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NASB FINANCIAL INC
Form 10-K
December 29, 2003

Securities and Exchange Commission
Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

For the period ended SEPTEMBER 30, 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 43-1805201
(State or other jurisdiction of (IRS Employer
incorporation or organization) 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)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.15 par value

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Yes No

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The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the asking price of its Common Stock on March 31, 2003, was approximately \$191.5 million.

As of December 15, 2003, there were issued and outstanding 8,455,442 shares of the Registrant's common stock

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DOCUMENTS INCORPORATED BY REFERENCE

1. Part II - Annual report to Stockholders for the Fiscal Year Ended September 30, 2003.
2. Part III - Proxy Statement for the 2004 Annual Meeting of Stockholders.

PART I

ITEM 1. BUSINESS

General Description

NASB Financial, Inc. (the "Company") was formed in 1998 as a unitary thrift holding company of North American Savings Bank, F.S.B. ("North American" or the "Bank"). The Bank is a federally chartered stock savings bank, with its headquarters in the Kansas City area. The Bank began operating in 1927, and became a member of the Federal Home Loan Bank of Des Moines ("FHLB") in 1940. Its customer deposit accounts are insured by the Savings Association Insurance Fund ("SAIF"), a division of the Federal Deposit Insurance Corporation ("FDIC"). The Bank converted to a stock form of ownership in September 1985.

The Bank's primary market area includes the counties of Jackson, Cass, Clay, Buchanan, Andrew, Platte, and Ray in Missouri, and Johnson and Wyandotte counties in Kansas. The Bank currently has eight customer deposit offices in Missouri including one each in Grandview, Lee's Summit, Independence, Harrisonville, Excelsior Springs, and St. Joseph, and two in Kansas City. North American also operates loan production offices in Lee's Summit, St. Louis, St. Charles and Springfield in Missouri, and Overland Park, Leawood, and Lawrence in Kansas, and Davenport, Iowa. The economy of the Kansas City area is diversified with major employers in agribusiness, greeting cards, automobile production, transportation, telecommunications, and government.

The Bank's principal business is to attract deposits from the general public and to originate real estate loans, other loans and short-term investments. The Bank obtains funds mainly from deposits received from the general public, sales of loans and loan participations, advances from the FHLB, and principal repayments on loans and mortgage-backed securities ("MBS"). The Bank's primary sources of income include interest on loans, interest on MBS, customer service fees, and mortgage banking fees. Its primary expenses are interest payments on customer deposit accounts and borrowings and normal operating costs.

YEAR-END WEIGHTED AVERAGE YIELDS AND RATES

The following table presents the year-end balances of interest-

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earning assets and interest-costing liabilities with weighted average yields and rates. Balances and weighted average yields include all accrual and non-accrual loans. Dollar amounts are expressed in thousands.

As of 9/30/03

| | ----- Average Balance ----- | Yield/ Rate ----- |
|----------------------------|--------------------------------------|-------------------------|
| Interest-earning assets: | | |
| Loans | \$ 992,780 | 7.16% |
| Mortgage-backed securities | 7,114 | 6.17% |
| Investments | 25,483 | 3.77% |
| Bank deposits | 20,752 | 0.88% |
| | ----- | |
| Total earning assets | 1,046,129 | 6.94% |
| Non-earning assets | 31,759 | ----- |
| | ----- | |
| Total | \$1,077,888 | |
| | ===== | |

| | | |
|--|-------------|-------|
| Interest-costing liabilities: | | |
| Customer checking and savings deposit accounts | \$ 200,865 | 1.00% |
| Customer certificates of deposit | 420,010 | 2.96% |
| FHLB advances | 323,278 | 2.84% |
| Other borrowings | -- | -- |
| | ----- | |
| Total costing liabilities | 944,153 | 2.50% |
| Non-costing liabilities | 16,986 | ----- |
| Stockholders' equity | 116,749 | |
| | ----- | |
| Total | \$1,077,888 | |
| | ===== | |
| Net earning balance | \$ 101,976 | |
| | ===== | |
| Earning yield less costing rate | | 4.44% |
| | | ===== |

As of 9/30/02

| | ----- Average Balance ----- | Yield/ Rate ----- |
|----------------------------|--------------------------------------|-------------------------|
| Interest-earning assets: | | |
| Loans | \$ 870,532 | 8.13% |
| Mortgage-backed securities | 6,552 | 7.42% |
| Investments | 24,455 | 4.48% |
| Bank deposits | 22,521 | 1.52% |
| | ----- | |
| Total earning assets | 924,060 | 7.86% |
| Non-earning assets | 29,193 | ----- |
| | ----- | |
| Total | \$ 953,253 | |
| | ===== | |

| | | |
|--|------------|-------|
| Interest-costing liabilities: | | |
| Customer checking and savings deposit accounts | \$ 168,781 | 1.45% |
| Customer certificates of deposit | 398,936 | 4.33% |

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| | | |
|---------------------------------|------------|-------|
| FHLB advances | 274,717 | 4.84% |
| Other borrowings | -- | -- |
| ----- | | |
| Total costing liabilities | 842,434 | 3.92% |
| Non-costing liabilities | 10,157 | ----- |
| Stockholders' equity | 100,662 | |
| ----- | | |
| Total | \$ 953,253 | |
| ===== | | |
| Net earning balance | \$ 81,626 | |
| ===== | | |
| Earning yield less costing rate | | 3.94% |
| | | ===== |

As of 9/30/01

| | Average Balance | Yield/ Rate |
|---|--------------------|----------------|
| ----- | | |
| Interest-earning assets: | | |
| Loans | \$ 914,576 | 8.98% |
| Mortgage-backed securities | 14,856 | 6.60% |
| Investments | 23,261 | 6.18% |
| Bank deposits | 18,350 | 3.96% |
| ----- | | |
| Total earning assets | 971,043 | 8.79% |
| Non-earning assets | 38,849 | ----- |
| ----- | | |
| Total | \$1,009,892 | |
| ===== | | |
| Interest-costing liabilities: | | |
| Customer checking and savings deposit accounts | \$ 155,762 | 2.63% |
| Customer certificates of deposit | 460,631 | 5.98% |
| FHLB advances | 290,658 | 6.23% |
| Other borrowings | 46 | 6.50% |
| ----- | | |
| Total costing liabilities | 907,097 | 5.49% |
| Non-costing liabilities | 15,187 | ----- |
| Stockholders' equity | 87,608 | |
| ----- | | |
| Total | \$1,009,892 | |
| ===== | | |
| Net earning balance | \$ 63,946 | |
| ===== | | |
| Earning yield less costing rate | | 3.30% |
| | | ===== |

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RATIOS

The following table sets forth, for the periods indicated, the Company's return on assets (net income divided by average total assets), return on equity (net income divided by average equity), and equity-to-assets ratio (average equity divided by average total assets), and dividend payout ratio (total cash dividends paid divided by net income).

