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Section 1: 10-K (FORM 10-K)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2008

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 No.: **0-24571**

PULASKI FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Missouri	**43-1816913**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

12300 Olive Boulevard, St. Louis, Missouri 63141
(Address of principal executive offices)

Registrant's telephone number, including area code: **(314) 878-2210**
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	**The Nasdaq Stock Market LLC**
(Title of Each Class)	(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer ¨	Accelerated Filer x
Non-accelerated Filer ¨	Smaller Reporting Company ¨
(Do not check if smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ¨ No x.

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was $91.5 million.

There were issued and outstanding 10,217,459 shares of the registrant's common stock as of December 10, 2008.

Documents Incorporated by Reference

Portions of 2008 Annual Report to Stockholders (Part II).

Portions of the Definitive Proxy Statement for the 2009 Annual Meeting of Stockholders (Part III).

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This report contains certain "forward-looking statements" within the meaning of the federal securities laws, which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts, rather statements based on Pulaski Financial Corp's current expectations regarding its business strategies, intended results and future performance. Forward-looking statements are generally preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions.

Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could cause actual results to differ for anticipated results include interest rate trends, the general economic climate in the market area in which Pulaski Financial Corp. operates, as well as nationwide, Pulaski Financial Corp.'s ability to control costs and expenses, competitive products and pricing, loan delinquency rates and changes in federal and state legislation and regulation and accounting principles. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Subject to applicable law and regulation, Pulaski Financial Corp. assumes no obligation to update any forward-looking statements.

Unless the context indicates otherwise, all references in this annual report on Form 10-K to the "Company," "we," "us" and "our" refer to Pulaski Financial Corp. and its subsidiaries.

PART I

Item 1. Business

General

Pulaski Financial Corp. (the "Company") is the holding company for Pulaski Bank (the "Bank"). The Company's primary asset is its investment in the Bank, but it also maintains investment and mortgage-backed securities portfolios for liquidity. It has subordinated debt in connection with the issuance of trust preferred securities, the proceeds from which have been injected into the Bank as capital. Accordingly, the information set forth in this annual report on Form 10-K, including the consolidated financial statements and related financial data, relates primarily to the Bank.

Pulaski Bank provides an array of financial products and services for businesses and retail customers primarily through its twelve full-service offices in the St. Louis metropolitan area and three loan production offices in the Kansas City metropolitan area and the Illinois portion of the St. Louis metropolitan area. Pulaski Bank is primarily engaged in attracting deposits from individuals and businesses and using these deposits, together with borrowed funds, to originate one-to four-family residential mortgage loans, residential construction loans, home equity lines of credit, multifamily and commercial real estate and commercial and industrial loans principally within its lending market.

Available Information

We maintain an Internet website at http://www.pulaskibankstl.com. We make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended, and other information related to us, free of charge, on this site as soon as reasonably practicable after we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this annual report on Form 10-K.

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Market Area

We currently conduct our business in the St. Louis metropolitan area and, to a lesser extent, in the Kansas City metropolitan area. In the St. Louis metropolitan area, we conduct operations out of our main office, eleven full-service branch offices and one loan production office. In the Kansas City metropolitan area, we operate out of two mortgage lending offices in Lee’s Summit, Missouri and Overland Park, Kansas.

Competition

We face intense competition attracting savings deposits (our primary source of lendable funds) and originating loans. Our most direct competition for savings deposits has historically come from commercial banks, other thrift institutions and credit unions located in our market area. We have faced additional significant competition for investors’ funds from short-term money market securities and other corporate and government securities.

At June 30, 2008, which is the most recent date for which data is available from the Federal Deposit Insurance Corporation (the “FDIC”), we held approximately 1.5% of the deposits in the St. Louis, Missouri-Illinois Metropolitan Statistical Area, which was the thirteenth largest market share out of 139 financial institutions with offices in this metropolitan statistical area. Banks owned by large bank holding companies, such as US Bancorp, Bank of America Corporation and Regions Financial Corp., operate in our market area. These institutions are significantly larger than us and, therefore, have significantly greater resources that could allow them to offer a wider variety of products and services.

Our competition for loans comes principally from other financial institutions, mortgage banking companies and mortgage brokers. We expect competition to increase in the future as a result of legislative, regulatory and technological changes. Technological advances, for example, have lowered barriers to market entry, allowed banks to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. The Gramm-Leach-Bliley Act, which permits affiliation among banks, securities firms and insurance companies, also has changed the competitive environment as several non-traditional banking companies have begun collecting deposits in the St. Louis metropolitan area.

Lending Activities

Residential Mortgage Lending. The majority of our mortgage production is sold on a best efforts, flow basis, servicing-released, to a number of regional and national secondary market investors. This strategy enables us to have a much larger lending capacity, provide a much more comprehensive product offering and reduce the interest rate, prepayment and credit risks associated with residential lending. This strategy also allows us to offer more competitive interest rates. Loans originated for sale are closed in our name and held in “warehouse” until they are sold to the investors, typically within 30 days. The loans held in warehouse provide an attractive asset yield during the short time we hold them, pending their sale, because we are able to fund these longer-term assets (typically 30 year mortgages) with low-cost, short-term funds. Loan sale activity is our largest source of non-interest income.

We are a direct endorsement lender with the Federal Housing Administration (“FHA”). Consequently, our FHA-approved, direct endorsement underwriters are authorized to approve or reject FHA-insured loans up to maximum amounts established by FHA. We are also an automatic lender with the Veterans’ Administration (“VA”), which enables our designated qualified personnel to approve or reject loans on behalf of the VA.

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We offer a variety of adjustable-rate mortgage ("ARM") loans. These ARM loans may be sold in the secondary market or originated for portfolio investment. The loan fees charged, interest rates and other provisions of our ARM loans are determined by us on the basis of our own pricing criteria, the composition and interest rate risk of our current loan portfolio and market conditions. Interest rates and payments on our ARM loans generally are adjusted periodically to a rate typically equal to 2.00% to 3.75% above the one-year constant maturity U.S. Treasury index. The periodic interest rate cap (the maximum amount by which the interest rate may be increased or decreased in a given period) on our ARM loans is generally 2% per adjustment period and the lifetime interest rate cap is generally 6% over the initial interest rate of the loan. We qualify the borrower based on the borrower's ability to repay the ARM loan based on the maximum interest rate at the first adjustment in the case of one-year ARM loans, and based on the initial interest rate in the case of ARM loans that adjust after two or more years. We do not originate negative amortization loans for portfolio investment. We believe that the periodic adjustment feature of our ARM loans provides us the flexibility to offer initial interest rates that are competitive while limiting our long-term exposure to interest-rate risk.

Borrower demand for ARM loans versus fixed-rate mortgage loans is a function of current and expected market interest rates and the difference between the initial interest rates and fees charged for each type of loan. The relative amount of fixed-rate mortgage loans and ARM loans that can be originated at any time is largely determined by the demand for each.

We require title insurance insuring the status of our lien on all of our residential mortgage loans and also require that fire and extended coverage casualty insurance (and, if appropriate, flood insurance) be maintained in an amount equal to the greater of the outstanding loan balance or the full replacement cost of the dwelling.

Our lending policies generally limit the maximum loan-to-value ratio on first mortgage loans secured by owner-occupied properties to 80% of the lesser of the appraised value or the purchase price. We will make loans in excess of that limit provided the borrower obtains mortgage insurance or the customer demonstrates sufficient credit history and ability to service the debt. Prior to 2008, the Company offered second mortgage loans that exceed 80% combined loan-to-value ratios, which were priced with enhanced yields. The Company still offers second mortgage loans up to 85% of the current loan values on an exception basis to extremely credit-worthy borrowers. However, the current underwriting guidelines are more stringent due to the current adverse economic environment. At September 30, 2008 the Company had $86.3 million of second mortgage loans.

We generally obtain appraisals on our real estate loans from our in-house staff of licensed appraisers and independent appraisers. During the year ended September 30, 2008, the Company performed approximately 60% of its appraisals through the in-house staff. By using in-house staff to perform the appraisal services, management has improved the quality of the appraisal process as loan officers no longer have the ability to control the assignment of the appraisal services.

Construction and Development Loans. We originate real estate construction and development loans that consist primarily of 1-4 family residential construction loans made to retail mortgage customers and builders. Loan disbursements are closely monitored by management to ensure that funds are being used strictly for the purposes agreed upon in the loan covenants. We employ both internal staff and external title company experts to ensure that loan disbursements are substantiated by regular inspections and review. Construction and development loans are similar to all residential loans in that loans are underwritten according to the adequacy of the borrower's repayment sources at the time of approval. Unlike conventional residential lending, signs of deterioration in the customer's ability to repay the loan is measured throughout the life of the loan and not just at origination or when the loan becomes past due. In most instances, loan amounts are limited to 85% of the "as completed" appraised value of the construction project. Personal

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guarantees are generally obtained from commercial borrowers. At September 30, 2008, the Company had $6.7 million of land development loans to residential developers and none of these loans were greater than 90 days past due.

Commercial Real Estate Loans. We engage in commercial real estate lending, typically through direct originations. We have expanded our commercial real estate portfolio to provide diversification and to generate assets that are sensitive to fluctuations in interest rates. Commercial real estate loans are generally prime-based, floating-rate loans, or short-term (one to five year), fixed-rate loans. Personal guarantees are generally obtained. Our commercial loan policy limits our lending amount to 15% of our unimpaired Bank capital plus reserves, which was $114.8 million at September 30, 2008. Current market conditions are particularly adverse for residential land development loans and the Company has recently de-emphasized this type of lending.

Commercial and Industrial Loans. We originate commercial and industrial loans that are secured by property such as inventory, equipment and finished goods. All commercial borrowers are evaluated for the adequacy of repayment sources at the time of approval and are regularly reviewed for any possible deterioration in their ability to repay the loan. In most instances, collateral is required to provide an additional source of repayment in the event of default by the borrower. The structure of the collateral varies from loan to loan depending on the financial strength of the borrower, the amount and terms of the loan, and the collateral available to be pledged. Personal guarantees are generally obtained.

Home Equity Lines of Credit. Home equity lines of credit are secured with a deed of trust and are issued in an amount up to 85% of the appraised or assessed value of the property securing the line of credit, less the outstanding balance on the first mortgage. The Bank’s credit underwriting standards for home equity loans have generally followed conforming loan guidelines. This type of loans is generally originated in conjunction with the process of originating first mortgage loans eligible for sale in the secondary market. In prior periods, the Company originated certain home equity loans with available lines up to 100% of the appraised value of the home when combined with the balance of the first mortgage loans. At September 30, 2008, the balance of equity loans with combined loan-to-value ratios equal to 100% totaled approximately $5 million. Interest rates on home equity lines of credit are adjustable and are tied to the prime interest rate. This rate is obtained from the Wall Street Journal and adjusts on a monthly basis. Our introductory rate on equity lines loans is also the floor rate on all new originations. Interest rates are based upon the loan-to-value ratio of the property, with better rates given to borrowers with more equity. Home equity lines of credit, because they adjust monthly with fluctuations in the prime interest rate, present less interest rate risk to us. Lending up to 100% of the value of the property presents greater credit risk to us. Consequently, we limit this product to customers with a favorable credit history.

Consumer and Other Loans. We originate consumer loans to residents of the metropolitan areas of St. Louis and Kansas City. These loans are generally offered to our customers as a convenience and include automobile loans, unsecured loans, and other secured consumer goods loans. Automobile loans currently in the portfolio consist of fixed-rate loans secured by both new and used cars and light trucks. New cars are financed for a period of up to 72 months while used cars are financed for 60 months or less depending on the year and model. Collision and comprehensive insurance coverage is required on all automobile loans. Consumer and other loans totaled $6.9 million at September 30, 2008.

Loan Marketing and Processing. Loan applicants come through direct marketing efforts by our loan officers, as well as through referrals by realtors, financial planners, previous and present customers and, to a far lesser extent, through television, radio, internet and print advertising promotions. All types of loans may be originated in any of our offices, but are closed primarily at title companies to accommodate our customers. Loans we retain in our portfolio are serviced from our main office. Loans sold into the secondary mortgage market are generally sold on a “servicing released” basis and are serviced by the purchaser while

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loans sold on a participation basis are serviced by us. Mortgage loan officers are compensated for their loan production based upon the dollar volume closed, as well as the gain on the sale produced.

Upon receipt of a loan application from a prospective borrower, a credit report and other data are obtained to verify specific information relating to the loan applicant's employment, income and credit standing. An appraisal of the real estate offered as collateral is performed by an appraiser approved by us and licensed or certified by the State of Missouri.

The board of directors has granted loan approval authority to certain officers up to prescribed limits, depending on their experience and tenure. The CEO may approve secured loans up to $1.0 million and unsecured up to $250,000. An internal loan committee, consisting of five senior officers and two non-management directors approves secured loans up to $8.0 million and unsecured loans up to $2.0 million, while all loans above these levels are approved by the full board of directors.

Loan applicants are promptly notified of our decision. Interest rates are subject to change if the approved loan is not closed within the time of the commitment, which usually is 60 to 90 days.

Loan Underwriting Risks.

Adjustable-Rate Loans. The retention of ARM loans in our loan portfolio helps reduce our exposure to changes in interest rates. There are, however, credit risks resulting from the potential of increased costs to be paid by the customer due to changing interest rates. During periods of rising interest rates, the risk of default on ARM loans increases as a result of repricing and the increased costs to the borrower. Furthermore, because the ARM loans we originate generally provide initial rates of interest below the fully-indexed rates, these loans are subject to increased risks of default, delinquency, or prepayment as the rates adjust upward to the fully-indexed rates.

Second Mortgage Loans and Home Equity Lines of Credit. Second mortgage loans and home equity lines of credit generally involve greater credit risk than first mortgage loans because they are secured by mortgage loans that are subordinate to the first mortgage loan on the property. This means that if the borrower is forced into foreclosure, we will receive no proceeds from the sale of the property until the first mortgage has been completely repaid. Second mortgage loans and home equity lines of credit often have high loan-to-value ratios when combined with the first mortgage on the property. Loans with high combined loan-to-value ratios will be more sensitive to declining property values than would those with lower combined loan-to-value ratios and, therefore, may experience a higher incidence of default and severity of losses.

Construction and Development Loans. Construction and development loans involve greater credit risks than residential or commercial real estate lending. Our risk of loss on these types of loans is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of the construction. If the estimate of construction costs is inaccurate, we may be required to advance additional funds to complete the development. If, upon completion of the project, the estimate of the marketability of the property is inaccurate, the borrower may be unable to sell the completed project in a timely manner or obtain adequate proceeds to repay the loan. Delays in completing the project may arise from labor problems, material shortages and other unpredictable contingencies. Construction lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. In addition, during the term of a construction loan, no payment from the borrower is required since the accumulated interest is added to the principal of the loan through an interest reserve. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. Furthermore, if our estimate of value of a completed project is inaccurate, then

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we may be confronted with, at or prior to the maturity of the loan, a project with a value that is insufficient to assure full repayment and we may incur a loss. We generally obtain personal guarantees from builders and commercial borrowers.

Commercial Real Estate Loans. Loans secured by commercial real estate generally have larger loan balances and involve greater risks than one- to four-family residential mortgage loans because the properties securing these loans often have unpredictable cash flows and are more difficult to evaluate and monitor. Payments on loans secured by such properties are often dependent on successful management and operation of the properties. Repayment of such loans may be affected, to a greater extent, by adverse conditions in the real estate market or the economy. If the cash flow from the property is reduced (for example, if leases are not obtained or renewed) the borrower’s ability to repay the loan and the value of the property securing the loan may be impaired. We seek to minimize these risks in a variety of ways, including limiting the size of such loans, reviewing the financial condition of the borrower, verifying the quality of the collateral and scrutinizing the management of the property securing the loan. We also generally obtain loan guarantees from financially capable parties. Our lending personnel or one of our agents inspects all of the properties securing our commercial real estate loans before the loan is made.

Commercial and Industrial Loans. Unlike residential mortgage loans, which generally are made on the basis of a borrower’s ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business, including, in the case of loans secured by accounts receivable, the ability of the borrower to collect amounts due from its customers. There is little additional credit support provided by the borrower for most of these loans and the secondary source of repayment is based almost solely on the liquidation of the pledged collateral and the ability to collect on personal guarantees, if any. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of the business itself, which may be subject to adverse conditions in the economy. Further, any collateral securing such loans may depreciate over time, be difficult to appraise, fluctuate in value and provide an insufficient source of repayment.

Consumer Loans. Consumer loans entail greater risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan repayments are dependent on the borrower’s continuing financial stability, and thus are more likely to be adversely affected by loss of employment, divorce, illness or personal bankruptcy. Furthermore, the application of various Federal and state laws, including Federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

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TABLE 1: Loans Receivable

	At September 30,									
	2008		2007		2006		2005		2004	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)									
Real estate mortgage:										
Residential first mortgage	$ 253,132	22.97%	$232,064	24.05%	$230,585	28.89%	$219,192	33.98%	$214,652	41.31%
Residential second mortgage	86,349	7.83%	100,142	10.37%	84,161	10.54%	36,537	5.67%	28,007	5.39%
Commercial and multi-family	293,713	26.64%	230,425	23.86%	164,157	20.56%	118,695	18.40%	63,592	12.24%
Real estate construction	99,382	9.01%	98,921	10.24%	57,195	7.16%	45,022	6.98%	34,441	6.63%
Commercial and industrial	137,688	12.49%	77,642	8.04%	48,785	6.11%	26,306	4.08%	16,787	3.23%
Home equity	225,357	20.44%	219,539	22.73%	207,153	25.95%	195,647	30.34%	158,462	30.50%
Consumer and other:										
Automobile	2,334	0.21%	2,647	0.27%	2,123	0.27%	1,838	0.28%	1,801	0.35%
Other	4,562	0.41%	4,271	0.44%	4,154	0.52%	1,676	0.27%	1,884	0.35%
Total loans	1,102,517	100.00%	965,651	100.00%	798,313	100.00%	644,913	100.00%	519,626	100.00%
Add (less):										
Unamortized loan origination costs, net of loan fees	5,205		5,163		4,879		3,931		3,152	
Loans in process	(6,223)		(10,567)		(10,176)		(8,843)		(6,615)	
Allowance for loan losses	(12,762)		(10,421)		(7,817)		(6,806)		(5,579)	
Total loans receivable, net	$1,088,737		$949,826		$785,199		$633,195		$510,584	

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TABLE 2: Loan Maturities and Re-pricing (1)

	At September 30, 2008			
	Due Or Re-pricing Within One Year	Due Or Re-pricing After One Year Through Five Years	Due Or Re-pricing Beyond Five Years	Total
	(In thousands)			
Real estate mortgage:				
Residential	$ 93,573	$ 101,116	$144,792	$ 339,481
Commercial and multi-family	169,160	107,739	16,814	293,713
Real estate construction	82,014	15,831	1,537	99,382
Commercial and industrial	95,187	18,689	23,812	137,688
Home equity	197,152	28,141	64	225,357
Consumer and other	1,891	4,790	215	6,896
Total loans	$638,977	$ 276,306	$187,234	$1,102,517

(1) Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. Mortgage loans that have adjustable rates are shown as maturing at their next re-pricing date.

TABLE 3: Fixed and Adjustable Rate Loans

	Loans due or re-pricing after September 30, 2009	
	Fixed Rate	Adjustable Rate
	(In thousands)	
Real estate mortgage:		
Residential	$ 135,724	$ 110,184
Commercial and multi-family	124,216	337
Real estate construction	17,368	—
Commercial and industrial	42,501	—
Home equity	—	28,205
Consumer and other	5,005	—
Total	$ 324,814	$ 138,726

Scheduled contractual principal repayments of loans generally do not reflect the actual life of such assets. The average life of loans is substantially less than their contractual terms because of prepayments. In addition, due-on-sale clauses on loans generally give us the right to declare loans immediately due and payable if, among other things, the borrower sells the property subject to the mortgage and the loan is not repaid. The average life of mortgage loans tends to increase, however, when current mortgage loan market rates are substantially higher than rates on existing mortgage loans and, conversely, decreases when rates on existing mortgage loans are substantially higher than current mortgage loan market rates.

Loan Originations, Sales and Purchases. To manage our interest rate risk position, we generally sell the fixed-rate residential mortgage loans that we originate. The sale of such loans in the secondary mortgage market reduces our risk that the interest rates paid on deposits will increase while we hold long-term, fixed-rate loans in our portfolio. It also allows us to continue to fund loans when deposit flows decline or funds are not otherwise available. Residential mortgage loans are generally sold with servicing released. Gains, net of origination expense, from the sale of such loans are recorded at the time of sale. Generally a loan is committed to be sold and a price for the loan is determined at the same time the interest rate on the

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loan is locked with the customer, which may be at the time the applicant applies for the loan or any time up to the date of closing. This eliminates the risk to us that a rise in market interest rates will reduce the value of a mortgage before it can be sold.

Additionally, we generally negotiate a best efforts delivery, which minimizes any exposure from loans that do not close. Our issuance of interest rate commitments is considered a derivative investment and changes in market value are reported in our consolidated balance sheet and statement of income and comprehensive income.

TABLE 4: Loan Activity

	Years Ended September 30,		
	2008	2007	2006
		(In thousands)	
Total gross loans, including loans held for sale, at beginning of period	$ 1,024,584	$ 859,472	$ 710,064
Loans originated:			
Residential real estate	1,454,363	1,483,847	1,299,247
Commercial and multi-family real estate	119,259	123,862	110,818
Real estate construction and development	66,825	104,946	65,612
Commercial and industrial	302,280	172,946	78,008
Home equity	147,640	179,997	178,650
Consumer and other	3,057	3,101	3,059
Total loans originated	2,093,424	2,068,699	1,735,394
Loans acquired in business combination	—	—	12,249
Loans purchased:			
Residential real estate	1,475	513	18,753
Commercial real state	27,627	16,020	1,790
Loans sold	(1,327,263)	(1,331,839)	(1,146,312)
Loan principal repayments	(646,190)	(588,281)	(472,466)
Net loan activity	149,073	165,112	149,408
Total gross loans, including loans held for sale, at end of period	$ 1,173,657	$ 1,024,584	$ 859,472

Nonperforming Assets and Delinquencies

All commercial loans are evaluated for the adequacy of repayment sources at the time of approval and are regularly reviewed for any possible deterioration in the ability of the borrower to repay the loan. Residential mortgage loan borrowers are typically only downgraded after origination when they have failed to make a required payment. The Bank follows the following collection procedures for all types of loans, excluding consumer loans, although larger customers are typically contacted sooner. The first notice is mailed to the borrower 8 days after the payment due date. Attempts to contact the borrower by telephone generally begin approximately 17 days after the payment due date. On the 30th day after the due date, a 30 day past due letter is sent. If a satisfactory response is not obtained, continuous follow-up contacts are attempted until the loan has been brought current. On the 45th day after the due date, a 45 day past due notice is sent. Before the 60th day of delinquency, attempts to interview the borrower, preferably in person, are made to establish: (1) the cause of the delinquency; (2) whether the cause is temporary; (3) the attitude of the borrower toward the debt; and (4) a mutually satisfactory arrangement for curing the default. Also, in the case of second mortgage loans, after the 60th day of delinquency: (1) the status and unpaid principal balance of each superior lien is determined; (2) whether any mortgage constituting a superior lien has been sold to any investor; and (3) whether the borrower is also delinquent under a superior lien and what the affected lien holder intends to do to resolve the delinquency.

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If the borrower cannot be reached and does not respond to collection efforts, a personal collection visit or property inspection is made and a photograph of the exterior of the property is taken. The physical condition and occupancy status of the property is determined before recommending further action. Such inspection normally takes place on or about the 45th day of delinquency. Generally, after 45 days into the delinquency procedure, the Bank notifies the borrower that home ownership counseling is available for eligible homeowners. If by the 91st day of delinquency, or sooner if the borrower is chronically delinquent and all reasonable means of obtaining payment on time have been exhausted, foreclosure, according to the terms of the security instrument and applicable law, is initiated.

When a consumer loan borrower fails to make a required payment, the Bank institutes collection procedures. The first notice is mailed to the borrower 8 days following the payment due date. The Bank receives a computer-generated collection report daily. The customer is contacted by telephone to ascertain the nature of the delinquency. If by the 45th day following the payment due date, no progress has been made, a written notice is mailed informing the borrowers of their right to cure the delinquency within 20 days and of the Bank’s intent to begin legal action if the delinquency is not corrected. Depending on the type of property held as collateral, the Bank either obtains a judgment in small claims court or takes action to repossess the collateral or may collect under the existing note, whatever is most economically efficient.

Loans are placed on non-accrual status when, in the opinion of management, there is reasonable doubt as to the collectability of interest or principal. Non-accrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collectability of interest or principal.

The Bank’s Board of Directors is informed, on a quarterly basis, as to the status of all loans that are delinquent 90 days or more, the status on all loans currently in foreclosure, and the status of all foreclosed and repossessed property owned by the Bank.

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TABLE 5: Non-performing Assets

	At September 30, 2008	2007	2006	2005	2004
	(Dollars in thousands)				
Loans accounted for on a non-accrual basis:					
Residential real estate first mortgage.	$ 5,904	$ 1,780	$ 736	$ 142	$ 370
Residential real estate second mortgage	752	302	58	—	—
Commercial and multi-family real estate	1,125	3,708	—	—	—
Real estate-construction and development	133	—	—	—	—
Commercial and industrial	341	—	—	—	—
Home equity	1,695	554	119	—	66
Consumer and other	160	105	27	24	93
Total	10,110	6,449	940	166	529
Accruing loans which are contractually past due 90 days or more:					
Residential real estate first mortgage.	2,543	2,212	3,614	4,742	3,495
Residential real estate second mortgage	—	352	370	—	—
Commercial and multi-family real estate	231	44	125	—	—
Real estate-construction and development	—	—	—	440	—
Commercial and industrial	—	—	—	—	—
Home equity	1,468	1,064	1,456	618	215
Consumer and other	7	150	21	17	32
Total	4,249	3,822	5,586	5,817	3,742
Troubled debt restructurings:					
Residential real estate first mortgage .	4,985	209	220	13	—
Residential real estate second mortgage	670	—	—	—	—
Commercial and industrial	537	—	—	—	—
Home equity	112	—	—	—	—
Total	6,304	209	220	13	—
Non-performing loans (1)	20,663	10,480	6,746	5,996	4,271
Real estate owned (net)	3,519	3,090	2,764	754	1,068
Other non-performing assets	237	43	43	—	7
Total non-performing assets	$24,419	$13,613	$9,553	$6,750	$5,346
Total non-performing loans as a percentage of net loans	1.88%	1.09%	0.85%	0.94%	0.83%
Total non-performing loans as a percentage of total assets	1.58%	0.93%	0.70%	0.76%	0.67%
Total non-performing assets as a percentage of total assets	1.87%	1.20%	0.99%	0.86%	0.84%

(1) Includes $221,000, $696,000, $667,000, $663,000, and $848,000 of FHA/VA loans at September 30, 2008, 2007, 2006, 2005 and 2004, respectively, the principal and interest payments on which are fully insured.

Interest income recognized on non-accrual loans was approximately $369,000, $347,000 and $69,000 for the years ended September 30, 2008, 2007 and 2006, respectively. The gross interest income that would have been recorded in such period if the loans had been current in accordance with their terms and had been outstanding throughout the period was $445,000, $633,000 and $110,000 for the years ended September 30,

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2008, 2007 and 2006, respectively. Impaired loans continuing to accrue interest are loans that are more than 90 days past due; however, the loans are well secured and remain in process of collection.

Real Estate Acquired in Settlement of Loans. Real estate acquired by the Bank as a result of foreclosure or by deed-in-lieu of foreclosure is initially recorded at the lower of its cost, which is the unpaid principal balance of the related loan plus foreclosure costs, or fair market value less estimated selling costs. Upon receipt of a new appraisal and market analysis, the carrying value is written down through a charge to income, if appropriate. The balance of real estate acquired in settlement of loans increased $429,000 from $3.1 million at September 30, 2007 to $3.5 million at September 30, 2008. The balance at September 30, 2008 consists of thirty-seven residential properties, five residential construction properties and two building lots acquired in settlement of debts outstanding.

Asset Classification. The Bank has adopted the Uniform Credit Classification Policy issued by the Federal Financial Institutions Examination Council, which was subsequently adopted by the Office of Thrift Supervision (“OTS”). The regulations require that each insured institution regularly review and classify its assets based on asset quality. In addition, OTS examiners have authority to identify problem assets in connection with examinations of insured institutions and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets must have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, questionable resulting in a high possibility of loss. An asset classified as loss is considered uncollectible and of such little value that continuance as an asset of the institution without establishment of a specific reserve is not warranted. If an asset or portion thereof is classified as loss, the insured institution establishes specific allowances for loan losses for the full amount of the portion of the asset classified as loss. A portion of general loan loss allowances established to cover probable losses related to classified assets may be included in determining an institution’s regulatory capital, while specific valuation allowances for loan losses generally do not qualify as regulatory capital. OTS regulations also require that assets that do not currently expose an institution to a sufficient degree of risk to warrant classification as substandard, doubtful or loss but do possess credit deficiencies or potential weakness deserving management’s close attention shall be designated “special mention” by either the institution or its examiners.

