

Edgar Filing: NASB FINANCIAL INC - Form 10-Q/A

NASB FINANCIAL INC
Form 10-Q/A
June 30, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A

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

For the period ended December 31, 2010

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
(State or other jurisdiction of
incorporation or organization)

43-1805201
(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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the

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preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer, or a small reporting company. See definition of "accelerated filer", "large accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer X

Non-accelerated filer Small reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The number of shares of Common Stock of the Registrant outstanding as of February 4, 2011, was 7,867,614.

EXPLANATORY NOTE REGARDING THIS FORM 10-Q/A

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A amends our Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, initially filed with the Securities and Exchange Commission ("SEC") on February 9, 2011 (the "Original Filing"). We are filing this Amendment No. 1 to restate our consolidated financial statements for the quarters ended December 31, 2011, to appropriately reflect loans classified as Troubled Debt Restructurings (TDRs) and to properly value foreclosed assets held for sale following an examination by the Office of Thrift Supervision ("OTS").

This Amendment No. 1 is the result of a regulatory examination of NASB Financial, Inc. (the "Company") and its wholly-owned bank subsidiary, North American Savings Bank, F.S.B. performed by the Office of Thrift Supervision ("OTS") in April 2011. In May 2011, the OTS informed the Company of its final determination to deem some borrowing relationships, primarily from two large residential developers, as TDRs. Management agreed to reclassify the loans as TDRs and to record an additional \$6.6 million charge, pre-tax, to the provision for loan losses related primarily to the measured impairment of the aforementioned loans. In addition, the Company became aware that certain foreclosed real estate, which was acquired through foreclosure of a participation loan, had declined in value. The Company agreed with the OTS' recommendation to record an additional \$1.6 million charge, pre-tax, to the provision for loss on real estate owned, primarily related to the devaluation of this property.

This Amendment No. 1 also adds additional disclosures related to the Company's lending activities in Note 7, "Loans Receivable," which were not included in the Original Filing.

This Amendment No. 1 amends and restates the Company's consolidated financial statements for the quarter ended December 31, 2010, including the notes thereto. Refer to Note 17, "Restatement," in this Amendment No. 1 for further information on the restatement impact for the quarter

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ended December 31, 2010.

This Amendment No. 1 also amends Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations," related to the restatement of the Company's consolidated financial statements noted above.

Pursuant to the rules of the Securities and Exchange Commission, Item 6, "Exhibits," of Part II of the original Form 10-Q has been amended to contain updated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

This Amendment No. 1 only amends and restates the items described above to reflect the effects of the restatement, and we have not modified or updated other disclosures presented in our Original Filing. This Amendment No. 1 does not reflect events occurring after the filing of the Original Filing and does not modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Information not affected by this Amendment No. 1 is unchanged and reflects the disclosures made at the time of the Original Filing on February 9, 2011.

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

	December 31, 2010 (Unaudited) (Restated) -----	September 30, 2010 -----
ASSETS		
Cash and cash equivalents	\$ 10,303	14,033
Securities:		
Available for sale, at fair value	24,409	28,092
Held to maturity, at cost	1,076	1,232
Stock in Federal Home Loan Bank, at cost	13,203	15,873
Mortgage-backed securities:		
Available for sale, at fair value	820	911
Held to maturity, at cost	41,186	46,276
Loans receivable:		
Held for sale, at fair value	117,499	179,845
Held for investment, net	1,059,867	1,073,357
Allowance for loan losses	(39,074)	(32,316)
	-----	-----
Total loans receivable, net	1,138,292	1,220,886
	-----	-----

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Accrued interest receivable	5,047	5,520
Foreclosed assets held for sale, net	32,379	38,362
Premises and equipment, net	14,045	13,836
Investment in LLCs	17,772	17,799
Mortgage servicing rights, net	271	263
Deferred income tax asset, net	16,381	14,758
Other assets	16,945	16,355
	-----	-----
	\$ 1,332,129	1,434,196
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer deposit accounts	\$ 881,724	866,559
Brokered deposit accounts	16,922	66,894
Advances from Federal Home Loan Bank	228,000	286,000
Subordinated debentures	25,774	25,774
Escrows	5,039	11,149
Income taxes payable	310	504
Accrued expenses and other liabilities	9,598	9,554
	-----	-----
Total liabilities	1,167,367	1,266,434
	-----	-----
Stockholders' equity:		
Common stock of \$0.15 par value:		
20,000,000 shares authorized;		
9,857,112 shares issued	1,479	1,479
Additional paid-in capital	16,616	16,603
Retained earnings	184,639	187,674
Treasury stock, at cost;		
1,989,498 shares	(38,418)	(38,418)
Accumulated other comprehensive income	446	424
	-----	-----
Total stockholders' equity	164,762	167,762
	-----	-----
	\$ 1,332,129	1,434,196
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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

Three months ended
December 31,

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	2010 (Restated)	2009
	-----	-----
Interest on loans receivable	\$ 18,071	20,606
Interest on mortgage-backed securities	552	884
Interest and dividends on securities	623	472
Other interest income	4	3
	-----	-----
Total interest income	19,250	21,965
	-----	-----
Interest on customer and brokered deposit accounts	4,286	4,693
Interest on advances from FHLB	1,797	3,339
Interest on subordinated debentures	127	128
	-----	-----
Total interest expense	6,210	8,160
	-----	-----
Net interest income	13,040	13,805
Provision for loan losses	10,526	9,000
	-----	-----
Net interest income after provision for loan losses	2,514	4,805
	-----	-----
Other income (expense):		
Loan servicing fees, net	77	26
Impairment (loss) recovery on mortgage servicing rights	(1)	5
Customer service fees and charges	2,458	1,858
Provision for loss on real estate owned	(2,043)	--
Gain on sale of securities available for sale	280	3,088
Gain from loans receivable held for sale	7,335	6,967
Impairment loss on investment in LLCs	--	(2,000)
Other	980	256
	-----	-----
Total other income	9,086	10,200
	-----	-----
General and administrative expenses:		
Compensation and fringe benefits	5,115	4,501
Commission-based mortgage banking compensation	6,172	4,116
Premises and equipment	1,036	990
Advertising and business promotion	1,267	1,369
Federal deposit insurance premiums	437	1,238
Other	2,508	1,443
	-----	-----
Total general and administrative expenses	16,535	13,657
	-----	-----
Income (loss) before income tax expense (benefit)	(4,935)	1,348
Income tax expense (benefit)	(1,900)	19
	-----	-----
Net income (loss)	\$ (3,035)	1,329
	=====	=====
Basic earnings (loss) per share	\$ (0.39)	0.17
	=====	=====
Diluted earnings (loss) per share	\$ (0.39)	0.17
	=====	=====
Basic weighted average shares outstanding	7,867,614	7,867,614

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See accompanying notes to condensed consolidated financial statements.

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NASB FINANCIAL, INC. AND SUBSIDIARY
 Condensed Consolidated Statement of Stockholders' Equity (Unaudited)
 (In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income	Tota stockho equit
(Dollars in thousands)						
Balance at October 1, 2010	\$ 1,479	16,603	187,674	(38,418)	424	167,
Comprehensive income:						
Net loss	--	--	(3,035)	--	--	(3,
Other comprehensive income, net of tax:						
Unrealized gain on securities available for sale	--	--	--	--	22	----
Total comprehensive loss						(3,
Stock based compensation expense	--	13	--	--	--	
Balance at December 31, 2010 (restated)	\$ 1,479	16,616	184,639	(38,418)	446	164,

Three months ended
 December 31, 2010

 (Dollars in thousands)

Reclassification Disclosure:

Unrealized gain on available for sale securities, net of income taxes of \$122	\$	194
Reclassification adjustment for gain included in net income, net of income taxes of \$108		(172)

Change in unrealized gain on available for sale securities, net of income tax of \$14	\$	22
		=====

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended December 31,	
	2010 (Restated)	2009
Cash flows from operating activities:		
Net income (loss)	\$ (3,035)	1,329
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	467	444
Amortization and accretion, net	(132)	(1,006)
Gain on sale of securities available for sale	(280)	(3,088)
Loss from investment in LLCs	31	35
Impairment loss on investment in LLCs	--	2,000
Impairment loss (recovery) on mortgage servicing rights	1	(5)
Gain from loans receivable held for sale	(7,335)	(6,967)
Provision for loan losses	10,526	9,000
Provision for loss on real estate owned	2,043	--
Origination of loans receivable held for sale	(648,980)	(435,609)
Sale of loans receivable held for sale	718,661	423,270
Stock based compensation - stock options	13	20
Changes in:		
Net fair value of loan-related commitments	(1,384)	(315)
Accrued interest receivable	473	247
Prepaid and accrued expenses, other liabilities and income taxes payable	(800)	(8,275)
Net cash provided by (used in) operating activities	70,269	(18,920)
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities:		
Held to maturity	5,056	2,430
Available for sale	79	2,449
Principal repayments of mortgage loans receivable held for investment	62,798	62,342
Principal repayments of other loans receivable	1,541	1,661
Principal repayments of investment securities held to maturity	166	--
Loan origination - mortgage loans receivable held for investment	(62,189)	(30,591)
Loan origination - other loans receivable	(887)	(457)
Purchase of mortgage loans receivable held for investment	--	(753)
Proceeds from sale of Federal Home Loan Bank stock	2,670	4,851
Purchase of mortgage backed securities held		