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| | Year ended September 30, | | | | |
|--------------------------|--------------------------|--------|--------|--------|--------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Return on average assets | 2.30% | 2.04% | 1.67% | 1.63% | 1.65% |
| Return on average equity | 20.24% | 19.40% | 18.25% | 18.12% | 17.35% |
| Equity to asset ratio | 11.51% | 11.19% | 9.83% | 8.50% | 9.55% |
| Dividend payout ratio | 23.23% | 24.41% | 24.87% | 22.89% | 21.11% |

The following table sets forth the amount of cash dividends per share paid on the Company's common stock during the months indicated.

| | Calendar year | | | | |
|----------|---------------|------|-------|------|------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| February | \$ 0.17 | 0.15 | 0.125 | 0.10 | 0.08 |
| May | 0.17 | 0.15 | 0.125 | 0.10 | 0.08 |
| August | 0.17 | 0.15 | 0.125 | 0.10 | 0.08 |
| November | 0.85 | 0.15 | 0.125 | 0.10 | 0.08 |

The dividend paid in November 2003 was made up of a quarterly dividend of \$0.17 per share and a special one-time dividend of \$0.68 per share.

ASSET ACTIVITIES

LENDING ACTIVITIES

The Bank, has traditionally concentrated its lending activities on mortgage loans secured by residential and business property and, to a lesser extent, construction and development lending. The residential mortgage loan originations 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, held for investment plus held for sale, for the periods indicated. The related discounts, premiums, deferred fees and loans-in-process accounts are excluded. Dollar amounts are expressed in thousands.

| | As of September 30, | | | | | | | | | |
|------------------------|---------------------|------|---------|------|---------|------|---------|------|---------|------|
| | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
| | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Mortgage loans: | | | | | | | | | | |
| Permanent Loans on: | | | | | | | | | | |
| Residential properties | \$371,282 | 33% | 355,314 | 35 | 387,828 | 38 | 468,997 | 46 | 430,635 | 5 |
| Business properties | 411,435 | 36 | 391,381 | 38 | 314,025 | 31 | 214,882 | 21 | 153,549 | 1 |
| Partially guaranteed | | | | | | | | | | |

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| | | | | | | | | | |
|----------------------------------|-------------|-----|-----------|-----|-----------|-----|-----------|-----|---------|
| by VA or insured | | | | | | | | | |
| by FHA | 13,759 | 1 | 8,042 | 1 | 30,898 | 3 | 27,138 | 3 | 34,945 |
| Construction and development | 280,126 | 25 | 207,729 | 20 | 217,354 | 22 | 246,822 | 24 | 197,041 |
| Total mortgage loans | 1,076,602 | 95 | 962,466 | 94 | 950,105 | 94 | 957,939 | 94 | 816,170 |
| Commercial loans | 28,298 | 3 | 15,822 | 2 | 10,857 | 1 | 7,143 | 1 | 4,335 |
| Installment loans to individuals | 27,127 | 2 | 37,904 | 4 | 49,075 | 5 | 48,646 | 5 | 41,737 |
| | \$1,132,027 | 100 | 1,016,192 | 100 | 1,010,037 | 100 | 1,013,628 | 100 | 862,242 |
| | ===== | | ===== | | ===== | | ===== | | ===== |

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The following table sets forth information at September 30, 2003, regarding the dollar amount of loans maturing in the Bank's portfolio based on their contractual terms to maturity. Demand loans, which have no stated schedule of repayment and no stated maturity, are reported as due in one year or less. Scheduled repayments are reported in the maturity category in which the payment is due. Dollar amounts are expressed in thousands.

| | 2004 | 2005 Through 2008 | After 2008 | Total |
|----------------------------------|-----------|-------------------------|---------------|-----------|
| Mortgage Loans: | | | | |
| Permanent: | | | | |
| - at fixed rate | \$ 9,891 | 36,609 | 224,025 | 270,525 |
| - at adjustable rates | 4,315 | 3,134 | 518,502 | 525,951 |
| Construction and development: | | | | |
| - at fixed rates | 26,263 | 6,127 | 272 | 32,662 |
| - at adjustable rates | 214,977 | 19,814 | 12,673 | 247,464 |
| Total mortgage loans | 255,446 | 65,684 | 755,472 | 1,076,602 |
| Commercial loans | 2,361 | 3,393 | 22,544 | 28,298 |
| Installment loans to Individuals | 3,479 | 4,184 | 19,464 | 27,127 |
| Total loans receivable | \$261,286 | 73,261 | 797,480 | 1,132,027 |
| | ===== | | | ===== |

RESIDENTIAL REAL ESTATE LOANS

The Bank offers a range of residential loan programs. At September 30, 2003, 33% of total loans receivable were permanent loans on residential properties. Also, the Bank is authorized to originate loans guaranteed by the Veteran's Administration ("VA") and loans insured by the Federal Housing Administration ("FHA"). Included in residential loans as of September 30, 2003, are \$13.8 million or 1% of the Bank's total loans that were insured by the FHA or VA.

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, or developers. North American periodically purchases real estate loans from other savings institutions or mortgage bankers. Loan originations and purchases must be approved by various levels of management and, depending on the

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loan amount, are subject to ratification by the Board of Directors.

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 the lower of cost or fair value. All the loans on single family property that the Bank holds for sale conform to secondary market underwriting criteria established by the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"). All loans originated, whether held for sale or held for investment, conform to internal underwriting guidelines, which consider a property's loan-to-value ratio and the borrower's ability to repay the loan

CONSTRUCTION AND DEVELOPMENT LOANS

Construction and land development loans are offered to owner/occupants, to persons building a residence for seasonal use or for investment purposes, and to builders/developers who build properties to be sold. As of September 30, 2003, 25% of the Bank's total loans receivable were construction and development loans. Construction loans are originated at interest rates that adjust daily based on a pre-determined percentage indexed to the prime lending rate. Most construction loans are due and payable within one year or else are converted to a permanent loan. In some cases extensions are permitted if payments are current and the construction has continued satisfactorily. Land acquisition and development loans for the purpose of developing raw land into residential or commercial property typically have three-year terms at floating interest rates.