The Bank’s Risk Management Committee, which includes the Bank’s Chief Financial Officer, other senior officers and collection department personnel meet quarterly to review all classified assets, to approve action plans to resolve the problems associated with the assets and to review recommendations for new classifications, any changes in classifications and recommendations for reserves.

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TABLE 6: Classified Loans

	At September 30, 2008							
	Loss		Doubtful		Substandard		Special Mention	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)							
Residential real estate first mortgage	—	$ —	11	$ 635	68	$ 8,918	—	$ —
Residential real estate second mortgage	—	—	4	67	32	840	—	—
Commercial and multi-family real estate	—	—	3	18	15	11,691	—	—
Real estate construction and development	—	—	—	—	4	8,187	—	—
Commercial and industrial	—	—	2	124	31	7,342	2	1,097
Home equity	—	—	4	94	59	2,470	2	30
Consumer and other	1	2	15	149	1	3	—	—
Total	1	$ 2	39	$1,087	210	$39,451	4	$1,127

Allowance for Loan Losses. In originating loans, the Bank recognizes that losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan, general economic conditions and, in the case of a secured loan, the quality of the security for the loan. All charged-off loans are charged to the allowance for loan losses and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to the Bank's income. The allowance for loan losses is based on management's periodic evaluation of the Bank's past loan loss experience, known and inherent risks in the portfolio, the composition of the loan portfolio, adverse situations which may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. The Bank periodically recognizes losses on loans, which have active collection efforts through the use of specific valuation allowances in order to reduce loan balances to the estimated value of the collateral.

The following assessments are performed quarterly in accordance with the Bank's allowance for loan losses methodology:

Homogeneous residential mortgage loans are given one of five standard risk ratings at the time of origination. The risk ratings are assigned through the use of a credit-scoring model, which assesses credit risk determinants from the borrower's credit history, the loan-to-value ratio, affordability ratios and other personal history. Historical loss rates and industry data for each credit rating are used to determine the appropriate allocation percentage for each loan grade. Commercial real estate loans are individually reviewed and assigned a credit risk rating at least annually by the internal loan committee. Consumer and home equity loans are assigned standard risk weightings that determine the allocation percentage.

When commercial real estate loans are over 30 days delinquent or residential, consumer and home equity loans are over 90 days past due, they are evaluated individually for impairment. Additionally, loans that demonstrate credit weaknesses that may impact the borrower's ability to repay or the value of the collateral are also reviewed individually for impairment. We consider a loan to be 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, we record a loss valuation equal to the excess of the loan's carrying value over the present value of estimated future cash flows or the fair value of collateral if the loan is collateral dependent.

Our methodology includes factors that allow us to adjust our estimates of losses based on the most recent information available. Historic loss rates used to determine the allowance are adjusted to reflect the

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impact of current conditions, including actual collection and charge-off experience. Any material increase in non-performing loans will adversely affect our financial condition and results of operations.

Management believes that the amount maintained in the allowance will be adequate to absorb probable losses inherent in the portfolio. Although management believes that it uses the best information available to make such determinations, future adjustments to the allowance for loan losses may be necessary and results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations. While we believe we have established our allowance for loan losses in accordance with U.S. generally accepted accounting principles, there can be no assurance that the Bank's regulators, in reviewing the Bank's loan portfolio, will not request the Bank to increase significantly its allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that a substantial increase will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses will adversely affect our financial condition and results of operations.

TABLE 7: Allowance for Loan Losses

	Year Ended September 30,				
	2008	2007	2006	2005	2004
	(Dollars in thousands)				
Allowance at beginning of period	$10,421	$ 7,817	$ 6,806	$ 5,579	$ 3,866
Allowance of acquired institution	—	—	282	—	—
Provision charged to expense	7,735	3,855	1,501	1,634	1,934
Charge-offs:					
Residential real estate first mortgage	940	193	497	209	73
Residential real estate second mortgage	1,600	521	—	—	—
Commercial and multi-family real estate	374	—	—	—	—
Real estate construction and development	455	119	—	—	—
Commercial and industrial	355	—	7	—	—
Home equity	1,674	296	88	10	15
Consumer and other	233	164	190	197	146
Total charge-offs	5,631	1,293	782	416	234
Recoveries					
Residential real estate first mortgage	2	—	3	5	1
Residential real estate second mortgage	1	—	—	—	—
Real estate construction and development	—	—	—	—	5
Home equity	224	17	3	—	—
Consumer and other	10	25	4	4	7
Total recoveries	237	42	10	9	13
Net charge-offs	5,394	1,251	772	407	221
Allowance at end of period	$12,762	$10,421	$ 7,817	$ 6,806	$ 5,579
Ratio of allowance to total loans outstanding at the end of the period	1.16%	1.09%	0.99%	1.06%	1.08%
Ratio of net charge-offs to average loans outstanding during the period	0.52%	0.14%	0.10%	0.06%	0.06%
Allowance for loan losses to non-performing loans	61.76%	99.44%	115.89%	113.51%	130.63%

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TABLE 8: Allocation of Allowance for Loan Losses

	At September 30,									
	2008		2007		2006		2005		2004	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)									
Residential real estate first and second mortgage	$ 4,034	30.79%	$ 3,561	34.42%	$3,462	39.43%	$2,584	39.65%	$2,248	49.44%
Home equity	1,753	20.44	1,396	22.73	1,428	25.95	2,107	30.34	1,976	30.50
Commercial and multi-family real estate	3,824	26.64	3,045	23.86	1,611	20.56	1,063	18.40	335	8.53
Real estate construction and development	1,067	9.01	1,028	10.24	521	7.16	517	6.98	448	6.58
Commercial and industrial	1,827	12.49	1,054	8.04	533	6.11	273	4.08	219	4.24
Consumer and other	257	.63	337	.71	262	.79	262	.55	353	.71
Total allowance for loan losses	$12,762	100.00%	$10,421	100.00%	$7,817	100.00%	$6,806	100.00%	$5,579	100.00%

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Investment Activities

The Bank is permitted, under applicable law, to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and state and municipal governments, deposits at the Federal Home Loan Bank ("FHLB") of Des Moines, certificates of deposit of federally insured institutions, certain bankers' acceptances and federal funds. Subject to various restrictions, savings institutions may also invest a portion of their assets in commercial paper, corporate debt securities, equity securities and mutual funds. Savings institutions like the Bank are also required to maintain an investment in FHLB stock and a minimum level of liquid assets.

We maintain a portfolio of primarily investment grade mortgage-backed securities in the form of Ginnie Mae, Freddie Mac and Fannie Mae participation certificates and collateralized mortgage obligations. Ginnie Mae certificates are guaranteed as to principal and interest by the full faith and credit of the United States, while Freddie Mac and Fannie Mae certificates are guaranteed by the respective agencies. Mortgage-backed securities generally entitle us to receive a pro rata portion of the cash flows from an identified pool of mortgages. Collateralized mortgage obligations are types of debt securities issued by a special purpose entity that aggregates pools of mortgages and mortgage-backed securities and creates different classes of securities with varying maturities and amortization schedules, as well as a residual interest, with each class possessing different risk characteristics. The cash flows from the underlying collateral are generally dividend into "tranches" or classes that have descending priorities with respect to the distribution of principal and interest cash flows.

The Investment Committee, which includes our Chief Executive Officer and our Chief Financial Officer, determines appropriate investments in accordance with the board of directors' approved investment policies and procedures. Investments are made following certain considerations, which include our liquidity position and anticipated cash needs and sources (which in turn include outstanding commitments, upcoming maturities, estimated deposits and anticipated loan amortization and repayments). Further, the effect that the proposed investment would have on our credit and interest rate risk, and risk-based capital is considered. The interest rate, yield, settlement date and maturity are also reviewed.

All of our debt securities and mortgage-backed securities carry market risk insofar as increases in market interest rates would generally cause a decline in their market value. They also carry prepayment risk insofar as they may be called or repaid before their stated maturity during times of low market interest rates, so that we may have to reinvest the funds at a lower interest rate.

Our investment securities portfolio at September 30, 2008 did not contain securities of any issuer with an aggregate book value and aggregate market value in excess of 10% of stockholders' equity, excluding those issued by the government or its agencies.

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TABLE 9: Investment and Mortgage-Backed Securities

	Years Ended September 30,		
	2008	2007	2006
	(In thousands)		
Held to maturity at amortized cost:			
Investment securities -			
U.S. Treasury and Agency Obligations	$ —	$5,980	$12,932
Mortgage-backed securities:			
FHLMC	$ 4	$ 12	$ 27
GNMA	283	327	364
FNMA	15,434	—	—
Total	$15,721	339	391
Collateralized mortgage obligations - FHLMC	$ 23	$ 32	$ 50
Available for sale, at fair value:			
Investment securities -			
U.S. Treasury and agency obligations	$ —	$7,043	$ —
Mortgage-backed securities:			
GNMA	$ 280	$ 322	$ 401
FNMA	1,943	2,333	2,789
Total	$ 2,223	$2,655	$ 3,190
Collateralized mortgage obligations - GNMA	$ 7,958	$ —	$ —
Equity securities	$ 1,537	$3,965	$ 4,517

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TABLE 10: Maturities and Yields

	At September 30, 2008									
	Due in Less Than One Year		Due in One to Five Years		Due in Five to Ten Years		Due in Over Ten Years		Total	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
	(Dollars in thousands)									
Held to maturity:										
Mortgage-backed securities	$ —	—	$ 2	12.03%	$ 283	9.18%	$15,436	4.83%	$15,721	4.91%
CMOs	—	—	—	—	—	—	23	3.40%	23	3.40%
Total mortgage-backed and related securities	$ —	—	$ 2	12.03%	$ 283	9.18%	$15,459	4.83%	$15,744	4.91%
Available for sale:										
Mortgage-backed securities	$ 2	6.00%	$1,941	3.82%	$ —	—	$ 280	7.41%	$ 2,223	4.24%
CMOs	—	—	—	—	—	—	7,958	4.15%	7,958	4.15%
Total mortgage-backed and related securities	$ 2	6.00%	$1,941	3.82%	$ —	—	$ 8,238	4.24%	$10,181	4.16%

The above table is presented based upon contractual maturities. Expected maturities of mortgage-backed securities and CMOs will differ from contractual maturities due to scheduled repayments and because borrowers may have the right to call or prepay obligations with or without prepayment penalties. At September 30, 2008, the Company's portfolio did not include any callable securities. This table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

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Sources of Funds

General. Deposits, loan repayments, loan sales, FHLB borrowings and borrowings from the Federal Reserve Bank are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by the level of market interest rates. Borrowings from the FHLB of Des Moines and borrowings from the Federal Reserve Bank may be used to compensate for reductions in the availability of funds from these other sources.

Deposit Accounts. Our depositors reside predominately in the St. Louis metropolitan area. Deposits are attracted from within our market area through the offering of a broad selection of commercial and retail deposit instruments, including checking accounts, negotiable order of withdrawal ("NOW") accounts, money market deposit accounts, regular savings accounts, certificates of deposit, retirement savings plans and treasury management services. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit, and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider current market interest rates, the pricing of competitors, our profitability, the Company's overall interest-rate-risk profile, the Company's liquidity needs and our customer preferences and concerns. Our Asset Liability Committee regularly reviews our deposit mix and pricing. We supplement our retail deposits through brokered certificates of deposit and municipal deposits.

TABLE 11: Deposits

	At September 30,					
	2008		2007		2006	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Demand deposits:						
Non-interest-bearing checking	$ 76,404	8.35%	$ 57,005	6.82%	$ 38,830	5.92%
Interest-bearing checking	178,698	19.52	57,816	6.92	53,448	8.15
Passbook savings accounts	25,829	2.82	28,909	3.46	31,896	4.86
Money market	149,141	16.29	173,950	20.82	134,383	20.50
Total demand deposits	430,072	46.98	317,680	38.02	258,557	39.43
Certificates of deposit which mature:						
Within 1 year	420,766	45.98	360,188	43.11	276,316	42.15
After 1 year, but within 3 years	53,176	5.81	108,324	12.97	46,786	7.14
Thereafter	11,297	1.23	49,297	5.90	73,918	11.28
Total certificates of deposit	485,239	53.02	517,809	61.98	397,020	60.57
Total deposits	$915,311	100.00%	$835,489	100.00%	$655,577	100.00%

Included in certificates of deposit at September 30, 2008, were brokered time deposits totaling $110.5 million, $10.1 million and $8.4 million that were scheduled to mature during the years ended September 30, 2009, 2010 and 2011, respectively.

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At September 30, 2008, 2007 and 2006, certificates of deposit with a minimum principal amount of $100,000 totaled $221.2 million, $278.6 million, and $189.6 million, respectively. At September 30, 2008, such deposits were scheduled to mature as follows:

TABLE 12: Certificates of Deposit with Minimum Balances of $100,000

Maturity Period	Amount as of September 30, 2008 (In thousands)
Three months or less	$ 88,031
Over 3 through 6 months	46,069
Over 6 through 12 months	49,571
Over 12 months	37,513
Total	$ 221,184

TABLE 13: Time Deposits by Rates

	At September 30,		
	2008	2007	2006
		(In thousands)	
0.00 – 1.99%	$ 21,468	$ 2,536	$ 4,177
2.00 – 2.99%	183,702	3,805	17,565
3.00 – 3.99%	196,728	39,393	33,718
4.00 – 4.99%	17,265	31,677	91,632
5.00 – 5.99%	65,627	439,991	249,558
10.00 – 10.99%	449	407	370
Total	$485,239	$517,809	$397,020

TABLE 14: Time Deposits by Maturities

	Amount Due as of September 30, 2008					
	Within One Year	After 1 Year But Within Two Years	After 2 Years But Within Three Years	After 3 Years But Within Four Years	Thereafter	Total
			(In thousands)			
0.00 – 1.99%	$ 21,468	$ —	$ —	$ —	$ —	$ 21,468
2.00 – 2.99%	167,023	16,058	192	182	247	183,702
3.00 – 3.99%	175,188	9,761	10,055	1,200	524	196,728
4.00 – 4.99%	10,088	3,545	2,901	138	593	17,265
5.00 – 5.99%	46,999	10,122	93	8,413	—	65,627
10.00 – 10.99%	—	449	—	—	—	449
Total	$420,766	$ 39,935	$ 13,241	$ 9,933	$ 1,364	$485,239

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TABLE 15: Deposit Activity

	Years Ended September 30, 2008	2007	2006
	(In thousands)		
Beginning balance	$835,489	$655,577	$496,171
Deposits acquired in business combination	—	—	41,370
Net increase excluding interest credited	60,998	160,598	107,226
Interest credited	18,824	19,314	10,810
Net increase in deposits	79,822	179,912	159,406
Ending balance	$915,311	$835,489	$655,577

TABLE 16: Average Balances and Rates Paid on Deposits

	2008 Average Balance	2008 Average Rate Paid	2007 Average Balance	2007 Average Rate Paid	2006 Average Balance	2006 Average Rate Paid
	(Dollars in thousands)					
Non-interest-bearing checking	$ 63,325	— %	$ 47,982	— %	$ 31,365	— %
Interest-bearing checking	106,009	1.97	60,996	1.85	48,266	1.44
Passbook savings	27,727	0.33	30,170	0.35	32,430	0.36
Money market	183,957	2.88	155,261	4.24	98,804	3.16
Certificates of deposit	466,094	4.28	466,248	5.05	373,125	4.21
Total	$847,112	3.24%	$760,657	4.12%	$583,990	3.36%

Borrowings. We use advances from the FHLB of Des Moines and borrowings from the Federal Reserve Bank to supplement our supply of lendable funds and to meet deposit withdrawal requirements. The FHLB of Des Moines functions as a central reserve bank providing credit for savings associations and certain other member financial institutions. As a member, we are required to own capital stock in the FHLB of Des Moines and we are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the U.S. Government) provided certain creditworthiness standards have been met. Advances are made pursuant to several different credit programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based on the financial condition of the member institution and the adequacy of collateral pledged to secure the credit. The line of credit is subject to available collateral of one- to four-family residential loans, home equity loans and loans held for sale. Periodically, the FHLB performs collateral audits in order to review the quality of the collateral, which could result in reduced borrowing capacity.

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TABLE 17: FHLB Advances

	Years Ended September 30, 2008	2007	2006
	(Dollars in thousands)		
Maximum balance at any month end during the period	$265,500	$203,500	$200,000
Average balance during the period	224,460	168,476	168,067
Period-end balance	210,600	158,400	172,800
Weighted-average interest rate:			
At end of period	2.67%	4.81%	5.08%
During the period	3.54%	5.20%	4.63%

We have the ability to borrow funds from the Federal Reserve under an agreement which assigns certain qualifying loans as collateral to secure the amounts borrowed. These borrowings represent short-term borrowings from the Federal Reserve Bank of St. Louis' discount window and are typically extended for periods of 28 days or less. At September 30, 2008, $224.2 million of commercial loans were assigned under this arrangement. The assets underlying these borrowings are under the Bank's physical control.

TABLE 18: Federal Reserve Borrowings

	Years Ended September 30, 2008	2007	2006
	(Dollars in thousands)		
Maximum balance at any month end during the period	$112,000	$ —	—
Average balance during the period	34,093	1	—
Period-end balance	40,000	—	—
Weighted-average interest rate:			
At end of period	2.25%	—	—
During the period	2.28%	6.25%	—

We issued subordinated debentures from two separate special purpose trusts that are wholly-owned subsidiaries of the Company. At September 30, 2008, we had outstanding subordinated debentures totaling $19.6 million. Payments of the principal and interest on the subordinated debentures of these special purpose trusts are unconditionally guaranteed by the Company. Further, the accompanying junior subordinated debentures we issued to the special purpose trusts are senior to our shares of common stock.

Non-Banking Operations

We have a title insurance business, which is a division of the Bank. The division provides traditional title insurance services and products, including owner's policies of insurance, lender's policies of insurance and miscellaneous title information products (e.g., letter reports). The policies are issued primarily on residential transactions; however, the division also issues policies on certain commercial transactions. Customers of the title division consist primarily of residential mortgage customers that have been referred to the title division.

We also operate a fixed-income securities sales division consisting of five management and sales personnel. The business consists primarily of buying and selling bonds for community bank investment portfolio managers in Missouri, Illinois and surrounding states. The business does not include maintaining a trading portfolio for the Company.

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The Bank's subsidiary, Pulaski Service Corporation, sells insurance products and annuities. Federal savings associations generally may invest up to 3% of their assets in service corporations, provided that any amount in excess of 2% is used primarily for community, inner city and community development projects. At September 30, 2008, the Bank's equity investment in its subsidiary was $384,237 or 0.03% of the Bank's assets.

Personnel

As of September 30, 2008, we had 427 full-time equivalent employees. The employees are not represented by a collective bargaining unit, and we believe our relationship with our employees is good.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company and the Bank.

Name	Age (1)	Position
Gary W. Douglass	57	President and Chief Executive Officer of Pulaski Financial Corp. and Chief Executive Officer of the Bank
W. Thomas Reeves	54	President of Pulaski Bank
Ramsey K. Hamadi	39	Chief Financial Officer of Pulaski Financial Corp. and Pulaski Bank
Matthew A. Locke	39	President of Mortgage Lending Division of Pulaski Bank
Brian Bjorkman	37	President of Commercial Lending Division of Pulaski Bank
Cheri Bliefernich	40	Executive Vice President of Banking Operations of Pulaski Bank

(1) As of September 30, 2008.

Biographical Information

Set forth below is certain information regarding the executive officers of the Company and the Bank. There are no family relationships among the executive officers.

Gary W. Douglass was named President and Chief Executive Office of the Company and Chief Executive Officer of the Bank on May 1, 2008. Before joining Pulaski, Mr. Douglass was Executive Vice President, Finance and Chief Financial Officer of CPI Corp. (NYSE: CPI), a leading portrait studio operator in North America, headquartered in St. Louis. Mr. Douglass previously held the position of Executive Vice President and Chief Financial Officer of Roosevelt Financial Group, Inc., parent of Roosevelt Bank, before its merger with Mercantile Bancorporation, Inc. in 1997. Mr. Douglass is a certified public accountant and a former partner with Deloitte, where he headed that firm's accounting and auditing practice and its financial institutions practice in St. Louis.

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W. Thomas Reeves has served as President of the Bank since March 2006. Prior to joining Pulaski, Mr. Reeves served as Executive Director of Downtown Now!, a not-for-profit organization dedicated to generating investment in, and development of, the downtown St. Louis Area from October 1999 to March 2006. Mr. Reeves also served as Senior Vice President and Chief Lending Officer of Mercantile Bank of St. Louis, where he oversaw all middle market and real estate lending activity in five states. He was Senior Vice President and Chief Lending officer and served in various executive and board positions with Mark Twain Bancshares Inc. and its affiliates. He also served as a bank regulator with the Missouri Division of Finance.

Ramsey K. Hamadi joined the Bank in June 2000 as Controller before being named Chief Financial Officer in July 2001. Prior to joining the Bank, Mr. Hamadi was a Safety and Soundness Examiner at the Federal Reserve Bank of St. Louis.

Matthew A. Locke joined the Bank in 1997 and currently serves as the President of the Mortgage Division. Prior to assuming his current position, he served the Bank as Senior Vice President and Kansas City Lending Manager. Mr. Locke holds a BBA from Pittsburg State University and a MBA from Webster University in St. Louis.

Brian Bjorkman joined the Bank in 2003 and currently serves as the President of the Commercial Division. Prior to joining the Bank, Mr. Bjorkman was President of Commercial Lending at Founders Bank in Chesterfield, Missouri prior to its acquisition by Bank Midwest. Mr. Bjorkman is a graduate of Drake University.

Cheri Bliefernich joined the Bank in 2004 and has served as Executive Vice President of Banking Operations since October 2008. Prior to assuming the current position, Mrs. Bliefernich served as Senior Vice President, Banking since January 2007 and Vice President, Commercial Retail since November 2004. She has also served as Senior Vice President of Retail Banking at Royal Banks and Vice President of Retail Banking at Founders Bank. Mrs. Bliefernich has been in the banking industry for over 16 years.

REGULATION

General

Pulaski Bank is subject to extensive regulation, examination and supervision by the OTS, as its chartering agency, and the FDIC, as the deposit insurer. The Bank is a member of the FHLB System and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund managed by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the OTS and the FDIC to test the Bank’s safety and soundness and compliance with various laws and regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the OTS, the FDIC or through legislation, could have a material adverse impact on our operations. The Company, as a savings and loan holding company, is required to file certain reports with, and otherwise comply with the rules and regulations of the OTS under federal laws.

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Certain of the regulatory requirements applicable to the Bank and to the Company are referred to below or elsewhere herein.

The description of statutory provisions and regulations set forth in this document does not purport to be a complete description of such statutes and regulations and their effects on the Company and the Bank and is qualified in its entirety by reference to the actual statutes and regulations.

Federal Savings Institution Regulation

Business Activities. The activities of federal savings institutions are governed by federal laws and regulations. These laws and regulations delineate the nature and extent of the activities in which federal associations may engage. In particular, many types of lending authority for federal associations, e.g., commercial, non-residential real property and consumer loans, are limited to a specified percentage of the institution's capital or assets.

Loans to One Borrower. Federal laws provide that savings institutions are generally subject to the national bank limits on loans to one borrower. A savings institution may generally not make a loan or extend credit to a single or related group of borrowers in excess of 15% of the Bank's unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if secured by readily-marketable collateral.

QTL Test. Federal law requires savings institutions to meet a qualified thrift lender ("QTL") test. Under the test, a savings bank is required to either be a "domestic building and loan association" within the definition of the Internal Revenue Code of 1986, as amended (the "Code"), or maintain at least 65% of its "portfolio assets" (total assets less (i) specified liquid assets up to 20% of total assets, (ii) intangibles, including goodwill, and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities) on a monthly basis in 9 out of every 12 months.

A savings institution that fails the QTL test is subject to certain operating restrictions and may be required to convert to a bank charter. As of September 30, 2008, the Bank met the QTL test. Recent legislation has expanded the extent to which education loans, credit card loans and small business loans may be considered "qualified thrift investments."

Limitation on Capital Distributions. OTS regulations impose limitations upon all capital distributions by a savings institution, such as cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. Under the regulations, an application to and the prior approval of the OTS is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OTS regulations (*i.e.*, generally examination ratings in the top two categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with OTS. If an application is not required, the institution must still provide prior notice to OTS of the capital distribution since it is a subsidiary of the holding company. If the Bank's capital fell below its regulatory requirements or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

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Assessments. Savings institutions are required to pay assessments to the OTS to fund the agency's operations. The general assessment, paid on a semi-annual basis, is based on the savings institution's total assets, including consolidated subsidiaries, as reported in the latest quarterly thrift financial report.

Branching. The OTS regulations authorize federally chartered savings associations to branch nationwide to the extent allowed by federal statute. This permits federal savings associations with interstate networks to more easily diversify their loan portfolios and lines of business geographically. OTS regulations preempt any state law purporting to regulate branching by federal savings institutions.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), as implemented by OTS regulations, a savings institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with its examination of a savings institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA also requires all institutions to make public disclosure of their CRA ratings. The Bank received a "Satisfactory" CRA rating in its most recent examination.

Transactions with Related Parties. The Bank's authority to engage in certain transactions with "affiliates" (i.e., any company that controls or is under common control with an institution, including the Company and any non-savings institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. Transactions with affiliates must be on terms and under circumstances that are at least as favorable as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities controlled by such persons, is also governed by federal law. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and may not involve more than the normal risk of repayment. An exception exists for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed. There are additional restrictions on extensions of credit to executive officers.

Enforcement. The OTS has primary enforcement responsibility over savings institutions and has the authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may include the issuance of a capital directive or cease and desist order, removal of officers and/or directors, institution of receivership, conservatorship, or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC has the authority to recommend to the Director of the OTS that enforcement action to be taken with

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respect to a particular savings institution. If action is not taken by the Director, the FDIC has the authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

Standards for Safety and Soundness. The federal banking agencies have adopted Interagency Guidelines Prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OTS determines that an institution fails to meet any standard prescribed by the guidelines, the OTS may require the institution to submit an acceptable plan to achieve compliance with the standard.

Capital Requirements. The OTS capital regulations require savings institutions to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS financial institution rating system), and an 8% risk-based capital ratio. In addition, the prompt corrective action standards discussed below also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage capital ratio (3% for institutions receiving the highest rating in the CAMELS financial institution rating system) and, together with the risk-based capital standard itself, a 4% Tier I risk-based capital standard. The OTS regulations also require that, in meeting the tangible, leverage and risk-based capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard for savings institutions requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk weighted assets of 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, recourse obligations and direct credit substitutes are multiplied by a risk-weight of 0% to 100%, as assigned by the OTS capital regulation based on the risks OTS believes are inherent in the type of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain non-cumulative perpetual preferred stock and related surplus, and minority interests in equity accounts of consolidated subsidiaries less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital include capital instruments such as cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock. The allowance for loan and lease losses is includable in supplementary capital up to 1.25% of risk-weighted assets. Up to 45% of unrealized gains in available-for-sale securities with readily determinable fair values is also includable as supplementary capital. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital.

The OTS also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of the particular circumstances.

Prompt Corrective Regulatory Action. The OTS is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of under-capitalization. Generally, a savings institution that has a ratio of total capital to risk-weighted assets of less than 8%, a ratio of Tier I (core) capital to risk-weighted assets of less than 4% or a ratio of core capital to total assets of less than 4% (3% or less for institutions with the highest examination rating) is considered to be "under-capitalized." A savings institution that has a total risk-based capital ratio less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and a savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for an institution that is "critically undercapitalized." The regulation also provides

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that a capital restoration plan must be filed with the OTS within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company in an amount of up to the lesser of 5% of the savings association's total assets when its was deemed to be undercapitalized, or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OTS could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

Insurance of Deposit Accounts. The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation. The Deposit Insurance Fund is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Under the Federal Deposit Insurance Corporation's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it is assigned. For 2008, assessments ranged from five to forty-three basis points of assessable deposits. Due to losses incurred by the Deposit Insurance Fund in 2008 as a result of failed institutions, the Federal Deposit Insurance Corporation has proposed to adopt an across the board seven basis point increase in the assessment range for the first quarter of 2009. The Federal Deposit Insurance Corporation has proposed further refinements to its risk-based assessment that would be effective April 1, 2009 and would make the range eight to 771/2 basis points. The Federal Deposit Insurance Corporation may adjust rates uniformly from one quarter to the next, except that no single adjustment can exceed three basis points. No institution may pay a dividend if in default of the FDIC assessment.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the financing corporation to recapitalize a predecessor deposit insurance funds. That payment is established quarterly and for the year ended December 31, 2008, averaged 1.2 basis points of assessable deposits.

The Federal Deposit Insurance Corporation has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation 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 Federal Deposit Insurance Corporation or the Office of Thrift Supervision. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund.

Federal Home Loan Bank System. The Bank is a member of the FHLB System, which consists of 12 regional FHLBs. The FHLB provides a central credit facility primarily for member institutions. The Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in that FHLB.