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to maturity	--	(35,796)
Purchase of investment securities available for sale	(10,390)	(15,080)
Proceeds from sale of investment securities available for sale	14,456	21,336
Proceeds from sale of real estate owned	12,546	3,454
Purchases of premises and equipment, net	(676)	(292)
Investment in LLCs	(5)	(5)
Other	(218)	(619)
Net cash provided by investing activities	24,947	14,930

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

	Three months ended December 31,	
	2010 (Restated)	2009
Cash flows from financing activities:		
Net decrease in customer and brokered deposit accounts	(34,836)	(32,409)
Proceeds from advances from Federal Home Loan Bank	17,000	10,000
Repayment on advances from Federal Home Loan Bank	(75,000)	(2,000)
Cash dividends paid	--	(1,770)
Change in escrows	(6,110)	(5,279)
Net cash used in financing activities	(98,946)	(31,458)
Net decrease in cash and cash equivalents	(3,730)	(35,448)
Cash and cash equivalents at beginning of the period	14,033	63,250
Cash and cash equivalents at end of period	\$ 10,303	27,802
Supplemental disclosure of cash flow information:		
Cash paid for income taxes (net of refunds)	\$ (68)	2,266
Cash paid for interest	6,200	8,459
Supplemental schedule of non-cash investing and financing activities:		
Conversion of loans receivable to real estate owned	\$ 17,528	7,831
Conversion of real estate owned to loans receivable	763	--
Capitalization of originated mortgage servicing rights	--	5

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See accompanying notes to condensed consolidated financial statements.

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(1) BASIS OF PRESENTATION

The accompanying unaudited condensed 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 three month period ended December 31, 2010, are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2011. The condensed consolidated balance sheet of the Company as of September 30, 2010, 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, valuation of mortgage servicing rights, and unrecognized tax benefits. Management believes that these allowances are adequate, however, future additions to the allowances may be necessary based on changes in economic conditions.

The Company's critical accounting policies involving the more significant judgments and assumptions used in the preparation of the condensed consolidated financial statements as of December 31, 2010, have remained unchanged from September 30, 2010. These policies relate to the allowance for loan losses, the valuation of derivative instruments, and the valuation of equity method investments. 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, 2010.

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

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

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

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	Three months ended	
	12/31/10 (Restated)	12/31/09
Net income (loss) (in thousands)	\$ (3,035)	1,329
Average common shares outstanding	7,867,614	7,867,614
Average common share stock options outstanding	--	--
Average diluted common shares	7,867,614	7,867,614
Earnings (loss) per share:		
Basic	\$ (0.39)	0.17
Diluted	(0.39)	0.17

At December 31, 2010 and 2009, options to purchase 49,538 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 because the option exercise price was greater than the average market price of the common shares for the period, thus making the options anti-dilutive.

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(3) SECURITIES AVAILABLE FOR SALE

The following table presents a summary of securities available for sale at December 31, 2010. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	\$ 8,238	425	29	8,634
Trust preferred securities	15,461	302	11	15,752
Municipal securities	23	--	--	23
Total	\$ 23,722	727	40	24,409

The following table presents a summary of securities available for sale at September 30, 2010. Dollar amounts are expressed in thousands.

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	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

During the three month period ended December 31, 2010, the Company realized gross gains of \$280,000 and no gross losses on the sale of securities available for sale. The Company realized gross gains of \$3.1 million and no gross losses on the sale of securities available for sale during the three month period ended December 31, 2009.

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 December 31, 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
Corporate debt securities	\$ 3,056	29	\$ --	--
Trust preferred securities	5,289	11	--	--
Total	\$ 8,345	40	\$ --	--

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The scheduled maturities of securities available for sale at December 31, 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	5,154	425	--	5,579
Due after ten years	18,545	302	40	18,807
Total	\$ 23,722	727	40	24,409

(4) SECURITIES HELD TO MATURITY

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The following table presents a summary of securities held to maturity at December 31, 2010. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Asset-backed securities	\$ 1,076	399	--	1,475
Total	\$ 1,076	399	--	1,475

The following table presents a summary of securities held to maturity at September 30, 2010. Dollar amounts are expressed in thousands.

	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

The scheduled maturities of securities held to maturity at December 31, 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	\$ 1,076	399	--	1,475
Total	\$ 1,076	399	--	1,475

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 three month periods ended December 31, 2010 and 2009.

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(5) MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

The following table presents a summary of mortgage-backed securities available for sale at December 31, 2010. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Pass-through certificates guaranteed by GNMA				
- fixed rate	\$ 94	2	--	96
Pass-through certificates guaranteed by FNMA				
- adjustable rate	180	5	--	185
FHLMC participation Certificates:				
Fixed rate	345	21	--	366
Adjustable rate	163	10	--	173
Total	\$ 782	38	--	820

The following table presents a summary of mortgage-backed securities available for sale at September 30, 2010. Dollar amounts are expressed in thousands.

	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

There were no sales of mortgage-backed securities available for sale during the three month periods ended December 31, 2010 and 2009.

The scheduled maturities of mortgage-backed securities available for sale at December 31, 2010, are presented in the following table. Dollar amounts are expressed in thousands.

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	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Due from five to ten years	\$ 345	21	--	366
Due after ten years	437	17	--	454
Total	\$ 782	38	--	820

Actual maturities and pay-downs of mortgage-backed securities available for sale will 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.

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(6) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

The following table presents a summary of mortgage-backed securities held to maturity at December 31, 2010. Dollar amounts are expressed in thousands.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
FHLMC participation certificates:				
Fixed rate	\$ 50	1	--	51
FNMA pass-through certificates:				
Fixed rate	7	--	--	7
Balloon maturity and adjustable rate	31	--	--	31
Collateralized mortgage obligations	41,098	231	302	41,027
Total	\$ 41,186	232	302	41,116

The following table presents a summary of mortgage-backed securities held to maturity at September 30, 2010. Dollar amounts are expressed in thousands.

	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

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Balloon maturity and adjustable rate	32	1	--	33
Collateralized mortgage obligations	46,185	230	209	46,206
Total	\$ 46,276	233	209	46,300

There were no sales of mortgage-backed securities held to maturity during the three month periods ended December 31, 2010 and 2009.

The following table presents a summary of the fair value and gross unrealized losses of those mortgage-backed securities held to maturity which had unrealized losses at December 31, 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	\$ 7,926	156	\$ 8,193	146
Total	\$ 7,926	156	\$ 8,193	146

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Based upon available evidence at December 31, 2010, it is management's opinion that the decline in value of these securities is temporary. The decline in fair value resulted from increases in market yields that occurred after the securities were purchased. Management views changes in fair value caused solely by changes in interest rates as temporary. In addition, it is anticipated that the entire principal balance of these securities will be collected. Should the impairment of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in the period the other-than-temporary impairment is identified. The Company does not intend to sell these securities, and it is management's opinion that it is not more-likely-than-not that the Company will be required to sell the securities prior to recovery of the remaining amortized cost, which could be at maturity.

The scheduled maturities of mortgage-backed securities held to maturity at December 31, 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	81	1	--	82
Due after ten years	41,098	231	302	41,027

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Total	\$ 41,186	232	302	41,116
-------	-----------	-----	-----	--------

Actual maturities and pay-downs of mortgage-backed securities held to maturity will 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.

(7) LOANS RECEIVABLE

The Bank has traditionally concentrated its lending activities on mortgage loans secured by residential and business property and, to a lesser extent, development lending. The residential mortgage loans originated have predominantly long-term fixed and adjustable rates. The Bank also has a portfolio of mortgage loans that are secured by multifamily, construction, development, and commercial real estate properties. The remaining part of North American's loan portfolio consists of non-mortgage commercial loans and installment loans. The following table presents the Bank's total loans receivable at December 31, 2010. Dollar amounts are expressed in thousands.

LOANS HELD FOR INVESTMENT:

Mortgage loans:

Permanent loans on:

Residential properties	\$ 337,892
Business properties	443,356
Partially guaranteed by VA or insured by FHA	3,839
Construction and development	201,754

Total mortgage loans	986,841
Commercial loans	90,938
Installment loans to individuals	10,919

Total loans held for investment 1,088,698

Less:

Undisbursed loan funds	(21,726)
Unearned discounts and fees and costs on loans, net	(7,105)

Net loans held for investment \$1,059,867

LOANS HELD FOR SALE:

Mortgage loans:

Permanent loans on:

Residential properties	\$ 204,069
Less: Undisbursed loan funds	(86,570)

Net loans held for sale \$ 117,499

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Included in the loans receivable balances at December 31, 2010, are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions in the amount of \$11.2 million. Loans and participations serviced for others amounted to approximately \$79.2 million at December 31, 2010.

Lending Practices and Underwriting Standards

Residential real estate loans - The Bank offers a range of residential loan programs, including programs offering loans guaranteed by the Veterans Administration ("VA") and loans insured by the Federal Housing Administration ("FHA"). The Bank's residential loans come from several sources. The loans that the Bank originates are generally a result of direct solicitations of real estate brokers, builders, developers, or potential borrowers via the internet. North American periodically purchases real estate loans from other financial institutions or mortgage bankers.

