NASB FINANCIAL INC
Form 10-Q
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the period ended June 30, 2002

or

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

For the transition period from to

Commission File Number 0-24033

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

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

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

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

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

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

Yes X No

The number of shares of Common Stock of the Registrant outstanding as of August 9, 2002, was 8,420,342.

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

	June 30, 2002 (Unaudited)	September 30, 2001
ASSETS		
Cash and cash equivalents	$ 20,686	$ 16,043
Securities available for sale	14,396	5,014
Stock in Federal Home Loan Bank, at cost	15,173	13,676
Mortgage-backed securities:		
Available for sale	1,622	2,406
Held to maturity (market value of $3,401 and $7,462 at June 30, 2002, and September 30, 2001, respectively)	3,253	6,864
Loans receivable:		
Held for sale	44,777	92,864
Held for investment, net	805,312	803,606
Accrued interest receivable	5,143	5,587
Real estate owned, net	6,546	8,043
Premises and equipment, net	6,653	6,872
Mortgage servicing rights, net	4,960	8,008
Other assets	3,817	2,479
	$ 932,338	$ 971,462
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer deposit accounts	$ 564,816	$ 576,040
Brokered deposit accounts	--	9,997
Advances from Federal Home Loan Bank	255,263	273,471
Escrows	4,705	7,116
Income taxes payable	1,421	6,427
Accrued expenses and other liabilities	2,532	2,914
Total liabilities	828,737	875,965
Commitments and contingencies		
Stockholders' equity:		
Common stock of $0.15 par value: 20,000,000 authorized; 9,802,112 issued at June 30, 2002, and 9,773,612 issued at September 30, 2001	1,470	1,466
Serial preferred stock of $1.00 par value: 7,500,000 shares authorized; none issued or outstanding	--	--
Additional paid-in capital	15,862	15,635
Retained earnings	102,681	93,340
Treasury stock, at cost; 1,381,770 shares		

at June 30, 2002 and 1,269,522 shares at September 30, 2001	(16,716)	(14,854)
Accumulated other comprehensive loss	304	(90)
Total stockholders' equity	103,601	95,497
	932,338	971,462

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30,		Nine months ended June 30,	
	2002	2001	2002	2001
Interest on loans	$ 17,078	20,314	53,381	62,590
Interest on mortgage-backed securities	98	232	389	788
Interest and dividends on securities	253	436	724	1,111
Other interest income	63	362	310	528
Total interest income	17,492	21,344	54,804	65,017
Interest on customer deposit accounts	4,419	8,100	15,585	24,446
Interest on advances from FHLB and other borrowings	3,088	4,634	10,468	14,389
Total interest expense	7,507	12,734	26,053	38,835
Net interest income	9,985	8,610	28,751	26,182
Provision for loan losses	18	150	509	450
Net interest income after provision for loan losses	9,967	8,460	28,242	25,732
Other income (expense):				
Loan servicing fees	(1,716)	(250)	(1,792)	(2,231)
Impairment (loss) recovery on mortgage servicing rights	496	(45)	305	(711)
Impairment loss on mortgage-backed securities	--	--	(170)	--
Customer service fees and charges	1,029	1,009	3,144	2,478
Provision for losses on real estate owned	--	--	(67)	--
Gain on sale of loans held for sale	1,176	3,806	6,468	6,583
Other	174	319	592	802

Total other income	1,159	4,839	8,480	6,921
General and administrative expenses:				
Compensation and fringe benefits	3,402	3,469	10,424	10,162
Premises and equipment	526	581	1,665	1,733
Advertising and business promotion	125	142	399	347
Federal deposit insurance premiums	26	30	84	92
Other	1,102	1,033	3,175	2,799
Total general and administrative expenses	5,181	5,255	15,747	15,133
Income before income tax expense	5,945	8,044	20,975	17,520
Income tax expense	2,203	3,097	8,046	6,772
Net income	$ 3,742	4,947	12,929	10,748
Basic earnings per share	$ 0.44	0.58	1.53	1.26
Diluted earnings per share	$ 0.44	0.57	1.53	1.25
Weighted average shares outstanding - basic	8,418,968	8,556,995	8,446,417	8,551,381

See accompanying notes to consolidated financial statements.