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The FHLBs are required to provide funds for the resolution of insolvent thrifts and to contribute funds for affordable housing programs. These requirements could reduce the amount of dividends that the FHLBs pay to their members and could also result in the FHLBs imposing a higher rate of interest on advances to their members. If dividends were reduced or interest on future FHLB advances increased, the Bank's net interest income would likely also be reduced.

Federal Reserve System. The FRB regulations require savings institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The regulations generally require that for 2008, reserves be maintained against aggregate transaction accounts as follows: a 3% reserve ratio is assessed on net transaction accounts over up to and including $45.8 million; a 10% reserve ratio is applied over $45.8 million. The first $8.5 million of otherwise reservable balances (subject to adjustments by the FRB) were exempted from the reserve requirements. The Bank has complied with the foregoing requirements.

Holding Company Regulation

The Company is a non-diversified unitary savings and loan holding company within the meaning of federal law. The Gramm-Leach-Bliley Act of 1999 provides that no company may acquire control of a savings association after May 4, 1999 unless it engages only in the financial activities permitted for financial holding companies under the law or for multiple savings and loan holding companies as described below. Further, the Gramm-Leach-Bliley Act specifies that, subject to a grandfather provision, existing savings and loan holding companies may only engage in such activities. The Company qualifies for the grandfathering and is therefore not restricted in terms of its activities. Upon any non-supervisory acquisition by the Company of another savings association as a separate subsidiary, the Company would become a multiple savings and loan holding company and would be limited to activities permitted multiple holding companies by OTS regulation, such as lending and real estate investments. OTS has issued an interpretation concluding that multiple savings holding companies may also engage in activities permitted for financial holding companies, including insurance activities and underwriting, and investment banking.

A savings and loan holding company is prohibited from, directly or indirectly, acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company without prior written approval of the OTS, and from acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the OTS considers among other things, the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the Deposit Insurance Fund, the convenience and needs of the community and competitive factors.

The OTS may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions; (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Although savings and loan holding companies are not currently subject to specific capital requirements or specific restrictions on the payment of dividends or other capital distributions, federal regulations do prescribe such restrictions on subsidiary savings institutions, as described previously. The Bank must notify the OTS 30 days before declaring any dividend to the Company. In addition, the financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the OTS and the

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agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

Acquisition of the Company. Under the Federal Change in Bank Control Act ("CIBCA"), a notice must be submitted to the OTS if any person (including a company), or a group acting in concert, seeks to acquire 10% or more of the Company's outstanding voting stock, unless the OTS has found that the acquisition will not result in a change in control of the Company. Under the CIBCA, the OTS generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effect of the acquisition. Any company that so acquires control would then be subject to regulation as a savings and loan holding company.

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Item 1A. Risk Factors

An investment in shares of our common stock involves various risks. Before deciding to invest in our common stock, you should carefully consider the risks described below in conjunction with the other information in this annual report on Form 10-K and information incorporated by reference into this annual report on Form 10-K, including our consolidated financial statements and related notes. Our business, financial condition and results of operations could be harmed by any of the following risks or by other risks that have not been identified or that we may believe are immaterial or unlikely. The value or market price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

High loan-to-value ratios on a significant portion of our residential mortgage and home equity line of credit portfolios expose us to greater risk of loss.

Many of our residential mortgage loans are secured by liens on mortgage properties in which the borrowers have little or no equity because we originated a first mortgage with an 80% loan-to-value ratio at the time of purchase and a concurrent second mortgage with a combined loan-to-value ratio of up to 100%. At September 30, 2008, approximately $62.5 million of second mortgage loans, or 18.4% of our $339.5 million residential mortgage loan portfolio, had original combined loan-to-value ratios in excess of 90%. In addition, our home equity lines of credit may have, when added to existing senior lien balances, a combined loan-to-value ratio at the date of origination based upon the fully-disbursed amount, of up to 100% of the value of the home securing the loan. At September 30, 2008, we held $13.6 million of uninsured home equity lines of credit with a combined loan-to-value ratio in excess of 90%. Our average loan-to-value ratio in our home equity line of credit portfolio is below 80%. These loan-to-value ratios are based on values at the time of origination. Subsequent declines in real estate values could result in an increase in such ratios. Residential loans with high combined loan-to-value ratios will be more sensitive to declining property values than would those with lower combined loan-to-value ratios and, therefore, may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, such borrowers may be unable to repay their loans in full from the sale.

The unseasoned nature of many loans in our commercial loan portfolio may result in errors in judging their collectability, which may lead to additional provisions or charge-offs, which would reduce our profits.

Our commercial loan portfolio, which includes loans secured by commercial, multi-family and residential real estate as well as business assets, has increased $123.8 million, or 30.4%, to $530.8 million at September 30, 2008 from $407.0 million at September 30, 2007, and increased $416.0 million, or 362.3%, from $114.8 million at September 30, 2004. A large portion of our commercial loan portfolio is unseasoned and does not provide us with a significant payment history pattern from which to judge future collectability. These loans have also not been subjected to a sustained period of unfavorable economic conditions. As a result, it is difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience, which could adversely affect our future performance. Further, commercial loans generally have larger balances and involve a greater risk than one- to four-family residential mortgage loans. Accordingly, if we make any errors in judgment in the collectability of our commercial loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential mortgage loan portfolio.

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Our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio.

Our non-performing assets increased significantly in fiscal 2008 from $13.6 million, or 1.20% of total assets at September 30, 2007 to $24.4 million, or 1.87% of total assets. The increase was primarily due to the weakened economy and the softening real estate market. If the economy and/or the real estate market continues to weaken these assets may not perform according to their terms and the value of the collateral may be insufficient to pay any remaining loan balance. If this occurs, we may experience losses, which could have a negative effect on our results of operations. Like all financial institutions, we maintain an allowance for loan losses to provide for loans in our portfolio that may not be repaid in their entirety. We believe that our allowance for loan losses is maintained at a level adequate to absorb probable losses inherent in our loan portfolio as of the corresponding balance sheet date. However, our allowance for loan losses may not be sufficient to cover actual loan losses, and future provisions for loan losses could materially adversely affect our operating results.

In evaluating the adequacy of our allowance for loan losses, we consider numerous quantitative factors, including our historical charge-off experience, growth of our loan portfolio, changes in the composition of our loan portfolio and the volume of delinquent and classified loans. In addition, we use information about specific borrower situations, including their financial position and estimated collateral values, to estimate the risk and amount of loss for those borrowers. Finally, we also consider many qualitative factors, including general and economic business conditions, duration of the current business cycle, current general market collateral valuations, trends apparent in any of the factors we take into account and other matters, which are, by nature, more subjective and fluid. Our estimates of the risk of loss and amount of loss on any loan are complicated by the significant uncertainties surrounding our borrowers' abilities to successfully execute their business models through changing economic environments, competitive challenges and other factors. Because of the degree of uncertainty and susceptibility of these factors to change, our actual losses may vary from our current estimates.

Federal regulators, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to increase our allowance for loan losses by recognizing additional provisions for loan losses charged to expense, or to decrease our allowance for loan losses by recognizing loan charge-offs. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our financial condition and results of operations.

If the value of real estate in the St. Louis and Kansas City metropolitan areas were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which could have a material adverse effect on us.

With most of our loans concentrated in the St. Louis and Kansas City metropolitan areas, a decline in local economic conditions could adversely affect the value of the real estate collateral securing our loans. A decline in property values would diminish our ability to recover on defaulted loans by selling the real estate collateral, making it more likely that we would suffer losses on defaulted loans. Additionally, a decrease in asset quality could require additions to our allowance for loan losses through increased provisions for loan losses, which would reduce our profits. Also, a decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are more geographically diverse. Real estate values are affected by various factors in addition to local economic conditions, including, among other things, changes in general or regional economic conditions, governmental rules or policies and natural disasters.

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Our business is subject to the success of the local economy in which we operate.

Because the majority of our borrowers and depositors are individuals and businesses located and doing business in the St. Louis metropolitan area, our success depends, to a significant extent, upon economic conditions in the St. Louis metropolitan area. Adverse economic conditions in our market area could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. Conditions such as inflation, recession, unemployment, high interest rates, short money supply, scarce natural resources, international disorders, terrorism and other factors beyond our control may adversely affect our profitability. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Any sustained period of increased loan delinquencies, foreclosures or losses caused by adverse market or economic conditions in the State of Missouri could adversely affect the value of our assets, revenues, results of operations and financial condition. Moreover, we cannot give any assurance we will benefit from any market growth or favorable economic conditions in our primary market areas if they do occur.

Recent negative developments in the financial industry and the domestic and international credit markets may adversely affect our operations and our stock price.

Negative developments in the latter half of calendar 2007 and 2008 in the subprime mortgage market and the securitization markets for such loans have resulted in uncertainty in the financial markets in general with the expectation of the general economic downturn continuing into 2009. As a result of this “credit crunch,” commercial as well as consumer loan portfolio performances have deteriorated at many institutions and the competition for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets has become more difficult compared to recent years. As a result, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement orders. Negative developments in the financial industry and the domestic and international credit markets, and the impact of new legislation in response to those developments, may negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance or our stock price.

An increase in interest rates may reduce our mortgage revenues, which would negatively impact our non-interest income.

Our mortgage banking operations provide a significant portion of our non-interest income. We generate mortgage revenues primarily from gains on the sale of loans to investors on a servicing released basis. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage revenues and a corresponding decrease in non-interest income. In addition, our results of operations are affected by the amount of non-interest expenses associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

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Fluctuations in interest rates could reduce our profitability and affect the value of our assets.

Like other financial institutions, we are subject to interest-rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. We expect that we will periodically experience imbalances in the interest rate sensitivities of our assets and liabilities and the relationships of various interest rates to each other. Over any defined period of time, our interest-earning assets may be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice versa. In addition, the individual market interest rates underlying our loan and deposit products (*e.g.*, the prime rate) may not change to the same degree over a given time period. In any event, if market interest rates should move contrary to our position, our earnings may be negatively affected. In addition, loan volume and quality and deposit volume and mix can be affected by market interest rates. Changes in levels of market interest rates could materially adversely affect our net interest spread, asset quality, origination volume and overall profitability.

We principally manage interest-rate risk by managing our volume and mix of our earning assets and funding liabilities. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage interest-rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings.

If The Goodwill That We Recorded in Connection with a Business Acquisition Becomes Impaired, It Could Have a Negative Impact on Our Profitability.

Goodwill represents the amount of acquisition cost over the fair value of net assets we acquired in the purchase of another financial institution. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired. We determine impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. At September 30, 2008, our goodwill totaled $3.9 million. While we have recorded no such impairment charges since we initially recorded the goodwill, there can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition and results of operations.

Our business strategy includes the continuation of significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

Our assets have increased $666.3 million, or 104.4%, from $637.9 million at September 30, 2004 to $1.30 billion at September 30, 2008, primarily due to increases in commercial, residential and home equity loans. We expect to continue to experience growth in the amount of our assets, the level of our deposits and the scale of our operations. Achieving our growth targets requires us to attract customers that currently bank at other financial institutions in our market, thereby increasing our share of the market. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced

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bankers, the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas and our ability to manage our growth. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth. If we do not manage our growth effectively, we may not be able to achieve our business plan, and our business and prospects could be harmed.

Our continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that we have sufficient capital resources to satisfy our capital requirements for the foreseeable future. Subsequent to September 30, 2008, we applied for $32.5 million in preferred stock in the U.S. Treasury Department's Tarp Capital Purchase Program. We may at some point, however, need to raise additional capital to support our continued growth. If we raise capital through the issuance of additional shares of our common stock or other securities, it would dilute the ownership interests of existing shareholders and may dilute the per share book value of our common stock. New investors may also have rights, preferences and privileges senior to our current shareholders which may adversely impact our current shareholders.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired.

Our wholesale funding sources may prove insufficient to replace deposits at maturity and support our future growth.

We must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to deposit growth and repayments and maturities of loans and investments. As we continue to grow, we are likely to become more dependent on these sources, which include FHLB advances, borrowings from the Federal Reserve Bank, proceeds from the sale of loans, and brokered certificates of deposit. At September 30, 2008, we had $210.6 million of FHLB advances outstanding with an additional $76.4 million available borrowing capacity, $40.0 million of borrowings from the Federal Reserve Bank outstanding with an additional $128.1 million available borrowing capacity and $128.9 million in brokered certificates of deposit. If we were to become less than "well capitalized," as defined by applicable OTS regulations, it would materially restrict our ability to acquire and retain brokered certificates of deposit and could reduce the maximum borrowing limits we currently have available through the FHLB and the Federal Reserve Bank. Additionally, adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected.

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The building of market share through our branching strategy could cause our expenses to increase faster than revenues.

We may continue to build market share in the St. Louis metropolitan area through our branching strategy. We opened three new branches during calendar year 2007. There are considerable costs involved in opening branches and new branches generally require a period of time to generate sufficient revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, any new branch can be expected to negatively impact our earnings for some period of time until the branch reaches certain economies of scale. We have no assurance our new branches will be successful even after they have been established.

We are dependent upon the services of our management team.

Our future success and profitability is substantially dependent upon the management and banking abilities of our senior executives. We believe that our future results will also depend, in part, upon our attracting and retaining highly skilled and qualified management. We are especially dependent on a limited number of key management personnel, none of whom has an employment agreement with us, except for our chief executive officer. The loss of the chief executive officer and other senior executive officers could have a material adverse impact on our operations because other officers may not have the experience and expertise to readily replace these individuals. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting or retaining such personnel. Changes in key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition and results of operations.

Our failure to continue to recruit and retain qualified loan originators could adversely affect our ability to compete successfully and affect our profitability.

Our continued success and future growth depend heavily on our ability to attract and retain highly skilled and motivated loan originators and other banking professionals. We compete against many institutions with greater financial resources both within our industry and in other industries to attract these qualified individuals. Our failure to recruit and retain adequate talent could reduce our ability to compete successfully and adversely affect our business and profitability.

We operate in a highly regulated environment and we may be adversely affected by changes in laws and regulations.

Pulaski Bank is subject to extensive regulation, supervision and examination by the OTS, its chartering authority, and by the FDIC, as insurer of its deposits. The Company is subject to regulation and supervision by the OTS. Such regulation and supervision govern the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the FDIC insurance fund and for the depositors and borrowers of Pulaski Bank. The regulation and supervision by the OTS and the FDIC are not intended to protect the interests of investors in our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the adverse classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. In addition, the Sarbanes-Oxley Act of 2002, and the related rules and regulations promulgated by the Securities and Exchange Commission and Nasdaq that are applicable to us, have, in recent years, increased the scope, complexity and

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cost of corporate governance, reporting and disclosure practices, including the costs of completing our audit and maintaining our internal controls.

We are subject to security and operational risks relating to our use of technology that could damage our reputation and our business.

Security breaches in our internet banking activities could expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures that could result in damage to our reputation and our business. Additionally, we outsource our data processing to a third party. If our third party provider encounters difficulties or if we have difficulty in communicating with such third party, it will significantly affect our ability to adequately process and account for customer transactions, which would significantly affect our business operations.

Competition from financial institutions and other financial service providers may adversely affect our growth and profitability.

The banking business is highly competitive and we experience competition from many other financial institutions. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, and other mutual funds, as well as other super-regional, national and international financial institutions that operate offices in our primary market areas.

We compete with these institutions both in attracting deposits and in making loans. This competition has made it more difficult for us to make new loans and has occasionally forced us to offer higher deposit rates. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which reduces net interest income. Many of our competitors are larger financial institutions. While we believe we can and do successfully compete with these other financial institutions in our primary markets, we may face a competitive disadvantage as a result of our smaller size, smaller resources and smaller lending limits, lack of geographic diversification and inability to spread our marketing costs across a broader market. In recent years, several new financial institutions have formed in the St. Louis area. These de novo banks may price their loans and deposits aggressively in order to attract customers. Although we compete by concentrating our marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, we can give no assurance this strategy will be successful.

We may have fewer resources than many of our competitors to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

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Our ability to service our debt, pay dividends and otherwise pay our obligations as they come due is substantially dependent on capital distributions from Pulaski Bank, and these distributions are subject to regulatory limits and other restrictions.

A substantial source of our income from which we service our debt, pay our obligations and from which we can pay dividends is the receipt of dividends from Pulaski Bank. The availability of dividends from Pulaski Bank is limited by various statutes and regulations. It is possible, depending upon the financial condition of Pulaski Bank, and other factors, that the applicable regulatory authorities could assert that payment of dividends or other payments is an unsafe or unsound practice. In the event that Pulaski Bank is unable to pay dividends to us, we may not be able to service our debt, pay our obligations or pay dividends on our common stock. The inability to receive dividends from Pulaski Bank would adversely affect our business, financial condition, results of operations and prospects.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The Bank conducts its business through twelve full-service banking offices. The following table sets forth information on those offices as of September 30, 2008.

Location	Year Opened	Net Book Value (1)	Owned/ Leased	Approximate Square Footage
		(Dollars in thousands)		
Main Office:				
12300 Olive Boulevard Creve Coeur, Missouri 63141	1978	$ 3,204	Owned	32,300
Full-Service Bank Offices:				
199 Jamestown Mall Florissant, Missouri 63034	1998	57	Leased (2)	2,500
3760 South Grand Avenue St. Louis, Missouri 63118	1967	567	Owned	3,500
4226 Bayless Road St. Louis, Missouri 63123	2001	751	Owned	3,200
1928 Zumbehl Road St. Charles, Missouri 63303	2000	840	Owned	2,800
1700 O'Fallon Road St. Charles, Missouri 63304	2003	1,201	Owned	4,000
17701 Edison Road, Suite 100 Chesterfield, Missouri 63005	2005	1,609	Owned	3,800
415 DeBaliviere St. Louis, Missouri 63112	2006	1,500	Owned (3)	25,000
10 Maryland Plaza St. Louis, Missouri 63108	2006	25	Leased (4)	1,700
6510 Clayton Road Richmond Heights, Missouri 63117	2007	2,892	Owned	2,700
900 Olive Street St. Louis, Missouri 63101	2007	957	Leased (5)	3,700
175 Carondelet Plaza Clayton, Missouri 63105	2007	937	Leased (6)	4,100
Other Offices:				
12152 Olive Boulevard St. Louis, Missouri 63141	2002	—	Leased (7)	5,000
6600 College Boulevard Overland Park, Kansas 66211	2002	176	Leased (8)	10,000
702 East Highway 50 O'Fallon, Illinois 62269	2006	58	Leased (9)	10,400
2724A Grovelin Street Godfrey, Illinois 62035	2006	9	Leased (10)	1,400

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Location	Year Opened	Net Book Value (1)	Owned/ Leased	Approximate Square Footage
8413 Clint Drive Belton, Missouri 64012	2007	53	Leased (11)	900
821 NE Columbus, Suite 100 Lee's Summit, Missouri 64063	2008	8	Leased (12)	1,900
One Pulaski Center Drive St. Louis, Missouri 63141	2003	4,094	Owned (13)	27,000
Future offices (14)		915		

(1) Represents the net book value of land, buildings, furniture, fixtures and equipment owned by the Bank.
(2) Includes the period the office was located at 6955 Parker Road at Highway 367 in Florissant. The office was moved to its current site in October 1998. Lease expires on August 31, 2011.
(3) The Bank acquired this location as a result of the acquisition of Central West End Bank in March 2006. Approximately 7,974 square feet is leased to eight tenants with varying lease expiration dates.
(4) The Bank acquired this lease as a result of the acquisition of Central West End Bank in March 2006. The lease expires on April 30, 2009.
(5) Lease expires on August 31, 2017.
(6) Lease expires on September 30, 2017.
(7) Serves as a record storage site. Lease is on a month-to-month term.
(8) Houses loan production office. Lease expires on October 31, 2013.
(9) Houses loan production office. Lease expires on February 28, 2009. Office was closed October 31, 2008.
(10) Houses loan production office. Lease expires on December 14, 2009.
(11) Houses loan production office. Lease expires on April 30, 2010.
(12) Houses loan production office and opened effective October 14, 2008. Lease expires on October 15, 2011.
(13) Houses the mortgage lending, appraisal and title divisions.
(14) Consists of land purchased at New Halls Ferry, leasehold improvements and furniture, fixtures and equipment related to Lee's Summit office opened effective October 2008.

Item 3. Legal Proceedings

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which, in the aggregate, involve amounts which are believed by management to be immaterial to the financial condition and results of operations of the Company.

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

None.

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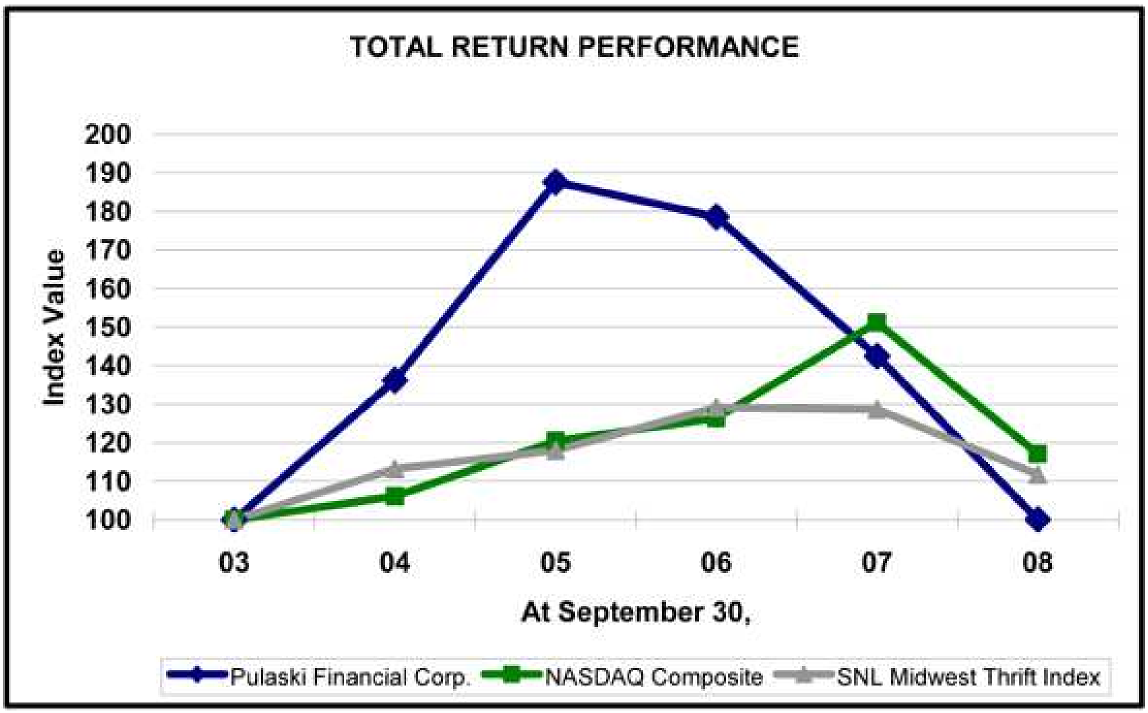
PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The market for the registrant's common equity and related stockholders matters required by this item is incorporated herein by reference to the section captioned "Common Stock Information" in the Annual Report to Stockholders.

For a description of restrictions on Pulaski Bank's ability to pay cash dividends to Pulaski Financial Corp., see "Regulation – Federal Savings Institution Regulation – Limitations on Capital Distributions" in this annual report on Form 10-K.

The following graph compares the cumulative total stockholder return on the Company's common stock with the cumulative total return on the Nasdaq Index (U.S. Companies) and with the SNL Midwest Thrift Index. The total return assumes reinvestment of all dividends. The graph assumes $100 was invested at the close of business on September 30, 2003.



Index	At September 30, 2003	2004	2005	2006	2007	2008
Pulaski Financial Corp.	$100.00	$136.22	$187.59	$178.56	$142.45	$100.12
NASDAQ Composite	100.00	106.15	120.41	126.39	151.18	117.06
SNL Midwest Thrift Index	100.00	113.21	117.98	129.14	128.62	111.71

Source: SNL Financial LC, Charlottesville, VA

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ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2008 through July 31, 2008	63	$9.50	63	386,140
August 1, 2008 through August 31, 2008	—	—	—	386,140
September 1, 2008 through September 30, 2008	2,074	8.70	2,074	384,066
Total	2,137	$8.72	2,137	

(1) In February 2007, the Company announced a repurchase program under which it could repurchase up to 497,000 shares of the Company's common stock. The repurchase program will continue until it is completed or terminated by the Board of Directors.

Item 6. Selected Financial Data

The information required by this item is incorporated herein by reference to the section captioned "Selected Consolidated Financial Information" in the Annual Report to Stockholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is incorporated herein by reference to the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report to Stockholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated herein by reference to the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Analysis" in the Annual Report to Stockholders.

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Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are incorporated herein by reference to the audited consolidated financial statements and notes thereto included in the Annual Report to Stockholders.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. In addition, based on that evaluation, no change in the Company's internal control over financial reporting occurred during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's report on internal control over financial reporting is incorporated by reference to page 32 in the Annual Report to Stockholders.

KPMG LLP's attestation report on the Company's internal control over financial reporting is incorporated by reference to page 33 in the Annual Report to Stockholders.

Item 9B. Other Information

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Directors

For information concerning the Board of Directors of the Company, the information contained under the section captioned "Proposal 1—Election of Directors" in the Proxy Statement is incorporated herein by reference.

Compliance with Section 16(a) of the Exchange Act

Reference is made to the cover page of this Form 10-K and to the section captioned "Compliance with Section 16(a) of the Exchange Act" in the Proxy Statement for information regarding compliance with Section 16(a) of the Exchange Act.

Code of Ethics

We have adopted a written code of ethics, which applies to our senior financial officers. We intend to disclose any changes or waivers from our Code of Ethics applicable to any senior financial officers on our website at http://www.pulaskibankstl.com or in a report on Form 8-K. A copy of the Code of Ethics is available, without charge, upon written request to Christine A. Munro, Corporate Secretary, Pulaski Financial Corp., 12300 Olive Blvd, St. Louis, MO 63141.

Corporate Governance

For information regarding the audit committee and its composition and the audit committee expert, the section captioned "Corporate Governance – Meetings and Committees of the Board of Directors" in the Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation

The information contained under the sections captioned "Executive Compensation" and "Corporate Governance – Directors' Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Stock Ownership" in the Proxy Statement.

(b) Security Ownership of Management

The information required by this item is incorporated herein by reference to the sections captioned "Stock Ownership" in the Proxy Statement.

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(c) Changes in Control

The Company is not aware of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

(d) Equity Compensation Plan Information

Information required by this item is incorporated herein by reference to the section captioned "Item 2 – Approval of the Amendment to the Pulaski Financial Corp. 2006 Long-Term Incentive Plan – Equity Compensation Plan Information" in the Proxy Statement.

Item 13. Certain Relationships, and Director Independence Related Transactions

The information set forth under the sections captioned "Corporate Governance – Independent Directors," "– Policy and Procedures Governing Related Party Transactions," and "Transactions with Management" in the Proxy Statement is incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information set forth under the section captioned "Proposal 3 – Ratification of Independent Registered Public Accounting Firm" in the Proxy Statement is incorporated by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at September 30, 2008 and 2007

Consolidated Statements of Income and Comprehensive Income for the Years Ended September 30, 2008, 2007 and 2006

Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2008, 2007 and 2006

Consolidated Statements of Cash Flows for the Years Ended September 30, 2008, 2007 and 2006

Notes to Consolidated Financial Statements for the Years ended September 30, 2008, 2007 and 2006

Such financial statements are incorporated herein by reference to the Consolidated Financial Statements and Notes thereto included in the Annual Report to Stockholders

2. Financial Statement Schedules

None.

3. Exhibits

The exhibits listed below are filed as part of this report or are incorporated by reference herein.

3.1	Articles of Incorporation of Pulaski Financial Corp.[1]
3.2	Certificate of Amendment to Articles of Incorporation of Pulaski Financial Corp.[2]
3.3	Bylaws of Pulaski Financial Corp.[3]
4.1	Form of Certificate for Common Stock[4]
4.2	No long-term debt instrument issued by the Registrant exceeds 10% of consolidated assets or is registered. In accordance with paragraph 4(iii) of Item 601(b) of Regulation S-K, the Registrant will furnish the Securities and Exchange Commission copies of long-term debt instruments and related agreements upon request.
10.1	Employment Agreement by and among Pulaski Bank, Pulaski Financial Corp. and Gary W. Douglass[5]
10.2	Pulaski Financial Corp. 2002 Stock Option Plan.[1]
10.3	Pulaski Financial Corp. 2000 Stock-Based Incentive Plan[6]
10.4	Amendment to Pulaski Financial Corp. 2002 Stock Option Plan[7]
10.5	Pulaski Financial Corp. Deferred Compensation Plan ("Equity Trust Plan") [8]
10.6	Separation and Release Agreement between Pulaski Financial Corp. and William A. Donius[5]
10.7	Form of Stock Option Agreement[9]
10.8	Pulaski Financial Corp. Cash-Based Deferred Compensation Plan[11]
10.9	Pulaski Financial Corp. Stock-Based Preferred Compensation Plan[11]

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10.10	Form of Pulaski Financial Corp. Stock-Based Deferred Compensation Plan Election Form[11]
10.11	Form of Pulaski Financial Corp. Stock-Based Deferred Compensation Plan Election Form[11]
10.12	Pulaski Financial Corp. 2006 Long-Term Incentive Plan[11]
10.13	Form of Non-Solicitation and Confidentiality Agreement between Pulaski Financial Corp. and each of Ramsey K. Hamadi, W. Thomas Reeves, Matthew A. Locke and Brian J. Bjorkman
13.1	Annual Report to Stockholders
21.1	Subsidiaries of Pulaski Financial Corp.
23.1	Consent of KPMG LLP
31.1	Rule 13a-14(a) 15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) 15d-14(a) Certification of Chief Financial Officer
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

1 Incorporated herein by reference to Pulaski Financial Corp.'s Definitive Proxy Statement for the 2003 Annual Meeting of Stockholders.

