

Edgar Filing: NASB FINANCIAL INC - Form 10-Q

NASB FINANCIAL INC
Form 10-Q
May 15, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the period ended March 31, 2003

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

The number of shares of Common Stock of the Registrant outstanding as of May 12, 2003, was 8,439,942.

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

	March 31, 2003 (Unaudited)	September 30, 2002
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 54,016	4,168
Securities available for sale	6,505	14,635
Stock in Federal Home Loan Bank, at cost	19,230	15,173
Mortgage-backed securities:		
Available for sale	6,687	2,684
Held to maturity (market value of \$1,310 and \$1,544 at March 31, 2003, and September 30, 2002, respectively)	1,243	1,483
Loans receivable:		
Held for sale	89,669	73,591
Held for investment, net	908,001	845,149
Allowance for loan losses	(7,216)	(5,865)
Accrued interest receivable	4,870	4,795
Real estate owned, net	3,346	4,938
Premises and equipment, net	6,949	6,523
Investment in LLC	2,264	200
Mortgage servicing rights, net	1,689	2,957
Deferred tax asset	3,153	2,537
Other assets	12,163	5,254
	-----	-----
	\$ 1,112,569	978,222
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Checks outstanding in excess of bank balances	\$ --	7,764
Customer deposit accounts	657,000	549,437
Advances from Federal Home Loan Bank	324,349	295,192
Escrows	5,216	7,404
Income taxes payable	1,599	2,230
Accrued expenses and other liabilities	6,838	6,749
	-----	-----
Total liabilities	995,002	868,776
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common stock of \$0.15 par value:		
20,000,000 authorized; 9,822,112 issued		
at March 31, 2003, and 9,802,112 issued		
at September 30, 2002		
	1,473	1,470
Serial preferred stock of \$1.00 par		
value: 7,500,000 shares authorized;		

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none issued or outstanding	--	--
Additional paid-in capital	15,958	15,862
Retained earnings	116,602	108,367
Treasury stock, at cost; 1,382,170 shares at March 31, 2003 and 1,381,770 shares at September 30, 2002	(16,726)	(16,716)
Accumulated other comprehensive income	260	463
	-----	-----
Total stockholders' equity	117,567	109,446
	-----	-----
	\$ 1,112,569	978,222
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,		Six months ended March 31,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Interest on loans	\$ 17,711	17,580	35,440	36,303
Interest on mortgage-backed securities	134	114	222	291
Interest and dividends on securities	258	201	528	471
Other interest income	87	73	114	246
	-----	-----	-----	-----
Total interest income	18,190	17,968	36,304	37,311
	-----	-----	-----	-----
Interest on customer deposit accounts	3,708	4,972	7,271	11,166
Interest on advances from FHLB and other borrowings	2,664	3,371	5,464	7,380
	-----	-----	-----	-----
Total interest expense	6,372	8,343	12,735	18,546
	-----	-----	-----	-----
Net interest income	11,818	9,625	23,569	18,765
Provision for loan losses	42	150	60	491
	-----	-----	-----	-----
Net interest income after provision for loan losses	11,776	9,475	23,509	18,274
	-----	-----	-----	-----
Other income (expense):				
Loan servicing fees	(257)	(390)	(1,015)	(77)
Impairment (loss) recovery on mortgage servicing rights	95	86	341	(190)
Impairment loss on mortgage-backed securities	--	--	--	(170)

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Customer service fees and charges	1,174	1,016	2,520	2,116
Provision for losses on real estate owned	(784)	--	(1,984)	(67)
Gain on sale of investments	193	--	181	--
Gain on sale of loans held for sale	3,136	1,552	5,873	5,292
Other	535	(2)	500	418
	-----	-----	-----	-----
Total other income	4,092	2,262	6,416	7,322
	-----	-----	-----	-----
General and administrative expenses:				
Compensation and fringe benefits	3,086	2,590	5,599	5,041
Commission-based mortgage banking compensation	1,013	748	2,377	1,981
Premises and equipment	661	611	1,220	1,139
Advertising and business promotion	235	150	495	274
Federal deposit insurance premiums	26	27	52	57
Other	1,288	958	2,408	2,074
	-----	-----	-----	-----
Total general and administrative expenses	6,309	5,084	12,151	10,566
	-----	-----	-----	-----
Income before income tax expense	9,559	6,653	17,774	15,030
Income tax expense	3,680	2,627	6,840	5,843
	-----	-----	-----	-----
Net income	\$ 5,879	4,026	10,934	9,187
	=====	=====	=====	=====
Basic earnings per share	\$ 0.70	0.48	1.30	1.09
	=====	=====	=====	=====
Diluted earnings per share	\$ 0.70	0.48	1.29	1.08
	=====	=====	=====	=====
Weighted average shares outstanding	8,438,653	8,412,887	8,433,041	8,460,142

See accompanying notes to consolidated financial statements.