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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. North American's staff performs periodic inspections of each property during construction to ensure adequate progress is achieved before scheduled loan disbursements are made.

COMMERCIAL REAL ESTATE LOANS

The Bank purchases and originates several different types of commercial real estate loans. As of September 30, 2003, commercial real estate loans on business properties were \$411.4 million or 36% of the Bank's total loan portfolio. 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.

INSTALLMENT LOANS

As of September 30, 2003, consumer installment loans and lease financing to individuals represented approximately 2% of loans receivable. 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.

SALES OF MORTGAGE LOANS

The Bank is an active seller of loans in the national secondary

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mortgage market. A portion of loans originated are sold to various investors along with the rights to service the loans (servicing released). Another portion are originated for sale with loan servicing rights kept by the Bank (servicing retained), or with servicing rights sold to a third party servicer. At the time of each loan commitment, management decides if the loan will be held in portfolio or sold and, if sold, which investor is appropriate. During fiscal 2003, the Bank sold \$279.3 million in loans with servicing released.

The Bank records loans held for sale at the lower of cost or estimated fair value, and any adjustments made to record them at estimated fair value are made through the income statement. As of September 30, 2003, the Bank had loans held for sale with a carrying value of \$168.3 million.

CLASSIFIED ASSETS, DELINQUENCIES, AND ALLOWANCE FOR LOSS

Classified Assets. In accordance with the asset classification system outlined by the Office of Thrift Supervision ("OTS"), North American's problem assets are classified as either "substandard," "doubtful," or "loss."

An asset is considered substandard if it is inadequately protected by the borrower's current net worth, 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.

When the Bank classifies a problem asset, it establishes a specific loss allowance needed to reduce its book value to the present value of the expected future cash flows discounted at the loan's initial effective interest rate, or as a practical expedient, to the loan's observable market price or the fair value of the collateral, if the loan is dependent on collateral. In addition, Allowances for Loan and Lease Losses ("ALLL") are established by management. ALLL represent allowances that recognize inherent risks associated with distinct and homogenous loans pools. When the Bank classifies all or part of problem assets as loss, it establishes a specific loss allowance equal to 100% of the loss classification. The OTS reviews North American's asset classification during each examination and can require changes to asset classifications, specific loss allowances, ALLL, and loan loss provision.

Each month, management reviews the problem loans in its portfolio to determine whether changes to the asset classifications or allowances are needed. 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.

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| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|-----------|---------|---------|---------|---------|
| Asset Classification | | | | | |
| Substandard | \$ 15,932 | 14,822 | 18,780 | 17,235 | 12,287 |
| Doubtful | -- | -- | -- | -- | -- |
| Loss | 2,325 | 1,395 | 1,851 | 2,857 | 2,738 |
| Total Classified | 18,257 | 16,217 | 20,631 | 20,092 | 15,025 |
| Allowance for loan/REO Losses | (9,348) | (6,854) | (7,035) | (8,386) | (7,960) |
| Net classified assets | \$ 8,909 | 9,363 | 13,596 | 11,706 | 7,065 |
| Net classified to total classified assets | 49% | 58% | 66% | 58% | 47% |

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

| | September 30, | | | | |
|---|---------------|---------|---------|---------|---------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Total Assets | \$ 1,107,359 | 978,222 | 972,056 | 984,525 | 825,797 |
| Non-accrual loans | \$ 6,924 | 6,361 | 6,877 | 4,447 | 4,074 |
| Troubled debt Restructurings | 3,565 | 3,337 | 3,575 | 8,142 | 4,004 |
| Net real estate and other assets acquired through foreclosure | 4,561 | 4,938 | 8,043 | 3,683 | 2,702 |
| Total | \$ 15,050 | 14,636 | 18,495 | 16,272 | 10,780 |
| Percent of total assets | 1.36% | 1.50% | 1.90% | 1.65% | 1.31% |

Delinquencies. The following table summarizes delinquent loan information.

| As of September 30, 2003 | | | |
|--------------------------|-----------------|-----------|------------------------|
| Loans delinquent for | Number of Loans | Amount | Percent of Total Loans |
| 30 to 89 days | 140 | \$ 14,998 | 1.4% |
| 90 or more days | 121 | 6,924 | 0.6% |
| Total | 261 | \$ 21,922 | 2.0% |

As of September 30, 2002

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| Loans delinquent for | Number of Loans | Amount | Percent of Total Loans |
|----------------------|--------------------|-----------|---------------------------|
| 30 to 89 days | 129 | \$ 15,874 | 1.6% |
| 90 or more days | 100 | 6,361 | 0.6% |
| Total | 229 | \$ 22,235 | 2.2% |

The effect of non-performing loans on interest income for fiscal year 2003 is presented below. Dollar amounts are expressed in thousands.

| | |
|---|----------|
| Principal amount of non-performing loans as of September 30, 2003 | \$ 6,924 |
| Gross amount of interest income that would have been recorded during fiscal 2003 if these loans had been performing | \$ 587 |
| Actual amount included in interest income for fiscal 2003 | 172 |
| Interest income not recognized on non-performing loans | \$ 415 |

Allowance for loss. Management records a provision for estimated loan losses in an amount sufficient to cover current net charge-offs and probable losses based on an analysis of risks inherent in the loan portfolio. Management continually monitors the performance of the loan portfolio and establishes specific loss allowances when warranted. Specifically, when it appears that a property and borrower are no longer capable of full repayment, management establishes a specific loss allowance to reduce the loan's book value to fair value based on the anticipated results of collections. In addition, management establishes ALLL through charges to the provision for loan loss based on an assessment of the portfolio's credit risk, other than specifically identified problem loans. Management attempts to maintain ALLL proportionate to the level of risk in the Bank's performing loan portfolio.

Management records an Allowance for Loan and Lease Losses 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 ALLL recognizes the inherent risks associated with lending activities but, unlike a specific allowance, has not been allocated to particular problem assets but to a homogenous pool of loans. Management analyzes the adequacy of the allowance on a monthly basis and believes that the Bank's specific loss allowances and ALLL are adequate. 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

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time of their examinations.