2 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-Q for the quarterly period ended December 31, 2003, as filed on February 17, 2004.

3 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-Q for the quarterly period ended June 30, 2005, as filed on August 9, 2005.

4 Incorporated herein by reference from the Form S-1 (Registration No. 333-56465), as amended, as filed on June 9, 1998.

5 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-Q for the quarterly period ended March 31, 2008, as filed on May 12, 2008.

6 Incorporated herein by reference to Pulaski Financial Corp.'s Definitive Proxy Statement for the 2000 Annual Meeting of Stockholders.

7 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-Q for the quarterly period ended March 31, 2004, as filed on May 14, 2004.

8 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-K for the year ended September 30, 2003, as filed on December 27, 2003.

9 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-Q for the year period ended March 31, 2005, as filed on May 10, 2005.

10 Incorporated herein by reference to Pulaski Financial Corp.'s Form 10-k for the year ended September 30, 2005, as filed on December 13, 2005.

11 Incorporated herein by reference to Pulaski Financial Corp.'s Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders.

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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.

PULASKI FINANCIAL CORP.
(Registrant)

/s/ Gary W. Douglass
Gary W. Douglass
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ Gary W. Douglass Gary W. Douglass	President and Chief Executive Officer (principal executive officer)	December 12, 2008
/s/ Ramsey K. Hamadi Ramsey K. Hamadi	Chief Financial Officer (principal accounting and financial officer)	December 12, 2008
/s/ Stanley J. Bradshaw Stanley J. Bradshaw	Chairman of the Board	December 12, 2008
/s/ Lee S. Wielansky Lee S. Wielansky	Vice-Chairman of the Board	December 12, 2008
/s/ William M. Corrigan, Jr. William M. Corrigan, Jr.	Director	December 12, 2008
/s/ William A. Donius William A. Donius	Director	December 12, 2008
/s/ Leon A. Felman Leon A. Felman	Director	December 12, 2008
/s/ Michael R. Hogan Michael R. Hogan	Director	December 12, 2008
/s/ Timothy K. Reeves Timothy K. Reeves	Director	December 12, 2008
/s/ Steven C. Roberts Steven C. Roberts	Director	December 12, 2008

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Section 2: EX-10.13 (EXHIBIT 10.13)

Exhibit 10.13

NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

1. **Parties.** This Non-Solicitation and Confidentiality Agreement (the "Agreement") is entered into by Pulaski Financial Corp., its present and future subsidiaries, affiliates, and assigns (collectively hereinafter "Employer") and ________________ (hereinafter "Employee"). In consideration of the granting of stock option awards to Employee for shares of stock in Pulaski Financial by the Board of Directors of Pulaski Financial, pursuant to the recommendation of the Compensation Committee at its meeting on November 30, 2007, and Employee's employment or continued employment by the Employer, access to some of Employer's

confidential information, and other good and sufficient consideration, receipt of which is hereby acknowledged, the Employee agrees to the terms of this Agreement.

2. **Employee Acknowledgment.** Employee acknowledges that Employer's relationships with its customers, employees and other business associations are among Employer's most important assets, and that developing, maintaining and continuing these relationships is one of Employer's highest priorities. Employee further understands that he or she will be relied upon to develop and maintain the goodwill of these relationships on behalf of the Employer throughout the course of the employment relationship. Employee further acknowledges and agrees that the restrictions in this Agreement are reasonable to protect Employer's rights under this Agreement and to safeguard the Company's confidential information and aforementioned relationships.

3. **Non-Solicitation of Referral Sources and Customers of Employer.** During Employee's employment with Employer and, if Employee terminates his/her employment with Employer for any reason, or if Employer terminates Employee's employment for cause, for a period of one (1) year after the date of such termination (the "Termination Date"), Employee agrees that he or she will not, directly or indirectly, by any means or device whatsoever, for any person, business or entity in competition with or providing the same services as Employer, call upon, solicit, divert, or accept business from any customers of Employer who were customers of Employer at any time during the one year period preceding Employee's Termination Date, and with which Employee had contact during his or her employment with Employer or about which Employee became aware during Employee's employment with Employer.

4. **Non-Solicitation of Employees.** During Employee's employment with Employer and, if Employee terminates his/her employment with Employer for any reason, or if Employer terminates Employee's employment for cause, for a period of one (1) year after the Termination Date, Employee will not, directly or indirectly, either for Employee or for any other person, firm, employer or corporation: (1) call upon, solicit, divert, or hire, or attempt to solicit, divert, or hire any of the employees of Employer or (2) call upon, solicit, divert, or hire or attempt to solicit, divert, or hire any former employee of the Employer during the first six months after such former employee's termination of employment with Employer.

5. **Return of Employer's Records.** Employee agrees that upon termination of Employee's employment, for any reason whatsoever, Employee will immediately deliver to the Employer in good condition all records kept by Employee containing the names, addresses or any other information with regard to referral sources or customers of the Employer, or

concerning any operational, financial or other documents of Employer given to Employee during Employee's employment with Employer. Employee also agrees that he or she will not retain any copies (whether hard copy or electronic) of the foregoing information.

6. **Non-Disclosure by Employee.** Employee acknowledges and agrees that any confidential information obtained by Employee while employed by the Employer, including but not limited to customer lists and customer contacts, referral lists and referral contacts, financial, promotional, marketing, training or operational information, and employment data is highly confidential, and is important to the Employer and to the effective operation of the Employer's business. Employee therefore agrees that while employed by the Employer, and at any time thereafter, Employee will make no disclosure of any kind, directly or indirectly, concerning any such confidential matters relating to the Employer or any of its activities.

7. **Change in Control.** In the event that there is a change in control, the non-solicitation agreements in paragraphs 3 and 4 shall not be enforceable. For purposes of this Agreement, a "change in control" means any of the following events:

a. Merger: The Employer merges into or consolidates with another entity, or merges another corporation into the Employer, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Employer immediately before the merger or consolidation;

b. Acquisition of Significant Share Ownership: There is filed, or is required to be filed, a report on Schedule 13D or another form or schedule (other than Schedule 13G) required under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, if the schedule discloses that the filing person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Employer's voting securities, but this clause (b) shall not apply to beneficial ownership of Employer voting shares held in a fiduciary capacity by an entity of which the Employer directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

c. Sale of Assets: The Employer sells to a third party all or substantially all of its assets.

8. **Enforcement.** In the event of a breach or threatened breach by the Employee of the provisions of this Agreement, the Employer shall be entitled to obtain a restraining order and/or an injunction restraining the Employee from violating this Agreement in any way. The availability of relief under this paragraph is not cumulative or exclusive and Employer shall have available all other remedies available in law or equity to enforce the terms of this Agreement.

9. **Attorneys' Fees.** In the event that there is a dispute or litigation concerning any aspect of this Agreement, the prevailing party shall be entitled to all costs, including reasonable attorneys' fees, incurred in such dispute or litigation.

10. **Interpretation of Agreement.** The parties covenant that this Agreement shall be construed and governed by Missouri law. No provision of this Agreement shall be construed against any party because that party, or their counsel, drafted the provision.

11. **Severability.** It is further the intention of the parties hereto that this Agreement restrict the activities of Employee only to the extent necessary for the protection of the legitimate business interests of Employer, and the parties specifically covenant and agree that should any of the provisions set forth herein be held to be too broad for such purpose or invalid or unenforceable, said provisions will be so interpreted and applied in such a narrower sense as shall be necessary to make the same valid and enforceable. Furthermore, should any term or provision of this Agreement be deemed invalid or unenforceable for any reason, the remaining terms and provisions of this Agreement shall remain in full force and effect.

12. **Jurisdiction and Venue.** Any cause of action or litigation of any kind related to the enforceability of this Agreement or any of its terms shall exclusively be initiated in the St. Louis County Circuit Court, State of Missouri.

13. **Employee-at-will.** Employer and Employee acknowledge and understand that Employee is an employee at-will and, as a consequence, either party may terminate the employment relationship at any time for any reason or no reason at all.

14. **Entire Agreement.** This writing contains the whole and entire agreement of the parties and supersedes all prior and contemporaneous agreements, representations and understandings regarding the issues covered herein.

AGREED AND ACCEPTED:

EMPLOYEE:	PULASKI FINANCIAL CORP.
Signed: ______________________________	By: ______________________________
Printed Name: ______________________________	Its: ______________________________
Dated: ______________________________	Dated: ______________________________

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Section 3: EX-13.1 (EXHIBIT 13.1)

Exhibit 13.1

Pulaski Financial Corp.

2008 Annual Report

BUSINESS OF THE COMPANY

Pulaski Financial Corp. (the "Company") is a diversified, community-based, financial institution holding company headquartered in St. Louis, Missouri. We conduct operations primarily through Pulaski Bank, a federally chartered savings bank (the "Bank"). Pulaski Bank provides an array of financial products and services for businesses and consumers primarily through its twelve full-service offices in the St. Louis metropolitan area and three loan production offices in the Kansas City metropolitan area and the Illinois portion of the St. Louis metropolitan area.

We have grown our assets and deposits internally by building our residential and commercial lending operations, opening de novo branches, and hiring experienced bankers with existing customer relationships in our market. Although we intend to expand primarily through internal growth, we may also make strategic acquisitions and will explore such opportunities as they become available. We operate twelve full-service bank locations in the St. Louis metropolitan area. Our goal is to continue to deliver value to our shareholders and to enhance our franchise value and earnings through controlled growth in our banking operations, while maintaining the personal, community-oriented customer service that has characterized our success to date.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	At or For the Years Ended September 30,				
	2008	2007	2006	2005	2004
	(In thousands, except per share amounts)				
FINANCIAL CONDITION DATA					
Total assets	$1,304,150	$1,131,465	$962,467	$789,861	$637,886
Loans receivable, net	1,088,737	949,826	785,199	633,195	510,584
Loans held for sale	71,966	58,536	60,452	64,335	49,152
Debt and equity securities	733	16,988	17,449	10,228	12,986
Capital stock of Federal Home Loan Bank	10,896	8,306	9,524	8,462	7,538
Mortgage-backed securities	25,925	3,027	3,631	4,833	6,574
Cash and cash equivalents	29,078	23,774	22,123	25,688	20,296
Deposits	915,311	835,489	655,577	496,171	406,799
Deposit liabilities held for sale	—	—	—	25,375	—
Advances from the Federal Home Loan Bank	210,600	158,400	172,800	171,000	154,600
Borrowings from the Federal Reserve	40,000	—	—	—	—
Subordinated debentures	19,589	19,589	19,589	19,589	9,279
Stockholders' equity	82,361	80,804	75,827	48,246	40,974
OPERATING DATA					
Interest and dividend income	$ 73,266	$ 70,925	$ 53,843	$ 37,792	$ 23,832
Interest expense	37,653	41,834	29,027	16,732	7,806
Net interest income	35,613	29,091	24,816	21,060	16,026
Provision for loan losses	7,735	3,855	1,501	1,635	1,934
Net interest income after provision for loan losses	27,878	25,236	23,315	19,425	14,092
Securities (losses) gains	(7,870)	273	123	—	736
Gain on branch sale	—	—	2,474	—	—
Other non-interest income	12,785	10,748	9,862	10,048	7,546
Total non-interest expense	29,220	22,773	20,511	17,576	13,037
Income before income taxes	3,573	13,484	15,263	11,897	9,337
Income taxes	684	4,501	5,425	4,418	3,485
Net income	$ 2,889	$ 8,983	$ 9,838	$ 7,479	$ 5,852
COMMON SHARE DATA(1)					
Basic earnings per share	$ 0.29	$ 0.92	$ 1.07	$ 0.94	$ 0.75
Diluted earnings per share	$ 0.28	$ 0.88	$ 1.01	$ 0.85	$ 0.67
Dividends declared per share	$ 0.37	$ 0.35	$ 0.33	$ 0.28	$ 0.20
Book value per share	$ 8.06	$ 8.13	$ 7.62	$ 5.72	$ 4.98
Weighted average shares—basic	9,914	9,814	9,206	7,926	7,758
Weighted average shares—diluted	10,239	10,256	9,718	8,828	8,695
Shares outstanding—end of period	10,216	9,935	9,946	8,439	8,227

(1) Reflects a three-for-two stock split in July 2005.

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	At or For the Year Ended September 30,				
	2008	2007	2006	2005	2004
KEY OPERATING RATIOS					
Return on average assets	0.23%	0.85%	1.14%	1.06%	1.18%
Return on average equity	3.34	11.07	14.98	16.37	15.31
Average equity to average assets	6.99	7.70	7.62	6.45	7.68
Interest rate spread	2.81	2.63	2.87	3.04	3.38
Net interest margin	3.08	2.97	3.12	3.18	3.48
Efficiency ratio	61.19	58.63	58.59	56.67	56.56
Dividend payout ratio	130.36	39.20	32.67	32.94	29.70
Non-interest expense to average assets	2.40	2.22	2.36	2.56	2.76
Average interest-earning assets to average interest-bearing liabilities	108.29	107.79	106.96	105.59	105.85
Allowance for loan losses to total loans receivable at end of period	1.16	1.09	0.99	1.06	1.08
Allowance for loan losses to nonperforming loans	61.76	99.44	115.89	113.51	130.63
Net charge-offs to average outstanding loans receivable during the period	0.52	0.14	0.10	0.06	0.06
Nonperforming assets to total assets	1.87	1.20	0.99	0.86	0.84
OTHER DATA					
Number of:					
Full-time equivalent employees	427	421	361	327	258
Full service offices	12	11	9	8	7
CAPITAL RATIOS(1)					
Tangible capital	7.93%	8.79%	9.30%	8.60%	8.14%
Core capital	7.93	8.79	9.30	8.60	8.14
Total risk-based capital	10.59	11.18	11.99	10.85	11.46

(1) Capital ratios are for Pulaski Bank.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding our financial condition and results of operations. The information contained in this section should be read in conjunction with the consolidated financial statements and accompanying notes contained elsewhere in this annual report.

This report may contain certain "forward-looking statements" within the meaning of the federal securities laws, which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts; rather, they are statements based on management's current expectations regarding our business strategies, intended results and future performance. Forward-looking statements are generally preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions.

Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors that could affect actual results include interest-rate trends, the general economic climate in the market area in which we operate, as well as nationwide, our ability to control costs and expenses, products and pricing offered by competitors, loan delinquency rates, demand for loans and deposits, changes in the quality or composition of our loan portfolio, changes in accounting principles and changes in federal and state legislation and regulation. Additional factors that may affect our results are discussed in the section titled "Risk Factors" in our annual report on Form 10-K and in other reports filed with the Securities and Exchange Commission. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. We assume no obligation to update any forward-looking statements.

PULASKI IS A "TRUE COMMUNITY BANK"

Pulaski Bank is one of St. Louis' top residential lenders, originating $1.46 billion of new residential mortgage loans in the St. Louis metropolitan area during the year ended September 30, 2008. In addition, we originated $483.2 million of commercial loans during the year. Despite a challenging economic environment, we were able to leverage these customer relationships, which helped us grow our core deposits by 35%, increase our mortgage revenues by 24% and increase our retail banking fees by 16%. Pulaski has an 86-year history of serving many St. Louis neighborhoods. However, for much of that history, the Bank was too small to effectively meet the needs of the larger metropolitan area. In the last five years, we expanded our operations and have positioned ourselves to be a "True Community Bank" to metropolitan St. Louis.

St. Louis MSA Banks & Thrifts

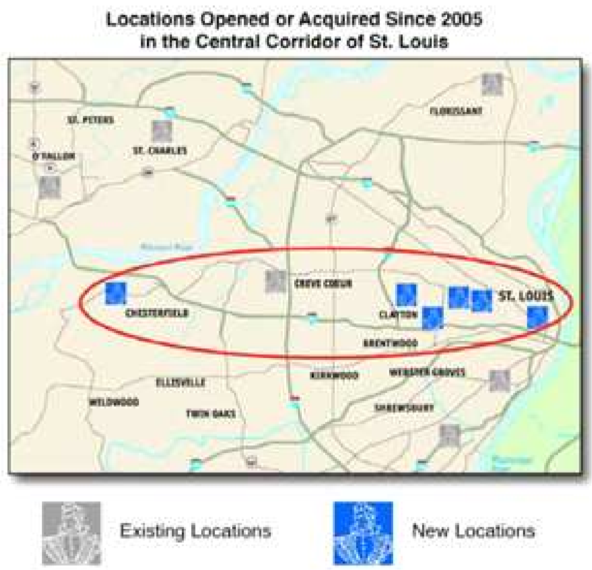
Rank	Company Name	Head-quarters	Charter	Number of Branches	June 2008 Deposits In Millions	Pct of Total
1	U.S. Bank	MN	Bank	116	$10,188	17.5%
2	Bank of America	NC	Bank	62	7,869	13.5
3	Southwest Bank	WI	Bank	18	4,547	7.8
4	Commerce Bank	MO	Bank	53	3,967	6.8
5	Regions Bank	AL	Bank	71	2,726	4.7
6	National City Bank	PA	Bank	61	2,325	4.0
7	First Banks, Inc.	MO	Bank	57	2,190	3.8
8	Enterprise Bank & Trust	MO	Bank	4	1,296	2.2
9	Central Bancompany, Inc.	MO	Bank	14	981	1.7
10	Banc Ed Corp.	IL	Bank	20	930	1.6
11	Reliance Bank	MO	Bank	20	910	1.6
12	UMB Bank	MO	Bank	25	899	1.6
13	Pulaski Bank	MO	Thrift	12	851	1.5
14	First Co Bancorp, Inc.	IL	Bank	12	810	1.4
15	Heartland Bank	MO	Thrift	12	665	1.1
	Institutions Ranked 16 - 139			405	16,966	29.2
Source: SNL Financial LLC, Charlottesville, VA			Total	962	$58,120	100.0%

St. Louis is the eighteenth largest metropolitan area in the United States, with a population of 2.8 million and an average household income of $48,716, which is 5% higher than the national average. Ranked according to total deposits at June 30, 2008 as reported by SNL Financial LLC, Pulaski Bank is the thirteenth largest bank in the St. Louis metropolitan area and, with only 1.5% of the area's $58 billion in deposits, has significant growth potential. The St. Louis economy is relatively stable and diverse with educational and health services employing

15% of the workforce, and professional and business services employing 14% of the workforce.

Our community banking strategy emphasizes high-quality, responsive, and personalized customer service. The St. Louis market has experienced heavy consolidation in the banking sector during the last twelve years, with more than $77 billion in deposits acquired by regional and national banks. This consolidation has created larger banks, which are perceived by many customers as impersonal or unresponsive. We believe there is a significant opportunity for a locally-managed, community-focused bank to provide a full range of financial services to retail customers and small- and middle-market businesses. By offering quicker decision making in the delivery of banking products and services, offering customized products where needed, and providing our customers access to our senior decision makers, we distinguish ourselves from the larger regional banks operating in our market areas. Conversely, our larger capital base and product mix enable us to compete effectively against smaller banks with limited services and capabilities.

Locally-based community banks, like Pulaski, have also gained market share by recruiting experienced bankers who have been displaced by mergers with larger, out-of-area banks. These bankers have generally developed strong relationships with customers who are willing to follow them to another financial institution. We believe that St. Louisans strongly favor doing business with companies that are locally-managed, creating opportunities for Pulaski.



In addition to attracting and retaining veteran bankers who are St. Louis natives, the Company's strategic plan is focused on providing convenient bank locations in the St. Louis commercial districts. Since 2005, the Bank has opened or acquired six new full-service locations, including its newest location in Clayton, Missouri, which was opened in October 2007. All of these locations are convenient to the metropolitan St. Louis commercial and financial centers.

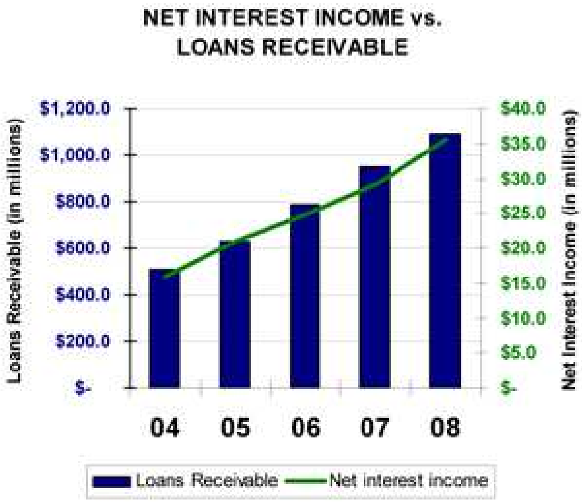
Community Banking Strategy Produced Strong Growth in Key Indicators

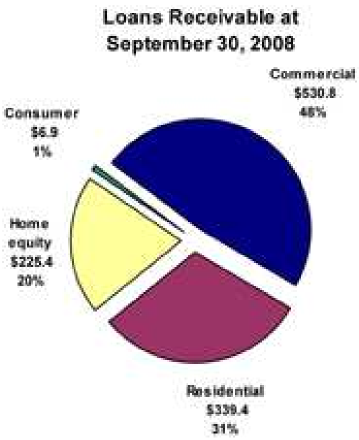
We saw net income decline 67.8% in fiscal 2008 compared to 2007 primarily due to a $7.9 million loss on the sale of the Company's entire portfolio of Fannie Mae preferred stock, a 101% increase in the provision for loan losses, and expenses associated with the resignation of the Company's former chief executive officer. See *Comparison of Operating Results for the Years Ended September 30, 2008 and 2007*. However, execution of the Company's community banking strategy produced strong, consistent performance in many of its key indicators, such as growth in net interest income, other revenues, total assets, loans and deposits, thereby positioning the Company for improved earnings in future periods. Specifically, during the five years ended September 30, 2008, we have:

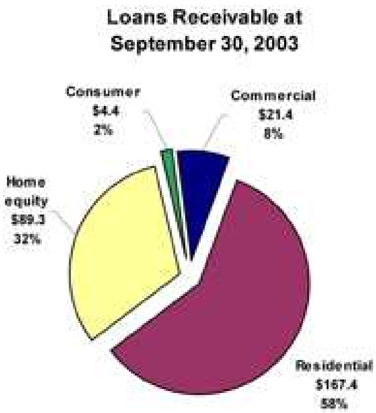
- Increased our net interest income from $16.0 million to $35.6 million, representing a 17% compound annual growth rate ("CAGR").
- Increased our mortgage revenues from $4.0 million to $6.1 million, representing a 9% CAGR.
- Increased our retail banking fees from $2.4 million to $4.0 million, representing an 11% CAGR.
- Increased our total assets from $401.4 million to $1.30 billion, representing a 27% CAGR.
- Increased our total loan portfolio from $276.9 million to $1.09 billion, representing a 32% CAGR.
- Increased our total deposits from $313.6 million to $915.3 million, representing a 24% CAGR.

- Reduced our ratio of non-interest expense to average assets from 2.76% to 2.40%.
- Expanded the number of residential and commercial loan officers from 40 to 87.
- Expanded our St. Louis bank network from seven to twelve full-service locations.

Over the last several years, the Company's earnings have become progressively less dependent on non-interest income sources as the loan portfolio has expanded, resulting in higher interest income and, ultimately, higher net interest income. Net interest income increased to $35.6 million for the year ended September 30, 2008 compared to $16.0 million for the year ended September 30, 2004. Driven by growth in our commercial and residential portfolios, loans receivable increased 293.2% over the last five years, from $276.9 million at September 30, 2003 to $1.09 billion at September 30, 2008.





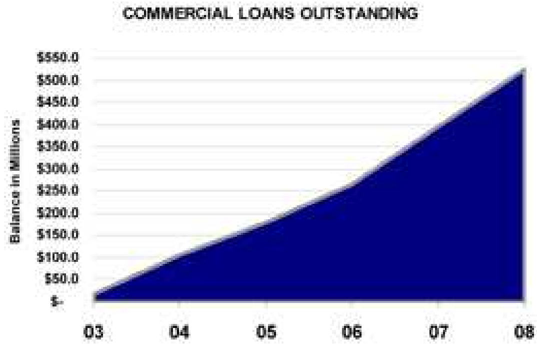


Our community banking strategy is centered on serving small- and medium-sized businesses. At September 30, 2003, we were principally a residential lender, with 94% of our loan portfolio consisting of residential and home equity loans. Over the past five years, the commercial lending division has been a significant contributor to our growth, with $123.8 million of net loan growth in fiscal 2008 and $509.3 million since September 30, 2003. The commercial loan portfolio totaled $530.8 million, or 48% of total loans receivable, at September 30, 2008 compared to $21.4 million, or 8% of total loans receivable, at September 30, 2003.

Our strategy enabled us to increase our share of the $58 billion St. Louis deposit market from 0.7% at September 30, 2003 to 1.5% at June 30, 2008. Total deposits increased to $915.3 million at September 30, 2008 from $313.6 million at September 30, 2003. We continue to grow our core deposit accounts, which we define as checking, money market and savings accounts. Core deposit accounts increased to $430.1 million at September 30, 2008 compared to $132.2 million at September 30, 2003. Money market accounts and interest-bearing checking accounts increased 131.8% and 591.4%, respectively, during the same period to $149.1 million and $178.7 million, respectively, at September 30, 2008. Non-interest-bearing checking accounts increased 713.2% since September 30, 2003 to $76.4 million at September 30, 2008. The increases stem primarily from growth in commercial relationships, expanded products and a marketing campaign focused on increasing customer relationships. Fueled by this deposit growth, retail banking fees increased 65.9% from $2.4 in fiscal 2004 to $4.0 million in fiscal 2008.

FOCUS OF OUR COMMUNITY BANKING STRATEGY

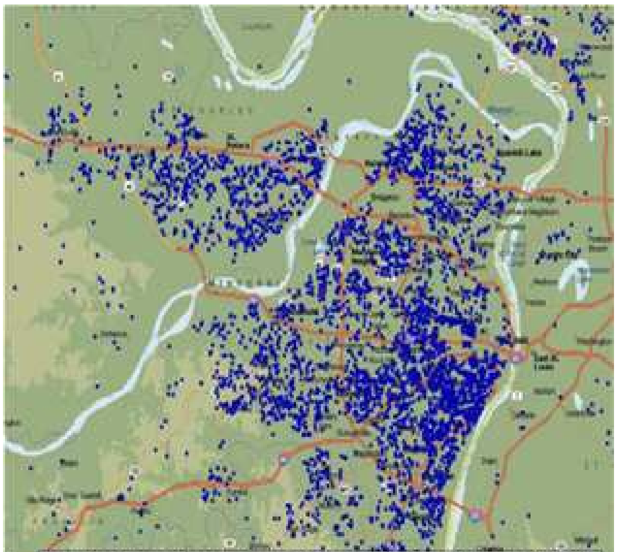
Our strategy centers on our continued development into a full-service, true community bank. Crucial to this strategy is growth in the Bank's three primary business lines: commercial banking services, retail mortgage lending and retail banking services. We believe the marketplace is more competitive than ever and, to achieve successful results, these products must be delivered with superior and efficient customer service.



Commercial Banking Services. Growth in commercial banking relationships is essential for the Company's continued growth in the St. Louis market. Since beginning our commercial banking operations in 2003, approximately 63% of the growth in the Bank's loan portfolio has come from commercial lending. In 2003, the Bank had just two employees dedicated to commercial banking. Over the past several years, the Company has been successful in hiring some of the top commercial bankers in St. Louis. Today, the commercial division has 29 employees, many of whom have brought us new business from their existing customer relationships. In the last year, the commercial loan portfolio increased $123.8 million to $530.8 million at September 30, 2008 compared to $407.0 million at September 30, 2007. Commercial loan originations totaled $483.2 million during fiscal 2008 compared to $401.9 million during fiscal 2007. At September 30, 2008, the commercial loan portfolio included of $261.2 million of commercial real estate loans, $137.7 million of commercial and industrial loans, $55.3 million of commercial construction and development loans, $44.1 million of residential construction and development loans, and $32.5 million of multi-family residential loans. Our commercial loan customers are also among the best sources of core deposit accounts. During the past year, commercial checking account balances increased $55.3 million to $168.8 million at September 30, 2008 compared to $113.5 million at September 30, 2007.

Retail Mortgage Lending. Pulaski Bank has more than 75 residential lenders who are lending in every community and touching nearly every neighborhood in St. Louis and Kansas City. During the year ended September 30, 2008, the Bank originated more than 7,000 residential mortgage and home equity loans, totaling $1.01 billion in the St. Louis metropolitan area, and originated another $515.3 million in the Kansas City metropolitan area.