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

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	T sto e
	(Dollars in thousands)					
Balance at October 1, 2001	$ 1,466	15,635	93,340	(14,854)	(90)	
Comprehensive income:						
Net income	--	--	12,929	--	--	
Other comprehensive loss, net of tax						
Unrealized loss on securities	--	--	--	--	394	
Total comprehensive income	--	--	--	--	--	
Cash dividends paid	--	--	(3,588)	--	--	
Stock options exercised	4	227	--	--	--	
Purchase of common stock for Treasury	--	--	--	(1,862)	--	
Balance at June 30, 2002	$ 1,470	15,862	102,681	(16,716)	304	1

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30,		Nine mont June
	2002	2001	2002
Cash flows from operating activities:			
Net income	$ 3,742	4,947	12,929
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	189	214	609
Amortization and accretion, net	2,464	636	1,379
Impairment loss (recovery) on mortgage servicing rights	(496)	45	(305)
Impairment loss on mortgage-backed securities	--	--	170
Gain on sale of loans receivable held for sale	(1,176)	(3,806)	(6,468)
Provision for loan losses	18	150	509
Provision for losses on real estate owned	--	--	67
Origination and purchase of loans held for sale	(106,588)	(178,137)	(352,416)
Sale of loans held for sale	110,191	240,291	444,989
Changes in:			
Accrued interest receivable	76	--	444
Accrued expenses and other liabilities and income taxes payable	(1,065)	(1,509)	(5,804)
Net cash provided by operating activities	7,355	62,831	96,103
Cash flows from investing activities:			
Principal repayments of mortgage-backed securities:			
Held to maturity	976	1,252	3,319
Available for sale	214	555	753
Principal repayments of mortgage loans held for investment and held for sale	96,358	103,582	338,639
Principal repayments of other loans receivable	7,742	9,043	26,642
Principal repayments of securities available for sale	--	--	20,479
Loan origination - mortgage loans held for investment	(95,988)	(97,439)	(370,957)
Loan origination - other loans receivable	(5,504)	(9,107)	(15,880)
Purchase of mortgage loans held for investment	(2,106)	(10,292)	(14,878)
Purchase of other loans receivable	--	--	(5,173)
Purchase of investment securities available for sale	(9,194)	(19,772)	(29,194)
Purchase of FHLB stock	--	--	(1,496)
Proceeds for sale of real estate owned	1,075	1,804	4,866
Purchases of premises and equipment, net	(75)	(389)	(394)
Other	142	30	(1,126)

Net cash used in investing activities	(6,360)	(20,733)	(44,400)

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

	Three months ended June 30,		Nine mont June 30
	2002	2001	2002
Cash flows from financing activities:			
Net increase (decrease) in customer deposit accounts	(2,827)	23,794	(21,221)
Proceeds from advances from FHLB	64,000	65,000	119,000
Repayment on advances from FHLB	(62,070)	(104,067)	(137,209)
Repayment of notes payable	--	(50)	--
Cash dividends paid	(1,263)	(1,070)	(3,588)
Stock options exercised	45	--	231
Repurchase of common stock	--	--	(1,862)
Net increase (decrease) in escrows	647	(7)	(2,411)
Net cash provided by (used in) financing activities	(1,468)	(16,400)	(47,060)
Net increase (decrease) in cash and cash equivalents	(473)	25,698	4,643
Cash and cash equivalents at beginning of the period	21,159	17,196	16,043
Cash and cash equivalents at end of period	$ 20,686	42,894	20,686
Supplemental disclosure of cash flow information:			
Cash paid for income taxes (net of refunds)	$ 3,720	4,387	13,298
Cash paid for interest	7,525	12,720	26,305
Supplemental schedule of non-cash investing and financing activities:			
Conversion of loans receivable to real estate owned	$ 1,196	2,783	3,400
Conversion of real estate owned to loans receivable	--	--	57
Capitalization of mortgage servicing rights	--	611	44
Transfer of loans from held to maturity to held for sale	--	--	--

See accompanying notes to consolidated financial statements.

(1) BASIS OF PRESENTATION

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

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

The company's critical accounting policies involving the more significant judgements and assumptions used in the preparation of the consolidated financial statements as of June 30, 2002, have remained unchanged from September 30, 2001. 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, 2001.

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," and No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." 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 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.

June 30, 2002			
Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value

U.S. Government Obligations	$ 2,011	--	(5)	2,006
Equity securities	2,738	47	--	2,785
Debt securities	9,189	416	--	9,605
Total	$ 13,938	463	(5)	14,396

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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.