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

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income	T
	-----	-----	-----	-----	-----	-----
	(Dollars in thousands)					
Balance at October 1, 2002	\$ 1,470	15,862	108,367	(16,716)	463	1
Comprehensive income:						
Net income	--	--	10,934	--	--	
Other comprehensive loss, net of tax:						
Unrealized loss on securities available for sale	--	--	--	--	(203)	--
Total comprehensive income	--	--	--	--	--	

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Cash dividends paid	--	--	(2,699)	--	--
Stock options exercised	3	96	--	--	--
Purchase of common stock for treasury	--	--	--	(10)	--
Balance at March 31, 2003	\$ 1,473	15,958	116,602	(16,726)	260

See accompanying notes to consolidated financial statements.

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

	Six months ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 10,934	9,187
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	380	420
Amortization and accretion, net	540	(1,085)
Impairment (recovery) loss on mortgage servicing rights	(341)	190
Impairment loss on mortgage-backed securities	--	170
Net fair value of loan related commitments	(103)	--
Gain on sale of loans receivable held for sale	(5,873)	(5,292)
Gain on sale of securities available for sale	(181)	--
Provision for loan losses	60	491
Provision for losses on real estate owned	1,984	67
Origination and purchase of loans held for sale	(331,318)	(245,828)
Sale of loans receivable held for sale	426,091	334,798
Changes in:		
Accrued interest receivable	271	368
Accrued expenses and other liabilities and income taxes payable	(332)	(4,739)
Net cash provided by operating activities	102,112	88,747
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities:		
Held to maturity	254	2,343
Available for sale	1,213	539
Principal repayments of mortgage loans held for investment and held for sale	266,396	242,281
Principal repayments of other loans receivable	22,009	18,900
Maturity of investment securities available for sale	3,514	20,478

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Loan origination - mortgage loans held for investment	(381,438)	(274,969)
Loan origination - other loans receivable	(14,356)	(10,376)
Purchase of mortgage loans held for investment	(1,942)	(12,771)
Purchase of other loans receivable	--	(5,173)
Purchase of investment securities available for sale	--	(20,000)
Purchase of FHLB stock	(1,735)	(1,497)
Purchase from sale of securities available for sale	6,040	--
Proceeds for sale of real estate owned	4,321	3,791
Purchases of premises and equipment, net of sales	149	(319)
Investment in LLC	(2,064)	--
Net cash acquired in merger	16,664	--
Other	(2,062)	(1,267)
	-----	-----
Net cash used in investing activities	(83,037)	(38,040)

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

	Six months ended March 31,	
	2003	2002
	-----	-----
Cash flows from financing activities:		
Net increase (decrease) in customer deposit accounts	24,968	(18,394)
Proceeds from advances from FHLB	145,000	55,000
Repayment on advances from FHLB	(126,144)	(75,138)
Cash dividends paid	(2,699)	(2,325)
Stock options exercised	99	187
Repurchase of common stock	--	(1,862)
Decrease in checks outstanding in excess of bank balances	(7,764)	--
Net decrease in escrows	(2,687)	(3,059)
	-----	-----
Net cash provided by (used in) financing activities	30,773	(45,591)
	-----	-----
Net increase in cash and cash equivalents	49,848	5,116
Cash and cash equivalents at beginning of the period	4,168	16,043
	-----	-----
Cash and cash equivalents at end of period	\$ 54,016	21,159
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for income taxes (net of refunds)	\$ 7,174	9,578
Cash paid for interest	12,751	18,780
Supplemental schedule of non-cash investing and financing activities:		
Conversion of loans receivable to real estate owned	\$ 2,714	2,204
Conversion of real estate owned to loans receivable	187	57
Capitalization of mortgage servicing rights	79	44

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In connection with the merger, the Company acquired assets of \$109.9 million, assumed liabilities of \$94.3 million, and received net cash of \$16.7 million.