Pulaski Bank is a conforming, residential mortgage lender who originates loans directly through commission-based sales staff in the St. Louis and Kansas City metropolitan areas. We do not engage in sub-prime lending. We have become a leading mortgage originator in these two markets, originating $1.46 billion, $1.48 billion and $1.30 billion in residential loans during the years ended September 30, 2008, 2007, and 2006, respectively.


Residential Loans Closed in St. Louis MSA During Year Ended September 30, 2008

The majority of loans originated in the retail mortgage division are one- to four-family residential loans, which we sell to investors on a servicing-released basis, generating mortgage revenue, which is our largest source of non-interest income. For the year ended September 30, 2008, we sold $1.32 billion of residential loans to investors, which generated mortgage revenues totaling $6.1 million, compared to $1.34 billion of loans sold and $4.9 million in revenues for the year ended September 30, 2007. The Company experienced a modest reduction in loan sales activity in the last half of fiscal 2008 as the result of weakened loan demand caused by an overall shrinkage in the number of qualified, credit-worthy borrowers in the market as many potential borrowers were impacted by the national credit crisis. However, the Company realized higher gross revenue margins during 2008 due to a shift in the mix of the types of loans originated to products with higher sales margins, such as loans guaranteed by the FHA, and also due to reduced market competition and lower direct origination costs, primarily personnel costs.

Although we generally originate conforming mortgage loans, which qualify for sale in the secondary market, a certain number of loans have characteristics that make them appealing for the Bank's portfolio even though they do not qualify for sale as conforming "agency-eligible" loans. These loans are underwritten using an internal credit-scoring model, which assesses credit risk and assigns one of five risk-based ratings to the loan at the time of inception. Such loans are priced on a risk/reward basis. In the last 18 months, we have repeatedly tightened our internal credit underwriting standards in response to the national economic crisis. However, we have continually maintained the same basic underwriting tenant, which is to not to originate loans that have a combination of low FICO credit scores and high loan-to-value ratios. These "non-conforming" loans differ considerably from sub-prime or "Alt-A" loans in that we do not rely on the value of the collateral as a primary source of repayment. Instead, we have always relied on the customer's ability and willingness to repay their debt as our primary source of repayment. During the year ended September 30, 2008, residential loans retained in our portfolio increased $7.3 million to $339.5 million from $332.2 million at September 30, 2007.

Home equity lines of credit balances totaled $225.4 million at September 30, 2008 compared to $219.5 million at September 30, 2007. These loans consist primarily of revolving lines of credit secured by residential real estate. Growth in this portfolio slowed significantly during 2008 as we tightened credit standards following the downturn in the economy and have generally continued to offer home equity loans only to our most credit-worthy borrowers. These loans are generally approved in conjunction with high-quality first mortgage loan applications. Because of the large volume of first mortgage loans originated annually, we are able to selectively offer the home equity product to customers with low loan-to-value ratios and high credit scores. The interest rates on these loans are tied to the prime rate, which results in low interest-rate risk characteristics, attractive yields and added stability to our net interest margin. The weighted average interest rate on home equity lines of credit was 5.28% at September 30, 2008 compared to 7.76% at September 30, 2007. The decline in the average interest rate was due to the decline in market interest rates during 2008.

Retail Banking Services. Growth in core deposits is critical to support profitable asset growth and is our top strategic objective. Our approach to attracting deposits involves three key components: providing excellence in customer service, offering customers best-in-class products, and providing customers with convenient banking locations. Checking accounts represent the cornerstone product in a customer relationship and are the Bank's most valuable source of low-cost deposits. Checking account balances not only provide one of the lowest-cost funding sources, but also generate valuable fee income through service charges. The balance of checking accounts increased $140.3 million during the year to $255.1 million at September 30, 2008 from $114.8 million at September 30, 2007. The increase included $120.9 million of growth in interest-bearing checking account balances resulting from a sustained marketing campaign focused on growing new customer relationships with these products. At September 30, 2008, the weighted-average cost of interest-bearing checking accounts increased to 2.51% compared to 1.79% at September 30, 2007. Competition for these products remains intense, but the accounts are generally less interest-rate sensitive and more stable than certificates of deposit.

We consider money market deposits to be another one of our core deposit products. However, during 2008, we shifted our marketing focus away from these products to concentrate on interest-bearing checking accounts. The balance of money market accounts decreased $24.8 million to $149.1 million at September 30, 2008 from $173.9 million at September 30, 2007. At September 30, 2008, the weighted average cost of money market deposits decreased to 2.12% compared to 4.05% at September 30, 2007 as the result of declining market interest rates during 2008. Money market and interest-bearing checking accounts carry adjustable interest rates that make them an ideal funding source for our prime-adjusting commercial and home equity loans.

Retail banking fees increased 16% to $4.0 million for the year ended September 30, 2008 compared to $3.4 million for the year ended September 30, 2007. Our marketing campaign focused on cross-selling checking accounts to all customers and developing new checking account relationships. We have seen retail banking fees increase primarily through an increase in the volume of checks honored for customers who have overdrawn their checking accounts. Historic trends indicate the majority of customers will eventually honor the overdraft checks; consequently, annual charge-offs have averaged under 3% of total retail banking fees.

Also contributing to our deposit growth in 2008 were the three new bank locations we opened in calendar year 2007. The new locations have proven successful in growing deposits from the start, with $71.3 million of combined deposits at September 30, 2008.

Critical Accounting Policies

We have established various accounting policies that govern the application of U.S generally accepted accounting principles in the preparation of our consolidated financial statements. Our significant accounting policies are described in the footnotes to the consolidated financial statements that appear in this report. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities. We consider the following to be our critical accounting policies: accounting for the allowance for loan losses and derivative financial instruments. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of assets and liabilities and our results of operations.

We maintain an allowance for loan losses to absorb probable losses in our loan portfolio. Determining the amount of the allowance involves a high degree of judgment. The balance in the allowance is based upon management's quarterly estimates of expected losses inherent in the loan portfolio. Management's estimates are determined by quantifying certain risks in the portfolio that are affected primarily by changes in the composition and volume of the portfolio combined with an analysis of past-due and adversely classified loans. These estimates can also be affected by the following factors: changes in lending policies and procedures, including underwriting standards and collection; charge-off and recovery practices; changes in national and local economic conditions and developments; assessment of collateral values by obtaining independent appraisals; and changes in the experience, ability, and depth of lending management staff. Refer to *Note 1 of Notes to Consolidated Financial Statements* for a detailed description of our risk assessment process.

We employ derivative financial instruments to help us manage interest rate sensitivity by modifying the repricing, maturity and option characteristics of certain assets and liabilities. The judgments and assumptions that are most critical to the application of this critical accounting policy are those affecting the estimation of fair value. Fair value is based on quoted market prices. Refer to *Note 1 of Notes to Consolidated Financial Statements* for a detailed description of our estimation processes and methodology related to the fair value of derivative financial instruments.

	Years Ended September 30,								
	2008			2007			2006		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
				(Dollars in thousands)					
Interest-earning assets:									
Loans receivable[(1)]	$1,044,217	$67,608	6.47%	$ 878,057	$65,220	7.43%	$716,046	$49,592	6.93%
Loans held for sale	64,446	3,562	5.53%	64,415	3,992	6.20%	48,518	3,000	6.18%
Debt securities	11,873	410	3.45%	14,768	721	4.88%	11,289	447	3.96%
Equity securities	9,699	532	5.48%	4,038	159	3.94%	4,429	169	3.81%
Mortgage-backed securities	10,031	562	5.60%	3,334	158	4.74%	4,243	202	4.77%
FHLB stock	11,958	498	4.17%	9,109	442	4.85%	8,788	327	3.72%
Other	2,961	94	3.14%	4,522	233	5.15%	6,052	233	3.85%
Total interest-earning assets	**1,155,185**	**73,266**	**6.34%**	**978,243**	**70,925**	**7.25%**	**799,365**	**53,970**	**6.75%**
Non-interest-earning assets	80,535			75,005			62,671		
Total assets	**$1,235,720**			**$1,053,248**			**$862,036**		
Interest-bearing liabilities:									
Interest-bearing deposits	$ 783,787	$27,441	3.50%	$ 712,674	$31,337	4.40%	$552,626	$19,625	3.55%
FHLB advances	224,460	7,956	3.54%	168,476	8,755	5.20%	168,067	7,777	4.63%
Borrowings from the Federal Reserve Bank	34,093	776	2.28%	1	—	6.25%	—	—	—
Note payable	4,868	242	4.97%	3,191	226	7.08%	3,510	236	6.71%
Subordinated debentures	19,589	1,238	6.32%	19,589	1,516	7.74%	19,589	1,389	7.09%
Total interest-bearing liabilities	**1,066,797**	**37,653**	**3.53%**	**903,931**	**41,834**	**4.63%**	**743,792**	**29,027**	**3.90%**
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	63,325			47,982			31,365		
Other non-interest-bearing liabilities	19,176			20,197			21,204		
Total non-interest-bearing liabilities	**82,501**			**68,179**			**52,569**		
Stockholders' equity	86,422			81,138			65,675		
Total liabilities and stockholders' equity	**$1,235,720**			**$1,053,248**			**$862,036**		
Net interest income		**$35,613**			**$29,091**			**$24,943**	
Interest rate spread[(2)]			**2.81%**			**2.62%**			**2.85%**
Net interest margin[(3)]			**3.08%**			**2.97%**			**3.12%**
Ratio of average interest-earning assets to average interest-bearing liabilities		**108.29%**			**108.22%**			**107.47%**	

(1) Includes non-accrual loans with an average balance of $6.3 million, $2.5 million and $1.8 million for the fiscal years ended September 30, 2008, 2007 and 2006, respectively.
(2) Yield on interest-earning assets less cost of interest-bearing liabilities.
(3) Net interest income divided by average interest-earning assets.

RATE VOLUME ANALYSIS

The following table allocates the period-to-period changes in the Company's various categories of interest income and expense between changes due to changes in volume (calculated by multiplying the change in average volumes of the related interest-earning asset or interest-bearing liability category by the prior year's rate) and changes due to changes in rate (change in rate multiplied by the prior year's volume). Changes due to changes in rate/volume (changes in rate multiplied by changes in volume) have been allocated proportionately between changes in volume and changes in rate.

	2008 Compared to 2007 Increase (Decrease) Due to			2007 Compared to 2006 Increase (Decrease) Due to		
	Rate	Volume	Net	Rate	Volume	Net
	(In thousands)					
Interest-earning assets:						
Loans receivable	$(8,713)	$11,101	$ 2,388	$ 3,889	$11,739	$15,628
Loans held for sale	(432)	2	(430)	10	982	992
Debt securities	(186)	(125)	(311)	118	156	274
Equity securities	81	292	373	6	(16)	(10)
Mortgage-backed securities	34	370	404	(1)	(43)	(44)
FHLB stock	(68)	124	56	103	12	115
Other	(74)	(65)	(139)	68	(68)	—
Total net change in income on interest-earning assets	(9,358)	11,699	2,341	4,193	12,762	16,955
Interest-bearing liabilities:						
Interest-bearing deposits	(5,839)	1,943	(3,896)	4,995	6,717	11,712
FHLB advances	(3,244)	2,445	(799)	959	19	978
Borrowings from the Federal Reserve	—	776	776	—	—	—
Note payable	(80)	96	16	12	(22)	(10)
Subordinated debentures	(278)	—	(278)	127	—	127
Total net change in expense on interest-bearing liabilities	(9,441)	5,260	(4,181)	6,093	6,714	12,807
Net change in net interest income	$ 83	$ 6,439	$ 6,522	$(1,900)	$ 6,048	$ 4,148

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

OVERVIEW

Net income for the year ended September 30, 2008 declined 67.8% to $2.9 million, or $0.28 per diluted share, compared to $9.0 million, or $0.88 per diluted share, for the year ended September 30, 2007. Fiscal 2008 earnings were negatively impacted by after-tax losses on investment securities totaling $5.0 million, or $0.48 per diluted share, primarily related to the sale of the Company's entire portfolio of Fannie Mae preferred stock, an after-tax charge totaling $1.0 million, or $0.10 per diluted share, for a separation payment and other expenses related to the resignation of the Company's former chief executive officer on May 1, 2008, and a $7.7 million provision for loan losses, which was a $3.9 million increase compared to 2007. Return on average assets and return on average equity were 0.23% and 3.34%, respectively, during 2008 compared to 0.85% and 11.07%, respectively, during 2007.

NET INTEREST INCOME

Net interest income is the difference between interest and dividend income on interest-earning assets, such as loans and securities, and the interest expense on interest-bearing liabilities used to fund those assets, including deposits, advances from the Federal Home Loan Bank ("FHLB"), borrowings from the Federal Reserve Bank of St. Louis ("Federal Reserve") and other borrowings. The amount of net interest income is affected by both changes in the level of interest rates and the amount and composition of interest-earning assets and interest-bearing liabilities.

Net interest income increased $6.5 million to $35.6 million for the year ended September 30, 2008 compared to $29.1 million for the year ended September 30, 2007 due almost entirely to an increase in net interest-earning assets. The average balance of interest-earning assets increased $176.9 million to $1.16 billion during fiscal 2008, compared to $978.2 million for fiscal 2007 due primarily to loan growth. The net interest margin increased 11 basis points to 3.08% in fiscal 2008 from 2.97% in fiscal 2007, resulting primarily from an increase in core deposits, which are typically the Company's lowest cost of funds, combined with lower wholesale funding costs.

Total interest and dividend income increased $2.3 million to $73.3 million for the year ended September 30, 2008 compared to $70.9 million for the year ended September 30, 2007. The increase was primarily due to a rise in the average balance of loans receivable, which increased $166.2 million to $1.04 billion for fiscal 2008, partially offset by a decrease in the average yield on loans receivable to 6.47% in fiscal 2008 from 7.43% in fiscal 2007 resulting from lower market interest rates. Commercial loans, which generally carry higher interest rates than residential mortgage loans, fueled 87.0% of the growth in the average balance of loans receivable during 2008. Interest income was also negatively impacted by a decline in the average yield on home equity loans from 8.09% in 2007 to 6.27% in 2008, which adjust monthly with market interest rates. See *Business Strategy and Products*.

Total interest expense decreased $4.2 million to $37.7 million for fiscal 2008 compared to $41.8 million for fiscal 2007 due to a decline in the average cost of funds partially offset by an increase in the average balance of interest-bearing liabilities. The average cost of funds decreased from 4.63% for 2007 to 3.53% for 2008 while the average balance of interest-bearing liabilities increased from $903.9 million to $1.07 billion during the same periods, respectively.

The increased average balance of interest-bearing liabilities resulted from increases in the average balances of deposits, advances from the FHLB and borrowings from the Federal Reserve, which were used to fund asset growth during the period. The decreased average cost was the result of lower market interest rates during the period, growth in core deposits and a shift in the mix of wholesale funding sources. The Company primarily funds its assets with savings deposits from its retail and commercial customers, which are typically its lowest-cost funding source. This funding source is supplemented with wholesale funds consisting primarily of advances from the FHLB, time deposits from national brokers and short-term borrowings from the Federal Reserve.

Management actively chooses between these wholesale funding sources depending on their relative costs and the Company's overall borrowing capacity at the FHLB and the Federal Reserve. As a result of the 255 basis point decline in the Federal Reserve Board's target federal funds rate during the year ended September 30, 2008 combined with increased national demand for brokered time deposits, the Company had the ability to secure borrowings from the FHLB and the Federal Reserve at rates substantially lower than those available for brokered time deposits. During the year ended September 30, 2008, management shifted $61.5 million in maturing brokered time deposits into lower-cost FHLB and Federal Reserve borrowings. Brokered deposits decreased to $128.9 million at September 30, 2008 from $190.4 million at September 30, 2007.

Interest expense on deposits decreased $3.9 million, or 12.4%, to $27.4 million during the year ended September 30, 2008 compared to $31.3 million for the year ended September 30, 2007 as the result of a decrease in the average cost partially offset by an increase in the average balance. The average balance of interest-bearing deposits increased to $783.8 million for the year ended September 30, 2008 from $712.7 million for the year ended September 30, 2007 while the average cost of deposits decreased from 4.40% to 3.50% during the same periods, respectively. Growth in average total deposits during 2008 was the result of growth in core deposits and CDARS time deposits partially offset by a decline in the balance of brokered time deposits. This change in the mix of deposits combined with lower market interest rates resulted in a lower average cost during 2008. See *Business Strategy and Products*.

Interest expense on advances from the Federal Home Loan Bank decreased $800,000, or 9.1%, to $8.0 million during the year ended September 30, 2008 compared to $8.8 million for the year ended September 30, 2007 as the result of a decrease in the average cost partially offset by an increase in the average balance. The average balance increased to $224.5 million for the year ended September 30, 2008 from $168.5 million for the year ended September 30, 2007 while the average cost decreased from 5.20% to 3.54% during the same period, respectively. The increased average balance resulted from additional borrowings, which were used to fund asset growth and replace higher-cost maturing brokered certificates of deposit. The decreased average cost was the result of lower market interest rates during the 2008 period.

Interest expense on borrowings from the Federal Reserve Bank increased to $776,000 during the year ended September 30, 2008 compared to $42 for the year ended September 30, 2007 as the result of an increase in the average balance. The average balance increased to $34.1 million for the year ended September 30, 2008 from $1,000 for the year ended September 30, 2007. The average cost of these borrowings during the year ended September 30, 2008 was 2.28%. During 2008, the Company supplemented its wholesale borrowing needs with lower-cost, short-term borrowings from the discount window of the Federal Reserve. The proceeds of these borrowings were used to fund asset growth and replace higher-cost maturing brokered certificates of deposit.

Provision for Loan Losses

The ***provision for loan losses*** for the year ended September 30, 2008 was $7.7 million compared to $3.9 million for the same period a year ago. The provision for loan losses in 2008 related primarily to increased charge-offs, an increase in the level of non-performing loans and substantial growth in performing commercial loans, which carry a higher level of inherent risk than residential loans. See *Non-Performing Assets and Allowance for Loan Losses.*

Non-Interest Income

Total non-interest income decreased $6.1 million to $4.9 million for the year ended September 30, 2008 compared to $11.0 million for the year ended September 30, 2007 primarily as the result of $7.9 million in pre-tax losses on investment securities in 2008 compared to $273,000 of gains in 2007. Excluding the gains and losses on the sales of investment securities, non-interest income increased $2.0 million, primarily as the result of increases in mortgage revenues, retail banking fees and investment brokerage revenues.

Gain (loss) on sales of securities totaled a net loss of $7.9 million for the year ended September 30, 2008 compared to a net gain of $273,000 in 2007. The net loss in 2008 was primarily the result of the $7.9 million loss on the sale of the Company's entire portfolio of Fannie Mae preferred stock, consisting of 350,000 shares of 8.25% Series S fixed-rate preferred stock which was classified as available for sale. The announcement on September 7, 2008 that the Treasury Department was placing Fannie Mae into conservatorship and eliminating dividends on its common and preferred securities caused the market value of these securities to fall to minimal levels. Management determined these securities no longer met the Company's investment criteria.

Mortgage revenues increased 23.7% to $6.1 million during the year ended September 30, 2008 on loan sales of $1.32 billion, compared to mortgage revenues of $4.9 million during the year ended September 30, 2007 on loan sales of $1.34 billion. The Company experienced a modest reduction in loan sales activity in the last half of fiscal 2008 as the result of weakened loan demand caused by an overall shrinkage in the number of qualified, credit-worthy borrowers in the market as many potential borrowers were impacted by the national credit crisis. However, the Company realized higher gross revenue margins during 2008 due to a shift in the mix of the types of loans originated on products with higher sales margins, such as loans guaranteed by the FHA, and due to reduced market competition and lower direct origination costs, primarily personnel costs.

Retail banking fees increased 16.1% to $4.0 million in 2008 compared to $3.4 million for 2007 driven primarily by growth in retail checking accounts. See *Business Strategy and Products.*

Investment brokerage revenues increased 54.6% to $1.0 million for the year September 30, 2008 compared to $663,000 for the same period a year ago. The Company operates an investment brokerage division whose operations consist principally of brokering bonds from wholesale brokerage houses to bank, municipal and individual investors. Revenues are generated on trading spreads and fluctuate with changes in trading volumes and market interest rates. The increased revenues in 2008 were the result of successful sales efforts to new customers combined with an improved bond sales environment caused by the steepened interest-rate yield curve.

Other non-interest income decreased $112,000 to $562,000 for the year ended September 30, 2008 from $675,000 for the year ended September 30, 2007 primarily as the result of a lower fees received from a correspondent bank, which offset service fees charged, due to a reduction of the crediting rate for the Bank's funds they held pending outstanding check clearings.

NON-INTEREST EXPENSE

Total non-interest expense increased $6.4 million, or 28.3%, to $29.2 million for the year ended September 30, 2008 compared to $22.8 million for the year ended September 30, 2007. Non-interest expense for 2008 included a $1.6 million charge for the separation payment, related payroll taxes and legal expenses resulting from the resignation of the Company's former chief executive officer on May 1, 2008. In addition, the strategic growth in the number of banking locations in 2007 significantly increased non-interest expense during the 2008 period.

Salaries and employee benefits expense increased $2.9 million, or 25.7%, to $14.1 million for the year ended September 30, 2008 from $11.2 million for the year ended September 30, 2007. Expense for 2008 included $1.4 million in separation payments resulting from the resignation of the Company's former chief executive officer. In addition, the increase resulted from the expenses associated with the additional employees at the new Clayton and downtown St. Louis bank locations opened during the second half of calendar year 2007 and staff expansion necessary to support increased commercial loan activity.

Occupancy, equipment and data processing expense increased $1.5 million to $7.2 million for the year ended September 30, 2008 from $5.8 million for the year ended September 30, 2007. The increase was primarily due to the new Clayton and downtown St. Louis bank locations and increased data processing costs related to increased loan and deposit activity.

Advertising expense decreased $168,000 to $1.3 million for the year ended September 30, 2008 compared to $1.4 million for the year ended September 30, 2007 primarily due to a reduction in the overall level of advertising during 2008.

Professional fees increased $143,000 to $1.5 million for the year ended September 30, 2008 from $1.4 million for the year ended September 30, 2007. The increase was primarily due to $123,000 in legal expenses incurred in 2008 related to the resignation of the Company's former chief executive officer.

Gain on derivative instruments decreased $190,000 to $396,000 for the year ended September 30, 2008 from $586,000 for the year ended September 30, 2007. The Company entered into interest-rate swap agreements during November 2004, which were designed to convert the fixed rates paid on certain brokered certificates of deposits into variable, LIBOR-based rates. The Company uses long-haul, fair-value, hedge accounting. Under this method, any hedge ineffectiveness was deemed not material and the impact was recognized as a charge or credit to earnings during the period in which the change occurred. Because of the declining interest rate environment during 2008, all of the interest-rate swap agreements outstanding at September 30, 2007 were called by the counterparties during 2008.

Real estate foreclosure losses and expense, net includes realized losses on the final disposition of foreclosed properties, additional write-downs for declines in the fair market values of properties, which occur subsequent to foreclosure and expenses incurred in connection with maintaining the properties until they are sold. Real estate foreclosure losses and expense, net increased $1.3 million to $1.9 million for the year ended September 30, 2008 compared to $597,000 in 2007. The increases were generally due to the overall increased foreclosure activity and the related realized losses on sales, including a $357,000 loss on the sale of a $2.3 million commercial office building in St. Louis County, Missouri. See *Non-Performing Assets and Allowance for Loan Losses.*

Data processing termination expense totaled $220,000 for the year ended September 30, 2007 due to the write off of capitalized expenses related to the termination of a contract to convert the Company's core data processing system. The Company recovered $180,000 of this expense during the year ended September 30, 2008.

FDIC deposit insurance premium expense increased $665,000 to $749,000 for year ended September 30, 2008 compared to $84,000 for the year ended September 30, 2007. The increase was primarily the result of the final utilization, during the quarter ended December 31, 2007, of the one-time assessment credit that was provided to eligible insured depository institutions under the Federal Deposit Insurance Reform Act of 2005. On October 7, 2008, the Board of Directors of the FDIC announced a proposed restoration plan accompanied by a notice of proposed rulemaking that would increase the rates banks pay for deposit insurance, while at the same time making adjustments to the system that determines what rate a bank pays the FDIC. Management believes that these proposed changes to the FDIC insurance rates will increase the Company's FDIC deposit premium expense in 2009.

Other non-interest expense increased $326,000, or 19%, to $2.0 million for the year ended September 30, 2008 compared to $1.7 million for the year ended September 30, 2007. The increase was primarily due to a $95,000 increase in charitable contributions, $69,000 increase in telephone expense associated with the new locations and increased activity, and $87,000 of expense associated with the amortization of the Company's investment in purchased federal and state tax credits related to affordable and historic rental housing units for low-income individuals and families.

INCOME TAXES

The ***provision for income taxes*** decreased from $4.5 million for the year ended September 30, 2007 to $684,000 for the year ended September 30, 2008. The effective tax rate was 19.2% in 2008 compared to 33.4% in 2007. The lower effective tax rate in 2008 was primarily the result of a reduction in income tax expense related to the loss on the sale of Fannie Mae preferred stock and the impact of income from bank-owned life insurance, which is non-taxable.

NON-PERFORMING ASSETS AND ALLOWANCE FOR LOAN LOSSES

Non-performing assets at September 30, 2008 and 2007 are summarized as follows:

	September 30. 2008	September 30, 2007
	(Dollars in thousands)	
Non-accrual loans:		
Residential real estate:		
First mortgage	$ 5,904	$ 1,780
Second mortgage	752	302
Home equity	1,695	554
Commercial:		
Commercial & multi-family real estate	1,125	3,708
Real estate construction & development	133	—
Commercial & industrial	341	—
Consumer & other	160	105
Total non-accrual loans	10,110	6,449
Accruing loans past due 90 days or more:		
Residential real estate:		
First mortgage	2,543	2,212
Second mortgage	—	352
Home equity	1,468	1,064
Commercial & multi-family real estate	231	44
Consumer & other	7	150
Total accruing loans past due 90 days or more	4,249	3,822
Troubled debt restructured:		
Residential real estate:		
First mortgage	4,985	209
Second mortgage	670	—
Home equity	112	—
Commercial & industrial	537	—
Total troubled debt restructured	6,304	209
Total non-performing loans	20,663	10,480
Real estate acquired in settlement of loans:		
Residential real estate	3,519	3,090
Total real estate acquired in settlement of loans	3,519	3,090
Other non-performing assets	237	43
Total non-performing assets	$ 24,419	$ 13,613
Ratio of non-performing loans to total loans receivable	1.88%	1.09%
Ratio of non-performing assets to total assets	1.87%	1.20%
Ratio of allowance for loan losses to nonperforming loans	61.76%	99.44%

Non-performing loans increased to $20.7 million, or 1.88% of total loans, at September 30, 2008 from $10.5 million, or 1.09% of total loans, at September 30, 2007. The increase was primarily due to a $4.1 million increase in non-accruing residential first mortgage loans, a $1.1 million increase in non-accruing home equity loans and a $6.1 million increase in restructured loans, primarily residential first mortgage loans, partially offset by a $2.1 million decrease in non-accrual commercial and multi-family real estate loans. The significant increases were generally due to the weakened economic environment and softening real estate market. The decrease in non-accrual commercial and multi-family real estate loans was due primarily to the foreclosure and subsequent sale during 2008 of a $2.3 million loan secured by commercial real estate which was classified as non-accrual at September 30, 2007. The ratio of the allowance for loan losses to non-performing loans was 61.76% at September 30, 2008 compared to 99.44% at September 30, 2007. The decline in the ratio of the allowance to non-performing loans at September 30, 2008 was due to a change in the mix of non-performing loans during 2008, specifically increased residential first mortgage loans, which represented 65% of total non-performing loans at September 30, 2008 compared to 40% at September 30, 2007. These loans carry a lower level of inherent risk than other types of loans in the Company's portfolio, especially compared to second mortgage loans and home equity lines of credit where the Company often does not own or service the first mortgage loan.

Accruing loans greater than 90 days past due increased from $3.8 million at September 30, 2007 to $4.2 million at September 30, 2008, primarily as the result of a $734,000 increase in residential real estate first mortgage and home equity loans. Loans are placed on non-accrual status when, in the opinion of management, there is reasonable doubt as to the collectability of interest or principal. Management considers many factors before placing a loan on non-accrual, including the overall financial condition of the borrower, the progress of management's collection efforts and the value of the underlying collateral.

Troubled debt restructurings increased to $6.3 million at September 30, 2008 compared to $209,000 at September 30, 2007. Troubled debt restructurings at September 30, 2008 consisted of 39 residential mortgage loans totaling $5.8 million and one commercial loan totaling $537,000. The restructured terms of the loans generally included a reduction of the interest rates and the addition of past due interest to the principal balance of the loans. Management is actively working with cooperative borrowers in an effort to restructure past due loans so they are affordable and to preserve the equity the borrowers have in their homes. Interest income on restructured loans is accrued at the reduced rate as long as the borrower complies with the revised terms and conditions. At September 30, 2008, restructured loans totaling $1.3 million were past due 30 days or more under the restructured loan terms.