Management estimates the required level of ALLL using a formula based on various subjective and objective factors. ALLL is established and maintained in the form of a provision on loss charged to earnings. Based on its analysis, management may determine that ALLL is above appropriate levels. If so, a negative loss provision would be recorded to reduce the ALLL. This could occur due to significant asset recoveries or significant reductions in the level of classified assets. Each quarter management assesses the risk of the assets in the loan portfolio using historical loss data and current economic conditions in order to determine impairment of the various loan portfolios and adjusts the level of ALLL. 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.

When considering the adequacy of ALLL, management's evaluation of the asset portfolio has two primary components: foreclosure probability and loss severity. Foreclosure probability is 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 is any potential loss resulting from the loan's foreclosure and subsequent liquidation. Management calculates estimated foreclosure frequency and loss severity ratios for each homogenous loan pool based upon historical data plus an estimate of certain subjective factors including future market trends and economic conditions. These ratios are applied to the balances of the homogeneous loan pools to determine the adequacy of the ALLL each month.

In addition to analyzing homogenous pools of loans for impairment, management reviews individual loans for impairment each month. 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. If a loan is impaired, the Bank records a specific allowance equal to the excess of the loan's carrying value over the present value of the estimated future cash flows discounted at the loan's effective rate based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Loans on residential properties with greater than four units and loans on construction/development and commercial properties are evaluated for impairment on a loan by loan basis.

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The following table sets forth the activity in the allowance for loan losses. Dollar amounts are expressed in thousands.

| | September 30, | | | | |
|------------------------------|---------------|-------|---------|-------|-------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Balance at beginning of year | \$ 5,865 | 5,835 | 7,157 | 6,671 | 6,405 |
| Total provisions | 538 | 557 | 460 | 600 | 300 |
| Recoveries (charge-offs) on: | | | | | |
| Residential properties | 87 | (108) | 10 | (17) | -- |
| Business properties | (92) | (291) | (1,730) | (15) | -- |
| Construction and development | 320 | (3) | 1 | (1) | (10) |

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| | | | | | |
|---------------------------------------|----------|-------|---------|-------|-------|
| Commercial loans | -- | -- | -- | -- | (1) |
| Installment loans | (41) | (125) | (63) | (81) | (23) |
| ----- | | | | | |
| Total net recoveries (charge-offs) | 274 | (527) | (1,782) | (114) | (34) |
| Acquired in merger | 1,309 | -- | -- | -- | -- |
| ----- | | | | | |
| Balance at end of year | \$ 7,986 | 5,865 | 5,835 | 7,157 | 6,671 |
| ===== | | | | | |

The following table sets forth the allocation of the allowance for loan losses. Dollar amounts are expressed in thousands.

| | As of September 30, | | | | | | | | | |
|---------------------------------|---------------------|------|--------|------|--------|------|--------|------|--------|------|
| | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
| | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| | ----- | | ----- | | ----- | | ----- | | ----- | |
| Residential properties | \$ 1,325 | 15% | 1,161 | 20 | 1,344 | 23 | 1,473 | 20 | 1,357 | 20 |
| Business properties | 4,772 | 60 | 3,589 | 61 | 2,754 | 47 | 3,345 | 47 | 3,405 | 50 |
| Construction and development | 965 | 12 | 626 | 11 | 916 | 16 | 1,780 | 25 | 1,399 | 21 |
| Commercial loans | 162 | 2 | 59 | 1 | 61 | 1 | 54 | 1 | 20 | |
| Installment loans | 762 | 10 | 430 | 7 | 760 | 13 | 505 | 7 | 490 | |
| | ----- | | ----- | | ----- | | ----- | | ----- | |
| | \$ 7,986 | 100 | 5,865 | 100 | 5,835 | 100 | 7,157 | 100 | 6,671 | 100 |
| | ===== | | ===== | | ===== | | ===== | | ===== | |

SECURITIES AND MORTGAGE-BACKED SECURITIES AVAILABLE FOR SALE

Management classifies debt securities as available for sale if the Bank does not have the intention and ability to hold until maturity. Assets available for sale are carried at estimated fair value, with all fair value adjustments recorded as accumulated other comprehensive income or loss.

MORTGAGE-BACKED SECURITIES HELD TO MATURITY

The Bank's MBS portfolio consists primarily of securities issued by the FHLMC and FNMA. As of September 30, 2003, the Bank had \$764,000 in fixed rate and \$137,000 in balloon and adjustable rate mortgage-backed securities ("MBS") issued by these agencies. The Bank also had \$31,000 in CMO bonds held to maturity.

INVESTMENT SECURITIES

As of September 30, 2003, the Bank held no investment security from a single issuer for which the market value exceeded 10% of the Bank's stockholders' equity.

SOURCE OF FUNDS

In addition to customer deposits, the Bank obtains funds from loan and MBS repayments, sales of loans held-for-sale and securities

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available-for-sale, investment maturities, FHLB advances, and other borrowings. Loan repayments, as well as the availability of customer deposits, are influenced significantly by the level of market interest rates. Borrowings may be used to compensate for insufficient customer deposits or to support expanded loan and investment activities.

CUSTOMER DEPOSIT AND BROKERED DEPOSIT ACCOUNTS

The following table sets forth the composition of various types of customer deposit accounts. Dollar amounts are expressed in thousands.

| | September 30, | | | | | | | | | |
|--------------------------------|---------------|------|---------|------|---------|------|---------|------|---------|------|
| | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
| | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Type of Account and Rate: | | | | | | | | | | |
| Demand deposit accounts | \$ 82,880 | 13 | 70,919 | 13 | 65,885 | 11 | 63,010 | 10 | 57,987 | |
| Savings accounts | 109,038 | 17 | 100,737 | 18 | 84,918 | 15 | 77,839 | 13 | 85,758 | |
| Money market demand accounts | 16,635 | 2 | 9,298 | 2 | 6,782 | 1 | 6,505 | 1 | 7,004 | |
| Certificates of deposit | 446,135 | 68 | 368,483 | 67 | 418,455 | 71 | 474,311 | 76 | 414,714 | |
| Brokered accounts | -- | -- | -- | -- | 9,997 | 2 | -- | -- | -- | |
| | \$654,688 | 100 | 549,437 | 100 | 586,037 | 100 | 621,665 | 100 | 565,463 | |
| Weighted average interest rate | 2.13% | | 2.78% | | 4.55% | | 5.46% | | 4.83% | |