See accompanying notes to consolidated financial statements.

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(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements are prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. All adjustments are of a normal and recurring nature and, in the opinion of management, the statements include all adjustments considered necessary for fair presentation. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K to the Securities and Exchange Commission. Operating results for the six months ended March 31, 2003, are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2003. The consolidated balance sheet of the Company as of September 30, 2002, has been derived from the audited balance sheet of the Company as of that date.

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

The Company's critical accounting policies involving the more significant judgements and assumptions used in the preparation of the consolidated financial statements as of March 31, 2003, have remained unchanged from September 30, 2002. These policies are provision for loan losses and mortgage servicing rights. Disclosure of these critical accounting policies is incorporated by reference under Item 8 "Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the Company's year ended September 30, 2002.

The FASB recently issued SFAS No. 142, "Goodwill and Other Intangible Assets," No. 143, "Accounting for Asset Retirement Obligations," No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statements No. 13, and Technical Corrections," No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," and No. 147, "Acquisitions of Certain Financial Institutions." These Statements are effective on various dates throughout the Company's 2003 fiscal year. Implementation of these Statements is not expected to have a material effect on the Company's

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consolidated financial statements.

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

(2) SECURITIES AVAILABLE FOR SALE

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

	March 31, 2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Debt securities	\$ 6,034	399	--	6,433
Municipal securities	72	--	--	72
Total	\$ 6,106	399	--	6,505

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(3) MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

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

	March 31, 2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Pass-through certificates guaranteed by GNMA				
- fixed rate	\$ 1,095	36	--	1,131
FHLMC participation certificates				
- fixed rate	4,522	--	21	4,501
Other asset backed securities	1,010	--	--	1,010
Mortgage-backed derivatives (including CMO residuals and interest-only securities)	37	8	--	45
Total	\$ 6,664	44	21	6,687

(4) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

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

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	March 31, 2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
FHLMC participation certificates:				
Balloon maturity and adjustable rate	\$ 719	48	--	767
FNMA pass-through certificates:				
Fixed rate	104	--	--	104
Balloon maturity and adjustable rate	162	3	--	165
Pass-through certificates guaranteed by GNMA				
- fixed rate	221	16	--	237
Collateralized mortgage obligation bonds	37	--	--	37
Total	\$ 1,243	67	--	1,310

(5) LOANS RECEIVABLE

Loans receivable are as follows:

	March 31, 2003
	(Dollars in thousands)
LOANS HELD FOR INVESTMENT:	
Mortgage loans:	
Permanent loans on:	
Residential properties	\$ 244,799
Business properties	428,161
Partially guaranteed by VA or insured by FHA	17,205
Construction and development	258,091
Total mortgage loans	948,256
Commercial loans	24,997
Installment loans to individuals	34,274
Total loans held for investment	1,007,527
Less:	
Undisbursed loan funds	(94,222)
Unearned discounts and fees and costs on loans, net	(5,304)
Net loans held for investment	\$ 908,001

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2003

(Dollars in thousands)

LOANS HELD FOR SALE:

Mortgage loans:

Permanent loans on:

Residential properties \$ 110,144

Less:

Undisbursed loan funds (20,690)

Unearned discounts and fees and costs
on loans, net 215

Net loans held for sale \$ 89,669
=====

Included in the loans receivable balances at March 31, 2003, are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions in the approximate amount of \$759,000. Loans and participations serviced for others amounted to approximately \$356.4 million at March 31, 2003.

(6) REAL ESTATE OWNED

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

March 31,
2003

(Dollars in thousands)

Real estate acquired through (or deed
in lieu of) foreclosure

\$ 6,286

Less: allowance for losses

(2,940)

Total

\$ 3,346
=====

Real estate owned is carried at fair value as of the date of foreclosure minus any estimated disposal costs (the "new basis"), and is subsequently carried at the lower of the new basis or fair value less selling costs on the current measurement date.

(7) MORTGAGE SERVICING RIGHTS

The following provides information about the Bank's mortgage servicing rights for the period ended March 31, 2003. Dollar amounts are expressed in thousands.