The Bank's residential real estate loan underwriters are grouped into three different levels, based upon each underwriter's experience and proficiency. Underwriters within each level are authorized to approve loans up to prescribed dollar amounts. Any loan over \$1 million must also be approved by either the CEO or the EVP/Chief Credit Officer. Conventional residential real estate loans are underwritten using FNMA's Desktop Underwriter or FHLMC's Loan Prospector automated underwriting systems, which analyze credit history, employment and income information, qualifying ratios, asset reserves, and loan-to-value ratios. If a loan does not meet the automated underwriting standards, it is underwritten manually. Full documentation to support each applicant's credit history, income, and sufficient funds for closing is required on all loans. An appraisal report, performed in conformity with the Uniform Standards of Professional Appraisers Practice by an outside licensed appraiser, is required for all loans. Typically, the Bank requires borrowers to purchase private mortgage insurance when the loan-to-value ratio exceeds 80%.

NASB originates Adjustable Rate Mortgages (ARMs), which fully amortize and typically have initial rates that are fixed for one to seven years before becoming adjustable. Such loans are underwritten based on the initial interest rate and the borrower's ability to repay based on the maximum first adjustment rate. Each underwriting decision takes into account the type of loan and the borrower's ability to pay at higher rates. While lifetime rate caps are taken into consideration, qualifying ratios may not be calculated at this level due to an extended number of years required to reach the fully-indexed rate. NASB does not originate any hybrid loans, such as payment option ARMs, nor does the Bank originate any subprime loans, generally defined as high risk or loans of substantially impaired quality.

At the time a potential borrower applies for a single family residential mortgage loan, it is designated as either a portfolio loan, which is held for investment and carried at amortized cost, or a loan held-for-sale in the secondary market and carried at fair value. All the loans on single family property that the Bank holds for sale conform to secondary market underwriting criteria established by various institutional investors. All loans originated, whether held for sale or held for investment, conform to internal underwriting guidelines, which consider, among other things, a property's value and the borrower's ability to repay the loan.

Construction and development loans - Construction and land

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development loans are made primarily to builders/developers, who construct properties for resale. The Bank originates both fixed and variable rate construction loans, and most are due and payable within one year. In some cases, extensions are permitted if payments are current and construction has progressed satisfactorily.

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The Bank's requirements for a construction loan are similar to those of a mortgage on an existing residence. In addition, the borrower must submit accurate plans, specifications, and cost projections of the property to be constructed. All construction and development loans are manually underwritten using NASB's internal underwriting standards. All construction and development loans must be approved by the CEO and either the EVP/ Chief Credit Officer or SVP/Construction Lending. The bank has adopted internal loan-to-value limits consistent with regulations, which are 65% for raw land, 75% for land development, and 85% for residential and non-residential construction. An appraisal report performed in conformity with the Uniform Standards of Professional Appraisers Practice by an outside licensed appraiser is required on all loans in excess of \$250,000. Generally, the Bank will commit to an initial term of 12 to 18 months on construction loans, and an initial term of 24 to 48 months on land acquisition and development loans, with six month renewals thereafter. Interest rates on construction loans typically adjust daily and are tied to a predetermined index. NASB's staff regularly performs inspections of each property during its construction phase to ensure adequate progress is achieved before making scheduled loan disbursements.

During the three month period ended December 31, 2010, the Bank renewed a large number of loans within its construction and land development portfolio due to slower home and lot sales in the current economic environment. Such extensions were accounted for as Troubled Debt Restructurings ("TDRs") if the restructuring was related to the borrower's financial difficulty, and if the Bank made concessions that it would not otherwise consider. It has historically been the Bank's practice to renew construction and development loans for a six-month term upon maturity. This allows the Bank to more frequently evaluate the loan, including creditworthiness and current market conditions, and to modify the terms accordingly. This portfolio consists primarily of prime-based assets, and in most cases, the conditions for loan renewal included an increase in the interest rate "floor" in accordance with the current market conditions. In order to determine whether or not a renewal should be accounted for as a TDR, management reviewed the borrower's current financial information, including an analysis of income and liquidity in relation to debt service requirements. The large majority of these modifications did not result in a reduction in the contractual interest rate or a write-off of the principal balance (although the Bank does commonly require the borrower to make a principal reduction at renewal). If such concessions were made and the modification was the result of the borrower's financial difficulty, the renewal was accounted for as a TDR. The Bank expects to collect all principal and interest, including accrued interest, during the term of the extension for loans not accounted for as a TDR. See Note 17, "Restatement of Previously Issued Financial Statements," for further information regarding the decision to reclassify the extension of loans related to two large residential developers as TDRs following our May 2011 OTS exam.

Commercial real estate loans - The Bank purchases and originates

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several different types of commercial real estate loans. Permanent multifamily mortgage loans on properties of 5 to 36 dwelling units have a 50% risk-weight for risk-based capital requirements if they have an initial loan-to-value ratio of not more than 80% and if their annual average occupancy rate exceeds 80%. All other performing commercial real estate loans have 100% risk-weights.

The Bank's commercial real estate loans are secured primarily by multi-family and nonresidential properties. Such loans are manually underwritten using NASB's internal underwriting standards, which evaluate the sources of repayment, including the ability of income producing property to generate sufficient cash flow to service the debt, the capacity of the borrower or guarantors to cover any shortfalls in operating income, and, as a last resort, the ability to liquidate the collateral in such a manner as to completely protect the Bank's investment. All commercial real estate loans must be approved by the CEO and either the EVP/ Chief Credit Officer or SVP/Commercial Lending. Typically, loan-to-value ratios do not exceed 80%; however, exceptions may be made when it is determined that the safety of the loan is not compromised, and the rationale for exceeding this limit is clearly documented. An appraisal report performed in conformity with the Uniform Standards of Professional Appraisers Practice by an outside licensed appraiser is required on all loans in excess of \$250,000. Interest rates on commercial loans may be either fixed or tied to a predetermined index and adjusted daily.

The Bank typically obtains full personal guarantees from the primary individuals involved in the transaction. Guarantor's financial statements and tax returns are reviewed annually to determine their continuing ability to perform under such guarantees. The Bank typically pursues repayment from guarantors when the primary source of repayment is not sufficient to service the debt. However, the Bank may decide not to pursue a guarantor if, given the guarantor's financial condition, it is likely that the estimated legal fees would exceed the probable amount of any recovery. Although the Bank does not typically release guarantors from their obligation, the Bank may decide to delay the decision to pursue civil enforcement of a deficiency judgment.

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At least once during each calendar year, a review is prepared for each borrower relationship in excess of \$5 million and for each individual loan over \$1 million. Collateral inspections are obtained on an annual basis for each loan over \$1 million, and on a triennial basis for each loan between \$500 thousand and \$1 million. Financial information, such as tax returns, is requested annually for all commercial real estate loans over \$500 thousand, which is consistent with industry practice, and the Bank has sufficient monitoring procedures in place to identify potential problem loans. A loan is deemed impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Any loans deemed impaired, regardless of their balance, are reviewed by management at the time of the impairment determination, and monitored on a quarterly basis thereafter, including calculation of specific valuation allowances, if applicable.

Installment Loans - These loans consist primarily of loans on savings accounts and consumer lines of credit that are secured by a customer's equity in their primary residence.

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Allowance for Loan Losses

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

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to loans:						
Individually evaluated for impairment	\$	868	11	1,577	16,651	1,205 472
		=====				
Collectively evaluated for impairment	\$	3,296	13	3,862	9,433	1,060 626
		=====				
Acquired with deteriorated credit quality	\$	127	--	--	--	--
		=====				
Loans:						

Balance at December 31, 2010	\$	338,236	117,499	439,014	181,250	90,483 10,884
		=====				
Ending Balance:						
Loans individually evaluated for impairment	\$	12,712	11	3,223	95,348	7,994 721
		=====				
Loans collectively evaluated for impairment	\$	325,524	117,488	435,791	85,902	82,489 10,163
		=====				
Loans acquired with deteriorated credit quality	\$	1,626	--	--	--	--
		=====				

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Classified Assets, Delinquencies, and Non-accrual Loans

Classified assets - In accordance with the asset classification system outlined by the OTS, North American's problem assets are classified with risk ratings of either "substandard," "doubtful," or "loss." An asset is considered substandard if it is inadequately protected by the borrower's ability to repay, or the value of collateral. Substandard assets include those characterized by a possibility that the institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have the same weaknesses of those classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are considered uncollectible and of such little value that their existence without establishing a specific loss allowance is not warranted.

In addition to the risk rating categories for problem assets noted above, loans may be assigned a risk rating of "pass," "pass-watch," or "special mention." The pass category includes loans with borrowers and/or collateral that is of average quality or better. Loans in this category are considered average risk and satisfactory repayment is expected. Assets classified as pass-watch are those in which the borrower has the capacity to perform according to the terms and repayment is expected. However, one or more elements of uncertainty exist. Asset classified as special mention have a potential weakness

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that deserves management's close attention. If left undetected, the potential weakness may result in deterioration of repayment prospects.

