12%	3.78%
Bank deposits	10,080	179	2.37%	2.38%
Total earning assets	1,376,026	61,102	5.92%	5.97%
Non-earning assets	47,118			
Total	$1,423,144			
Interest-costing liabilities				
Customer checking and savings deposit accounts	$ 201,129	1,083	0.72%	0.90%
Customer and brokered certificates of deposit	512,280	10,525	2.74%	3.29%
FHLB Advances	420,336	7,744	2.46%	2.94%
Repurchase agreements	139,590	2,667	2.55%	3.03%
Total costing liabilities	1,273,335	22,019	2.31%	2.80%%
Non-costing liabilities	9,323			
Stockholders' equity	140,486			
Total	$1,423,144			
Net earning balance	$ 102,691			
Earning yield less costing rate			3.61%	3.17%
Average interest-earning assets, net interest, and net yield spread on average interest-earning assets	$1,376,026	39,083	3.79%	

	Nine months ended 6/30/04			As of 6/30/04
	Average Balance	Interest	Yield/ Rate	Yield/ Rate
Interest-earning assets				
Loans	$1,043,557	49,510	6.33%	5.87%
Mortgage-backed securities	141,572	4,162	3.92%	3.85%
Securities	19,602	370	2.52%	1.79%
Bank deposits	17,086	75	0.59%	0.80%
Total earning assets	1,221,817	54,117	5.91%	5.46%
Non-earning assets	49,599			
Total	$1,271,416			
Interest-costing liabilities				
Customer checking and savings deposit accounts	$ 209,176	1,110	0.71%	0.68%
Customer and brokered certificates of deposit	460,607	8,447	2.45%	2.50%

FHLB Advances	339,659	3,788	1.49%	1.71%
Repurchase agreements	126,222	1,189	1.26%	1.29%
Total costing liabilities	1,135,664	14,534	1.71%	1.80%%
Non-costing liabilities	6,374			
Stockholders' equity	129,378			
Total	$1,271,416			
Net earning balance	$ 86,153			
Earning yield less costing rate			4.20%	3.66%
Average interest-earning assets, net interest, and net yield spread on average interest-earning assets	$1,221,817	39,583	4.32%	

The following table provides 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), and (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.

	Nine months ended June 30, 2005, compared to nine months ended June 30, 2004			
	Yield	Volume	Yield/ Volume	Total
Components of interest income:				
Loans	$ (313)	6,859	(36)	6,510
Mortgage-backed securities	(181)	450	(20)	249
Securities	88	27	7	122
Bank deposits	228	(31)	(93)	104
Net change in interest income	(178)	7,305	(142)	6,985
Components of interest expense:				
Customer and brokered deposit accounts	1,356	622	73	2,051
FHLB Advances	2,471	902	583	3,956
Repurchase agreements	1,221	126	131	1,478
Net change in interest expense	5,048	1,650	787	7,485
(Decrease) increase in net interest margin	$ (5,226)	5,655	(929)	(500)

Net interest margin before loan loss provision for the three months ended June 30, 2005, decreased $35,000 from the same period in the prior year. Specifically, interest income increased $3.3 million due to an increase in the average balance of interest-earning assets and an increase in the average rate earned on such assets. The increase in interest income was offset by a $3.3 million increase in interest expense, which resulted from an increase in the average balance of interest-costing liabilities and an increase in the average rate paid on such liabilities.

Net interest margin before loan loss provision for the nine months ended June 30, 2005, decreased $500,000 from the same period in the prior year. Specifically, interest income increased $7.0 million due primarily to a $154.2 million increase in the average balance of interest-earning assets. The increase in interest income was offset by a $7.5 million increase in interest expense. This decrease resulted from a $137.7 million increase in the average balance of interest-costing liabilities, and a 60 basis point increase in the average rate paid on such liabilities.

PROVISION FOR LOAN LOSSES

The Company recorded no provision for loan losses during the quarter ended June 30, 2005, and $417,000 for the nine months ended June 30, 2005. Management performs an ongoing analysis of individual loans and of homogenous pools of loans to assess for any impairment. On a consolidated basis, loan loss reserve was 65.2% of total classified assets at June 30, 2005, 48.2% at September 30, 2004, and 47.6% at June 30, 2004.

As stated above, management believes that the provisions for loan losses is adequate. The provision can fluctuate based on changes in economic conditions or changes in the 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.