Balance at October 1, 2002 \$ 2,957

Additions:

Originated mortgage servicing rights 79

Acquired in merger 122

Impairment recovery 341

Reductions:

Amortization 1,810

Sale of mortgage servicing rights --

Impairment loss --

Balance at March 31, 2003 \$ 1,689

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

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

	Three months ended		Six months ended	
	3/31/03	3/31/02	3/31/03	3/31/02
Net income (in thousands)	\$ 5,879	4,026	10,934	9,187
Basic weighted average shares outstanding	8,438,653	8,412,887	8,433,041	8,460,142
Effect of stock options	13,817	27,824	14,602	32,943
Dilutive potential common shares	8,452,470	8,440,711	8,447,643	8,493,085
Net income per share:				
Basic	\$ 0.70	0.48	1.30	1.09
Diluted	0.70	0.48	1.29	1.08

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

(9) SEGMENT INFORMATION

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has identified two principal operating segments for purposes of financial reporting: Banking and Mortgage Banking. These segments were determined based on the Company's internal financial accounting and reporting processes and are consistent with the information that is used to make operating decisions and to assess the Company's performance by the Company's key decision makers.

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

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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 March 31, 2003	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$ 11,827	--	(9)	11,818
Provision for loan losses	42	--	--	42
Other income	3,911	4,582	(4,401)	4,092
General and administrative expenses	3,628	3,626	(945)	6,309
Income tax expense (benefit)	4,646	368	(1,334)	3,680
Net income	\$ 7,422	588	(2,131)	5,879

Three months ended March 31, 2002	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$ 9,556	--	69	9,625
Provision for loan losses	150	--	--	150
Other income	2,200	2,590	(2,528)	2,262
General and administrative expenses	2,835	2,684	(435)	5,084
Income tax expense (benefit)	3,238	(54)	(557)	2,627
Net income	\$ 5,533	(40)	(1,467)	4,026

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Six months ended March 31, 2003	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$23,600	--	(31)	23,569
Provision for loan losses	60	--	--	60
Other income	5,990	9,909	(9,483)	6,416
General and administrative expenses	6,699	7,345	(1,893)	12,151
Income tax expense	8,790	987	(2,937)	6,840
Net income	\$14,041	1,577	(4,684)	10,934

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Six months ended March 31, 2002	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	\$18,627	--	138	18,765
Provision for loan losses	491	--	--	491
Other income	5,758	7,132	(5,568)	7,322
General and administrative expenses	5,842	6,014	(1,290)	10,566
Income tax expense	6,950	430	(1,537)	5,843
Net income	\$11,102	688	(2,603)	9,187

(10) MERGER

On December 19, 2002, the merger transaction with CBES Bancorp, Inc ("CBES") was completed. Pursuant to a definitive agreement dated September 5, 2002, CBES was merged with and into a wholly owned subsidiary of NASB Financial, Inc. formed solely to facilitate the transaction. The agreement provided that upon the effective date of the merger, each shareholder of CBES would receive \$17.50 in cash for each share of CBES common stock owned by such shareholder. The aggregate purchase price was \$15.6 million. The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition. Dollar amounts are expressed in thousands.

Cash and cash equivalents	\$ 32,251
Investments and mortgage backed securities	9,171
Loans receivable	58,624
Premises and equipment	955
Core deposits	1,499
Goodwill	1,846
Other assets	5,577
Total assets acquired	109,923
Customer deposit accounts	82,750
Advances from Federal Home Loan Bank	10,358
Other liabilities	1,228
Total liabilities assumed	94,336
Net assets acquired	\$ 15,587

The only significant identifiable intangible asset acquired was the core deposit base, which has a useful life of approximately 15 years and will be amortized using the straight-line method. The \$1.8 million of goodwill was assigned entirely to the banking segment of the business.

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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, and advances from the Federal Home Loan Bank ("FHLB"). The Bank's primary sources of income are interest on loans, MBS, and investment securities plus 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 March 31, 2003, were \$1,112.6 million, an increase of \$134.3 million from September 30, 2002, the prior fiscal year end. \$109.9 million of this increase was due to the merger with CBES Bancorp, Inc.

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 six months ended March 31, 2003, the Bank originated and purchased \$331.3 million in mortgage loans held for sale, \$383.4 million in mortgage loans held for investment, and \$14.4 million in other loans. This total of \$729.1 million in loans originated compares to \$549.1 million in loans originated during the six months ended March 31, 2002.