The following table presents the deposit activities at the Bank. Dollar amounts are expressed in thousands.

| | For the years ended September 30, | | | | |
|---|-----------------------------------|----------|----------|---------|---------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Deposit receipts | \$ 1,178,584 | 873,622 | 908,522 | 884,054 | 741,718 |
| Withdrawals | 1,171,160 | 930,237 | 924,111 | 857,358 | 744,325 |
| Deposit receipts and purchases in Excess of (less than) withdrawals | 7,424 | (56,615) | (15,589) | 26,696 | (2,607) |
| Deposits sold | -- | -- | (51,631) | -- | -- |
| Deposits acquired in Merger | 82,750 | -- | -- | -- | -- |
| Interest credited | 15,077 | 20,015 | 31,592 | 29,506 | 22,566 |
| Net increase (decrease) | \$ 105,251 | (36,600) | (35,628) | 56,202 | 19,959 |
| Balance at end of year | \$ 654,688 | 549,437 | 586,037 | 621,665 | 565,463 |

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Customers who wish to withdraw certificates of deposit prior to maturity are subject to a penalty for early withdrawal.

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The following table presents contractual maturities of certificate accounts of \$100,000 or more at September 30, 2003. Dollar amounts are expressed in thousands.

| | |
|----------------------------------|-----------|
| Maturing in three months or less | \$ 12,620 |
| Maturing in three to six months | 11,888 |
| Maturing in six to twelve months | 10,948 |
| Maturing in over twelve months | 23,412 |
| | ----- |
| | \$ 58,868 |
| | ===== |

FHLB ADVANCES AND OTHER BORROWINGS

FHLB advances are an important source of borrowing for North American. The FHLB functions as a central reserve bank providing credit for thrifts and other member institutions. As a member of the FHLB, North American is required to own stock in the FHLB of Des Moines and can apply for advances, collateralized by the stock and certain types of residential mortgages, provided that certain standards related to credit-worthiness are met.

The Bank has historically relied on customer deposits and loan repayments as its primary sources of funds. Advances are sometimes used as a funding supplement, particularly when management determines that it can profitably invest the advances over their term. During fiscal 2003, the Bank borrowed an additional \$460.0 million in advances, repaid \$457.3 million, and as of September 30, 2003, had a balance of \$308.1 million (31% of total liabilities) of advances from the FHLB.

The following table presents, for the periods indicated, certain information as to the Bank's advances from the FHLB and other borrowings. Dollar amounts are expressed in thousands.

| | As of September 30, | | | | |
|-----------------------|---------------------|---------|---------|---------|---------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| FHLB advances | \$ 308,088 | 295,192 | 273,471 | 264,436 | 168,088 |
| Other notes payable | -- | -- | -- | 100 | 150 |
| Total | \$ 308,088 | 295,192 | 273,471 | 264,536 | 168,238 |
| | ===== | | | | |
| Weighted average rate | 1.62% | 3.73% | 5.47% | 6.67% | 5.51% |
| | ===== | | | | |

As of September 30, 2003, the Bank had no category of short-term borrowings for which the average balance outstanding during the year was more than stockholders' equity.

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OTHER ACTIVITIES

SERVICE CORPORATION ACTIVITIES

The Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA") substantially limits the types of service corporation activities permissible by the Bank. North American's service corporation, Nor-Am, was incorporated in 1972. Nor-Am sells tax-deferred annuities and mutual funds through the Bank's branch offices and credit life and disability insurance to loan customers.

OTHER INFORMATION

EMPLOYEES

As of September 30, 2003, the Bank and its subsidiaries had 378 employees. Management considers its relations with the employees to be excellent.

The Bank currently maintains a comprehensive employee benefit program including a qualified pension plan, hospitalization and major medical insurance, paid vacations, paid sick leave, long-term disability insurance, life insurance, and reduced loan fees for employees who qualify. The Bank's employees are not represented by any collective bargaining group.

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COMPETITION

The Bank, like other savings institutions, is operating in a changing environment. Non-depository financial service companies such as securities dealers, insurance agencies, and mutual funds have become competitors for retail savings and investments. In addition to offering competitive interest rates, a savings institution can attract customer deposits by offering a variety of services and convenient office locations and business hours. Mortgage banking/brokerage firms compete for the residential mortgage business. The primary factors in competing for loans are interest rates and rate adjustment provisions, loan maturity, loan fees, and the quality of service to borrowers and brokers.

REGULATION

GENERAL

Federal savings institutions are members of the FHLB System and their deposits are insured by the SAIF, a division of the Federal Deposit Insurance Corporation ("FDIC"). They are subject to extensive regulation by the OTS as the chartering authority and now, since the passage of the FIRREA, the FDIC. SAIF insured institutions are limited in the transactions in which they may engage by statute and regulation, which in certain instances may require an institution to conform with regulatory standards or to receive prior approval from regulators. Institutions must also file periodic reports with these government 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. If it is deemed appropriate, the FDIC can require a re-valuation of the Bank's assets based on examinations and they can require the Bank to establish specific allowances for loss that reflect any such re-valuation. This supervision and regulation is intended primarily for the protection of depositors. Savings institutions are also subject to certain reserve requirements under Federal Reserve Board

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regulations.

The enforcement provisions of the Federal Deposit Insurance Act ("FDI Act") are applicable to savings institutions and savings and loan holding companies. While the OTS is primarily responsible for enforcing those provisions, the FDIC also has authority to impose enforcement action on savings institutions in certain situations. The jurisdiction of the FDI Act's enforcement powers cover all "insured-related parties" including stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Regulators have broad flexibility to impose enforcement action on an institution that fails to comply with its regulatory requirements, particularly with respect to the capital requirements. Possible enforcement action ranges from requiring a capital plan, restricting operations, or terminating deposit insurance. The FDIC can recommend to the director of the OTS (the "Director") enforcement action, and if action is not taken by the Director, the FDIC has the authority to compel such action under certain circumstances.

FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991 ("FDICIA")

Key provisions of FDICIA allow the Bank Insurance Fund ("BIF") of the FDIC to increase its borrowing from the Treasury Department. The BIF can also borrow up to 90% of the fair market value of its assets to provide working capital. These borrowed funds will be repaid from assessments on the banking industry.

The FDICIA required the FDIC to formulate safety and soundness standards, effective December 31, 1993. The standards address matters such as underwriting and documentation standards, internal controls and audit systems, interest rate risk, and compensation and other employee benefits.