OTHER INCOME

Other income for the three months ended June 30, 2005, increased $786,000 from the same period in the prior year. Gain on sale of loans held for sale increased $625,000 due to an increase in mortgage banking volume. In addition, other income increased $679,000 due primarily to the effect of recording the net fair value of certain loan-related commitments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was partially offset by a $237,000 decrease in loan prepayment penalties. These increases in other income were further offset by a decrease in loan servicing fees of $394,000 resulting from an increase in the amortization of capitalized servicing, and a $134,000 decrease in recoveries on real estate owned.

Other income for the nine months ended June 30, 2005, increased $3.2 million from the same period in the prior year. Gain on sale of loans held for sale increased $3.5 million due to an increase in mortgage banking volume. Recoveries on real estate owned increased $765,000 due to gains realized on the sale of foreclosed assets held for sale. Customer service fees and charges increased $222,000 due primarily to fee income earned by the Company's national mortgage banking operation. These increases were offset by $726,000 decrease in gain on sale of securities available for sale due to the sale of corporate debt and asset-backed securities in the prior year. In addition, loan service fees decreased $349,000 due in an increase in the amortization of capitalized servicing. Other income decreased $226,000 due primarily to a $659,000 decrease in loan prepayment penalties, which was largely offset by the effect of recording the net fair value of certain loan-related commitments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities."

GENERAL AND ADMINISTRATIVE EXPENSES

Total general and administrative expenses for the three months ended June 30, 2005, increased $476,000 from the same period in the prior year. Specifically, compensation, fringe benefits, and commission-based mortgage banking compensation increased $612,000 due primarily to increased mortgage banking volume, and the continued growth of the national mortgage banking operation. Additionally, advertising increased $181,000 due to the addition of the national mortgage banking operation. These increases were offset by a $307,000 decrease in other expense due primarily to decreases in data processing and other costs related to the addition of the national mortgage banking operation.

Total general and administrative expenses for the nine months ended June 30, 2005, increased $2.1 million from the same period in the prior year. Specifically, compensation, fringe benefits, and commission-based mortgage banking compensation increased $1.9 million due primarily to increased mortgage banking volume, and the continued growth of the national mortgage banking operation. Additionally, advertising increased $831,000 due to the addition of the national mortgage banking operation. These increases were offset by a $730,000 decrease in other expense due primarily to decreases in data processing and other costs related to the addition of the national mortgage banking operation.

REGULATION

The Bank is a member of the FHLB System and its customers' deposits are insured by the Savings Association Insurance Fund ("SAIF") of the FDIC. The Bank is subject to regulation by the OTS as its chartering authority. Since passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA" or the "Act"), the FDIC also has regulatory control over the Bank. The transactions of SAIF-insured institutions are limited by statute and regulations that may require prior supervisory approval in certain instances. Institutions also must file reports with regulatory agencies regarding their activities and their financial condition. The OTS and FDIC make periodic examinations of the Bank to test compliance with the various regulatory requirements. The OTS can require an institution to re-value its assets based on appraisals and to establish specific valuation allowances. This supervision and regulation is intended primarily for the protection of depositors. Also, savings institutions are subject to certain reserve requirements under Federal Reserve Board regulations.

INSURANCE OF ACCOUNTS

The SAIF insures the Bank's customer deposit accounts to a maximum of $100,000 for each insured member. Deposit insurance premiums are determined using a Risk-Related Premium Schedule ("RRPS"), a matrix which places each insured institution into one of three capital groups and one of three supervisory groups. Currently, deposit insurance premiums range from 0 to 27 basis points of the institution's total deposit accounts, depending on the institution's risk classification. The Bank is currently considered "well capitalized", which is the most favorable capital group and supervisory subgroup. SAIF-insured institutions are also assessed a premium to service the interest on Financing Corporation ("FICO") debt.

REGULATORY CAPITAL REQUIREMENTS

At June 30, 2005, the Bank exceeds all capital requirements prescribed by the OTS. To calculate these requirements, a thrift must deduct any investments in and loans to subsidiaries that are engaged in activities not permissible for a national bank. As of June 30, 2005, the Bank did not have any investments in or loans to subsidiaries engaged in activities not permissible for national banks.