Included in the \$89.7 million in loans held for sale as of March 31, 2003, are \$21.5 million in mortgage loans held for sale with servicing released. All loans held for sale are carried at the lower of cost or fair value.

The Bank classifies problem assets as "substandard," "doubtful"

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

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

	3/31/03	9/30/02	3/31/02
Asset Classification:			
Substandard	\$ 16,428	14,822	17,164
Doubtful	--	--	--
Loss	3,872	1,395	2,080
	-----	-----	-----
	20,300	16,217	19,244
Allowance for losses	(10,499)	(6,854)	(7,378)
	-----	-----	-----
	\$ 9,801	9,363	11,866
	=====	=====	=====

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

	3/31/03	9/30/02	3/31/02
Total Assets	\$ 1,112,569	978,222	930,643
	=====	=====	=====
Non-accrual loans	\$ 6,275	6,361	7,553
Troubled debt restructurings	5,737	3,337	3,477
Net real estate and other assets acquired through foreclosure	3,346	4,938	6,335
	-----	-----	-----
Total	\$ 15,358	14,636	17,365
	=====	=====	=====
Percent of total assets	1.38%	1.50%	1.87%
	=====	=====	=====

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

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conditions. Also, regulatory agencies (OTS and FDIC) review the Bank's allowance for losses as part of their examinations, and they may require the Bank to recognize additional loss provisions based on the information available at the time of their examinations.

The following table sets forth the activity in the allowance for loan losses for the six months ending March 31, 2003, and 2002. Dollar amounts are expressed in thousands.

		2003	2002
Balance at beginning of year	\$	5,865	5,835
Provision for loan losses		60	491
Acquired in merger		1,309	--
Recoveries		32	33
Charge-offs		(50)	(132)
Balance at March 31	\$	7,216	6,227

LIABILITIES AND EQUITY

Customer deposit accounts increased \$107.6 million during the six months ended March 31, 2003. The weighted average rate on customer deposits as of March 31, 2003, was 2.47%, a decrease from 3.45% as of March 31, 2002.

Advances from the FHLB were \$324.3 million as of March 31, 2003, an increase of \$29.2 million from September 30, 2002. During the six-month period, the Bank borrowed \$145.0 million of new advances, acquired \$10.4 million in the merger, and repaid \$126.1 million. Management uses FHLB advances at various times as an alternate funding source to provide operating liquidity and to fund the origination and purchase of mortgage loans.

Escrows were \$5.2 million as of March 31, 2003, a decrease of \$2.2 million from September 30, 2002. This decrease is due to amounts paid for borrowers' taxes during the fourth calendar quarter of 2002.

Total stockholders' equity as of March 31, 2003, was \$117.6 million (10.6% of total assets). This compares to \$109.4 million (11.2% of total assets) at September 30, 2002. On a per share basis, stockholders' equity was \$13.93 on March 31, 2003, compared to \$13.00 on September 30, 2002.

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The Company paid cash dividends on its common stock of \$0.15 on November 22, 2002, and \$0.17 on February 28, 2003. Subsequent to the quarter ended March 31, 2003, the Company announced a cash dividend of \$0.17 per share to be paid on May 23, 2003, to stockholders of record as of May 2, 2003.

Total stockholders' equity as of March 31, 2003, includes an unrealized gain of \$260,000, net of deferred income taxes, on available for sale securities. This amount is reflected in the line item "Accumulated other comprehensive income."

RATIOS

The following table illustrates the Company's return on assets

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(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).

	Six months ended	
	3/31/03	3/31/02
Return on assets	2.09%	1.93%
Return on equity	19.27%	18.72%
Equity-to-assets ratio	10.57%	10.83%
Dividend payout ratio	24.68%	25.31%

RESULTS OF OPERATIONS - Comparison of three months and six months ended March 31, 2003 and 2002.

For the three months ended March 31, 2003, the Company had net income of \$5,879,000 or \$0.70 per share. This compares to net income of \$4,026,000 or \$0.48 per share for the quarter ended March 31, 2002.

For the six months ended March 31, 2003, the Company had net income of \$10,934,000 or \$1.30 per share. This compares to net income of \$9,187,000 or \$1.09 per share for the six months ended March 31, 2002.

NET INTEREST MARGIN

The Company's net interest margin is comprised of the difference ("spread") between interest income on loans, MBS and investments and the interest cost of customer deposits and 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 six months ended March 31, 2003 and 2002. 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.