Each quarter, management reviews the problem loans in its portfolio to determine whether changes to the asset classifications or allowances are needed. The following table presents the credit risk profile of the Company's loan portfolio based on risk rating category as of December 31, 2010 (restated). Dollar amounts are expressed in thousands.

	Residential	Residential Held For Sale	Commercial Real Estate	Construction/ Development	Commercial	Installment
Rating:						

Pass	\$ 317,760	117,488	373,345	51,443	59,307	10,104
Pass - Watch	2,216	--	27,114	17,710	--	--
Special Mention	2,749	--	24,494	6,364	23,182	258
Substandard	14,643	--	12,484	89,082	6,789	50
Doubtful	--	--	--	--	--	--
Loss	868	11	1,577	16,651	1,205	472

Total	\$ 338,236	117,499	439,014	181,250	90,483	10,884
	=====					

The following table presents the Company's loan portfolio aging analysis as of December 31, 2010. Dollar amounts are expressed in thousands.

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Residential	\$ 3,407	2,383	11,963	17,753	320,483	338,236
Residential held for sale	39	26	37	102	117,397	117,499
Commercial real estate	744	251	2,972	3,967	435,047	439,014
Construction & development	--	183	25,176	25,359	155,891	181,250
Commercial	7,903	--	91	7,994	82,489	90,483
Installment	107	69	437	613	10,271	10,884

Total	\$ 12,200	2,912	40,676	55,788	1,121,578	1,177,366
	=====					

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When a loan becomes 90 days past due, the Bank stops accruing interest and establishes a reserve for the interest accrued-to-date. The following table presents the Company's nonaccrual loans at December 31, 2010. This table does not include purchased impaired loans or troubled debt restructurings that are performing. Dollar amounts are expressed in thousands.

Residential	\$ 11,963
Residential held for sale	37
Commercial real estate	2,972
Construction & development	25,176
Commercial	91
Installment	437

Total	\$ 40,676
	=====

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. Loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulty are also considered impaired. These concessions could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Once a loan has been deemed impaired, the impairment must be measured by comparing the recorded investment in the loan to the present value of the estimated future cash flows discounted at the loan's effective rate, or to the fair value of the loan based on the loan's observable market price, or to the fair value of the collateral if the loan is collateral dependent. The Bank records a specific loss allowance equal to the amount of measured impairment, if applicable.

The following table presents impaired loans as of December 31, 2010 (restated). Dollar amounts are expressed in thousands.

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	In I Rec

Loans without a specific valuation allowance:					

Residential	\$ 6,537	6,617	--	6,531	
Residential held for sale	--	--	--	--	
Commercial real estate	--	--	--	--	
Construction & development	31,122	31,131	--	30,969	
Commercial	--	--	--	--	

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Installment	230	230	--	231
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Loans with a specific valuation allowance:

Residential	\$ 5,307	6,270	868	5,535
Residential held for sale	--	11	11	12
Commercial real estate	1,646	3,230	1,577	1,696
Construction & development	47,576	64,243	16,651	53,892
Commercial	6,789	8,070	1,205	7,592
Installment	19	491	472	36

Total:

Residential	\$ 11,844	12,887	868	12,066
Residential held for sale	--	11	11	12
Commercial real estate	1,646	3,230	1,577	1,696
Construction & development	78,698	95,374	16,651	84,861
Commercial	6,789	8,070	1,205	7,592
Installment	249	721	472	267

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(8) FORECLOSED ASSETS HELD FOR SALE

Real estate owned and other repossessed property consisted of the following at December 31, 2010 (restated). Dollar amounts are expressed in thousands.

Real estate acquired through (or deed in lieu of) foreclosure	\$ 36,055
Less: allowance for losses	(3,676)
Total	\$ 32,379

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

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realized when the asset is disposed of, depending on the adequacy of the down payment and other requirements.

(9) MORTGAGE SERVICING RIGHTS

The following provides information about the Bank's mortgage servicing rights for the period ended December 31, 2010. Dollar amounts are expressed in thousands.

Balance at October 1, 2010	\$	263
Additions:		
Amortization		9
Reductions:		
Impairment loss		(1)

Balance at December 31, 2010	\$	271
		=====

(10) SUBORDINATED DEBENTURES

On December 13, 2006, NASB Financial, Inc. (the "Company"), through its wholly owned statutory trust, NASB Preferred Trust I (the "Trust"), issued \$25.0 million of 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 debentures, or upon earlier redemption as provided in the Indenture. The debentures are callable, in whole or in part, after five years from 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.

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(11) INCOME TAXES

The Company's federal and state income tax returns for fiscal years 2007 through 2010 remain subject to examination by the Internal Revenue Service and various state jurisdictions, based on the statute of limitations.

(12) SEGMENT INFORMATION

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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 periods indicated. Dollar amounts are expressed in thousands.

Three months ended December 31, 2010 (restated)	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$ 13,157	--	(117)	13,040
Provision for loan losses	10,526	--	--	10,526
Other income	(1,305)	10,660	(269)	9,086
General and administrative expenses	5,517	11,132	(114)	16,535
Income tax expense (benefit)	(1,613)	(182)	(105)	(1,900)
Net loss	\$ (2,578)	(290)	(167)	(3,035)

Three months ended December 31, 2009	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$ 13,922	--	(117)	13,805
Provision for loan losses	9,000	--	--	9,000
Other income	2,237	10,436	(2,473)	10,200
General and administrative expenses	6,274	7,585	(202)	13,657
Income tax expense (benefit)	(159)	1,098	(920)	19
Net income	\$ 1,044	1,753	(1,468)	1,329

(13) 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. The Company recorded a decrease in other assets of \$2.0 million, an increase in other liabilities of \$1.3 million, and a decrease in other income of \$3.3 million for the three month period ended December 31, 2010.

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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 \$3.5 million, a decrease in other liabilities of \$1.1 million, and an increase in other income of \$4.6 million during the three month period ended December 31, 2010.

The balance of derivative instruments related to commitments to originate and sell loans at December 31, 2010, is disclosed in Footnote 14, Fair Value Measurements.

(14) 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

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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.

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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

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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 December 31, 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)
	Value	(Level 1)	Inputs (Level 2)	(Level 3)

Assets:				
Securities, available for sale				
Corporate debt securities \$	8,634	8,634	--	--
Trust preferred securities	15,752	15,752	--	--
Municipal securities	23	23	--	--
Mortgage-backed securities, available for sale				
Pass through certificates guaranteed by GNMA - fixed rate	96	--	96	--
Pass through certificates guaranteed by FNMA - adjustable rate	185	--	185	--
FHLMC participation certificates: Fixed rate	366	--	366	--
Adjustable rate	173	--	173	--
Loans held for sale	117,499	--	117,499	--
Mortgage servicing rights	271	--	--	271
Commitments to originate loans	181	--	--	181
Forward sales commitments	4,441	--	--	4,441

Total assets	\$ 147,621	24,409	118,319	4,893
	=====			

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Liabilities:

Commitments to originate loans	\$ 1,916	--	--	1,916
Forward sales commitments	16	--	--	16
<hr/>				
Total liabilities	\$ 1,932	--	--	1,932
<hr/>				

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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)
<hr/>				
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
<hr/>				
Total assets	\$ 212,190	28,092	180,756	3,342
<hr/>				
Liabilities:				
Commitments to originate loans				
	\$ 630	--	--	630
Forward sales commitments	1,142	--	--	1,142
<hr/>				
Total liabilities	\$ 1,772	--	--	1,772
<hr/>				

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The following tables present 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 for the three month periods ended December 31, 2010 and 2009 (in thousands):

	Mortgage Servicing Rights	Commitments to Originate Loans	Forward Sales Commitments

Balance at October 1, 2010	\$ 263	1,547	(240)
Total realized and unrealized gains (losses):			
Included in net income	8	(3,282)	4,665

Balance at December 31, 2010	\$ 271	(1,735)	4,425
	=====		

	Mortgage Servicing Rights	Commitments to Originate Loans	Forward Sales Commitments

Balance at October 1, 2009	\$ 351	1,023	(378)
Total realized and unrealized gains (losses):			
Included in net income	(36)	(1,695)	2,010
Issuances	5	--	--

Balance at December 31, 2009	\$ 320	(672)	1,632
	=====		

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Realized and unrealized gains and losses noted in the table above and included in net income for the three month period ended December 31, 2010, are reported in the consolidated statements of income as follows (in thousands):

	Loan Servicing Fees	Impairment Loss on Mortgage Servicing Rights	Other Income
Total gains (losses)	\$ 9	(1)	1,384
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 three month period ended December 31, 2010, was \$78.6 million.

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 \$32.4 million at December 31, 2010. Charge-offs and increases in specific reserves related to foreclosed assets held for sale that were re-measured during the three month period ended December 31, 2010, totaled \$1.7 million.

Investment in LLCs

Investments in LLCs are accounted for using the equity method of

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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 utilizes a multi-faceted approach to measure the potential impairment. The internal model utilizes the following valuation methods: 1) liquidation or appraised values determined by an independent third party appraisal; 2) an on-going business, or discounted cash flows method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the value of raw land obtained from an independent third party appraiser; and 3) an on-going business method, which utilizes the same inputs as method 2, but presumes that cash flows will first be generated from the sale of raw ground and then from the sale of fully-developed and partially-developed lots and the operation of the homeowner's association. 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). Investment in LLCs is classified within Level 3 of the fair value hierarchy.