	June 30, 2002			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Pass-through certificates guaranteed by GNMA - fixed rate	$ 1,531	28	--	1,559
Mortgage-backed derivatives (including CMO residuals and interest-only securities)	54	9	--	63
Total	$ 1,585	37	--	1,622

(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.

	June 30, 2002			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
FHLMC participation certificates:				
Balloon maturity and adjustable rate	$ 948	48	--	996
FNMA pass-through certificates:				
Fixed rate	122	--	--	122
Balloon maturity and adjustable rate	262	2	--	264
Pass-through certificates guaranteed by GNMA:				
Fixed rate	280	15	--	295
Collateralized mortgage obligation bonds	44	--	--	44

Other asset-backed securities	1,597	83	--	1,680
Total	$ 3,253	148	--	3,401

(5) LOANS RECEIVABLE

Loans receivable are as follows:

	June 30, 2002
	(Dollars in thousands)
LOANS HELD FOR INVESTMENT:	
Mortgage loans:	
Permanent loans on:	
Residential properties	$ 252,366
Business properties	373,615
Partially guaranteed by VA or insured by FHA	19,387
Construction and development	201,045
Total mortgage loans	846,413
Commercial loans	15,973
Installment loans to individuals	40,032
Total loans held for investment	902,418
Less:	
Undisbursed loan funds	(84,318)
Unearned discounts and fees and costs on loans, net	(6,649)
Allowance for losses on loans	(6,139)
Net loans held for investment	$ 805,312

	June 30, 2002
	(Dollars in thousands)
LOANS HELD FOR SALE:	
Mortgage loans:	
Permanent loans on:	
Residential properties	$ 69,263
Less:	
Undisbursed loan funds	(24,435)
Unearned discounts and fees and costs on loans, net	(51)
Net loans held for sale	$ 44,777

Included in the loans receivable balances at June 30, 2002, are participating interests in mortgage loans and wholly owned mortgage loans serviced by other institutions in the approximate amount of $698 thousand. Loans and participations serviced for others amounted to approximately $429.3 million at June 30, 2002.

(6) REAL ESTATE OWNED

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

	June 30, 2002
	(Dollars in thousands)
Real estate acquired through (or deed in lieu of) foreclosure	$ 7,168
Less: allowance for losses	(622)
Total	$ 6,546

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 June 30, 2002. Dollar amounts are expressed in thousands.

Balance at October 1, 2001	$ 8,008	
Additions:		
Originated mortgage servicing rights	44	
Impairment recovery		305
Reductions:		
Amortization	3,397	
Sale of mortgage servicing rights	--	
Impairment loss	--	
Balance at June 30, 2002	$ 4,960	

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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	Nine months ended

	6/30/02	6/30/01	6/30/02	6/30/01
Net income (in thousands)	$ 3,742	4,947	12,929	10,748
Basic weighted average shares outstanding	8,418,968	8,556,995	8,446,417	8,551,381
Effect of stock options	17,655	51,095	26,473	60,130
Dilutive potential common shares	8,436,623	8,608,090	8,472,890	8,611,511
Net income per share:				
Basic	$ 0.44	0.58	1.53	1.26
Diluted	0.44	0.57	1.53	1.25

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.

The following table presents financial information from the Company's operating segments for the periods indicated. Dollar amounts are expressed in thousands.

Three months ended June 30, 2002	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 9,917	--	68	9,985
Provision for loan losses	168	--	--	168
Other income	220	2,752	(1,663)	1,309
General and administrative expenses	3,041	2,597	(457)	5,181
Income tax expense	2,667	60	(524)	2,203

Net income	$ 4,261	95	(614)	3,742

Three months ended June 30, 2001	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$ 8,542	--	68	8,610
Provision for loan losses	150	--	--	150
Other income	3,923	4,320	(3,404)	4,839
General and administrative expenses	2,829	3,366	(940)	5,255
Income tax expense	3,970	390	(1,263)	3,097
Net income	$ 5,516	564	(1,133)	4,947

Nine months ended June 30, 2002	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$28,544	--	207	28,751
Provision for loan losses	659	--	--	659
Other income	5,978	9,884	(7,232)	8,630
General and administrative expenses	8,882	8,611	(1,746)	15,747
Income tax expense	9,618	490	(2,062)	8,046
Net income	$15,363	783	(3,217)	12,929

Nine months ended June 30, 2001	Banking	Mortgage Banking	Other and Eliminations	Consolidated
Net interest income	$25,984	--	198	26,182
Provision for loan losses	450	--	--	450
Other income	3,716	10,333	(7,128)	6,921
General and administrative expenses	8,055	8,828	(1,750)	15,133
Income tax expense	8,478	602	(2,308)	6,772
Net income	$12,717	903	(2,872)	10,748

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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 June 30, 2002, were $932.3 million, a decrease of $39.2 million from September 30, 2001, the prior fiscal year end.