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	Six months ended 3/31/03			As of
	Average Balance	Interest	Yield/ Rate	3/31/03 Yield/ Rate
Interest-earning assets				
Loans	\$ 954,764	35,440	7.42%	6.92%
Mortgage-backed securities	6,976	222	6.36%	6.51%
Securities	27,540	528	3.83%	3.77%
Bank deposits	23,019	114	0.99%	0.82%

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Total earning assets	1,012,299	36,304	7.17%	6.56%
Non-earning assets	31,924			
Total	\$1,044,223			
Interest-costing liabilities				
Customer checking and savings deposit accounts	\$ 194,433	1,081	1.11%	1.08%
Customer certificates of deposit	394,315	6,190	3.14%	3.12%
FHLB Advances	322,776	5,464	3.39%	3.09%
Other borrowings	--	--	--	--
Total costing liabilities	911,524	12,735	2.79%	2.68%
Non-costing liabilities	21,622			
Stockholders' equity	111,077			
Total	\$1,044,223			
Net earning balance	\$ 100,775			
Earning yield less costing rate			4.38%	3.88%
Average interest-earning assets, net interest, and net yield spread on average interest-earning assets	\$1,012,299	23,569	4.66%	

	Six months ended 3/31/02		As of 3/31/02	
	Average Balance	Interest	Yield/Rate	Yield/Rate
Interest-earning assets				
Loans	\$ 879,928	36,303	8.25%	7.75%
Mortgage-backed securities	7,761	291	7.50%	7.20%
Securities	22,637	471	4.16%	4.30%
Bank deposits	24,178	246	2.03%	1.31%
Total earning assets	934,504	37,311	7.99%	7.54%
Non-earning assets	31,744			
Total	\$ 966,248			
Interest-costing liabilities				
Customer checking and savings deposit accounts	\$ 164,081	1,235	1.51%	1.61%
Customer certificates of deposit	413,881	9,931	4.80%	4.27%
FHLB Advances	279,259	7,380	5.29%	4.97%
Other borrowings	--	--	--	--
Total costing liabilities	857,221	18,546	4.33%	3.92%
Non-costing liabilities	10,931			
Stockholders' equity	98,096			

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Total	\$ 966,248			
	=====			
Net earning balance	\$ 77,283			
	=====			
Earning yield less costing rate		3.66%	3.62%	
		=====	=====	
Average interest-earning assets, net interest, and net yield spread on average interest- earning assets	\$ 934,504	18,765	4.02%	
	=====	=====	=====	

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 volume (change in volume multiplied by the old rate), (2) changes in rates (change in rate multiplied by the old volume), 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.

	Six months ended March 31, 2003, compared to six months ended March 31, 2002			
	Yield	Volume	Yield/ Volume	Total
	-----	-----	-----	-----
Components of interest income:				
Loans	\$ (3,652)	3,087	(298)	(863)
Mortgage-backed securities	(44)	(29)	4	(69)
Securities	(37)	102	(8)	57
Bank deposits	(126)	(12)	6	(132)
	-----	-----	-----	-----
Net change in interest income	(3,859)	3,148	(296)	(1,007)
	-----	-----	-----	-----
Components of interest expense:				
Customer deposit accounts	(4,017)	208	(86)	(3,895)
FHLB Advances	(2,653)	1,151	(414)	(1,916)
	-----	-----	-----	-----
Net change in interest expense	(6,670)	1,359	(500)	(5,810)
	-----	-----	-----	-----
Increase in net interest margin	\$ 2,811	1,789	204	4,804
	=====	=====	=====	=====

Net interest margin before loan loss provision for the three months ended March 31, 2003, increased \$2.2 million from the same period in the prior year. Specifically, total interest expense decreased \$2.0 million due to a decrease in the interest rate cost of those liabilities of

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1.5%. Additionally, total interest income increased \$222,000 from the same period in the prior year. This increase resulted from a \$77.8 million increase in the average balance of interest-earning assets, largely offset by an 82 basis point decrease in the average rate earned on interest-earning assets.

PROVISION FOR LOAN LOSSES

The Company's provision for loan losses was \$42,000 during the quarter ended March 31, 2003, and was \$60,000 for the six months ended March 31, 2003. Management performs an ongoing analysis of individual loans and of homogenous pools of loans to assess for any impairment. On a consolidated basis, loan loss reserve was 51.7% of total classified assets at March 31, 2003, 42.3% at September 30, 2002, and 38.3% at March 31, 2002.