Real estate acquired in settlement of loans totaled $3.5 million at September 30, 2008 compared to $3.1 million at September 30, 2007. The balance at September 30, 2008 consisted of 37 residential real estate properties, five residential construction properties and two building lots in the Company's two primary market areas of St. Louis and Kansas City.

The total balance of impaired loans at September 30, 2008 and 2007 was $16.7 million and $6.7 million, respectively. See *Note 6 of Notes to the Consolidated Financial Statements.*

The following table is a summary of the activity in the allowance for loan losses for the years ended September 30, 2008 and 2007:

	2008	2007
Balance, beginning of year	$10,421,304	$ 7,817,317
Provision charged to expense	7,734,641	3,855,257
Charge-offs, net of recoveries:		
Residential real estate:		
First mortgage	938,006	192,874
Second mortgage	1,599,810	521,216
Home equity lines of credit	1,450,201	279,430
Commercial:		
Commercial & multi-family real estate	374,000	—
Real estate construction & development	454,688	119,000
Commercial & industrial	355,529	—
Consumer & other	222,179	138,750
Total charge-offs, net	5,394,413	1,251,270
Balance, end of year	$12,761,532	$10,421,304

The following table contains a breakdown of the principal balance of loans receivable at September 30, 2008 by major category and the ratio of net charge-offs to the average balance of each major category for the years ended September 30, 2008 and 2007 and the average annual charge-offs for the five years ended September 30, 2008 and 2007.

	Principal Balance At September 30, 2008	Net Charge-Offs as a Percent of Average Loan Category: Year Ended September 30, 2008	2007	Annualized Five Years Ended September 30, 2008	2007
	(Dollars in Thousands)				
Residential real estate:					
First mortgage	$ 253,132	0.41%	0.13%	0.18%	0.10%
Second mortgage	86,349	1.72%	0.47%	0.60%	0.16%
Home equity lines of credit	225,357	0.64%	0.13%	0.19%	0.05%
Commercial[(1)]	530,783	0.24%	0.03%	0.10%	0.02%
Consumer and other	6,895	0.15%	0.11%	0.15%	0.17%
Total loans receivable	$ 1,102,517	0.52%	0.14%	0.21%	0.10%

(1) Commercial includes real estate construction & development, commercial & multi-family real estate, and commercial and industrial loans.

Net charge-offs for the year ended September 30, 2008 increased $4.1 million to $5.4 million, or 0.52% of average total loans receivable, compared to $1.3 million, or 0.14% of average loans receivable, in 2007, and to a five-year historical average of 0.10% for the five years ended September 30, 2007. Home equity lines of credit and residential real estate second mortgage loans accounted for over half of the 2008 charge-offs. Because the Company generally does not own or service the first mortgage on the properties securing these types of loans, charge-offs are generally higher than those experienced on first mortgage real estate loans. In addition, because the Company's loan portfolio is typically collateralized by real estate, losses occur more frequently when property values are declining and borrowers are losing equity in the underlying collateral. Recent declines in residential real estate values in the Company's market areas, as well as nationally, contributed to the increased charge-offs in 2008. The Company has not engaged in sub-prime lending activities.

Management believes that the amount maintained in the allowance will be adequate to absorb probable losses inherent in the portfolio. Although management believes that it uses the best information available to make such determinations, future adjustments to the allowance for loan losses may be necessary and results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations. While management believes it has established the allowance for loan losses in accordance with U.S. generally accepted accounting principles, there can be no assurance that the Bank's regulators, in reviewing the Bank's loan portfolio, will not request the Bank to significantly increase its allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that a substantial increase will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses will adversely affect the Company's financial condition and results of operations. See *Note 1 of Notes to the Consolidated Financial Statements* for a description of management's allowance for loan losses methodology.

FINANCIAL CONDITION

Cash and cash equivalents increased $5.3 million to $29.1 million at September 30, 2008 from $23.8 million at September 30, 2007. Cash balances included overnight investments in federal funds of $647,000 at September 30, 2008 compared to $3.3 million at September 30, 2007. These funds are generally used to fund the Company's daily liquidity needs. The primary sources of cash are increases in deposits and borrowings from the FHLB and the Federal Reserve.

Debt securities held to maturity decreased from $6.0 million at September 30, 2007 to $0 at September 30, 2008 and ***debt securities available for sale*** decreased from $7.0 million at September 2007 to $0 at September 30, 2008. Debt securities are generally held to provide sufficient collateral for certain large deposit relationships. During 2008, the Company liquidated its portfolio of debt securities either through sale of debt securities available for sale or maturity of debt securities held to maturity and replaced them with higher-yielding mortgage-backed securities.

Mortgage-backed securities available for sale increased $7.5 million to $10.2 million at September 30, 2008 from $2.7 million at September 30, 2007 while ***mortgage-backed securities held to maturity*** increased to $15.7 million at September 30, 2008 from $371,000 at September 30, 2007. Such securities are primarily held as collateral to secure large commercial and municipal deposits. The total balance held in these securities is adjusted as individual securities repay to reflect fluctuations in the balances of the deposits they are securing. The increase in mortgage-backed securities held to maturity resulted primarily from the securitization of $16.3 million of loans receivable held in the Company's loan portfolio into Fannie Mae mortgage-backed securities during April 2008.

Capital Stock of the Federal Home Loan Bank increased $2.6 million to $10.9 million at September 30, 2008 from $8.3 million at September 30, 2007, in response to the increase in FHLB borrowings. The Bank is generally required to hold stock equal to 5% of its total FHLB borrowings.

Loans held for sale increased $13.4 million to $72.0 million at September 30, 2008 from $58.5 million at September 30, 2007. These balances represent loans closed in the name of the Bank, which are committed in advance of closing to be sold to investors. Since these loans are pre-sold, primarily at a pre-determined price on a best-efforts basis, they are not subject to changes in market value as a result of changes in market interest rates. The Bank typically receives proceeds from the sale of these loans to investors within 30 days of loan closing and benefits from interest income while awaiting sales delivery.

Bank-owned life insurance increased $2.5 million to $27.6 million at September 30, 2008 from $25.1 million at September 30, 2007. The increase was attributable to appreciation of the cash surrender values of existing policies. Increases in cash surrender values are treated as other income and are tax-exempt. If the cash surrender values of the policies are liquidated, the gains would retroactively be taxed.

Deferred tax assets increased $3.0 million to $8.1 million at September 30, 2008 from $5.1 million at September 30, 2007, primarily as the result of a $2.0 million increase related to capital loss carryovers generated by losses on the sales of equity securities during September 2008. Almost all of these capital loss carryovers were related to the sale of the Company's entire portfolio of Fannie Mae preferred stock. At the time of sale, the losses on the sale of the Fannie Mae preferred stock were classified as capital losses for Federal income tax purposes and, accordingly, could only be deducted on the Company's income tax return to the extent they could be used to offset capital gains. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was enacted, which provided ordinary loss treatment (subject to restrictions) for sales by financial institutions of devalued preferred stock of Fannie Mae and Freddie Mac sold between January 1, 2008 and September 6, 2008, or held as of September 6, 2008. However, under Statement of Accounting Standards No. 109, *Accounting for Income Taxes* ("FAS 109"), these losses must be treated as capital losses for financial accounting purposes at September 30, 2008, but will be treated as ordinary losses during the quarter ended December 31, 2008.

A valuation allowance should be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation allowance at September 30, 2008 or 2007 because management believes that all criteria for recognition have been met, including the existence of a history of taxes paid or qualifying tax planning strategies that are sufficient to support the realization of deferred tax assets.

Advances from the Federal Home Loan Bank of Des Moines increased $52.2 million to $210.6 million at September 30, 2008 from $158.4 million at September 30, 2007 and ***borrowings from the Federal Reserve Bank*** increased to $40.0 million at September 30, 2008 from $0 at September 30, 2007. The Company supplements its primary funding source, retail deposits, with wholesale funding sources consisting of borrowings from the FHLB, brokered certificates of deposit acquired on a national level and short-term borrowings from the discount window of the Federal Reserve Bank of St. Louis. Management actively chooses between these wholesale funding sources depending on their relative costs. The increased balances were used to fund asset growth and replace maturing brokered certificates of deposit.

Note payable increased $4.7 million to $7.6 million at September 30, 2008 from $3.0 million at September 30, 2007. The increase was due to additional borrowings drawn under a line of credit with a correspondent bank. The Company uses this borrowing to provide capital contributions to the Bank.

Due to other banks decreased $3.1 million to $14.4 million at September 30, 2008 from $17.5 million at September 30, 2007. Due to other banks represents unremitted payments for bank and cashier checks issued by the Bank. The decrease represents a decrease in check activity on the final day of the fiscal year end. In the normal course of business, settlement for amounts due to other banks is made on the following business day.

Total stockholders' equity increased $1.6 million to $82.4 million at September 30, 2008 from $80.8 million at September 30, 2007. The increase was due primarily to growth in retained earnings driven by net income of $2.9 million and proceeds from stock options exercised of $1.2 million, partially offset by regular cash dividends paid of $3.7 million and the repurchase of 51,898 shares of the Company's common stock at a total cost of $593,000. Substantially all of the 2008 shares repurchases were made during the six months ended March 31, 2008, as the Company significantly reduced repurchase activity during the last half of fiscal year 2008. At September 30, 2008, the Company had approximately 384,000 remaining shares that it could repurchase under a share repurchase program announced in February 2007.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

OVERVIEW

Net income for the year ended September 30, 2007 declined 8.7% to $9.0 million, or $0.88 per diluted share, compared to $9.8 million, or $1.01 per diluted share, for the year ended September 30, 2006. Results for 2006 included a $2.5 million gain on the sale of the Company's only full-service bank location in Kansas City, resulting in an after-tax gain of approximately $1.5 million, or $0.16 per diluted share. In addition, fiscal 2007 earnings were negatively impacted by a $3.9 million provision for loan losses, which was a $2.4 million increase compared to the previous year. Return on average assets and return on average equity were 0.85% and 11.07%, respectively, during 2007 compared to 1.14% and 14.98%, respectively, during 2006.

NET INTEREST INCOME

Net interest income increased $4.3 million to $29.1 million in fiscal 2007 compared to $24.8 million in fiscal 2006 due to an increase in net interest-earning assets partially offset by a decline in the net interest margin. The average balance of interest-earning assets increased $178.9 million to $978.2 million during fiscal 2007, compared to $799.4 million for fiscal 2006 due primarily to loan growth. The net interest margin declined 15 basis points to 2.97% in fiscal 2007 from 3.12% in fiscal 2006, resulting primarily from the higher cost of time deposits and wholesale borrowings used to fund the growth in the loan portfolio. During the year ended

September 30, 2007, the average cost of deposits increased 85 basis points to 4.40% compared to a 50 basis point increase in the yield on loans to 7.43%. The net interest margin was also negatively impacted during 2007 by the narrowing spreads on loans held for sale. The average yield on such loans increased 2 basis points during fiscal 2007 to 6.20% while the average rate on borrowings from the FHLB used to fund these loans increased 57 basis points to 5.20%.

Interest income increased $17.1 million to $70.9 million for fiscal 2007 compared to $53.8 million for fiscal 2006. Interest income increased primarily due to a rise in the average balance of loans receivable, which increased $162.0 million to $878.1 million for fiscal 2007, combined with an increase in the average yield on loans to 7.43% in fiscal 2007 from 6.93% in fiscal 2006 due to higher market interest rates. Loans receivable grew $164.6 million, or 21.0%, during fiscal 2007 to $949.8 million at September 30, 2007. Commercial loans, which generally carry higher interest rates than residential mortgage loans, fueled 77.1% of the growth in the retained loan portfolio during the year ended September 30, 2007, with the remaining growth coming from residential, home equity loans and consumer loans. Interest income was also positively impacted by a $15.9 million increase in the average balance of loans held for sale during fiscal 2007.

Interest expense increased $12.8 million to $41.8 million for fiscal 2007 compared to $29.0 million for fiscal 2006 due to changes in both the cost and average balance of interest-bearing liabilities. The average cost of interest-bearing liabilities increased from 3.90% for fiscal year 2006 to 4.63% for the fiscal year 2007 as market interest rates increased in response to increased market competition.

Interest expense on deposits increased $11.7 million to $31.3 million for the year ended September 30, 2007 compared to $19.6 million for the year ended September 30, 2006. The average balance of interest-bearing deposits increased $160.0 million during fiscal 2007 to $712.7 million at September 30, 2007. The average cost of deposits increased to 4.40% in fiscal 2007 from 3.55% in 2006 primarily as the result of rising market interest rates. The Bank realized strong, well-balanced growth in money market, checking account and certificate of deposit products from both commercial and retail depositors. Brokered deposits increased $71.9 million during the year from $118.5 million at September 30, 2006 to $190.4 million at September 30, 2007. The deposit growth was used primarily to support loan growth.

Interest expense on FHLB borrowings increased $978,000 to $8.8 million for the year ended September 30, 2007 compared to $7.8 million for the year ended September 30, 2006 almost entirely as the result of the market-driven increase in the average cost to 5.20% during 2007 from 4.63% during 2006. The Company typically relies on wholesale funds for incremental liquidity due to the Bank’s relatively high loan to deposit ratio of 115.6%.

ALLOWANCE FOR LOAN LOSSES AND PROVISION FOR LOSSES ON LOANS

The allowance for loan losses was $10.4 million at September 30, 2007, or 1.09% of total loans and 99.44% of non-performing loans, compared to $7.8 million at September 30, 2006, or 0.99% of total loans and 115.89% of non-performing loans. The increased allowance was generally attributable to growth in the Company’s commercial loan portfolio and an increase in non-performing loans. See *Note 1 of Notes to the Consolidated Financial Statements* for a description of management’s methodology and *Note 6* for a summary of activity in the allowance for loan losses.

The provision for loan losses for the year ended September 30, 2007 was $3.9 million compared to $1.5 million for the same period a year ago. The significant increase in the provision for loan losses was due to significant growth in the loan portfolio, especially in commercial loans which carry a higher risk of default, and also to increased charge-offs and an increase in the level of non-performing loans.

Net charge-offs for the year ended September 30, 2007 totaled $1.3 million, or 0.14% of average loans, compared to $772,000, or 0.10% of average loans, for the same period a year ago. Net charge-offs in 2007 included $193,000 in charge-offs on single-family residential first mortgage loans, $521,000 in charge-offs on single-family residential second mortgage loans and $279,000 in charge-offs on home equity loans. Management adheres to specific loan underwriting guidelines focusing primarily on residential and commercial real estate and home equity loans secured by one-to four-family and commercial properties and, as the result, while charge-offs in 2007 have increased significantly, the Company's five-year average annual charge-off experience has been low, totaling only $565,000 or 0.10% of average loans. The Company was historically a lender of only one- to-four-family conforming residential loans. Today, the Company has expanded its loan portfolio to include higher-risk home equity, commercial and construction loans. Because the Company's loan portfolio is typically collateralized by real estate, losses occur more frequently when property values are declining and borrowers are losing equity in the underlying collateral. Declines in residential real estate values in the Company's market areas, as well as nationally, contributed to the increased charge-offs during 2007.

NON-INTEREST INCOME

Total non-interest income decreased $1.4 million to $11.0 million for the year ended September 30, 2007 compared to $12.5 million for the year ended September 30, 2006. In February 2006, the Bank sold its Kansas City banking location, resulting in a $2.5 million gain. Excluding this gain, non-interest income increased $1.0 million, primarily as the result of increases in mortgage revenues and retail banking fees.

Mortgage revenues increased 6.5% to $4.9 million during the year ended September 30, 2007 on loan sales of $1.34 billion, compared to mortgage revenues of $4.6 million during the year ended September 30, 2006 on loan sales of $1.15 billion. The growth in loan sales was due primarily to the expansion of the residential mortgage sales staff and resulted in higher revenues during 2007.

Retail banking fees increased 12.6% to $3.4 million in 2007 compared to $3.0 million for 2007 driven primarily by growth in retail checking accounts.

Investment brokerage revenues totaled $663,000 for the year ended September 30, 2007 compared to $598,000 in fiscal 2006. The investment division's activities consist primarily of brokering bonds to other community banks, municipalities and high net worth individuals. The volatile interest rate market greatly impacted the division's ability to sell bonds during 2007.

Insurance commissions decreased to $38,000 for the year ended September 30, 2007 compared to $216,000 for the year ended September 30, 2006. Insurance commissions stem primarily from revenue received for brokering annuity sales for insurance companies. Since these products often compete directly with the Company's deposit products, these activities were significantly scaled back during fiscal 2007.

Bank-owned life insurance income increased $169,000 to $1.0 million for the year ended September 30, 2007 from $847,000 for the year ended September 30, 2006, primarily as the result of a full year of income earned in 2007 on $6.5 million of additional policies purchased during February and March of 2006.

Other income increased $25,000 to $675,000 for the year ended September 30, 2007 from $649,000 for the year ended September 30, 2006. The increase resulted primarily from increased fee income from checks drawn on a correspondent bank's checking account, receipt of a litigation settlement totaling $53,000, net of expenses, and increased rental income collected from tenants in one of the Bank's office buildings.

NON-INTEREST EXPENSE

Total non-interest expense increased $2.3 million, or 11%, to $22.8 million for the year ended September 30, 2007 compared to $20.5 million for the year ended September 30, 2006. The ratio of non-interest expense to average assets decreased to 2.22% for fiscal 2007 compared to 2.36% for fiscal 2006 primarily as the result of cost-effective growth in average assets.

Salaries and employee benefits expense increased $1.3 million, or 13.3%, to $11.2 million for the year ended September 30, 2007 from $9.9 million for the year ended September 30, 2006 as the result of additional employees hired to staff the new bank locations and to support increased loan activity. The number of full-time equivalent employees increased from 361 at September 30, 2006 to 421 at September 30, 2007.

Occupancy and equipment expense increased $677,000 to $5.8 million for the year ended September 30, 2007 from $5.1 million for the year ended September 30, 2006. The increase in expense was due primarily to the addition of the Richmond Heights location which opened in January 2007.

Advertising expense increased $300,000 to $1.4 million for the year ended September 30, 2007 compared to $1.1 million for the year ended September 30, 2006. The increase resulted from higher television and newspaper advertising during 2007 as the Bank increased its marketing efforts related to the new bank locations and new products.

Gain on derivative instruments increased $781,000 during the year to $586,000 for the year ended September 30, 2007 compared to a loss of $194,000 for the year ended September 30, 2006. During the first quarter of fiscal year 2006, changes in the estimated fair values of these derivatives were recognized as charges or credits to earnings, as appropriate, during the periods in which the changes occurred. Effective January 1, 2006, the Company began using long-haul, fair-value, hedge accounting. The increased gain in 2007 was the result of a shorter duration on the derivative instruments at September 30, 2007 compared to September 30, 2006.

Data processing termination expense totaled $220,000 for the year ended September 30, 2007 due to the write-off of capitalized expenses related to the termination of a contract to convert the Company's core data processing system. There was no such expense in the prior fiscal year.

INCOME TAXES

The ***provision for income taxes*** decreased from $5.4 million for the year ended September 30, 2006 to $4.5 million for the year ended September 30, 2007. The effective tax rate was 33.4% in 2007 compared to 35.5% in 2006. The lower effective tax rate in 2007 was primarily the result of an increase in bank-owned life insurance income, which is non-taxable.

RECENT DEVELOPMENTS

The U. S. and global economies have experienced and are experiencing significant stress and disruptions in the financial sector. Dramatic slowdowns in the housing industry with falling home prices and increasing foreclosures and unemployment have resulted in major issues for financial institutions, government-sponsored entities and investment banks. These issues have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and in some cases, to fail.

In response to the financial crisis affecting the banking and financial markets, in October 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law to stabilize and provide liquidity to the U.S. financial markets.

As part of that legislation, the U.S. Treasury announced that it has been authorized to purchase equity positions in U. S. financial institutions. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), the U.S. Treasury will make $250 billion of capital available to U.S. financial institutions, which for certain public institutions like the Company, will be in the form of preferred stock. In conjunction with the purchase of preferred stock, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the total amount of the preferred investment. Participating financial institutions will be required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program and will be restricted from increasing dividends to common shareholders or repurchasing common stock for three years without the consent of the Treasury.

Further, after receiving a recommendation from the boards of the Federal Deposit Insurance Corporation and the Federal Reserve System, the Treasury signed the systemic risk exception to the FDIC Act, enabling the FDIC to temporarily provide a 100% guarantee of the senior debt of all FDIC-insured institutions and their holding companies, as well as deposits in non-interest bearing transaction deposit accounts under a Temporary Liquidity Guarantee Program. Coverage under the Temporary Liquidity Guarantee Program is available for 30 days without charge and thereafter at a cost of 75 basis points per annum for senior unsecured debt and 10 basis points per for non-interest bearing transaction deposits.

The Company has made a decision to participate in the Temporary Liquidity Guarantee Program and, subsequent to September 30, 2008, applied for $32.5 million in preferred stock in the TARP Capital Purchase Program.

It is not clear at this time what impact the EESA, the TARP Capital Purchase Program, the Temporary Liquidity Guarantee Program, other liquidity and funding initiatives of the Federal Reserve and other agencies that have been previously announced, and any additional programs that may be initiated in the future, will have on the Company and the U.S. and global financial markets.

MARKET RISK ANALYSIS

Market risk is the risk of loss arising from adverse changes in the fair values of financial instruments or other assets caused by changes in interest rates, currency exchange rates, or equity prices. Interest rate risk is the Company's primary market risk and results from timing differences in the repricing of assets and liabilities, changes in relationships between rate indices, and the potential exercise of explicit or embedded options. The Company uses several measurement tools provided by a national asset liability management consultant to help manage these risks. Management provides key assumptions to the consultants, which are used as inputs into the measurement tools. Following is a summary of two different tools management uses on a quarterly basis to monitor and manage interest rate risk.

Earnings Simulation Modeling. Net income is affected by changes in the level of interest rates, the shape of the yield curve and the general market pressures affecting current market interest rates at the time of simulation. Many interest rate indices do not move uniformly, creating certain disunities between them. For example, the spread between a thirty-day, prime-based asset and a thirty-day, FHLB advance may not be uniform over time. The earnings simulation model projects changes in net interest income caused by the effect of changes in interest rates on interest-earning assets and interest-bearing liabilities. Simulation results are measured as a percentage change in net interest income compared to the static-rate or "base case" scenario. The model considers increases and declines in asset and liability volumes using prepayment assumptions as well as rate changes. Rate changes are modeled gradually over a twelve-month period, referred to as a "rate ramp." The model projects only changes in interest income and expense and does not project changes in non-interest income, non-interest expense, provision for loan losses or the impact of changing tax rates. At September 30, 2008, net interest income simulation showed a positive nine basis point change from the base case in a 200 basis point ramped rising rate environment and a negative four basis point change from the base case in a 100 basis point ramped declining rate environment. The projected decrease in net interest income is within the Asset Liability Committee's guidelines in a 200 basis point increasing or 100 basis point decreasing interest rate environment. However, management continually monitors signs of elevated risks and takes certain actions to limit these risks.

The following table summarizes the results of the Company's income simulation model as of September 30, 2008 and August 31, 2007.

	Change in Net Interest Income			
	2008		2007	
Change in Market Interest Rates	Year 1	Year 2	Year 1	Year 2
200 basis point ramped increase	**0.9%**	**0.9%**	**(2.0%)**	**(6.2%)**
Base case - no change	**—**	**(1.7%)**	**—**	**(1.6%)**
100 basis point ramped decrease	**(0.4%)**	**(3.7%)**	**1.8%**	**0.9%**

Net Portfolio Value Analysis. Net portfolio value ("NPV") represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. This analysis assesses the risk of loss in market-risk sensitive instruments in the event of a sudden and sustained 100 to 200 basis point increase or decrease in market interest rates with no effect given to any actions management might take to counter the effect of that interest rate movement. The following is a summary of the results of the report compiled by the Company's outside consultant using data and assumptions management provided as of September 30, 2008 and August 31, 2007.

	Estimated Change in NPV			
	2008		2007	
Change in Market Interest Rates	Amount (000s)	Percent	Amount (000s)	Percent
200 basis point increase	**$5,866**	**5.6%**	**($6,451)**	**(6.3%)**
100 basis point increase	**$3,312**	**3.1%**	**($2,325)**	**(2.3%)**
Base case - no change	**$0**	**—**	**$0**	**—**
100 basis point decrease	**($5,178)**	**(4.9%)**	**$785**	**0.8%**

The preceding table indicates that, at September 30, 2008, in the event of a 200 basis point increase in prevailing market interest rates, NPV would be expected to increase by $5.9 million, or 5.6% of the base case scenario value of $105.5 million. In the event of a decrease in prevailing market rates of 100 basis points, NPV would be expected to decline by $5.2 million or 4.9% of the base case scenario value. The projected decrease in NPV is within the Asset Liability Committee's guidelines in a 200 basis point increasing or 100 basis point decreasing interest rate environment. However, management continually monitors signs of elevated risks and takes certain actions to limit these risks.

The following table presents the Company's financial instruments that are sensitive to changes in interest rates, categorized by expected maturity, and the instruments' estimated fair values and weighted average interest rates at September 30, 2008. Expected maturities use certain assumptions based on historical experience and other data available to management.

	Weighted Average Rate	Within One Year	One Year to Three Years	After Three Years to Five Years	After Five Years to Ten Years	Beyond Ten Years	Carrying Value Total	Estimated Fair Value
				(Dollars in Thousands)				
Interest Sensitive Assets								
Loans receivable—net[(1)]	6.02%	$625,199	$ 150,261	$ 126,043	$121,354	$ 65,880	$1,088,737	$1,102,715
Loans held for sale—net[(2)]	6.08%	71,966	—	—	—	—	71,966	73,189
Mortgage-backed securities—HTM	4.91%	6,526	2	—	247	8,970	15,745	15,608
Mortgage-backed securities—AFS	4.16%	2	1,941	—	—	8,238	10,181	10,181
FHLB stock	4.00%	10,896	—	—	—	—	10,896	10,896
Other	1.75%	548	—	—	—	—	548	548
Total interest sensitive assets		$715,137	$ 152,204	$ 126,043	$121,601	$ 83,088	$1,198,073	$1,213,137
Interest Sensitive Liabilities								
Passbook savings accounts	0.32%	$ 25,829	$ —	$ —	$ —	$ —	$ 25,829	$ 25,829
Checking accounts[(3)]	2.51%	178,698	—	—	—	—	178,698	178,698
Money market accounts	2.12%	149,141	—	—	—	—	149,141	149,141
Certificate of deposit accounts	3.41%	420,766	39,935	13,241	9,933	1,364	485,239	485,239
FHLB advances	2.67%	149,600	32,000	—	25,000	4,000	210,600	210,269
Note payable	4.57%	7,640	—	—	—	—	7,640	7,640
Other borrowed money	2.25%	40,000	—	—	—	—	40,000	40,000
Subordinated debentures	5.06%	—	—	—	—	19,589	19,589	17,051
Total interest sensitive liabilities		$971,674	$ 71,935	$ 13,241	$ 34,933	$ 24,953	$1,116,736	$1,113,867
Off-Balance Sheet Items								
Operating leases		$ 589	$ 1,030	$ 965	$ 1,484	$ —	$ 4,068	$ 4,068
Commitments to extend credit	6.32%	137,430	—	—	—	—	—	
Unused lines of credit—residential		235,942	—	—	—	—	—	
Unused lines of credit—commercial		53,818	—	—	—	—	—	
Unused lines of credit—consumer		234						

(1) Includes non-accrual loans.
(2) Maturity reflects expected committed sales to investors.
(3) Excludes non-interest bearing checking accounts of $76.4 million.

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Company might not be able to satisfy current or future financial commitments, or may become unduly reliant on alternative funding sources. The objective of liquidity risk management is to ensure that the cash flow requirements of the Bank's depositors and borrowers, as well as the Company's operating cash needs, are met. The Asset/Liability Management Committee meets regularly to consider the operating needs of the organization. Projected cash flows are prepared for a rolling 180 day period, with significant shortfalls in core deposit products examined and wholesale funding decisions made. Funds are available from a number of sources, including retail deposits, Federal Home Loan Bank advances, short-term borrowings from the Federal Reserve, brokered deposits, other borrowings and loan sales.

The Company maintains adequate levels of liquidity to ensure the availability of funds to satisfy loan commitments and deposit withdrawals. At September 30, 2008, the Company had outstanding firm commitments to originate loans of $137.4 million, all of which were on a best-efforts basis and to fulfill commitments under unused lines of credit of $290.0 million. At the same time, certificates of deposit scheduled to mature in one year or less totaled $420.8 million, including $110.4 million of brokered deposits. Based upon historical experience, management believes the majority of maturing retail certificates of deposit will remain with the Bank. Management manages the level of brokered deposits in conjunction with other wholesale funding strategies.