As the Bank originates mortgage loans each month, management evaluates the existing market conditions to determine which loans will be held in the Bank's portfolio and which loans will be sold in the secondary market. Loans sold in the secondary market can be sold with servicing released or converted into MBS and sold with the loan servicing retained by the Bank. At the time of each loan commitment, a decision is made to either hold the loan for investment, hold it for sale with servicing retained, or hold it for sale with servicing released. Management monitors market conditions to decide whether loans should be held in portfolio or sold and if sold, which method of sale is appropriate. During the nine months ended June 30, 2002, the Bank originated and purchased $352.4 million in mortgage loans held for sale, $385.8 million in mortgage loans held for investment, and $21.1 million in other loans. This total of $759.3 million in loans originated compares to $692.0 million in loans originated during the nine months ended June 30, 2001.

Included in the $44.8 million in loans held for sale as of June 30, 2002, are $19.6 million in mortgage loans held for sale with servicing released. All loans held for sale are carried at the lower of cost or fair value.

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

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

	6/30/02	9/30/01	6/30/01
Asset Classification:			
Substandard	$ 17,053	18,780	21,222
Doubtful	--	--	--
Loss	1,730	1,851	2,945
	18,783	20,631	24,167
Allowance for losses	(6,794)	(7,035)	(8,648)
	$ 11,989	13,596	15,519

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

LIABILITIES AND EQUITY

Customer deposit accounts decreased $11.2 million during the nine months ended June 30, 2002. The weighted average rate on customer deposits as of June 30, 2002, was 3.18%, a decrease from 5.12% as of June 30, 2001.

Advances from the FHLB were $255.3 million as of June 30, 2002, a decrease of $18.2 million from September 30, 2001. During the nine-month period, the Bank borrowed $119.0 million of new advances and repaid $137.2 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 $4.7 million as of June 30, 2002, a decrease of $2.4 million from September 30, 2001. This decrease is due to amounts paid for borrowers' taxes during the fourth calendar quarter of 2001.

Total stockholders' equity as of June 30, 2002, was $103.6 million (11.11% of total assets). This compares to $95.5 million (9.83% of total assets) at September 30, 2001. On a per share basis, stockholders' equity was $12.30 on June 30, 2002, compared to $11.23 on September 30, 2001.

The Company paid cash dividends on its common stock of $0.125 on November 30, 2001, and of $0.15 on February 22, 2002, and May 24, 2002. Subsequent to the quarter ended June 30, 2002, the Company announced a cash dividend of $0.15 per share to be paid on August 23, 2002, to stockholders of record as of August 2, 2002.

Total stockholders' equity as of June 30, 2002, includes an unrealized gain of $304,000, net of deferred income taxes, on available for sale securities. This amount is reflected in the line item "Accumulated other comprehensive income (loss)."

RATIOS

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

	Nine month ended	
	6/30/02	6/30/01
Return on assets	1.81%	1.42%
Return on equity	17.32%	16.36%
Equity-to-assets ratio	11.11%	8.88%
Dividend payout ratio	27.75%	27.87%

RESULTS OF OPERATIONS - Comparison of three months and nine months ended June 30, 2002 and 2001.

For the three months ended June 30, 2002, the Company had net income of $3,742,000 or $0.44 per share. This compares to net income of $4,947,000 or $0.58 per share for the quarter ended June 30, 2001.

For the nine months ended June 30, 2002, the Company had net income of $12,929,000 or $1.53 per share. This compares to net income of $10,748,000 or $1.26 per share for the nine months ended June 30, 2001.

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 nine months ended June 30, 2002 and 2001. Average yields reflect reductions due to non-accrual loans. Once a loan becomes 90 days delinquent, any interest that has accrued up to that time is reserved and no further interest income is recognized unless the loan is paid current. Average balances and weighted average yields for the periods include all accrual and non-accrual loans. The table also presents the interest-earning assets and yields for each respective period. Dollar amounts are expressed in thousands.