The carrying value of the Company's investment in LLCs was \$17.8 million at December 31, 2010.

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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.

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

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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 table presents the carrying values and fair values of the Company's financial instruments. Dollar amounts are expressed in thousands.

	December 31, 2010 (Restated)		September 30, 2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial Assets:				
Cash and cash equivalents	\$ 10,303	10,303	14,033	14,033
Securities held to maturity	1,076	1,475	1,232	1,561
Stock in Federal Home Loan Bank	13,203	13,203	15,873	15,873
Mortgage-backed securities held to maturity	41,186	41,116	46,276	46,300
Loans receivable held for investment	1,020,793	1,030,988	1,041,041	1,043,886
Financial Liabilities:				
Customer deposit accounts	\$ 881,724	886,699	866,559	869,941
Brokered deposit accounts	16,922	16,927	66,894	66,797
Advances from FHLB	228,000	231,174	286,000	288,061
Subordinated debentures	25,774	10,000	25,774	10,310

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December 31, 2010		September 30, 2010	
Contract or notional amount	Estimated unrealized gain	Contract or notional amount	Estimated unrealized gain (loss)

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Unrecognized financial instruments:

Lending commitments - fixed				
rate, net	\$ 10,112	25	6,127	(5)
Lending commitments - floating				
rate	937	12	417	6
Commitments to sell loans	--	--	--	--

The fair value estimates presented are based on pertinent information available to management as of December 31, 2010, and September 30, 2010. 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.

(15) 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 the following valuation methods: 1) liquidation or appraised values determined by an independent third party appraisal; 2) an on-going business, or discounted cash flows method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the value of raw land obtained from an independent third party appraiser; and 3) another on-going business method, which utilizes the same inputs as method 2, but presumes that cash flows will first be generated from the sale of raw ground and then from the sale of fully-developed and partially-developed lots and the operation of the homeowner's association. The internal model also includes an on-going business method wherein the cash flows are derived from the sale of fully-developed lots, the development and sale of partially-developed lots, the operation of the homeowner's association, and the development and sale of lots from the property that is currently raw land. However, management does not feel the results from this method provide a reliable indication of value because the time to "build-out" the development exceeds 18 years. Because of this unreliability the results from this method are given a zero weighting in the final impairment analysis. 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

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of distribution of assets upon potential liquidation). It is management's opinion that no one valuation method within the model is preferable to the other and that no one method is more likely to occur than the other. Therefore, the final estimate of value is determined by assigning an equal weight to the values derived from each of the first three methods described above.

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 following table displays the results derived from the Company's internal valuation model and the carrying value of its investment in Central Platte at December 31, 2010. Dollar amounts are expressed in thousands.

Method 1	\$	17,064
Method 2		16,493
Method 3		18,621
Average of methods 1, 2, and 3	\$	17,393
		=====
Carrying value of investment in Central Platte Holdings, LLC	\$	16,405
		=====

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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. No events have occurred during the three months ended December 31, 2010, that would indicate any additional impairment of the Company's investment in NBH. The carrying value of the Company's investment in NBH was \$1.4 million at December 31, 2010.

(16) 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

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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 December 31, 2010, the Company and the subsidiary Bank are in compliance with these regulatory agreements.

(17) RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During April 2011, the OTS performed a regulatory examination of the Company and its wholly-owned bank subsidiary, North American Savings Bank, F.S.B. During its examination, the OTS reviewed whether the circumstances surrounding the residential development loans of two large borrowing relationships would qualify as Troubled Debt Restructurings ("TDRs"). In question was whether the circumstances regarding loan extension constituted a concession and whether the borrowers had demonstrated financial difficulty within the scope of existing guidance for TDRs. The Company had not originally classified these loans as TDRs as of December 31, 2010, because, at that time, based on the financial positions of the respective guarantors, including their liquid assets, unencumbered real estate, and projected cash flows, management believed these borrowers lacked a level of financial difficulty necessary to classify the loans as TDRs. Following multiple discussions with the OTS examiners on-site and the OTS regional Accountant for the Western Region, in May 2011, the OTS informed the Company of its final determination to deem the loans from these borrowing relationships as TDRs and the Company subsequently agreed. The reclassification of these loans to TDR as of December 31, 2010, resulted in an additional \$4.7 million charge, pre-tax, to the provision for loan losses related to the measured impairment of the aforementioned loans.

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In addition to the loans noted above, the restatement for December 31, 2010, includes the following items:

- The OTS instructed, and the Company agreed, to record a \$1.1 million charge, pre-tax, to the provision for loan losses related to the measured impairment of five loans secured by five individual pieces of ground zoned for commercial development during the quarter ended December 31, 2010. The loans were modified in July 2010 to extend their maturity dates to continue negotiations for a possible sale of a significant portion of the property. The modification was considered a TDR, and, therefore, the loans were deemed impaired. The Company considered the loans collateral dependent and measured impairment based

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upon the estimated fair value of the collateral, less costs to sell, in accordance with ASC 310-10-35. The Company obtained an updated third-party appraisal, which resulted in a \$130,000 measured impairment. However, the OTS believed that it was appropriate to use the bulk discounted appraised values at December 31, 2010 when calculating the measured impairment. The Company agreed with this conclusion, primarily due to the fact that no other sales had materialized since the July 2010 restructuring and the likelihood of orderly disposition had diminished.

- The Company recorded an additional \$270,000 charge, pre-tax, to the provision for loan losses related to the impairment of six residential development loans, which are secured by collateral within the same subdivision. The loans were renewed for six months in August 2010. The Company evaluated these loans for impairment under ASC 310-10-35, deemed them to be impaired and recorded an impairment of \$3.7 million. In October 2010, the Company funded a new development loan, which was secured by 5.3 acres that were included in a 153.5 acre piece of ground that secured the development's original land loan. When management calculated the measured impairment at December 31, 2010, the 5.3 acres was not excluded from the value of the original land loan. The OTS also informed the Company that committed (vs. disbursed) balances should have been used for lots in process the process of being developed when performing the impairment calculation, since the Company was using "as developed" fair values to measure impairment. The Company agreed to correct these oversights in the December 2010 quarter.

- The Company recorded a \$99,000 charge, pre-tax, to the provision for loan losses related to the impairment of one land loan, which is secured by a subordinate lien on two pieces of developed ground. The Company evaluated this loan for impairment under ASC 310-10-35, deemed it to be impaired and recorded an impairment of \$301,000. In February 2011, the Company determined that, due to the minimal equity available in the collateral and the subordinate position of the Bank's lien, the probability of collection through foreclosure and liquidation of the property was minimal. Accordingly, the carrying value of the loan was reduced to zero. The OTS instructed, and the Company agreed, to record this additional impairment as of December 31, 2010.

- The Company recorded an additional \$422,000 charge, pre-tax, to the provision for loan losses related to twelve individual single family and consumer loans that the OTS deemed impaired at December 2010. Historically, the Company has not evaluated single family loans for impairment, unless they were deemed TDRs, due to immateriality. In accordance with OTS guidance, the Company has agreed to change its policy going forward and evaluate all single family loans over 180 days past due for impairment. The Company will obtain updated collateral values in order to calculate the impairment for such loans, which will be deemed collateral dependent.

- During the OTS examination, the Company became aware that certain real estate, which was acquired through foreclosure of a participation loan, had declined in value. A December 2010 appraisal that reflected the property's devaluation was in possession of the lead lender, but had not been provided to the Company until after the date of Original Filing. The OTS determined that, as of December 31, 2010, the Company should record an additional \$1.2 million charge, pre-tax, to the provision for loss on real estate owned, and the Company subsequently agreed.

- Two other foreclosed real estate properties had declined in value by a total of approximately \$450,000. The carrying value of the first property was supported by an appraisal for \$3.6 million performed in

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April 2010. However, the Company's listed sale price for the property was \$3.3 million value at December 31, 2010. As a result, the Company determined that it was appropriate to reduce its carrying value of the property by \$210,000, based upon the list price, in the December 2010 quarter. The second property consists of twenty undeveloped lots within a development of triplexes. The Company received an updated appraisal in October 2010, but had misinterpreted the appraised value to be "per door" vs. "per unit." This error was discovered in January 2011 and the total carrying value of the properties was decreased by \$240,000. However, the OTS instructed the Company to restate the carrying value of the property in the December 2010 quarter, based upon the date of the updated appraisal.