FEDERAL HOME LOAN BANKING SYSTEM

The Bank is a member of the FHLB System, which consists of 12 regional Federal Home Loan Banks each subject to OTS supervision and regulation. The FHLBs provide a central credit facility for member institutions. The Bank, as a member of the FHLB of Des Moines, is required to hold shares of capital stock of the FHLB in an amount equal to at least 1% of the aggregate principal amount of its unpaid residential mortgage loans, home purchase contracts and similar obligations at the beginning of each year, or 1/20 of its advances from the FHLB of Des Moines, whichever is greater. The Bank complies with this requirement and holds stock in the FHLB of Des Moines at September 30, 2003, of \$15.6 million. FHLB advances must be secured by specified types of collateral. Also, standards of community investment and community service must be met by members that apply for FHLB advances.

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LIQUIDITY

Effective July 18, 2001, the OTS adopted a rule that removed the regulation to maintain a specific average daily balance of liquid assets, but retained a provision that requires institutions to maintain sufficient liquidity to ensure their safe and sound operation. North American maintains a level of liquid assets adequate to meet the requirements of normal banking activities, including the repayment of maturing debt and potential deposit withdrawals. The

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Bank's primary sources of liquidity are the sale and repayment of loans, retention or newly acquired retail deposits, and FHLB advances. Management continues to use FHLB advances as a primary source of short-term funding. At September 30, 2003, the Bank had available advances at FHLB of \$108.9 million. 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 September 30, 2003, it could purchase up to \$327.3 million and remain "well capitalized" as defined by the OTS.

INSURANCE ON CUSTOMER DEPOSIT ACCOUNTS

The SAIF insures the Bank's deposit accounts to a maximum of \$100,000 for each insured member. Deposit 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 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.

Annual deposit insurance premiums range from 0 to 27 basis points of insured deposits based on where an institution fits on the RRPS. North American is considered to be "well capitalized" and has been placed in the most favorable capital subgroup. In addition to deposit insurance premiums, SAIF-insured institutions are currently assessed a premium, which is used to service the interest on the Financing Corporation ("FICO") debt.

The FDIC has authority to conduct examinations of, require reporting of, and initiate enforcement actions against a thrift. Regardless of an institution's capital level, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS.

REGULATORY CAPITAL REQUIREMENTS

Regulations require that thrifts maintain minimum levels of regulatory capital, which are at least as stringent as those imposed on national banks by the Office of the Comptroller of the Currency ("OCC").

Leverage Limit. The leverage limit requires that a thrift maintain "core capital" of at least 4% of its adjusted tangible assets. "Core capital" includes (i) common stockholders' equity, including retained earnings; non-cumulative preferred stock and related earnings; and minority interest in the equity accounts of consolidated subsidiaries, minus (ii) those intangibles (including goodwill) and investments in and loans to subsidiaries not permitted in computing capital for national banks, plus (iii) certain purchased mortgage servicing rights and certain qualifying supervisory goodwill. At September 30, 2003, intangible assets of \$3.3 million and servicing rights and deferred tax assets totaling an additional \$3.3 million were deducted from the Bank's regulatory capital. At September 30, 2003, the Bank's core capital ratio was 10.6%.

Tangible Capital Requirement. The tangible capital requirement mandates that a thrift maintain tangible capital of at least 1.5% of

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tangible assets. For the purposes of this requirement, adjusted total assets are generally calculated on the same basis as for the leverage ratio requirement. Tangible capital is defined in the same manner as core capital, except that all goodwill and certain other intangible assets must be deducted. As of September 30, 2003, North American's regulatory tangible capital was 10.6% of tangible assets.

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Risk-Based Capital Requirement. The OTS's standards require that institutions maintain risk-based capital equal to at least 8% of risk-weighted assets. Total risk-based capital includes core capital plus supplementary capital. In determining risk-weighted assets, all assets including certain off-balance-sheet items are multiplied by a risk weight factor from 0% to 100%, based on risk categories assigned by the OTS. The RRPS categorizes bank risk-based capital ratio over 10% as well capitalized, 8% to 10% as adequately capitalized, and under 8% as undercapitalized. As of September 30, 2003, the Bank's current risk-based regulatory capital was 12.9% of risk-weighted assets.

OTS ASSESSMENTS

The OTS has a sliding scale assessment formula to provide funding for its operations. Troubled savings associations are charged a "premium assessment" at a rate of 50% higher than non-troubled savings associations at the same level of assets. Non-troubled institutions are charged "general assessments." The changes in assessment fees reflect the increased supervisory attention that troubled institutions require from the OTS, which in turn increases the cost of regulation and examinations.

EQUITY RISK INVESTMENTS

OTS regulations limit the aggregate amount that an insured institution may invest in real estate, service corporations, equity securities, and nonresidential construction loans and loans with loan-to-value ratios greater than 80%. Under the regulations, savings associations which meet their minimum regulatory capital requirements and have tangible capital of less than 6% of total liabilities may make aggregate equity risk investments equal to the greater of 3% of assets or two and one-half times their tangible capital. Savings associations that meet their minimum regulatory capital requirements and have tangible capital equal to or greater than 6% of total liabilities may make aggregate equity risk investments of up to three times their tangible capital.

LOANS TO ONE BORROWER

FIRREA prohibits an institution from investing in any one real estate project in an amount in excess of the applicable loans-to-one-borrower limit, which is an amount equal to 15% of unimpaired capital on an unsecured basis and an additional amount equal to 10% of unimpaired capital and surplus if the loan is secured by certain readily marketable collateral. Renewals that exceed the loans-to-one-borrower limit are permissible if the original borrower remains liable for the debt and no additional funds are disbursed. As of September 30, 2003, North American had no loans that exceeded its loans-to-one-borrower limit.

INVESTMENT IN SUBSIDIARIES

Investments in and extensions of credit to subsidiaries not engaged in activities permissible for national banks must generally be

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deducted from capital. As of September 30, 2003, the Bank did not have any investments in or advances to subsidiaries engaged in activities not permissible for national banks.

FEDERAL RESERVE SYSTEM

Regulations require that institutions maintain reserves of 3% against transaction accounts up to a specified level and an initial reserve of 10% against that portion of total transaction accounts in excess of such amount. In addition, an initial reserve of 3% must be maintained on non-personal time deposits, which include borrowings with maturities of less than four years. Such reserves are non-interest bearing. These percentages are subject to change by the Federal Reserve Board. As of September 30, 2003, North American met its reserve requirements.