	Nine months ended 6/30/02			As of 6/30/02
	Average Balance	Interest	Yield/ Rate	Yield/ Rate
Interest-earning assets				
Loans	$ 869,629	53,381	8.18%	7.65%
Mortgage-backed securities	6,961	388	7.43%	7.18%
Securities	23,050	724	4.19%	4.89%
Bank deposits	24,277	310	1.70%	1.29%
Total earning assets	923,917	54,803	7.91%	7.41%
Non-earning assets	30,557			
Total	$ 954,474			
Interest-costing liabilities				
Customer deposits accounts	$ 572,233	15,585	3.63%	3.18%
FHLB Advances	273,068	10,468	5.11%	4.56%
Other borrowings	--	--	--%	--
Total costing liabilities	845,301	26,053	4.11%	3.61%
Non-costing liabilities	10,119			
Stockholders' equity	99,054			
Total	$ 954,474			
Net earning balance	$ 78,616			
Earning yield less costing rate			3.80%	3.80%
Average interest-earning assets, net interest, and net yield spread on average interest-earning assets	$ 954,474	28,750	4.15%	

	Nine months ended 6/30/01			As of 6/30/01
	Average		Yield/	Yield/

	Balance	Interest	Rate	Rate
Interest-earning assets				
Loans	$ 922,937	62,590	9.04%	8.22%
Mortgage-backed securities	15,893	788	6.61%	5.86%
Securities	23,935	1,111	6.19%	5.68%
Bank deposits	17,952	528	3.92%	3.57%
Total earning assets	980,717	65,017	8.84%	7.91%
Non-earning assets	40,292			
Total	$1,021,009			
Interest-costing liabilities				
Customer deposits accounts	$ 624,081	24,446	5.22%	5.12%
FHLB Advances	295,508	14,386	6.49%	5.74%
Other borrowings	60	3	6.67%	--
Total costing liabilities	919,649	38,835	5.63%	5.31%
Non-costing liabilities	14,864			
Stockholders' equity	86,496			
Total	$1,021,009			
Net earning balance	$ 61,068			
Earning yield less costing rate			3.21%	2.61%
Average interest-earning assets, net interest, and net yield spread on average interest-earning assets	$ 980,717	26,182	3.56%	

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.

Nine months ended June 30, 2002, compared to nine months ended June 30, 2001			
Yield	Volume	Yield/ Volume	Total

Components of interest income:				
Loans	$ (5,953)	(3,614)	358	(9,209)
Mortgage-backed securities	98	(443)	(55)	(400)
Securities	(359)	(41)	13	(387)
Bank deposits	(299)	186	(105)	(218)
Net change in interest income	(6,513)	(3,912)	211	(10,214)
Components of interest expense:				
Customer deposit accounts	(7,442)	(2,030)	611	(8,861)
FHLB Advances	(3,059)	(1,092)	233	(3,918)
Other borrowings	(3)	(3)	3	(3)
Net change in interest expense	(10,504)	(3,125)	847	(12,782)
Increase (decrease) in net interest margin	$ 3,991	(787)	(636)	2,568

Net interest margin before loan loss provision for the three months ended June 30, 2002, increased $1.4 million from the same period in the prior year. Specifically, total interest expense decreased $5.2 million due to a decrease in interest rates paid on interest-costing liabilities. This was partially offset by a decrease in interest income of $3.9 million.

Net interest margin before loan loss provision for the nine months ended June 30, 2002, increased $2.6 million from the same period in the prior year. Specifically, total interest expense decreased $12.8 million, due to a $74.3 million decrease in the average balances of interest-costing liabilities and a decrease in the interest rate cost of those liabilities of 1.5%. This was partially off set by a decrease in total interest income of $10.2 million, which resulted from a decrease in the average balance of interest-earning assets of $56.8 million and decrease in the average interest rates earned on those assets of 93 basis points.

PROVISION FOR LOAN LOSSES

The Company's provision for loan losses was $18,000 during the quarter ended June 30, 2002, and was $509,000 for the nine months ended June 30, 2002. Management performs an ongoing analysis of individual loans and of homogenous pools of loans to assess for any impairment. An increase in delinquencies of the Bank's residential single-family sub-prime loan portfolio during the nine months ended June 30, 2002, resulted in the increase in provision for loan losses. On a consolidated basis, loan loss reserve was 36.2% of total classified assets at June 30, 2002, 34.1% at September 30, 2001, and 35.8% at June 30, 2001.