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As a result of the restatement, the following financial statement lines were adjusted (dollars in thousands, except per share data):

	Restated	Previously Reported	Effect of Change
Condensed Consolidated Balance Sheet			

At December 31, 2010:			
Allowance for loan losses	\$ (39,074)	(32,498)	(6,576)
Total loans receivable, net	1,138,292	1,144,868	(6,576)
Foreclosed assets held for sale, net	32,379	34,009	(1,630)
Deferred income tax asset, net	16,381	13,222	3,159
Total assets	1,332,129	1,337,176	(5,047)
Retained earnings	184,639	189,686	(5,047)
Total stockholders' equity	164,762	169,809	(5,047)
Total liabilities and stockholders' equity	1,332,129	1,337,176	(5,047)
Condensed Consolidated Statement of Operations			

Three months ended December 31, 2010:			
Provision for loan losses	\$ 10,526	3,950	6,576
Net interest income after provision for loan losses	2,514	9,090	(6,576)
Provision for loss on real estate owned	(2,043)	(413)	(1,630)
Total other income	9,086	10,716	(1,630)
Income (loss) before income tax expense (benefit)	(4,935)	3,271	(8,206)
Income tax expense (benefit)	(1,900)	1,259	(3,159)
Net income (loss)	(3,035)	2,012	(5,047)
Basic earnings (loss) per share	(0.39)	0.26	(0.65)
Diluted earnings (loss) per share	(0.39)	0.26	(0.65)
Condensed Consolidated Statement of Stockholders' Equity			

Three months ended December 31, 2010:			
Net income (loss)	\$ (3,035)	2,012	(5,047)
Total comprehensive income (loss)	(3,013)	2,034	(5,047)
At December 31, 2010:			
Retained earnings	184,639	189,686	(5,047)
Total stockholders' equity	164,762	169,809	(5,047)

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Condensed Consolidated Statement of Cash Flows

Three months ended December 31, 2010:

Net income (loss)	\$ (3,035)	2,012	(5,
Provision for loan losses	10,526	3,950	6,
Provision for loss on real estate owned	2,043	413	1,
Prepaid and accrued expenses, other liabilities and income taxes payable	(800)	2,359	(3,

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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 December 31, 2010, were \$1,332.1 million, a decrease of \$102.1 million from September 30, 2010, the prior fiscal year end.

Loans receivable held for investment were \$1,059.9 million as of December 31, 2010, a decrease of \$13.5 million during the three month period. The weighted average rate on such loans as of December 31, 2010, was 6.23%, a decrease from 6.35% as of December 31, 2009.

Loans receivable held for sale as of December 31, 2010, were \$117.5 million, a decrease of \$62.3 million from September 30, 2010. This portfolio consists of residential mortgage loans originated by the

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Bank'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.

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 three months ended December 31, 2010, the Bank originated and purchased \$649.0 million in mortgage loans held for sale, \$62.2 million in mortgage loans held for investment, and \$887,000 in other loans. This total of \$712.1 million in loans compares to \$467.4 million in loans originated and purchased during the three months ended December 31, 2009.

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 consist of the reserved portion of loans classified as impaired pursuant to ASC 310-10-35.

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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.

	12/31/10	9/30/10	12/31/09
Asset Classification:			
Substandard	\$ 155,426	142,085	122,175
Doubtful	--	--	--
Loss*	24,461	16,965	10,977
	179,887	159,050	133,152
Allowance for losses on loans and real estate owned	(42,751)	(34,643)	(29,154)
	\$ 137,136	124,407	103,998

*Assets classified as loss represent the amount of measured impairment related to loans and foreclosed assets held for sale that have been deemed impaired. The Bank records a specific loss allowance equal to the amount of measured impairment. These specific allowances are included in the balance of the allowance for losses on loans and real estate owned above.

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The following table summarizes non-performing assets, troubled debt restructurings, and real estate acquired through foreclosure, net of specific loss allowances. Dollar amounts are expressed in thousands.

	12/31/10	9/30/10	12/31/09
Total Assets	\$ 1,332,129	1,434,196	1,527,170
Non-accrual loans	\$ 12,482	29,368	24,237
Troubled debt restructurings	59,833	23,730	24,609
Net real estate and other assets acquired through foreclosure	32,379	38,362	13,860
Total	\$ 104,694	91,460	62,706
Percent of total assets	7.86%	6.38%	4.11%

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.

Investment securities were \$25.5 million as of December 31, 2010, a decrease of \$3.8 million from September 30, 2010. During the three month period, the Bank purchased securities of \$10.2 million and sold \$13.9 million of securities available for sale. The Company realized gross gains of \$280,000 and no gross losses on the sale of securities available for sale during the period.

Mortgage-backed securities were \$42.0 million as of December 31, 2010, a decrease of \$5.2 million from the prior year end. There were no sales of mortgage-backed securities available for sale during the three month periods ended December 31, 2010. The average yield on the mortgage-backed securities portfolio was 4.90% at December 31, 2010, a slight increase from 4.88% at September 30, 2010.

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The Company's investment in LLCs, which is accounted for using the equity method, was \$17.8 million at December 31, 2010, a decrease of \$27,000 from September 30, 2010. During the fiscal year ended September 30, 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, LLC ("NBH"). There have been no events subsequent to September 30, 2010,

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that would indicate an additional impairment in value of the Company's investments in Central Platte and NBH, which were \$16.4 million and \$1.4 million at December 31, 2010, respectively.

LIABILITIES AND EQUITY

Customer and brokered deposit accounts decreased \$34.8 million during the three months ended December 31, 2010. Specifically, customer deposits increased \$15.2 million during the period, primarily due to an increase in retail certificates of deposits resulting from promotions during the period. Brokered deposits decreased \$50.0 million during the period, as a result of the Company's effort to reduce its reliance on this funding source. The weighted average rate on customer and brokered deposits as of December 31, 2010, was 1.83%, a decrease from 2.04% as of December 31, 2009.

Advances from the FHLB were \$228.0 million as of December 31, 2010, a decrease of \$58.0 million from September 30, 2010. During the three month period, the Bank borrowed \$17.0 million of new advances and repaid \$75.0 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.

Subordinated debentures were \$25.8 million as of December 31, 2010. Such debentures resulted from the issuance of Trust Preferred Securities through the Company's wholly owned statutory trust, NASB Preferred Trust I. 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.

Escrows were \$5.0 million as of December 31, 2010, a decrease of \$6.1 million from September 30, 2010. This decrease is due to amounts paid for borrowers' taxes during the fourth calendar quarter of 2010.

Total stockholders' equity as of December 31, 2010, was \$164.8 million (12.4% of total assets). This compares to \$167.8 million (11.7% of total assets) at September 30, 2010. On a per share basis, stockholders' equity was \$20.94 on December 31, 2010, compared to \$21.32 on September 30, 2010.

The Company did not pay any cash dividends to its stockholders during the three month period ended December 31, 2010. In accordance with the April 2010 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.

Total stockholders' equity as of December 31, 2010, includes an unrealized gain, net of deferred income taxes, on available for sale securities of \$446,000. 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).

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	Three months ended	
	12/31/10	12/31/09
Return on assets	(0.88)%	0.34%
Return on equity	(7.30)%	3.21%
Equity-to-assets ratio	12.37%	10.79%
Dividend payout ratio	--%	133.18%

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RESULTS OF OPERATIONS - Comparison of three months ended December 31, 2010 and 2009.

For the three months ended December 31, 2010, the Company had a net loss of \$3.0 million or \$(0.39) per share. This compares to net income of \$1.3 million or \$0.17 per share for the three month period ended December 31, 2009.

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 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 three months ended December 31, 2010 and 2009. 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.

	Three months ended 12/31/10		As of 12/31/10	
	Average Balance	Interest	Yield/Rate	Yield/Rate
Interest-earning assets				
Loans	\$1,182,666	18,071	6.11%	6.02%
Mortgage-backed securities	45,078	552	4.90%	4.90%
Securities	40,569	623	6.14%	5.74%
Bank deposits	19,721	4	0.08%	0.01%
Total earning assets	1,288,034	19,250	5.97%	5.94%
Non-earning assets				
	95,631			
Total	\$1,383,665			
Interest-costing liabilities				
Customer checking and savings deposit accounts	\$ 191,525	263	0.55%	0.50%

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spread on average interest- earning assets	\$1,464,908	13,805	3.77%
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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.

	Three months ended December 31, 2010, compared to three months ended December 31, 2009			
	Yield	Volume	Yield/ Volume	Total

Components of interest income:				
Loans	\$ (558)	(2,028)	51	(2,535)
Mortgage-backed securities	112	(394)	(50)	(332)
Securities	221	(48)	(22)	151
Bank deposits	2	(1)	--	1

Net change in interest income	(223)	(2,471)	(21)	(2,715)

Components of interest expense:				
Customer and brokered deposit accounts	(619)	245	(33)	(407)
FHLB Advances	(199)	(1,424)	81	(1,542)
Subordinated debentures	(1)	--	--	(1)

Net change in interest expense	(819)	(1,179)	48	(1,950)

Decrease in net interest margin	\$ 596	(1,292)	(69)	(765)
	=====			

Net interest margin before loan loss provision for the three months ended December 31, 2010, decreased \$765,000 from the same period in the prior year. Specifically, interest income decreased \$2.7 million, which was offset by a \$2.0 million decrease in interest expense for the period. Interest on loans decreased \$2.5 million as the result

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of a \$129.2 million decrease in the average balance of loans receivable outstanding during the period and a 17 basis point decrease in the average rate earned on such loans during the period. Interest on mortgage-backed securities decreased \$332,000 due primarily to a \$36.2 million decrease in the average balance of such securities during the period. These decreases in interest income were partially offset by a \$151,000 increase in interest on investment securities resulting from a 196 basis point increase in the average yield of such securities. Interest expense on customer and brokered deposit accounts decreased \$407,000 due to a 28 basis point decrease in the average rate paid on such interest-costing liabilities, the effect of which was partially offset by a \$46.2 million increase in the average balance of customer and brokered deposit accounts during the period. Interest expense on FHLB advances decreased \$1.5 million as the result of a \$189.3 million decrease in the average balance and an 18 basis point decrease in the average rate paid on such liabilities.