The Company requires funds beyond its ability to generate them internally. The Bank has the ability to borrow funds from the FHLB equal to 35% of the Bank's total assets, subject to collateral verification. Under a blanket agreement, the Bank assigns all investments in FHLB stock, all qualifying first residential mortgage loans and all loans held for sale as collateral to secure the amounts borrowed. At September 30, 2008, the Bank had $76.4 million available under the above-mentioned borrowing arrangement in addition to existing advances of $210.6 million. In addition, the Bank has the ability to borrow funds on a short-term basis (generally maturing overnight to within 28 days) under the Bank's primary credit line at the Federal Reserve's discount window. The Bank had approximately $128.1 million in additional borrowing authority at September 30, 2008 under this arrangement in addition to the $40.0 million in borrowings outstanding at that date and had approximately $224.2 million of commercial loans pledged as collateral under this agreement. Also, as long as the Bank maintains a "well capitalized" position, the Bank can issue deposits through a nationally brokered market. Brokered deposits offer the advantage of large blocks of liquidity.

The Company is a large originator of residential mortgage loans, with more than 81% of these loans sold to the secondary residential mortgage investment community. Consequently, the primary ***source and use of cash in operations*** is to originate loans for sale, which used $1.32 billion in cash during the twelve months ended September 30, 2008 and provided proceeds of $1.32 billion from loan sales.

The primary ***use of cash from investing activities*** is the origination of loans receivable that are held in portfolio. During the year ended September 30, 2008, loan originations decreased $2.4 million from $176.7 million for the year ended September 30, 2007 to $174.3 million for 2008. Other significant uses of cash from investing activities included $53.3 million for the purchase of debt securities available for sale, $38.9 million for the purchase of debt securities held to maturity, $9.1 million for the purchase of equity securities available for sale, $15.3 million for the purchase of FHLB stock, $1.2 million for the purchase or improvement of premises and equipment and $1.5 million for the purchase of bank-owned life insurance. ***Sources of cash from investing activities*** included proceeds from the sale of debt securities available for sale totaling $53.6 million, proceeds from the sale of equity securities available for sale totaling $3.8 million, proceeds from maturities of debt securities held to maturity totaling $45.1 million, proceeds from maturities of debt securities available for sale totaling $7.0 million, proceeds from FHLB stock redemptions of $12.8 million and proceeds from sale of real estate acquired in settlement of loans of $6.6 million.

Supporting the growth in the loan portfolio, the Company's primary ***sources of funds from financing activities*** included a $79.9 million increase in deposits, a $52.2 million increase FHLB advances, a $40.0 million increase in borrowings from the Federal Reserve and a $5 million increase in notes payable. Primary ***uses of cash from financing activities*** included a net decrease in due to other banks of $3.1 million and dividends paid on common stock of $3.7 million.

DERIVATIVES, CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has various financial obligations, including obligations that may require future cash payments. The table below presents, as of September 30, 2008, significant fixed and determinable contractual obligations to third parties, excluding accrued interest payable, by payment due date. Further discussion of each obligation is included in the notes to the consolidated financial statements.

		Payments due by period			
	Total	Less than 1 Year	1 to Less Than 3 Years	3 to 5 Years	More than 5 years
			(In thousands)		
Time deposits	$485,239	$420,766	$53,177	$11,296	$ —
Advances from FHLB	210,600	149,600	32,000	—	29,000
Note payable	7,640	7,640	—	—	—
Subordinated debentures	19,589	—	—	—	19,589
Other borrowings	40,000	40,000	—	—	—
Operating lease obligations	4,068	589	1,030	965	1,484
Total	$767,136	$618,595	$86,207	$12,261	$50,073

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in its financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used for general corporate purposes or to manage customers' requests for funding. Corporate purpose transactions are used to help manage credit, interest rate, and liquidity risk or to optimize capital. Customer transactions are used to manage customers' requests for funding. The Company is party to interest rate swap agreements which are designed to convert the fixed rates paid on certain brokered certificates of deposits into variable, LIBOR-based rates. See *Note 20 of Notes to the Consolidated Financial Statements* for further discussion.

CAPITAL RESOURCES

The Company is not subject to any separate capital requirements from those of the Bank. The Bank is required to maintain specific minimum amounts of capital pursuant to Office of Thrift Supervision regulations. These minimum capital standards generally require the maintenance of regulatory capital sufficient to meet each of three tests, hereinafter described as the tangible capital requirement, the core capital requirement and risk-based capital requirement. The tangible capital requirement provides for minimum tangible capital (defined as stockholders' equity less all intangible assets) equal to 1.5% of adjusted total assets. The core capital requirement provides for minimum core capital (tangible capital plus certain forms of supervisory goodwill and other qualifying intangible assets) equal to 3.0% of adjusted assets. The risk-based capital requirement provides for the maintenance of core capital plus a portion of unallocated loss allowances equal to 8.0% of risk-weighted assets. In computing risk-weighted assets, the Bank multiplies the value of each asset on its balance sheet by a risk-weighting factor that is defined by federal regulations (e.g., one-to four-family conventional residential loans carry a risk-weighted factor of 50%). See *Note 16 of Notes to the Consolidated Financial Statements* for a summary of the Bank's regulatory capital amounts and ratios at September 30, 2008 and 2007. Subsequent to September 30, 2008, the Company applied for $32.5 million in preferred stock in the Treasury's TARP Capital Purchase Program. See *Recent Developments*.

EFFECT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related financial data presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering the change in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting standards, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In March 2008, the FASB issued Staff Position No. FAS 157-2 ("FSP No. 157-2"), which delays the effective date of SFAS No. 157 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years and interim periods beginning after November 15, 2008. Management has evaluated the requirements of SFAS No. 157 and believes it will not have a material effect on the Company's financial condition or results of operations.

In September 2006, the FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS No. 158"), which requires balance sheet recognition of the funded status of pension and other postretirement benefits with the offset to accumulated other comprehensive income. Employers will recognize actuarial gains and losses, prior service cost, and any remaining transition amounts when recognizing a plan's funded status. SFAS No. 158 was effective for the Company beginning October 1, 2007. The adoption of SFAS No. 158 did not have a material effect on the Company's financial condition or results of operations.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities —Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of the fiscal year, has not yet issued financial statements for any interim period of such year, and also elects to apply the provisions of SFAS No. 157. Management has evaluated the requirements of SFAS No. 159 and believes it will not have a material effect on the Company's financial condition or results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007), "Business Combinations—A Replacement of FASB Statement No. 141" ("SFAS 141(R)") and Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" ("SFAS 160"). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures certain items in a business combination, as well as disclosures about the nature and financial effects of a business combination. SFAS 160 establishes accounting and reporting standards surrounding noncontrolling interests, or minority interests, which are the portions of equity in a subsidiary not attributable, directly or indirectly, to a parent. The pronouncements are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. Management is currently evaluating the impact of SFAS 141(R) on its accounting for future acquisitions and the impact of SFAS 160 on the Company's consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the impact of SFAS 161 on Company's consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of SFAS No. 109, "Accounting for Income Taxes" ("Interpretation No. 48"), which clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 was effective for the Company beginning October 1, 2007. The adoption of Interpretation No. 48 did not have a material effect on the Company's financial condition or results of operations.

In September 2006, the Emerging Issues Task Force Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," was ratified. This EITF Issue addresses accounting for separate agreements that split life insurance policy benefits between an employer and employee. The Issue requires the employer to recognize a liability for future benefits payable to the employee under these agreements. The effects of applying this Issue must be recognized through either a change in accounting principle through an adjustment to equity or through the retrospective application to all prior periods. The consensus in this Issue is effective for fiscal years beginning after December 15, 2007, with earlier application permitted. Management has evaluated the requirements of the Issue and believes it will not have a material effect on the Company's financial condition or results of operations.

In November 2007, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 109, "Written Loan Commitments Recorded at Fair Value through Earnings" ("SAB No. 109"). SAB No. 109 provides revised guidance on the valuation of written loan commitments accounted for at fair value through earnings. Former guidance under SAB No. 105, "Application of Accounting Principles to Loan Commitments," indicated that the expected net future cash flows related to the associated servicing of the loan should not be incorporated into the measurement of the fair value of a derivative loan commitment. The new guidance under SAB No. 109 requires these cash flows to be included in the fair value measurement. The SAB requires this view to be applied on a prospective basis to derivative loan commitments issued or modified in the first quarter of 2008. The Company's application of SAB No. 109 in 2008 did not have a material effect on its consolidated financial statements.

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Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and of the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2008, using the criteria established in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of September 30, 2008, the Company's internal control over financial reporting was effective based on those criteria.

Our independent registered public accountants, KPMG LLP, have audited and issued a report on our internal control over financial reporting, which appears in this Annual Report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pulaski Financial Corp.:

We have audited the accompanying consolidated balance sheets of Pulaski Financial Corp. and subsidiaries (the Company) as of September 30, 2008 and 2007, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2008. We also have audited the Company's internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pulaski Financial Corp. and subsidiaries as of September 30, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on October 1, 2005.

/s/ **KPMG LLP**

St. Louis, Missouri
December 12, 2008

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 and 2007

ASSETS	**2008**	**2007**
Cash and amounts due from depository institutions	$ 28,430,409	$ 20,438,008
Federal funds sold and overnight deposits	647,453	3,335,735
Total cash and cash equivalents	29,077,862	23,773,743
Equity securities available for sale, at fair value	733,000	3,964,629
Debt securities available for sale, at fair value	—	7,043,172
Debt securities held to maturity, at amortized cost (fair value of $5,979,231 at September 30, 2007)	—	5,979,878
Mortgage-backed securities held to maturity, at amortized cost (fair value of $15,607,652 and $399,629 at September 30, 2008 and 2007, respectively)	15,744,497	371,480
Mortgage-backed securities available for sale, at fair value	10,180,666	2,655,202
Capital stock of Federal Home Loan Bank—at cost	10,896,100	8,305,500
Loans held for sale, at lower of cost or market	71,966,443	58,536,280
Loans receivable (net of allowance for loan losses of $12,761,532 and $10,421,304 at September 30, 2008 and 2007, respectively)	1,088,736,516	949,826,147
Real estate acquired in settlement of loans (net of allowance for losses of $417,773 and $74,035 at September 30, 2008 and 2007, respectively)	3,518,806	3,089,656
Premises and equipment, net	19,853,426	20,389,445
Goodwill	3,938,524	3,938,524
Core deposit intangible	361,591	500,668
Accrued interest receivable	5,614,887	6,605,153
Bank-owned life insurance	27,591,986	25,059,509
Deferred tax asset	8,062,641	5,050,795
Other assets	7,873,515	6,375,126
TOTAL ASSETS	$1,304,150,460	$1,131,464,907
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits	$ 915,311,365	$ 835,488,696
Advances from the Federal Home Loan Bank	210,600,000	158,400,000
Borrowings from the Federal Reserve Bank	40,000,000	—
Note payable	7,640,000	2,980,000
Subordinated debentures	19,589,000	19,589,000
Advance payments by borrowers for taxes and insurance	3,667,014	2,957,793
Accrued interest payable	1,505,949	2,530,722
Due to other banks	14,377,831	17,484,741
Other liabilities	9,098,795	11,229,464
Total liabilities	1,221,789,954	1,050,660,416
STOCKHOLDERS' EQUITY :		
Preferred stock—$.01 par value per share, 1,000,000 shares authorized; none issued	—	—
Common stock—$.01 par value per share, 18,000,000 shares authorized; 13,068,618 shares issued at September 30, 2008 and 2007, respectively	130,687	130,687
Treasury stock—at cost (2,853,078 and 3,133,228 shares at September 30, 2008 and 2007, respectively)	(16,278,615)	(17,040,449)
Treasury stock—Equity Trust (226,992 and 230,225 shares at September 30, 2008 and 2007, respectively)	(2,771,883)	(3,030,198)
Additional paid-in capital	51,987,198	50,560,264
Accumulated other comprehensive loss, net	(97,394)	(66,283)
Retained earnings	49,390,513	50,250,470
Total stockholders' equity	82,360,506	80,804,491
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,304,150,460	$1,131,464,907

See accompanying notes to the consolidated financial statements.

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2008, 2007 AND 2006

	2008	2007	2006
INTEREST AND DIVIDEND INCOME:			
Loans receivable	$71,170,220	$69,212,344	$52,591,369
Securities	941,827	880,129	489,020
Mortgage-backed securities	562,106	157,947	202,196
FHLB stock	498,385	441,599	327,261
Other	93,009	232,701	233,080
Total interest and dividend income	73,265,547	70,924,720	53,842,926
INTEREST EXPENSE:			
Deposits	27,441,443	31,337,497	19,624,756
Advances from Federal Home Loan Bank	7,955,576	8,755,206	7,777,403
Borrowings from the Federal Reserve Bank	776,048	42	—
Note payable	241,786	225,922	235,483
Subordinated debentures	1,238,106	1,515,214	1,389,369
Total interest expense	37,652,959	41,833,881	29,027,011
NET INTEREST INCOME	35,612,588	29,090,839	24,815,915
PROVISION FOR LOAN LOSSES	7,734,641	3,855,257	1,501,375
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	27,877,947	25,235,582	23,314,540
NON-INTEREST INCOME:			
Retail banking fees	3,963,420	3,414,779	3,033,494
Mortgage revenues	6,111,359	4,942,452	4,640,820
Loss on loan pool sales	—	—	(122,299)
Investment brokerage revenues	1,024,291	662,566	597,814
Insurance commissions	91,173	37,793	216,279
(Loss) gain on sales of securities available for sale	(7,870,267)	273,170	123,188
Gain on sale of branch	—	—	2,473,853
Bank-owned life insurance income	1,032,477	1,015,811	846,718
Other	562,157	674,572	649,366
Total non-interest income	4,914,610	11,021,143	12,459,233
NON-INTEREST EXPENSE:			
Salaries and employee benefits	14,056,359	11,178,161	9,861,668
Occupancy, equipment and data processing expense	7,218,894	5,760,423	5,083,266
Advertising	1,256,538	1,424,076	1,124,269
Professional services	1,496,040	1,352,862	1,236,742
Postage, document delivery and office supplies expense	1,043,190	1,023,901	988,831
(Gain) loss on derivative instruments	(395,885)	(586,310)	194,330
Real estate foreclosure expense and losses, net	1,930,841	597,242	227,595
Data processing termination (recovery) expense	(180,000)	219,534	—
FDIC deposit insurance premiums	748,994	84,274	72,750
Other	2,044,397	1,718,630	1,721,594
Total non-interest expense	29,219,368	22,772,793	20,511,045
INCOME BEFORE INCOME TAXES	3,573,189	13,483,932	15,262,728
INCOME TAXES	684,445	4,501,293	5,424,675
NET INCOME	$ 2,888,744	$ 8,982,639	$ 9,838,053
OTHER COMPREHENSIVE INCOME—Unrealized (loss) gain on investment and mortgage-backed securities available-for-sale (net of income taxes in 2008, 2007 and 2006 of $22,409, $29,357 and $6,250, respectively)	(31,111)	(53,350)	10,196
COMPREHENSIVE INCOME	$ 2,857,633	$ 8,929,289	$ 9,848,249
Per share amounts:			
Basic earnings per share	$ 0.29	$ 0.92	$ 1.07
Basic weighted average common shares outstanding	9,914,220	9,814,396	9,205,525
Diluted earnings per share	$ 0.28	$ 0.88	$ 1.01
Diluted weighted average common shares outstanding	10,239,301	10,255,702	9,717,733

See accompanying notes to the consolidated financial statements.

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
BALANCE, SEPTEMBER 30, 2005	$119,187	$(21,125,653)	$31,205,898	$ (23,129)	$38,070,161	$48,246,464
Comprehensive income:						
Net income	—	—	—	—	9,838,053	9,838,053
Change in unrealized loss on investment securities, net of tax	—	—	—	89,652	—	89,652
Less: reclassification adjustment for realized gain on sale of investment securities included in net income, net of tax	—	—	—	(79,456)	—	(79,456)
Total comprehensive income	—	—	—	10,196	9,838,053	9,848,249
Common stock offering (1,150,000 shares)	11,500	—	16,127,730	—	—	16,139,230
Dividends ($0.33 per share)	—	—	—	—	(3,152,569)	(3,152,569)
Stock issued for acquisition (210,732 shares)	—	776,126	2,915,899	—	—	3,692,025
Stock issued for dividend reinvestment plan (17,152 shares)	—	63,171	213,411	—	—	276,582
Stock options exercised	—	497,545	299,884	—	—	797,429
Stock option and award expense	—	—	344,666	—	—	344,666
Stock repurchased (5,296 shares)	—	(88,301)	—	—	—	(88,301)
Equity trust shares purchased (122,538 shares)	—	(1,959,000)	—	—	—	(1,959,000)
Release of equity trust shares	—	2,724,098	(2,724,098)	—	—	—
Tax benefit for release of equity trust shares	—	—	800,000	—	—	800,000
Amortization of equity trust expense	—	—	806,098	—	—	806,098
Excess tax benefit from stock based compensation	—	—	75,673	—	—	75,673
Forfeiture of restricted shares	—	(1,842)	1,842	—	—	—
BALANCE, SEPTEMBER 30, 2006	$130,687	$(19,113,856)	$50,067,003	$ (12,933)	$44,755,645	$75,826,546
Comprehensive income:						
Net income	—	—	—	—	8,982,639	8,982,639
Change in unrealized gain on investment securities, net of tax	—	—	—	(82,707)	—	(82,707)
Less: reclassification adjustment for realized gain on sale of investment securities included in net income, net of tax	—	—	—	29,357	—	29,357
Total comprehensive income	—	—	—	(53,350)	8,982,639	8,929,289
Dividends ($0.35 per share)	—	—	—	—	(3,487,814)	(3,487,814)
Stock issued for dividend reinvestment plan (25,187 shares)	—	106,838	286,223	—	—	393,061
Stock options exercised	—	250,710	145,126	—	—	395,836
Stock option and award expense	—	—	307,128	—	—	307,128
Stock repurchased (97,337 shares)	—	(1,415,545)	—	—	—	(1,415,545)
Equity trust shares purchased (88,188 shares)	—	(1,248,787)	—	—	—	(1,248,787)
Release of equity trust shares	—	1,349,993	(1,349,993)	—	—	—
Amortization of equity trust expense	—	—	876,344	—	—	876,344
Tax benefit for release of equity trust shares	—	—	150,824	—	—	150,824
Excess tax benefit from stock based compensation	—	—	77,609	—	—	77,609
BALANCE, SEPTEMBER 30, 2007	$130,687	$(20,070,647)	$50,560,264	$ (66,283)	$50,250,470	$80,804,491

See accompanying notes to the consolidated financial statements.

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEAR ENDED SEPTEMBER 30, 2008

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
BALANCE, SEPTEMBER 30, 2007	$130,687	$(20,070,647)	$50,560,264	$ (66,283)	$50,250,470	$80,804,491
Comprehensive Income:						
Net income	—	—	—	—	2,888,744	2,888,744
Change in unrealized loss on investment securities, net of tax	—	—	—	(4,910,677)	—	(4,910,677)
Less: reclassification adjustment for realized loss on sale of investment securities included in net income, net of tax	—	—	—	4,879,566	—	4,879,566
Total comprehensive income	—	—	—	(31,111)	2,888,744	2,857,633
Dividends ($0.37 per share)	—	—	—	—	(3,748,701)	(3,748,701)
Stock issued for dividend reinvestment plan (72,695 shares)	—	296,667	398,722	—	—	695,389
Stock options exercised (245,542 shares)	—	1,002,056	151,567	—	—	1,153,623
Stock option and award expense	—	—	464,754	—	—	464,754
Stock repurchased (51,898 shares)	—	(593,253)	—	—	—	(593,253)
Treasury stock issued (13,811 shares)	—	56,363	135,472	—	—	191,835
Equity trust shares purchased (11,605 shares)	—	(120,000)	—	—	—	(120,000)
Release of equity trust shares (26,413 shares)	—	378,316	(378,316)	—	—	—
Forfeiture of equity trust shares (63,610 shares)	—	—	(366,835)	—	—	(366,835)
Equity trust expense	—	—	951,647	—	—	951,647
Excess tax benefit from stock based compensation	—	—	69,923	—	—	69,923
BALANCE, SEPTEMBER 30, 2008	$130,687	$(19,050,498)	$51,987,198	$ (97,394)	$49,390,513	$82,360,506

See accompanying notes to the consolidated financial statements.

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2008, 2007 AND 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,888,744	$ 8,982,639	$ 9,838,053
Adjustment to reconcile net income to net cash from operating activities:			
Depreciation, amortization and accretion:			
Premises and equipment	1,746,134	1,503,735	1,362,318
Deferred loan costs, net	2,703,126	3,208,157	2,967,165
Debt and equity securities premiums and discounts, net	(283,611)	(589,462)	(308,323)
Broker fees financed under interest-rate swap agreements	522,015	196,932	196,932
Equity trust expense	584,812	876,344	806,098
Stock option and award expense	464,754	307,128	344,666
Deferred income taxes	(3,011,846)	(249,519)	(641,767)
Provision for loan losses	7,734,641	3,855,257	1,501,375
Provision for losses on real estate acquired in settlement of loans	755,773	115,535	102,884
Losses on sale of real estate acquired in settlement of loans	800,578	144,321	91,762
Originations of loans held for sale	(1,324,428,979)	(1,329,923,226)	(1,142,429,279)
Proceeds from sales of loans held for sale	1,316,528,832	1,336,059,282	1,150,504,585
Gain on sale of loans held for sale	(5,530,016)	(4,220,282)	(4,192,585)
Loss on sale of loan pools	—	—	122,299
Loss (gain) on sale of equity securities available for sale	8,127,779	(273,170)	(123,188)
Gain on sale of debt securities available for sale	(257,512)	—	—
Gain on sale of branch, net of expenses	—	—	(2,473,852)
Gain on sale of investment in joint venture	(30,755)	—	—
(Gain) loss on derivative financial statements	(395,885)	(586,310)	194,330
Increase in cash value of bank-owned life insurance	(1,032,477)	(1,015,811)	(845,105)
Tax benefit for release of equity trust shares	—	(150,824)	(800,000)
Excess tax benefit from stock-based compensation	(69,923)	(77,609)	(75,673)
Increase (decrease) in accrued expenses	710,861	(141,729)	(169,761)
Increase (decrease) in current income taxes payable	(2,402,440)	1,844,440	(1,014,714)
Changes in other assets and liabilities	(1,453,030)	(828,570)	1,894,040
Net adjustments	1,782,831	10,054,619	7,014,207
Net cash provided by operating activities	4,671,575	19,037,258	16,852,260
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from branch acquisition, net	$ —	$ —	$ 15,733,736
Cash paid on sale of branch	—	—	(19,448,123)
Proceeds from sales of debt securities available for sale	56,634,131	5,165,950	7,390,758
Proceeds from sales of equity securities available for sale	3,826,876	772,648	—
Proceeds from sales of mortgage-backed securities available for sale	—	—	779,618
Proceeds from maturities of investments in time deposits	—	693,000	1,287,000
Proceeds from maturities of debt securities available for sale	7,000,000	—	450,000
Proceeds from maturities of debt securities held to maturity	45,100,000	51,000,000	34,000,000
Proceeds from redemption of FHLB stock	12,751,600	12,858,200	12,313,500
Purchases of bank-owned life insurance policies	(1,500,000)	—	(7,100,000)
Purchases of debt securities available for sale	(53,280,870)	(12,072,920)	(592,070)
Purchases of debt securities held to maturity	(38,861,190)	(43,465,822)	(40,643,057)
Purchases of equity securities available for sale	(9,092,573)	(248,809)	—
Purchases of mortgage-backed securities available for sale	(8,105,406)	—	—
Purchases of FHLB stock	(15,342,200)	(11,639,400)	(13,262,000)
Principal payments received on mortgage-backed securities	1,612,303	653,062	1,162,551
Proceeds from sale of loan pools	—	—	13,862,739
Net increase in loans receivable	(174,296,330)	(176,734,957)	(163,119,464)
Proceeds from sales of real estate acquired in settlement of loans	6,593,149	4,459,075	2,423,215
Proceeds from disposal of equipment	12,973	2,528	26,641
Purchases of premises and equipment	(1,223,088)	(3,729,868)	(4,260,358)
Proceeds from sale of investment joint venture	49,375	—	—
Cash paid for investment in joint venture	(233,691)	(100,000)	(67,620)
Net cash used in investing activities	$ (171,354,941)	$ (172,387,313)	$ (159,062,934)

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
YEARS ENDED SEPTEMBER 30, 2008, 2007 AND 2006

	2008	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	$ 79,876,358	$179,553,909	$115,655,886
Proceeds from Federal Home Loan Bank advances, net	52,200,000	(14,400,000)	1,800,000
Proceeds from borrowings from Federal Reserve Bank, net	40,000,000	—	—
Proceeds from note payable	5,000,000	—	—
Payment on note payable	(340,000)	(340,000)	(255,000)
Net (decrease) increase in due to other banks	(3,106,910)	(4,581,633)	8,430,762
Net increase (decrease) in advance payments by borrowers for taxes and insurance	709,221	(96,920)	124,754
Proceeds from common stock offering	—	—	16,139,230
Proceeds from stock options exercised	1,153,623	395,836	797,429
Purchase of equity trust shares	(120,000)	(1,248,787)	(1,959,000)
Dividends paid on common stock	(3,748,701)	(3,487,814)	(3,152,569)
Tax benefit for release of equity trust shares	—	150,824	800,000
Excess tax benefit from stock-based compensation	69,923	77,609	75,673
Treasury stock issued	191,835	—	—
Proceeds from cash received in dividend reinvestment plan	695,389	393,061	276,582
Common stock repurchased	(593,253)	(1,415,545)	(88,301)
Net cash provided by financing activities	171,987,485	155,000,540	138,645,446
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,304,119	1,650,485	(3,565,228)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,773,743	22,123,258	25,688,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 29,077,862	$ 23,773,743	$ 22,123,258
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest on deposits	$ 28,445,903	$ 30,597,916	$ 18,980,468
Interest on advances from Federal Home Loan Bank	7,990,888	8,763,871	7,745,363
Interest on other borrowings	743,993	42	—
Interest on subordinated debentures	1,256,135	1,516,169	1,373,137
Interest on note payable	240,813	225,925	222,868
Cash paid during year for interest	38,677,732	41,103,923	28,321,836
Income taxes, net	5,766,568	3,219,825	6,707,644
NON-CASH INVESTING ACTIVITIES:			
Real estate acquired in settlement of loans	8,581,958	5,044,420	4,627,832
Loans securitized into mortgage-backed securities	16,264,184	—	—

See accompanying notes to the consolidated financial statements.

PULASKI FINANCIAL CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2008, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pulaski Financial Corp. (the "Company") is the holding company for Pulaski Bank (the "Bank"). The Company's primary assets are the outstanding shares of the Bank, cash, and equity investments in other financial institutions. The Company also maintains two special purpose subsidiaries that issue preferred securities. Management of the Company and the Bank are substantially similar and the Company neither owns nor leases any property, but instead uses the premises, equipment and furniture of the Bank. Accordingly, the information in the consolidated financial statements relates primarily to the Bank.

The Company, through the Bank, operates in a single business segment, which is a community-oriented financial institution providing traditional financial services through the operation of twelve full-service bank locations in the St. Louis metropolitan area at September 30, 2008 and three loan production offices in the Kansas City metropolitan area and the Illinois portion of the St. Louis metropolitan area. The Bank is engaged primarily in the business of attracting deposits from the general public and using these and other funds to originate a variety of residential, commercial and consumer loans within the Bank's lending market areas. The Bank is an approved lender/servicer for the Federal Housing Administration ("FHA") and the Veterans Administration ("VA"), as well as for the Missouri Housing Development Commission (a government agency established to provide home buying opportunities for low income first time home buyers).

The accounting and reporting policies and practices of the Company and its subsidiaries conform to U.S. generally accepted accounting principles and to prevailing practices within the banking industry. A summary of the Company's significant accounting policies follows:

Principles of Consolidation—The consolidated financial statements include the accounts of Pulaski Financial Corp. and its wholly owned subsidiary, Pulaski Bank, and its wholly owned subsidiary, Pulaski Service Corporation. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates—The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and that affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The allowance for loan losses and fair values of financial instruments are significant estimates reported within the consolidated financial statements.

Cash and Cash Equivalents—For purposes of reporting cash flows, cash and cash equivalents include cash and amounts due from depository institutions, cash in transit, cash in the process of collection, federal funds sold, and overnight deposits at the Federal Home Loan Bank. Generally, federal funds sold mature within one day.

Securities and Mortgage-Backed Securities Available for Sale—Securities and mortgage-backed securities available for sale are recorded at their current fair values, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income over the life of the securities using the level-yield method. Unrealized gains or losses on securities and mortgage-backed securities available for sale are included in a separate component of stockholders' equity, net of deferred income taxes. Gains or losses on the disposition of securities and mortgage-backed securities available for sale are recognized using the specific identification method. Estimated fair values of securities and mortgage-backed securities available for sale are based on quoted market prices when available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar instruments.

To the extent management determines a decline in the value of a security or mortgage-backed security available for sale to be other than temporary, the Bank will adjust the carrying value and include such expense in the consolidated statements of income and comprehensive income during the period in which such decline occurs.