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

OTHER INCOME

Other income for the three months ended June 30, 2002, decreased $3.7 million from the same period in the prior year. Specifically, gain on sale of loans held for sale decreased $2.6 million due to decreased mortgage banking volume. Additionally, net loan servicing fees decreased $1.6 million, which was a result of increases in actual and estimated future prepayment of the underlying mortgage loans during the quarter.

Other income for the nine months ended June 30, 2002, increased $1.7 million from the same period in the prior year. Specifically, customer service fees increased $666,000 from the prior year, primarily due to the implementation of an overdraft privilege program, which increased the level of overdraft fees collected from demand deposit customers. Loan servicing fees increased $439,000 and impairment loss on mortgage servicing rights decreased $1.0 million, which were both a result of a decrease in the actual and estimated future prepayments of the underlying mortgage loans that occurred primarily in the first quarter of fiscal 2002. This was partially offset by an impairment loss on a particular mortgage-backed security held for investment of $170,000, which represented its full carrying value.

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

GENREAL AND ADMINISTRATIVE EXPENSES

Total general and administrative expenses for the quarter ended June 30, 2002, was nearly unchanged from the same period in the previous year. General and administrative expenses for the nine months ended June 30, 2002, increased $614,000 from the same period in the prior year. This was due primarily to an increase in compensation and other expenses attributable to the increased loan origination volume.

REGULATION

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

INSURANCE OF ACCOUNTS

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

REGULATORY CAPITAL REQUIREMENTS

At June 30, 2002, the Bank exceeds all capital requirements prescribed by the OTS. To calculate these requirements, a thrift must deduct any investments in and loans to subsidiaries that are engaged in activities not permissible for a national bank. As of June 30, 2002, the Bank did not have any investments in or loans to subsidiaries engaged in activities not permissible for national banks.

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

At June 30, 2002	Amount
GAAP capital (Bank only)	$ 97,162
Adjustment for regulatory capital:	
Intangible assets	(123)
Disallowed portion of servicing assets	(456)
Reverse the effect of SFAS No. 115	(275)
Tangible capital	96,308
Qualifying intangible assets	--
Tier 1 capital (core capital)	96,308
Qualifying general valuation allowance	4,518
Risk-based capital	$ 100,826

	As of June 30, 2002				
	Actual		Minimum required for Capital Adequacy		Minimum "Well
	Amount	Ratio	Amount	Ratio	Amoun
Total capital to risk-weighted assets	$100,829	13.5%	59,654	>=8%	74,56
Core capital to adjusted tangible assets	96,308	10.4%	37,018	>=4%	46,27
Tangible capital to tangible assets	96,308	10.4%	13,882	>=1.5%	-

Tier 1 capital to risk-weighted assets	96,308	12.9%	--	--	44,74

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 June 30, 2002, the Bank had no loans that exceeded the 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 deducted from capital. As of June 30, 2002, the Bank did not have any investments in or advances to subsidiaries engaged in activities not permissible for national banks.

LIQUIDITY AND CAPITAL RESOURCES

The Bank generates liquidity primarily from savings deposits and repayments on loans, investments, and MBS. Liquidity measures the ability to meet deposit withdrawals and lending commitments. For secondary sources of liquidity, the Bank has the ability to sell assets held for sale, can borrow from primary securities dealers on a collateralized basis, and can use the FHLB of Des Moines' credit facility.

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 is not currently aware of any other market or economic conditions that could materially impact the Bank's future ability to meet obligations as they come due.

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 alleges that all the defendants, including the Bank, who charged fees to their customers for the preparation of mortgage documents have engaged in the practice of law without a license. The suit covers such fees charged during the period between March 15, 1997, and March 31, 2002. The class seeks to recover all fees charged during that period, plus an unspecified amount of punitive damages. This legal action is still in its initial stages, however, management believes the suit is without merit and is preparing a response to vigorously defend the Bank's position. Management believes that the Bank will prevail, but at this preliminary stage cannot determine its level of exposure. An adverse outcome could have a material impact on the financial statements of the Bank.

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
None.

Item 5. Other Information
None.

Item 6. Exhibits and Reports on Form 8-K
None.

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S I G N A T U R E S

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

NASB Financial, Inc.
(Registrant)

August 13, 2002

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

August 13, 2002

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

Treasurer

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