As stated above, management believes that the provisions for loan losses is adequate. The provision can fluctuate based on changes in economic conditions or changes in the information available to management. Also, regulatory agencies review the Company's allowances for losses as a part of their examination process and they may require changes in loss provision amounts based on information available at the time of their examination.

OTHER INCOME

Other income for the three months ended March 31, 2003, increased \$1.8 million from the same period in the prior year. Specifically, gain on sale of loans held for sale increased \$1.6 million due to an increased mortgage banking volume. Additionally, other income increased \$537,000, primarily due to the effect of recording the net fair value of certain loan-related commitments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Provision for losses on real estate owned increased \$784,000 due to a reserve recorded on a hotel property in the Southeast area of Kansas City, Missouri. The provision for loss associated with this property, which was foreclosed in September 2001, reduces it's carrying value to \$1.6 million. This provision was recorded after management's efforts to sell the property at auction during March 2003 were unsuccessful. The property was sold subsequent to March 31, 2003.

Other income for the six months ended March 31, 2003, decreased \$906,000 from the same period in the prior year. Provision for losses on real estate owned increased \$1.9 million due to the aforementioned hotel property. Net loan servicing fees decreased \$938,000 due to an increase in the amortization of capitalized servicing. This resulted from increases in actual prepayments and estimated future prepayments of the underlying mortgage loans during the quarter. These decreases in other income were partially offset by an increase in impairment recovery on mortgage servicing rights of \$531,000. Income from loan servicing fees are net of amortization of mortgage servicing rights. Such amortization is greatly affected by the level of actual prepayments and estimated future prepayments on the underlying mortgage loans. Management performs an ongoing analysis of mortgage servicing rights to determine to what extent, if any, they may be impaired. Changes in the trend of mortgage interest rates can occur quickly and may have a significant impact on future mortgage prepayments and amortization of mortgage servicing rights. Gain on sale of loans held for sale increased \$581,000 due to an increase in mortgage banking volume. Customer service fees and charges increased \$404,000, primarily due to an increase in appraisal and other miscellaneous fees related to the increase in loan origination volume.

GENERAL AND ADMINISTRATIVE EXPENSES

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Total general and administrative expenses for the quarter ended March 31, 2003, increased \$1.2 million from the same period in the previous year. Specifically, compensation increased \$761,000 due the increase in loan origination volume and the merger with CBES. Other expenses increased \$330,000 due to an increase in data processing and other expenses attributable to the increased loan origination volume and the merger with CBES.

Total general and administrative expenses for the six months ended March 31, 2003, increased \$1.6 million from the same period in the prior year. Specifically, compensation increased \$954,000 due the increase in loan origination volume and the merger with CBES. Advertising increased \$221,000, and other expenses increased \$334,000 due to an increase in data processing and other expenses attributable to the increased loan origination volume and the merger with CBES.

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REGULATION

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

INSURANCE OF ACCOUNTS

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

REGULATORY CAPITAL REQUIREMENTS

At March 31, 2003, 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 March 31, 2003, 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

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capital and regulatory requirements. Dollar amounts are expressed in thousands.

At March 31, 2003	Amount
GAAP capital (Bank only)	\$ 109,620
Adjustment for regulatory capital:	
Intangible assets	(3,320)
Disallowed portion of servicing assets and deferred tax assets	(3,337)
Reverse the effect of SFAS No. 115	(260)
Tangible capital	102,703
Qualifying intangible assets	--
Tier 1 capital (core capital)	102,703
Qualifying general valuation allowance	5,670
Risk-based capital	\$ 108,373

	As of March 31, 2003				
	Actual		Minimum required for Capital Adequacy		Minimum "Well
	Amount	Ratio	Amount	Ratio	Amount
Total capital to risk-weighted assets	\$ 108,373	12.3%	70,654	>=8%	88,31
Core capital to adjusted tangible assets	102,703	9.3%	44,084	>=4%	55,07
Tangible capital to tangible assets	102,703	9.3%	16,523	>=1.5%	-
Tier 1 capital to risk-weighted assets	102,703	11.6%	--	--	52,99

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LOANS TO ONE BORROWER

Institutions are prohibited from lending to any one borrower in excess of 15% of the Bank's unimpaired capital plus unimpaired surplus, or 25% of unimpaired capital plus unimpaired surplus if the loan is secured by certain readily marketable collateral. Renewals that exceed the loans-to-one-borrower limit are permitted if the original borrower remains liable and no additional funds are disbursed. As of March 31, 2003, the Bank had no loans that exceeded the loans to one borrower limit.