PROVISION FOR LOAN LOSSES

The Company recorded a provision for loan losses of \$10.5 million during the three month period ended December 31, 2010, due primarily to increases in specific reserves related to impaired construction and land development loans. In addition, the Bank increased its general reserves related to the commercial real estate and land development portfolios based primarily upon its historical losses and other relevant qualitative factors such as economic and business conditions. The Company recorded a provision for loan losses of \$9.0 million during the quarter ended December 31, 2009, in response to a significant increase in loans classified as substandard or loss. Additionally, management determined that the increased provision was appropriate due to the continued uncertainty in the real estate markets. Management performs an ongoing analysis of individual loans and of homogenous pools of loans to assess for any impairment. On a consolidated basis, the allowance for losses on loans and real estate owned was 23.8% of total classified assets at December 31, 2010, 21.8% at September 30, 2010, and 21.9% at December 31, 2009.

Management believes that the allowance for losses on loans and real estate owned is adequate. 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.

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OTHER INCOME

Other income for the three months ended December 31, 2010, decreased \$1.1 million from the same period in the prior year. Specifically, gain on sale of securities available for sale decreased \$2.8 million due to a significant decrease in the volume of such sales during the period. Additionally, provision for loss on real estate owned increased \$2.0 million due to primarily to declines in the value of foreclosed assets held for sale. These decreases in other income were offset by a \$2.0 increase in impairment loss on investment in LLCs due to an impairment charge related to the Company's investment in Central Platte Holdings, LLC during the quarter ended December 31, 2009. Other income increased \$724,000 due primarily to the effect of recording

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the net fair value of certain loan-related commitments in accordance with GAAP, which was partially offset by an increase in expenses related to foreclosed assets held for sale. Customer service fees and charges increased \$600,000 primarily due to an increase in miscellaneous loan fees resulting from higher residential mortgage loan origination volume during the period. The increase in gain on sale of loans held for sale resulting from a significant increase in mortgage banking volume for the period was largely offset by a \$4.9 million decrease in the adjustment to mark these loans to market value, resulting in only a \$368,000 increase from the same period in the prior year.

GENERAL AND ADMINISTRATIVE EXPENSES

Total general and administrative expenses for the three months ended December 31, 2010, increased \$2.9 million from the same period in the prior year. Specifically, compensation and fringe benefits increased \$614,000 due primarily to the addition of personnel in the Company's mortgage banking, information technology, and loan servicing departments. Commission-based mortgage banking compensation increased \$2.1 million due primarily the significant increase in mortgage banking spreads from the same period in the prior year. Other expense increased \$1.1 million due primarily to increases in data processing fees, consulting fees, and other expenses related to the Company's lending operations such as underwriting, credit, appraisal, and processing fees. These increases in general and administrative expenses were offset by an \$801,000 decrease in federal deposit insurance premiums and a \$102,000 decrease in advertising and business promotion expense from the same period in the prior year.

REGULATION

The Bank is a member of the FHLB System and its customers' deposits are insured by the Deposit Insurance Fund ("DIF") 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 DIF-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 DIF insures the Bank's customer deposit accounts to a maximum of \$100,000 for each insured owner, with the exception of self-directed retirement accounts, which are insured to a maximum of \$250,000. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 temporarily raised the basic limit of federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. This legislation provided that the basic deposit insurance limit would return to \$100,000 after December 31, 2013. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act made permanent the maximum deposit insurance amount of \$250,000.

Deposit premiums are determined using a Risk-Related Premium

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Schedule ("RRPS"), a matrix which places each insured institution into one of three capital groups and one of three supervisory subgroups. The capital groups are an objective measure of risk based on regulatory capital calculations and include well capitalized, adequately capitalized, and undercapitalized. The supervisory subgroups (A, B, and C) are more subjective and are determined by the FDIC based on recent regulatory examinations. Member institutions are eligible for reclassification every six months. On March 25, 2010, North American was moved from supervisory category A to category B, based upon the results of the Bank's OTS examination.

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Annual deposit insurance premiums range from 7 to 77.5 basis points of insured deposits based on where an institution fits on the RRPS. In addition to deposit insurance premiums, institutions are assessed a premium, which is used to service the interest on the Financing Corporation ("FICO") debt.

On May 22, 2009, the Federal Deposit Insurance Corporation (FDIC) adopted a rule imposing a five basis point special assessment on all insured financial institutions' assets minus its Tier I capital as of June 30, 2009, which was collected on September 30, 2009. On November 12, 2009, the FDIC adopted a rule requiring insured institutions to prepay their estimated quarterly risk-based assessments for the fourth calendar quarter of 2009, and all of 2010, 2011, and 2012. The prepaid assessment for these periods was collected on December 31, 2009, along with each institution's regular quarterly risk-based deposit insurance assessment for the third calendar quarter of 2009.

REGULATORY CAPITAL REQUIREMENTS

At December 31, 2010, 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 December 31, 2010, 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 December 31, 2010	Amount
-----	-----
GAAP capital (Bank only)	\$ 167,522
Adjustment for regulatory capital:	
Intangible assets	(2,546)
Disallowed portion of servicing assets and deferred tax assets	(24)
Reverse the effect of SFAS No. 115	(446)

Tangible capital	164,506
Qualifying intangible assets	--

Tier 1 capital (core capital)	164,506
Qualifying general valuation allowance	15,883

Risk-based capital	\$ 180,389
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	As of December 31, 2010				
	Actual		Minimum Required for Capital Adequacy		Minimum "Well"
	Amount	Ratio	Amount	Ratio	Amount
Total capital to risk-weighted assets	\$ 180,389	14.2%	101,461	>=8%	126,82
Core capital to adjusted tangible assets	164,506	12.6%	52,348	>=4%	65,43
Tangible capital to tangible assets	164,506	12.6%	19,631	>=1.5%	-
Tier 1 capital to risk-weighted assets	164,506	13.0%	--	--	76,09

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 has received regulatory approval from the OTS under 12 CFR 560.93 to increase its loans-to-one-borrower limit to \$30 million for loans secured by certain residential housing units. Such loans must not, in the aggregate, exceed 150% of the Bank's unimpaired capital and surplus.

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DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("The Dodd-Frank Act" or "The Act") was signed into law on July 21, 2010. The Bank's primary federal regulator, the Office of Thrift Supervision, will be eliminated and existing federal thrifts will be subject to regulation and supervision by the Office of the Comptroller of the Currency, which supervises and regulates all national banks. Existing savings and loan holding companies will be subject to regulation and supervision by the Federal Reserve Board. The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to enforce consumer protection laws and ensure that markets for consumer financial products and services are fair, transparent, and competitive. The Act restricts the ability of banks to apply trust preferred securities toward regulatory capital requirements. However, Tier 1 capital treatment for trust preferred securities issued before May 19, 2010 is grandfathered for bank holding companies with assets under \$15 billion. The Dodd-Frank Act will require publically traded companies to give stockholders a non-binding vote on executive compensation and so called "golden parachute" payments. The Act authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. The Dodd-Frank Act also broadens the base for FDIC insurance assessments, which will be based on average consolidated total assets less tangible equity capital, rather than deposits. The Act also makes permanent the maximum deposit

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insurance amount of \$250,000 per depositor. The federal agencies are given significant discretion in drafting the rules and regulations required by The Dodd-Frank Act. Consequently, the full impact of this legislation will not be known for some time.

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. 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 December 31, 2010, the Bank had a total borrowing capacity at FHLB of \$457.3 million, and outstanding advances of \$228.0 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, \$135.0 million by June 30, 2011 and \$125.0 million by June 30, 2012. As of December 31, 2010, the Bank's brokered deposits totaled \$16.9 million. Thus, the Bank could acquire an additional \$128.1 million in brokered deposits and still comply with the plan as of December 31, 2010.

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. The Bank's contingency liquidity sources include the Federal Reserve discount window and sales of securities available for sale. 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.

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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, 2010.

Management recognizes that there are certain market risk factors

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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, 2010.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934. Based on this evaluation, our principal executive officer and our principal financial officer originally concluded that our disclosure controls and procedures were effective at the end of the period covered by this quarterly report.

However, as discussed in the Explanatory Note on page 1 of this Form 10-Q/A, based on the need to revise the unaudited condensed consolidated financial statements for the three months ended December 31, 2010, the Company's management and the Audit Committee of the Board of Directors have taken steps recently to re-evaluate the Company's internal control over financial reporting, subsequent to December 31, 2010, and have concluded there are material weaknesses in their design of such internal controls. The material weaknesses relates to the identification and recognition of troubled debt restructurings and impaired loans and timely receipt of appraisals for participated loans. The Company's Board of Directors has implemented several steps to improve the processes and thus will remediate the material weaknesses. Included in these steps are the following:

- Revision of the Company's loan policy to more clearly define procedures to obtain appraisals on participated loans from lead banks.
- Revision of the Company's Internal Asset Review and Loan Classification policies related to troubled debt restructurings and other impaired loans and early adoption of ASU No. 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring for the quarter ended March 31, 2011.

Changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting, were made subsequent to the quarter ended December 31, 2010, and have been described above. There were no changes in the Company's internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that have materially affected or are reasonable likely to materially affect our internal control over financial reporting.

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 1A. Risk Factors

The following is a summary of risk factors relating to the operations of the Bank and the Company. These risk factors are not necessarily presented in their order of significance. In addition to the list presented, below, there may be other risks and uncertainties that could have a material adverse effect on the Company, our financial condition and our results of operations, which could also impact the value or market price of our common stock. To the extent that any of the information contained in this report constitutes forward-looking statements, the risk factors set forth are additional cautionary statements that identify important factors that may cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company.

Difficult market conditions continue to adversely affect our industry. We are exposed to downturns in the U.S. real estate market, particularly related to existing residential homes, new residential construction, residential development properties, and commercial real estate. The housing market has experienced dramatic declines over the past three years, greatly affected by falling home prices, increasing foreclosures, and unemployment. All of these have impacted credit performance and resulted in a significant level of write-downs of asset values by the industry, in general, and by our Company, specifically. Because of the concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing credit to borrowers, including to other financial institutions. The weakened U.S. economy and tightening of credit have led to an increased level of commercial and consumer delinquencies, a lack of consumer confidence, increased market volatility and widespread reduction of overall business activity. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on our Company and others in the financial institution industry, and could further materially increase our loan losses and further negatively impact our financial condition and operating results.

Recent changes in banking regulations could materially affect the Company's business. The current political environment is demanding increased regulation of the banking industry. Various new regulations have been imposed over the past year, with much additional regulation that has been proposed. Such changing regulation, along with possible changes in tax laws and accounting rules, may have a significant impact on the ways that financial institutions conduct their businesses, implement strategic initiatives, engage in tax planning and make financial disclosures. Complying with increased regulations may increase our costs and limit the availability of our business opportunities.

On July 21, 2010, The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. Some of the provisions may have consequences of increasing our expenses, decreasing our revenues, and

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changing the activities in which we choose to engage. The specific impact of the Dodd-Frank Act on our current activities and our financial performance will depend on the manner in which relevant agencies develop and implement required rules.

The Company's performance is dependent on the economic conditions in the market in which it operates. The Company operates primarily within the greater Kansas City area and is influenced by the general economic conditions in Kansas City. Any further adverse changes in economic conditions in our market area could impair our ability to collect loans, obtain and retain customer deposits, and negatively impact our overall financial condition.

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The current real estate market makes our concentrations in real estate lending susceptible to credit losses. Our loan portfolios are concentrated in real estate lending, which has made, and will continue to make, our loan portfolios susceptible to credit losses in the current real estate market, particularly because of continuing declines in the new home real estate market. Specifically, we have a concentration of residential real estate construction loans and residential land development, most of which are located within the metropolitan Kansas City market area. Additionally, we have a concentration of commercial real estate loans that are located around the country. Because of our heightened exposure to credit losses in these concentrations, the downturns in the real estate market and the general economy have resulted in a significant increase in classified assets over the past year. If the current economic environment continues for a prolonged additional period, or deteriorates even further, the asset collateral values may further decline and may result in increased credit losses and foreclosures in these portfolios.

If our allowance for loan and lease losses ("ALLL") is not sufficient to cover actual loan losses, our provision for losses could increase in future periods, causing a negative impact on operating results. Our borrowers may not repay their loans according to the terms of the loans and, as a result of the declines in home prices, the collateral securing the payment of these loans may be insufficient to pay remaining loan balances. We may experience significant loan losses, which could have a material adverse impact on our operating results. When determining the adequacy of the ALLL, we make various assumptions and subjective judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of real estate and other assets that serve as collateral for the repayment of many of our loans. In determining the adequacy of the ALLL, we rely on our loan quality reviews, our experience, our evaluation of economic conditions, and asset valuations and appraisals, among other factors. If our assumptions prove to be incorrect, our ALLL may not be sufficient to cover the losses inherent in our loan portfolio, which could result in additions to our allowance through provisions for loan losses. Material additions to our allowance would have a material adverse impact on our operating results.

The OTS (soon to be merged into the Office of the Comptroller of the Currency), as an integral part of the regulatory examination process, periodically reviews our loan portfolio. Regulators may require us to add to the allowance for loan losses based on their judgments and interpretations of information available to them at the time of their

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examinations. Any increase that the regulators require in our allowance for loan losses would negatively impact our operating results in the period in which the increase occurs.

The Company uses valuation methodologies, estimations and assumptions for certain assets and loan collateral which are subject to differing interpretations and could result in changes to asset or collateral valuations that could have an adverse material impact on the Company's financial condition or operating results. The Company uses estimates, assumptions and judgments when measuring the fair value of financial assets, liabilities and loan collateral. Fair values and the information used to record valuation adjustments are based on quoted market prices, third-party appraisals and/or other observable inputs provided by third-party sources, when available. Any changes in underlying factors, assumptions or estimates in any of these areas could materially impact the Company's future financial condition and operating results.

During periods of market disruption, it may be difficult to value certain assets if comparable sales become less frequent and/or market data becomes less observable. Certain classes of assets or loan collateral that were in active markets with significant observable data may become illiquid due to the current financial environment. In such cases, asset valuations may require more estimation and subjective judgment. The rapidly changing real estate market conditions could materially impact the valuation of assets and loan collateral as reported within the Company's financial statements and changes in estimated values could vary significantly from one period to the next. Decreases in value may have a material adverse impact on the Company's future financial condition or operating results.

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The Company is subject to interest rate risk. Our results of operations are largely dependent on net interest income, which is the difference between the interest we earn on our earning-asset portfolios and the interest paid on our cost of liability portfolios. Market interest rates are beyond the Company's control, and they can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence market rates and prices for loan originations, purchases of investment securities, and customer deposit accounts. Any substantial or prolonged change in market interest rates could have a materially adverse effect on the Company's financial condition or results from operations.

Changes in income tax laws or interpretations or in accounting standards could materially affect our financial condition or results of operations. Changes in income tax laws could be enacted or interpretations of existing income tax laws could change causing an adverse effect to our financial condition or results of operations. Similarly, our accounting policies and methods are fundamental to how we report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets, liabilities, and financial results. Periodically, new accounting standards are imposed or existing standards are revised, changing the methods for preparing our financial statements. Such changes are not within our control and could significantly impact our financial condition and results of operations.

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The Company is subject to liquidity risk that could impair our ability to fund operations. Liquidity is essential to our business and we rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are our retail and wholesale customer deposit accounts, cash flows from payments and sales of loans and securities, and advances from the Federal Home Loan Bank. Any inability to raise or retain funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically or by factors affecting the financial services industry in general. Even if funding remains available, issues of liquidity pricing could raise the Company's cost of funds and have an adverse material impact on the Company's financial condition and operating results.

Any loss of key personnel could adversely affect our operations. The Company's success is, in large part, dependent on its ability to attract and retain key employees. Management believes it has implemented effective succession planning strategies to reduce the potential impact of the loss of certain key personnel; however, because of their skill-level and experience, the unexpected loss of key personnel could have an adverse material impact on the Company's business.

We are subject to various legal claims and litigation. We are periodically involved in routine litigation incidental to our business. Regardless of whether these claims and legal actions are founded or unfounded, if such legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the Company's reputation. In addition, litigation can be costly. Any financial liability, litigation costs or reputational damage caused by these legal claims could have a material adverse impact on our business, financial condition and results of operations.

The Company operates in a competitive industry and market area. The financial services industry in which the Company operates is rapidly changing with numerous types of competitors including banks, thrifts, insurance companies, and mortgage bankers. Consolidation in the industry is accelerating and there are many new changes in technology, products, and regulations. We believe the competition for retail deposit accounts is especially significant in our market area. The Company must continue to invest in products and delivery systems in order to remain competitive or its financial performance may be impacted negatively.

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Any electronic system failure or breach to our network security could increase our operating costs or impair the Company's reputation. The Bank provides customers with electronic banking options, including online banking, bill payment services, online account opening and online loan applications. Management has implemented all reasonable means of protection for its electronic services; however, there can be no absolute assurances that failures, interruptions, or electronic security breaches will not occur. Should any of our electronic systems be compromised, the Company's reputation could be damaged and/or relationships with customers impaired. A loss of business could result and the Company could incur significant expenses in remedying the security breach.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults Upon Senior Securities
None.

Item 4. (Removed and Reserved)

Item 5. Other Information
None.

Item 6. Exhibits

(a) Exhibits

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to
Rules 13a-15(e) and 15d-15(e)

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to
Rules 13a-15(e) and 15d-15(e)

Exhibit 32.1 - Certification of Chief Executive Officer pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 - Certification of Chief Financial Officer pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

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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)

June 30, 2011

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

June 30, 2011

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