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

At June 30, 2005	Amount
GAAP capital (Bank only)	$ 129,379
Adjustment for regulatory capital:	
Intangible assets	(3,096)
Disallowed portion of servicing assets and deferred tax assets	(4,189)
Reverse the effect of SFAS No. 115	1,588
Tangible capital	123,682
Qualifying intangible assets	--
Tier 1 capital (core capital)	123,682
Qualifying general valuation allowance	6,966
Risk-based capital	$ 130,648

	As of June 30, 2005				
	Actual		Minimum required for Capital Adequacy		Minimum "Well
	Amount	Ratio	Amount	Ratio	Amoun
Total capital to risk-weighted assets	$ 130,648	11.2%	93,371	>=8%	116,71

Core capital to adjusted tangible assets	123,682	8.3%	59,766	>=4%	74,70
Tangible capital to tangible assets	123,682	8.3%	22,412	>=1.5%	-
Tier 1 capital to risk-weighted assets	123,682	10.6%	--	--	70,02

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LOANS TO ONE BORROWER

Institutions are prohibited from lending to any one borrower in excess of 15% of the Bank's unimpaired capital plus unimpaired surplus, or 25% of unimpaired capital plus unimpaired surplus if the loan is secured by certain readily marketable collateral. Renewals that exceed the loans-to-one-borrower limit are permitted if the original borrower remains liable and no additional funds are disbursed. The Bank recently enrolled with the OTS to participate in the "Lending Limits Pilot Program." This program allows a federally chartered institution to increase it's loans-to-one-borrower limit by an additional amount equal to the lesser of: a) $10 million; b) 10% of its unimpaired capital and surplus; or c) the percentage of its capital and surplus, in excess of 15%, that a state institution is permitted to lend. Participation in this program increased North American's loans-to-one-borrower limit by $10 million. This pilot program is set to expire on September 10, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity measures the ability to meet deposit withdrawals and lending commitments. The Bank generates liquidity primarily from the sale and repayment of loans, retention or newly acquired retail deposits, and advances from FHLB of Des Moines' credit facility. Management continues to use FHLB advances as a primary source of short-term funding. At June 30, 2005, there was $76.0 million available to the Bank in the form of FHLB advances. The Bank has established relationships with various brokers, and, as a secondary source of liquidity, the Bank purchases brokered deposit accounts. At June 30, 2005, the Bank has $91.8 million in brokered deposits, and it could purchase up to $126.6 million in additional brokered deposits and remain "well capitalized" as defined by the OTS.

Fluctuations in the level of interest rates typically impact prepayments on mortgage loans and MBS. During periods of falling interest rates, these prepayments increase and a greater demand exists for new loans. The Bank's customer deposits are partially impacted by area competition. 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. Management is not aware of any other current market or economic conditions that could materially impact the Bank's future ability to meet obligations as they come due.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a complete discussion of the Company's asset and liability management policies, as well as the potential impact of interest rate changes upon the market value of the Company's portfolio, see the

"Asset/Liability Management" section of the Company's Annual Report for the year ended September 30, 2004.

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 securities, equity securities, or foreign currency positions, interest rate risk ("IRR") is the primary market risk that is inherent in the Bank's portfolio. 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. There have been no material changes in the market risk information provided in the Annual Report for the year ended September 30, 2004.

Item 4. Controls and Procedures

An evaluation of the Company's disclosure controls and procedures was carried out under the supervision and with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") within the 90-day period preceding the filing date of this quarterly report. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective in ensuring that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) accumulated and communicated to management in a timely manner, and (ii) recorded, processed, summarized, and reported within the time periods specified by the SEC. Since the date of this evaluation, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect those controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There were no material proceedings pending other than ordinary and routine litigation incidental to the business of the Company.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a)Exhibits

Exhibit 99.1 - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

Exhibit 99.2 - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

(b) Reports of Form 8-K

A report on Form 8-K was filed on April 26, 2005, which announced a quarterly cash dividend of $0.225 per share, payable on May 27, 2005 to shareholder's of record as of May 6, 2005.

A report on Form 8-K was filed on April 19, 2005, which announced financial results for the quarter ended March 31, 2005.

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S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NASB Financial, Inc.
(Registrant)

August 12, 2005

By: /s/David H. Hancock
David H. Hancock
Chairman and
Chief Executive Officer

August 12, 2005

By: /s/Rhonda Nyhus
Rhonda Nyhus
Vice President and
Treasurer

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I, David Hancock, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of NASB Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidate subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

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Date: August 12, 2005

I, Rhonda Nyhus, Vice President and Treasurer, certify that:

1. I have reviewed this report on Form 10-Q of NASB Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidate subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

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Date: August 12, 2005