Savings institutions have authority to borrow from the Federal Reserve Bank's "discount window," but only after exhausting all FHLB sources of borrowing.

TAXATION

The Company is subject to the general applicable corporate tax provisions of the Internal Revenue Code ("Code") and the Bank is subject to certain additional provisions of the Code which apply to savings institutions and other types of financial institutions.

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BAD DEBT RESERVES

Prior to October 1, 1996, the Bank was allowed a special bad debt deduction for additions to tax bad debt reserves established for the purpose of absorbing losses. This deduction was either based on an institution's actual loss experience (the "experience method") or, subject to certain tests relating to the composition of assets, based on a percentage of taxable income ("percentage method"). Under the percentage method, qualifying institutions generally deducted 8% of their taxable income.

As a result of changes in the Federal tax code, the Bank's bad debt deduction for the year ended September 30, 2002 and 2001, was based on actual experience as the percentage method for additions to the tax bad debt reserve has been eliminated. Under the new tax rules, thrift institutions are required to recapture their accumulated tax bad debt reserve, except for the portion that was established prior to 1988, the "base-year". The recapture will be completed over a six-year phase-in period. The phase-in period was delayed for two years for institutions who met certain residential lending requirements. As of September 30, 2003, North American had approximately \$3.7 million established as a tax bad debt reserve in the base-year, and zero tax bad debt reserve after the base year. Distributing the Bank's capital in the form of purchasing treasury stock has forced North American to recapture its after base-year bad debt reserve prior to the phase-in period. Management believes that accelerating the recapture was more than offset by the opportunity to buy treasury stock at lower average market prices.

MINIMUM TAX

For taxable years beginning after December 31, 1986, the alternative minimum tax rate is 20%. The alternative minimum tax generally applies to a base of regular taxable income plus certain tax

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preferences and is payable to the extent such preferences exceed an exemption amount.

STATE TAXATION

The Bank is subject to a special financial institution tax based on approximately 7% of net income. This tax is in lieu of all other taxes on thrift institutions except taxes on real estate, tangible personal property owned by the Bank, contributions paid to the State unemployment insurance fund, and sales/use taxes.

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ITEM 2. PROPERTIES

North America's main office is located at 12498 South 71 Highway, Grandview, Missouri. In addition to its main office, the Bank has eight branch offices, eight loan origination offices, one internet loan origination office, and one customer service office. Net book value of premises owned and leasehold improvement (net of accumulated depreciation) at September 30, 2003, was approximately \$6.2 million.

| Location | Date Occupied | Owned/ Leased | Lease Expiration |
|--|------------------|------------------|---------------------|
| 12498 South 71 Highway Grandview, Missouri | 1972 | Owned | |
| 646 N, 291 Highway Lees Summit, Missouri | 1992 | Owned | |
| 8501 North Oak Trafficway Kansas City, Missouri | 1994 | Owned | |
| 920 North Belt St. Joseph, Missouri | 1979 | Owned | |
| 2002 E Mechanic Harrisonville, Missouri | 1975 | Owned | |
| 11400 E 23rd St. Independence, Missouri | 2000 | Owned | |
| 7012 NW Barry Road Kansas City, Missouri | 2001 | Owned | |
| 1001 N Jesse James Road Excelsior Springs, Missouri | 2002 | Owned | |
| 12125-D Blue Ridge Extension Grandview, Missouri | 1990 | Leased | January 2007 |
| 949 NE Columbus Lee's Summit, Missouri | 1993 | Leased | November 2007 |
| 12900 Metcalf - Suite 140 Overland Park, Kansas | 1996 | Leased | December 2004 |
| 12800 Corporate Hill Drive St. Louis, Missouri | 2000 | Leased | April 2005 |

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| | | | |
|--|------|--------|---------------|
| 1014 Country Club Road St. Charles, Missouri | 1997 | Leased | December 2006 |
| One Hallbrook Place, Suite 225 Leawood, Kansas | 2002 | Leased | April 2007 |
| 3322 South Campbell - Suite W Springfield, Missouri | 1993 | Leased | August 2005 |
| 1201 Wakarusa, Building A-2 Lawrence, Kansas | 2003 | Leased | June 2006 |
| 5177 Utica Ridge Road Davenport, Iowa | 2003 | Leased | March 2009 |
| 11225 College Boulevard, Suite 400 | 2003 | Leased | June 2005 |

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal actions that arose in the normal course of business. There are no legal proceedings to which the Company or its subsidiaries is a party that would have a material impact on its consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information appearing on page 44 of the 2003 Annual Report to Stockholders is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing on page 3 of the 2003 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information appearing on pages 4 through 12 in the 2003 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7a. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The information appearing on pages 9 through 10 in the 2003 Annual Report to Stockholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information appearing on pages 13 through 39 of the 2003 Annual Report to Stockholders is incorporated herein by reference. See Item 15 below for a list of the financial statements and notes so incorporated.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCE DISCLOSURE

A report on Form 8-K was filed on December 23, 2002 under Item 4, which reported management's appointment of the firm of BKD, LLP to

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replace Deloitte & Touche, LLP as independent auditors of the Bank.

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ITEM 9a. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. The undersigned, principal executive officer and principal financial officer of NASB Financial, Inc. conclude that the disclosure controls and procedures of NASB Financial, Inc. are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

Changes in Internal Controls. There have been no significant changes in the internal controls of NASB Financial, Inc. or in other factors that could significantly affect these controls subsequent to the date of the evaluation of these controls by the undersigned principal executive officer and principal financial officer of NASB Financial, Inc.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing on pages 8 through 13 of the Company's Proxy Statement for the 2004 Annual Meeting and information appearing on pages 42 and 43 of the 2003 Annual Report to Stockholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing on pages 8 through 13 of the Company's Proxy Statement for the 2004 Annual Meeting is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing on page 2 and 9 of the Company's Proxy Statement for the 2004 Annual Meeting is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing on page 14 of the Company's Proxy Statement for the 2004 Annual Meeting is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

BKD, LLP billed the Company a total of \$74,500 for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended September 30, 2003, and the reviews of financial statements included in the Company's quarterly reports on Forms 10-Q. There were no fees billed by BKD, LLP for financial information systems design or implementation fees during the Company's fiscal year ended September 30, 2003. BKD, LLP billed the Company a total of \$10,435 for all other fees, which consisted of services related to the audit of the Bank's retirement plan, preparation and review of the Company's various state and Federal income tax returns, and consultation on various tax related matters with regard to NASB Financial, Inc.'s acquisition of CBES Bancorp, Inc.