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-

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term funding. At March 31, 2003, there was \$94.7 million available to the Bank in the form of FHLB advances. The Bank has established relationships with various brokers, and, as a secondary source of liquidity, the Bank may purchase brokered deposit accounts. Although the Bank does not have any brokered deposits at March 31, 2003, it could purchase up to \$200.6 million and remain "well capitalized" as defined by the OTS.

Fluctuations in the level of interest rates typically impact prepayments on mortgage loans and MBS. During periods of falling interest rates, these prepayments increase and a greater demand exists for new loans. The Bank's customer deposits are partially impacted by area competition. Management believes that the Bank will retain most of its maturing time deposits in the foreseeable future. However, any material funding needs that may arise in the future can be reasonably satisfied through the use of additional FHLB advances and/or brokered deposits. Management is not aware of any other current market or economic conditions that could materially impact the Bank's future ability to meet obligations as they come due.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a complete discussion of the Company's asset and liability management policies, as well as the potential impact of interest rate changes upon the market value of the Company's portfolio, see the "Asset/Liability Management" section of the Company's Annual Report for the year ended September 30, 2002.

Management recognizes that there are certain market risk factors present in the structure of the Bank's financial assets and liabilities. Since the Bank does not have material amounts of derivative securities, equity securities, or foreign currency positions, interest rate risk ("IRR") is the primary market risk that is inherent in the Bank's portfolio. On a quarterly basis, the Bank monitors the estimate of changes that would potentially occur to its net portfolio value ("NPV") of assets, liabilities, and off-balance sheet items assuming a sudden change in market interest rates. Management presents a NPV analysis to the Board of Directors each quarter and NPV policy limits are reviewed and approved. There have been no material changes in the market risk information provided in the Annual Report for the year ended September 30, 2002.

Item 4. Controls and Procedures

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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

During the quarter ended June 30, 2002, a class of plaintiffs filed a lawsuit against the Bank and eleven other financial institution defendants in the Circuit Court of St. Louis County, Missouri. The suit alleged that all the defendants, including the Bank, who had charged fees to their customers for the preparation of mortgage documents had engaged in the practice of law without a license. The Bank was dismissed as a defendant early in this case on the basis that, as a federally chartered institution, federal law preempts state law with regard to the action. This case continues with regard to other defendants and, although the North American was named in the plaintiff's amended petitions, the Bank was dismissed each time on the basis of federal preemption. Management believes that the Bank will also prevail in any subsequent appeal.

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

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

The annual stockholder's meeting was held on January 28, 2003. The following persons were elected to NASB Financial Inc.'s Board of Directors for three year terms:

Frederick V. Arbanas
W. Russell Welsh

The firm of BKD, LLP was ratified for appointment as independent auditors for the fiscal year ended September 30, 2003.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

Exhibit 99.2 - Certification pursuant to Section 906 of the

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Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

(b) Reports of Form 8-K

A report on Form 8-K/A was filed on January 10, 2003, which amended a report on Form 8-K filed on December 23, 2002, under Item 2, by stating that no financial statements or pro forma financial information regarding the merger transaction with CBES Bancorp, Inc. would be provided due to the fact that the transaction did not result in the addition of a "significant subsidiary" or "significant business combination" under 17 CFR 210.1-02(w).

A report on Form 8-K/A was filed on January 10, 2003, which amended a report on Form 8-K filed on December 23, 2002, under Item 4, by stating there were no disagreements with Deloitte & Touche, LLP from the Company's fiscal year end of September 30, 2002, through the subsequent interim period to December 20, 2002. (On December 20, 2002, the Board of Directors and the Audit Committee of the Company appointed the firm of BKD, LLP and dismissed Deloitte & Touche, LLP as the Company's independent auditors for its fiscal year ended September 30, 2003).

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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)

May 15, 2003

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

May 15, 2003

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

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

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

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2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading with respect to the period covered by this quarterly report;

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

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

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

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

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading with respect to the period covered by this quarterly report;

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

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

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