Deloitte & Touche LLP billed the Company a total of

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\$112,000 for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended September 30, 2002, and the reviews of financial statements included in the Company's quarterly reports on Forms 10-Q. There were no fees billed by Deloitte & Touche LLP for financial information systems design or implementation fees during the Company's fiscal year ended September 30, 2002. Deloitte & Touche LLP billed the Company a total of \$23,268 for all other fees, which consisted of services related to the audit of the Bank's retirement plan, preparation and review of the Company's various state and Federal income tax returns, and consultation on various tax related matters with regard to NASB Financial, Inc.'s acquisition of CBES Bancorp, Inc.

The Audit Committee considered whether the provision of non-audit services (which relate to audit of the Bank's retirement plan and to preparation and review of tax returns) is compatible with maintaining the accountants (BKD, LLP and Deloitte & Touche LLP) independence. The Audit Committee concluded that performance of such services did not affect the independence of the accountants in performing their function as auditor of the Company.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

The following consolidated financial statements of NASB Financial, Inc. and the independent auditor's report thereon which appear in the Company's 2003 Annual Report to Stockholders ("Annual Report") have been incorporated herein by reference to Item 8.

Consolidated Balance Sheets at September 30, 2003, and 2002 (Annual Report - Page 13).

Consolidated Statements of Income for the years ended September 30, 2003, 2002, and 2001 (Annual Report - Page 14).

Consolidated Statements of Cash Flows for the years ended September 30, 2003, 2002, and 2001 (Annual Report - Pages 15 and 16).

Consolidated Statements of Stockholders' Equity for the years ended September 30, 2003, 2002, and 2001 (Annual Report - Page 17).

Notes to Consolidated Financial Statements (Annual Report - Pages 18 through 39).

Independent Accountants' Report (Annual Report - Page 40).

(2) Financial Statement Schedules.

Schedules are provided in the Consolidated Financial Statements.

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(3) EXHIBITS.

Exhibit
Number

-
- 2) Agreement and Plan of Merger by and among North American Savings Bank, F.S.B., NASB Interim Savings Bank, F.S.B., and NASB Financial, Inc. Exhibit 2 to Form 8-K, dated April 15, 1998, and incorporated herein by reference.
 - 3) Federal Stock Savings Bank Charter and Bylaws. Exhibit 3 to Form 10-K for fiscal year ended September 30, 1992, dated December 27, 1992, and incorporated herein by reference.
 - 3.1) Articles of Incorporation of NASB Financial, Inc. Exhibit 3.1 to Form 8-K, dated April 15, 1998, and incorporated herein by reference.
 - 3.2) Bylaws of NASB Financial, Inc. Exhibit 3.2 to Form 8-K, dated April 15, 1998, and incorporated herein by reference.
 - 10.1) Employees' Stock Option Plan and specimen copy of Option Agreement entered into between the Company and the Plan participants. (Exhibit 10.4 to Form 10-K for fiscal year ended September 30, 1986, dated December 26, 1986, and incorporated herein by reference.)
 - 10.2) Amended and Restated Retirement Income Plan for Employees of North American Savings Bank dated September 30, 1988, dated December 20, 1988, and incorporated herein by reference).
 - 10.3) NASB Financial, Inc. Equity Incentive Compensation Plan dated adopted on October 28, 2003. (Exhibit B to the Company's Proxy Statement for the 2004 Annual Meeting and incorporated herein by Reference.)
 - *13) 2003 Annual Report to Stockholders.
 - 22) Subsidiaries of the Registrant at September 30, 2003, listed on page 1.
 - 23) Proxy Statement of NASB Financial, Inc. for the 2004 Annual Meeting of Stockholders filed with the SEC (certain portions of such proxy Statement are incorporated herein by reference to page numbers in the text of this report on Form 10-K).
 - 99.1) Statement under Oath of Chief Executive Officer
 - 99.2) Statement under Oath of Chief Financial Officer

* Filed Herewith

(b) Reports of Form 8-K.

A report on Form 8-K was filed on December 23, 2002 under Item 2, which announced the consummation of the merger transaction with Community Bancorp, Inc ("CBES") on December 19, 2002. 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

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merger, each shareholder of CBES would receive \$17.50 in cash for each share of CBES common stock owned by such shareholder.

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A report on Form 8-K was filed on December 23, 2002 under Item 4, which reported management's appointment of the firm of BKD, LLP to replace Deloitte & Touche, LLP as independent auditors of the Bank.

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.

A report on Form 8-K was filed on April 23, 2003, which announced a cash dividend of \$0.17 per share payable on May 23, 2003 to shareholder's of record as of May 2, 2003.

A report on Form 8-K was filed on May 13, 2003, which announced financial results for the quarter ended March 31, 2003.

A report on Form 8-K was filed on July 29, 2003, which announced a cash dividend of \$0.17 per share payable on August 29, 2003 to shareholder's of record as of August 8, 2003.

A report on Form 8-K was filed on August 7, 2003, which announced financial results for the quarter ended June 30, 2003.

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SIGNATURES

Pursuant to the requirements of section 13 or 15 (d) 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.

By: /s/ David H. Hancock
David H. Hancock
Chairman

Date: December 29, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 30, 2003, by the following persons on behalf of the Registrant and in the capacities

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indicated.

| Signature | Title |
|--|---|
| /s/ David H. Hancock David H. Hancock | Chairman (Chief Executive Officer) |
| /s/ Rhonda Nyhus Rhonda Nyhus | Chief Financial Officer (Principal Accounting Officer) |
| /s/ Keith B. Cox Keith B. Cox | Director |
| /s/ Frederick V. Arbanas Frederick V. Arbanas | Director |
| /s/ A. Ray Cecrle A Ray Cecrle | Director |
| /s/ Barrett Brady Barrett Brady | Director |
| /s/ Linda S. Hancock Linda S. Hancock | Director |
| /s/ W. Russell Welsh W. Russell Welsh | Director |

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

1. I have reviewed this annual report on Form 10-K of NASB Financial, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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

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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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 annual 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: December 29, 2003

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

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures

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(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 consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 annual 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.

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