Securities and Mortgage-Backed Securities Held to Maturity—Securities and mortgage-backed securities held to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts, since the Company has both the ability and intent to hold the securities to maturity. Premium amortization and discount accretion are recognized as adjustments to interest income over the life of the securities using the level-yield method.

To the extent management determines a decline in the value of a security or mortgage-backed security held to maturity to be other than temporary, the Company will adjust the carrying value and include such expense in the consolidated statements of income and comprehensive income during the period in which such decline occurs.

Capital Stock of the Federal Home Loan Bank—Capital stock of the Federal Home Loan Bank of Des Moines is carried at cost. Dividends received on such stock are reflected as interest and dividend income in the consolidated statements of income and comprehensive income.

Loans Held for Sale—Loans held for sale consist of loans that management does not intend to hold until maturity and are reflected at the lower of cost or market. Such loans are generally committed to be sold to investors on a best-efforts basis with servicing released. Accordingly, market values for such loans are based on commitment prices. Gains or losses on loan sales are recognized at the time of sale and are determined by the difference between net sales proceeds and the principal balance of the loans sold, adjusted for net deferred loan fees or costs. Loan origination and commitment fees, net of certain direct loan origination costs, are deferred until the sale of the loan.

Loans Receivable—Loans receivable are stated at the principal amounts outstanding adjusted for premiums, discounts, deferred loan costs, loans in process and the allowance for loan losses. Loan origination and commitment fees on originated loans, net of certain direct loan origination costs, are deferred and amortized to interest income using the level-yield method over the estimated lives of the related loans. Interest on loans is accrued based upon the principal amounts outstanding. The Bank's policy is to discontinue the accrual of interest income on any loan when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of interest or principal. When evaluating collectability, management considers, among other factors, the value of the underlying collateral. Previously accrued but unpaid interest is charged to current income at the time a loan is placed on non-accrual status. Subsequent collections of cash may be applied as reductions to the principal balance, interest in arrears, or recorded as income depending on management's assessment of the ultimate collectability of the loan. Non-accrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collectability of interest or principal.

Impaired Loans—A loan is considered to be impaired when, based on current information and events, management determines that the Company will be unable to collect all amounts due according to the loan contract, including scheduled interest payments. When a loan is identified as impaired, the amount of impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole remaining source of repayment for the loan is the operation or liquidation of the collateral. In these cases, observable market prices or the current fair value of the collateral, less selling costs when foreclosure is probable, are used instead of discounted cash flows. If the value of the impaired loan is determined to be less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), an impairment charge is recognized through a provision for loan losses.

Troubled Debt Restructurings—A loan is classified as a troubled debt restructuring if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. This usually includes a modification of loan terms (such as a reduction of the rate to below market terms, adding past due interest to the loan balance or extending the maturity date) and possibly a partial forgiveness of debt. A loan classified as a troubled debt restructuring will retain such classification until the borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally one year. Interest income on restructured loans is accrued at the reduced rate once borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally three months for loans that were less than 30 days past due at the time of restructuring and six months for loans that were 30 days or more past due at the time of restructuring.

Allowance for Loan Losses—The Company maintains an allowance for loan losses to absorb probable losses in the Company's loan portfolio. Loan losses are charged against and recoveries are credited to the allowance. Provisions for loan losses are charged to income and credited to the allowance in an amount necessary to maintain an appropriate allowance given risks identified in the portfolio. The allowance is based upon management's quarterly estimates of probable losses inherent in the loan portfolio. Management's estimates are determined through a method of quantifying certain risks in the portfolio that are affected primarily by changes in the nature and volume of the portfolio combined with an analysis of past-due and classified loans, and can also be affected by the following factors: changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices, changes in national and local economic conditions and developments, assessment of collateral values based on independent appraisals, and changes in the experience, ability, and depth of lending management staff.

The following assessments are performed quarterly in accordance with the Company's allowance for loan losses methodology:

Homogeneous residential mortgage loans are given one of five standard risk ratings at the time of origination. The risk ratings are assigned through the use of a credit scoring model, which assesses credit risk determinants from the borrower's credit history, the loan-to-value, debt-to-income ratios or other personal history. The Company's historical loss rates and industry data for each credit rating, adjusted as described below, are used to determine the appropriate allocation percentage for each loan grade. Commercial real estate, consumer and home equity loans are assigned standard risk weightings that determine the allocation percentage.

When commercial real estate loans are over 30 days delinquent or residential, consumer and home equity loans are over 90 days past due, they are evaluated individually for impairment. Additionally, loans that demonstrate credit weaknesses that may impact the borrower's ability to repay or the value of the collateral are also reviewed individually for impairment. The Company considers a loan to be 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 determined to be impaired, the Company establishes an allowance for loan losses equal to the excess of the loan's carrying value over the present value of estimated future cash flows or the fair value of collateral if the loan is collateral dependent.

The Company's methodology includes factors that allow the Company to adjust its estimates of losses based on the most recent information available. Historical loss rates used to determine allowance provisions are adjusted to reflect the impact of current conditions, including actual collection and charge-off experience. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require the Company to modify its allowance for loan losses based on their judgment about information available to them at the time of their examination.

Real Estate Acquired in Settlement of Loans—Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is initially recorded at the lower of its cost, which is the unpaid principal balance of the related loan plus foreclosure costs, or fair value less estimated selling costs. Fair value is generally determined through a new appraisal or market analysis. Any write down to fair value at the time the property is acquired is recorded as a charge-off to the allowance for loan losses. Any decline in the fair value of the property subsequent to acquisition is recorded as a charge to non-interest expense.

Derivative Financial Instruments—The Company originates and purchases derivative financial instruments, including interest rate swaps, interest rate lock commitments and forward contracts to sell mortgage-backed securities. These instruments have certain interest rate risk characteristics that change in value based upon changes in the capital markets.

Interest Rate Swaps: In the normal course of business, the Company uses derivative financial instruments (primarily interest rate swaps) to assist in its interest rate risk management. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, all derivatives are measured and reported at fair value on the Company's consolidated balance sheets as either an asset or a liability. For derivatives that are designated and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are deferred against the respective asset or liability during the period of the change in the fair values. For all hedging relationships, derivative gains and losses that are not effective in hedging the changes in fair value of the hedged item are recognized immediately in current earnings during the period of the change. Similarly, the changes in the fair value of derivatives that do not qualify for hedge accounting under SFAS No. 133 are also reported in non-interest income when they occur.

The net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. The net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income.

At the inception of the hedge and quarterly thereafter, a formal assessment is performed to determine whether changes in the fair values of the derivatives have been highly effective in offsetting the changes in the fair values of the hedged item and whether they are expected to be highly effective in the future. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the method for assessing effectiveness and measuring ineffectiveness. In addition, on a quarterly basis, the Company assesses whether the derivative used in the hedging transaction is highly effective in offsetting changes in fair value of the hedged item, and measures and records any ineffectiveness as a credit or charge to earnings. The Company discontinues hedge accounting prospectively when it is determined that the derivative is or will no longer be effective in offsetting changes in the fair value of the hedged item, the derivative expires, is sold or terminated, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

The estimates of fair values of the Company's derivatives and related liabilities are calculated by an independent third party using proprietary valuation models. The fair values produced by these valuation models are, in part, theoretical and reflect assumptions which must be made in using the valuation models. Small changes in assumptions could result in significant changes in valuation. The risks inherent in the determination of the fair value of a derivative may result in income statement volatility.

The Company uses derivatives to modify the repricing characteristics of certain assets and liabilities so that changes in interest rates do not have a significant adverse effect on net interest income and cash flows and to better match the repricing profile of its interest-bearing assets and liabilities. As a result of interest rate fluctuations, certain interest-sensitive assets and liabilities will gain or lose market value. In an effective fair value hedging strategy, the effect of this change in value will generally be offset by a corresponding change in value on the derivatives linked to the hedged assets and liabilities.

Interest Rate Lock Commitments: Commitments to originate loans (interest rate lock commitments), which primarily consist of commitments to originate fixed-rate residential mortgage loans, are recorded at fair value. Changes in the fair value of interest rate lock commitments are recognized in non-interest income on a quarterly basis.

Forward Commitments to Sell Mortgage-Backed Securities: Forward commitments to sell mortgage-backed securities are recorded at fair value. Changes in the fair value of forward contracts to sell mortgage-backed securities are recognized in non-interest income on a quarterly basis.

Premises and Equipment—Premises and equipment are stated at cost, less accumulated depreciation. Depreciation charged to operations is primarily computed utilizing the straight-line method over the estimated useful lives of the related assets. Estimated lives range from three to forty years for buildings and improvements and five to ten years for furniture and equipment. Maintenance and repairs are charged to expense when incurred. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

Goodwill—Goodwill represents the amount of acquisition cost over the fair value of net assets acquired in the purchase of another financial institution. The Company reviews goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired. Impairment is determined by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in the results of operations in the periods in which they become known. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill becomes its new accounting basis. No such impairment losses were recognized during any of the three years ended September 30, 2008.

Intangible Assets—Intangible assets include core deposit premiums related to the purchase of other financial institutions or branch locations. Core deposit premiums are amortized using the level-yield method. The Company reviews intangible assets for impairment periodically to determine whether there have been any events or circumstances to indicate the recorded amount is not recoverable from projected undiscounted net operating cash flows. If the projected undiscounted net operating cash flows are less than the carrying amount, an impairment loss is recognized to reduce the carrying amount to fair value, and when appropriate, the amortization period is also reduced. Any such adjustments are reflected in the results of operations in the periods in which they become known. No such impairment losses were recognized during any of the three years ended September 30, 2008.

Stock-Based Compensation—The Company maintains a number of stock-based incentive programs, which are discussed in more detail in Note 17. Effective October 1, 2005, the Company adopted SFAS No. 123R, “Share-Based Payment.” This statement replaced SFAS No. 123, “Accounting for Stock-Based Compensation,” and superseded Accounting Principles Board Opinion (“APB”) No. 25. SFAS No. 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation expense on a prospective basis. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods. SFAS No. 123R also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows.

Income Taxes—Deferred income taxes are determined using an asset or liability approach that requires the recognition of deferred tax assets or liabilities based upon temporary differences in the tax basis of an asset or liability and its related financial statement balance. The deferred tax asset or liability is calculated using the enacted tax rates expected to apply in the period in which the deferred asset or liability is expected to be settled or realized.

Effective October 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Tax positions must meet the more-likely-than-not recognition threshold at the effective date in order for the related tax benefits to be recognized or continue to be recognized upon adoption of FIN 48.

Reclassifications—Certain amounts included in the 2007 and 2006 consolidated financial statements have been reclassified to conform to the 2008 presentation. In accordance with SFAS No. 91, “Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring

Loans and Initial Direct Costs of Leases," the Company reclassified certain direct fees and costs associated with the origination and sale of loans held for sale during the years ended September 30, 2007 and 2006 into mortgage revenues to conform to the 2008 presentation in the Company's consolidated statements of income and comprehensive income. The net effect of these reclassifications during the year ended September 30, 2007 decreased appraisal revenues, title policy revenues and salaries and benefits expense $920,000, $684,000 and $1.03 million, respectively and increased mortgage revenues $579,000. The net effect of these reclassifications during the year ended September 30, 2006 decreased appraisal revenues, title policy revenues and salaries and benefits expense $167,000, $601,000 and $482,000, respectively and increased mortgage revenues $286,000.

2. BUSINESS COMBINATION

On March 31, 2006, the Company acquired 100% of the outstanding common stock of CWE Bancorp, Inc., the holding company of Central West End Bank ("CWE"), St. Louis, Missouri. The Company's results of operations do not reflect the operations of CWE Bancorp, Inc. for periods prior to March 31, 2006. The aggregate purchase price was $7.3 million, including $3.6 million of cash and 210,732 shares of common stock valued at $3.7 million. In addition to the $7.3 million, the Company paid $341,000 of cash to certain former employees and directors of CWE Bancorp in exchange for all of their outstanding options to purchase CWE Bancorp common stock. The Company recorded goodwill of $3.9 million and a core deposit intangible of $708,000. CWE had two branch locations with approximately $12.0 million in loans and $41.4 million in deposits at March 31, 2006.

The gross carrying amount of the core deposit intangible at September 30, 2008 and 2007 was $708,000 and the accumulated amortization at September 30, 2008 and 2007 was $347,000 and $208,000, respectively. The core deposit intangible amortization expense for the years ended September 30, 2008, 2007 and 2006 was $139,000, $157,000 and $51,000, respectively. At September 30, 2008 the estimated core deposit intangible amortization expense for the next four years is as follows:

Year ended September 30:	
2009	$118,000
2010	95,000
2011	69,000
2012	38,000

3. DEBT AND EQUITY SECURITIES

The amortized cost and estimated fair value of debt and equity securities held to maturity and available for sale at September 30, 2008 and 2007 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2008:				
Available for Sale:				
Equity securities	$ 744,500	$ —	$ (11,500)	$ 733,000
September 30, 2007:				
Held to Maturity:				
Debt obligations of government sponsored entities	$ 5,979,878	—	$ (647)	$ 5,979,231
Weighted average rate at end of period	5.26%			
Available for Sale:				
Equity securities	$ 4,004,798	$ 74,272	$(114,441)	$ 3,964,629
Debt obligations of government sponsored entities	7,049,392	—	(6,220)	7,043,172
Total	$11,054,190	$ 74,272	$(120,661)	$11,007,801
Weighted average rate at end of period	4.76%			

The summary below displays the length of time securities available for sale and held to maturity were in a continuous unrealized loss position as of September 30, 2008 and 2007. The unrealized losses were not deemed to be other-than-temporary and there is no intention to dispose of these investments. The Company has the ability and intent to hold these investments until the values recover.

	Length of Time in Continuous Unrealized Loss Position at September 30, 2008					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Available for Sale:						
Equity securities	$144,000	$ 11,500	$ —	$ —	$144,000	$ 11,500

	Length of Time in Continuous Unrealized Loss Position at September 30, 2007					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Held to Maturity:						
Debt obligations of government sponsored entities	$ 5,979,231	$ 647	$ —	$ —	$ 5,979,231	$ 647
Available for Sale:						
Equity securities	—	—	2,295,700	114,441	2,295,700	114,441
Debt obligations of government sponsored entities	7,043,172	6,220	—	—	7,043,172	6,220
Total	$13,022,403	$ 6,867	$2,295,700	$114,441	$15,318,103	$121,308

Proceeds from sales of available-for-sale securities were $57.5 million, $5.9 million and $7.4 million for the years ended September 30, 2008, 2007, and 2006, respectively. Gross gains of $392,000, $273,000 and $127,000 were realized on these sales during the years ended September 30, 2008, 2007 and 2006, respectively. Gross losses of $8.3 million and $4,000 were realized on these sales during the years ended September 30, 2008 and 2006, respectively. There were no such losses during the year September 30, 2007. The losses in 2008 were primarily the result of a $7.9 million loss on the sale of the Company's entire portfolio of Fannie Mae preferred stock, consisting of 350,000 shares of 8.25% Series S fixed-rate preferred stock, which was classified as available for sale. The announcement on September 7, 2008 that the Treasury Department was placing Fannie Mae into conservatorship and eliminating dividends on its common and preferred securities caused the market value of these securities to fall to minimal levels. Management determined these securities no longer met the Company's investment criteria.

4. MORTGAGE-BACKED SECURITIES

Mortgage-backed securities held to maturity and available for sale at September 30, 2008 and 2007 are summarized as follows:

	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held to Maturity:				
Mortgage-backed securities:				
FHLMC	$ 3,556	$ 376	$ (3)	$ 3,929
GNMA	282,820	29,312	(308)	311,824
FNMA	15,434,529	48,119	(214,043)	15,268,605
Total	15,720,905	77,807	(214,354)	15,584,358
Collateralized mortgage obligations:				
FHLMC	23,592	—	(298)	23,294
Total	23,592	—	(298)	23,294
Total	$15,744,497	$ 77,807	$(214,652)	$15,607,652
Weighted average rate at end of period	4.91%			
Available for Sale:				
Mortgage-backed securities:				
GNMA	$ 263,833	$ 15,657	$ —	$ 279,490
FNMA	1,957,014	—	(14,006)	1,943,008
Total	2,220,847	15,657	(14,006)	2,222,498
Collateralized mortgage obligations:				
GNMA	8,105,406	—	(147,238)	7,958,168
Total	8,105,406	—	(147,238)	7,958,168
Total	$10,326,253	$ 15,657	$(161,244)	$10,180,666
Weighted average rate at end of period	4.16%			

	September 30, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held to Maturity:				
Mortgage-backed securities:				
FHLMC	$ 12,046	$ 686	$ —	$ 12,732
GNMA	326,662	27,420	—	354,082
Total	338,708	28,106	—	366,814
Collateralized mortgage obligations:				
FHLMC	32,772	43	—	32,815
Total	32,772	43	—	32,815
Total	$ 371,480	$ 28,149	$ —	$ 399,629
Weighted average rate at end of period	8.87%			
Available for Sale:				
Mortgage-backed securities:				
GNMA	$ 306,267	$ 15,388	$ —	$ 321,655
FNMA	2,406,112	28	(72,593)	2,333,547
Total	$2,712,379	$ 15,416	$(72,593)	$2,655,202
Weighted average rate at end of period	4.25%			

Proceeds from sales of available-for-sale mortgage-backed securities were $780,000 for the year ended September 30, 2006. There were no such sales during the years ended September 30, 2008 or 2007.

The summary below displays the length of time mortgage-backed securities held to maturity and available for sale were in a continuous unrealized loss position as of September 30, 2008 and 2007. The Company has the ability and intent to hold these securities until such time as the values recover or the securities repay or mature. Further, the Company believes the deterioration in value is attributable to changes in market interest rates and not the credit quality of the issuers.

	Length of Time in Continuous Unrealized Loss Position at September 30, 2008					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Available for Sale:						
Mortgage-backed securities	$ 1,943,008	$ 14,006	$ —	$ —	$ 1,943,008	$ 14,006
Collateralized mortgage obligations	7,958,168	147,238	—	—	7,958,168	147,238
	9,901,176	161,244	—	—	9,901,176	161,244
	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses
Held to Maturity:						
Mortgage-backed securities	10,201,656	214,354	—	—	10,201,656	214,354
Collateralized mortgage obligations	23,592	298	—	—	23,592	298
	10,225,248	214,652	—	—	10,225,248	214,652
Total	$20,126,424	$375,896	$ —	$ —	$20,126,424	$375,896
Percent of total	100.0%	100.0%	—	—	100.0%	100.0%

	Length of Time in Continuous Unrealized Loss Position at September 30, 2007					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Available for Sale:						
Mortgage-backed securities	$ 16,990	$ 11	$2,300,724	$ 72,582	$ 2,317,714	$ 72,593

The amortized cost and estimated market values of held-to-maturity and available-for-sale mortgage-backed securities at September 30, 2008, by contractual maturity, are shown below.

	Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Term to Maturity:				
One year or less	$ 166	$ 166	$ 2,381	$ 2,378
Over one through five years	1,705	1,819	1,954,633	1,940,630
Over five through ten years	282,820	311,824	—	—
Over ten years	15,459,806	15,293,843	8,369,239	8,237,658
Total	$15,744,497	$15,607,652	$10,326,253	$10,180,666

Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments.

Mortgage-backed securities with carrying values totaling approximately $8.4 million at September 30, 2008 were pledged to secure deposits of public entities, trust funds, and for other purposes as required by law.

5. LOANS RECEIVABLE

Loans receivable at September 30, 2008 and 2007 are summarized as follows:

	2008	2007
Real estate mortgage:		
Residential first mortgage	$ 253,132,315	$232,063,073
Residential second mortgage	86,348,973	100,142,463
Multi-family residential	32,546,370	30,219,199
Commercial real estate	261,166,327	200,205,837
Real estate construction and development:		
Residential	34,511,026	45,427,668
Multi-family	9,607,101	13,899,603
Commercial	55,263,607	39,594,005
Commercial and industrial	137,688,076	77,641,815
Equity lines	225,357,406	219,539,073
Consumer and installment	6,895,479	6,918,612
	1,102,516,680	965,651,348
Add (less):		
Deferred loan costs	5,204,730	5,162,991
Loans in process	(6,223,362)	(10,566,888)
Allowance for loan losses	(12,761,532)	(10,421,304)
Total	$1,088,736,516	$949,826,147
Weighted average rate at end of period	6.02%	7.44%

The Bank has made loans to officers and directors in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk.

Changes in loans to senior officers and directors for the years ended September 30, 2008 and 2007 are summarized as follows:

Balance, September 30, 2006	$ 441,637
Additions	1,478,957
Repayments and reclassifications	(594,226)
Balance, September 30, 2007	1,326,368
Additions	12,537,766
Repayments and reclassifications	(3,142,826)
Balance, September 30, 2008	$10,721,308

Home equity lines of credit to senior officers and directors totaled $1.0 million of which $226,000 had been disbursed as of September 30, 2008. A standby letter of credit in favor of a director in the amount of $5.0 million was outstanding as of September 30, 2008.

At September 30, 2008, 2007 and 2006, the Bank was servicing loans for others totaling approximately $29.1 million, $17.6 million and $21.9 million, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income is recorded on the accrual basis and includes servicing fees received from investors and certain charges collected from borrowers.

6. ALLOWANCE FOR LOAN LOSSES

The following table represents activity in the allowance for loan losses for the years ended September 30, 2008, 2007 and 2006:

	2008	2007	2006
Balance, beginning of year	$10,421,304	$ 7,817,317	$6,805,958
Provision charged to expense	7,734,641	3,855,257	1,501,375
Allowance of acquired institution	—	—	282,442
Charge-offs:			
Residential real estate first mortgage	939,946	193,300	119,186
Residential real estate second mortgage	1,600,479	521,216	377,749
Commercial and multi-family real estate	374,000	—	—
Real estate construction & development	454,688	119,000	—
Commercial & industrial	355,529	—	7,500
Home equity	1,674,075	296,066	88,216
Consumer and other	232,670	163,825	189,836
Total charge-offs	5,631,387	1,293,407	782,487
Recoveries			
Residential real estate first mortgage	1,940	426	3,586
Residential real estate second mortgage	669	—	—
Home equity	223,874	16,636	2,660
Consumer and other	10,491	25,075	3,783
Total recoveries	236,974	42,137	10,029
Balance, end of year	$12,761,532	$10,421,304	$7,817,317

A summary of impaired loans at September 30, 2008, 2007 and 2006 is summarized as follows:

	2008	2007	2006
Non-accrual loans	$10,351,668	$6,448,834	$ 939,863
Impaired loans continuing to accrue interest	6,301,376	253,541	344,585
Total impaired loans	$16,653,044	$6,702,375	$1,284,448
Allowance for losses on specific impaired loans	$ 2,019,943	$1,228,467	$ 310,421
Impaired loans with no related allowance for loan losses	4,433,339	—	—

The average balance of impaired loans during the years ended September 30, 2008, 2007 and 2006 was $11.7 million, $4.0 million and $1.1 million, respectively.

Interest income recognized on non-accrual loans was approximately $369,000, $347,000, and $69,000 for the years ended September 30, 2008, 2007 and 2006, respectively. The difference between interest that would have been recognized under the original terms of non-accrual and renegotiated loans and interest actually recognized on such loans was $445,000, $286,000 and $41,000 for 2008, 2007 and 2006, respectively. Impaired loans continuing to accrue interest are loans that are more than 90 days past due; however, the loans are well secured and remain in process of collection.

7. REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS

Real estate acquired in settlement of loans at September 30, 2008 and 2007 is summarized as follows:

	2008	2007
Residential real estate	$3,936,579	$3,163,691
Less allowance for losses	(417,773)	(74,035)
Total	$3,518,806	$3,089,656

Activity in the allowance for losses on real estate acquired in settlement of loans for the years ended September 30, 2008, 2007 and 2006 is summarized as follows:

	2008	2007	2006
Balance, beginning of year	$ 74,035	$ 26,350	$ 64,833
Provision charged to non-interest expense	755,773	115,535	102,884
Charge-offs	(412,035)	(67,850)	(141,367)
Balance, end of year	$ 417,773	$ 74,035	$ 26,350

8. PREMISES AND EQUIPMENT

Premises and equipment at September 30, 2008 and 2007 are summarized as follows:

	2008	2007
Land	$ 5,228,180	$ 5,228,180
Office buildings and improvements	15,286,402	15,062,783
Furniture and equipment	9,855,427	9,171,432
	30,370,009	29,462,395
Less accumulated depreciation	(10,516,583)	(9,072,950)
Total	$ 19,853,426	$20,389,445

Depreciation expense on premises and equipment totaled $1.7 million, $1.5 million and $1.4 million for the years ended September 30, 2008, 2007, and 2006, respectively.

Certain facilities of the Bank are leased under various operating leases. Amounts paid for rent expense for the fiscal years ended September 30, 2008, 2007 and 2006 were approximately $514,000, $428,000 and $324,000, respectively. At September 30, 2008, future minimum rental commitments under non-cancelable leases are as follows:

Due in years ending September 30,	
2009	$ 589,156
2010	523,246
2011	506,930
2012	476,444
2013	488,688
Thereafter	1,483,773
Total	$4,068,237

Rental income received from the Company's office building located at 415 DeBaliviere in St. Louis, Missouri for the years ended September 30, 2008, 2007 and 2006 was $83,000, $84,000, and $71,000, respectively.

9. DEPOSITS

Deposits at September 30, 2008 and 2007 are summarized as follows:

	Amount	Interest Rate	Amount	Interest Rate
Transaction accounts:				
Non-interest-bearing checking	$ 76,404,474	— %	$ 57,004,801	— %
Interest-bearing checking	178,697,883	2.51	57,815,627	1.79
Passbook savings accounts	25,828,504	0.32	28,908,862	0.29
Money market	149,141,121	2.12	173,949,915	4.05
Total transaction accounts	430,071,982	1.80	317,679,205	2.57
Certificates of deposit:				
0.00% to 0.99%	—	—	—	—
1.00% to 1.99%	21,467,917	1.73	2,536,477	1.51
2.00% to 2.99%	183,701,575	2.73	3,804,761	2.61
3.00% to 3.99%	196,727,656	3.51	39,393,317	3.68
4.00% to 4.99%	17,265,297	4.51	31,676,984	4.56
5.00% to 5.99%	65,627,520	5.28	439,990,518	5.25
10.00% to 10.99%	449,418	10.00	407,434	10.00
Total certificates of deposit	485,239,383	3.41	517,809,491	5.06
Total	$915,311,365	2.65%	$835,488,696	4.11%

The aggregate amounts of certificates of deposit with a minimum principal amount of $100,000 were $221.2 million and $278.6 million at September 30, 2008 and 2007, respectively. Certificates of deposit at September 30, 2008 and 2007 include time deposits obtained from national brokers totaling $128.9 million and $190.4 million, respectively, with weighted-average interest rates of 3.85% and 5.36%, respectively.

At September 30, 2008, the scheduled maturities of certificates of deposit were as follows:

Maturing within:	
Three months ending December 31, 2008	$210,194,909
Three months ending March 31, 2009	97,130,196
Three months ending June 30, 2009	75,647,181
Three months ending September 30, 2009	37,793,813
Year ending September 30, 2010	39,935,590
Year ending September 30, 2011	13,241,186
Year ending September 30, 2012	9,932,898
Year ending September 30, 2013	1,363,610
Thereafter	—
Total	$485,239,383

A summary of interest expense on deposits for the years ended September 30, 2008, 2007 and 2006 is as follows:

	2008	2007	2006
Interest-bearing checking	$ 2,092,618	$ 1,131,379	$ 695,670
Passbook savings	91,819	106,841	115,329
Money market	5,293,977	6,575,821	3,117,420
Certificates of deposit	19,963,029	23,523,456	15,696,337
Total	$27,441,443	$31,337,497	$19,624,756

10. ADVANCES FROM THE FEDERAL HOME LOAN BANK

Advances from the Federal Home Loan Bank of Des Moines at September 30, 2008 and 2007 are summarized as follows:

	2008		2007	
Maturing within the year ending September 30,	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
2008	$ —	— %	$117,300,000	4.62%
2009 ($10.0 million callable quarterly)	149,600,000	2.38	30,100,000	5.31
2010 ($4.5 million callable quarterly)	32,000,000	3.63	7,000,000	5.54
2015 ($25.0 million callable in FY 2011 and thereafter)	25,000,000	2.70	—	—
Thereafter	4,000,000	5.48	4,000,000	5.48
Total	$210,600,000	2.67%	$158,400,000	4.81%

The average balances of advances from the Federal Home Loan Bank of Des Moines ("FHLB") were $224.5 million and $168.5 million, respectively, and the maximum month-end balances were $265.5 million and $203.5 million, respectively, for the years ended September 30, 2008 and 2007. The average rates paid during the years ended September 30, 2008 and 2007 were 3.54% and 5.20%, respectively.

The Bank has the ability to borrow funds from the FHLB equal to 35% of the Bank's total assets under a blanket agreement which assigns all investments in FHLB stock as well as qualifying first mortgage loans as collateral to secure the amounts borrowed. In addition to the $210.6 million in advances outstanding at September 30, 2008, the Bank had approximately $76.4 million in additional borrowing capacity available to it under this arrangement. The assets underlying the FHLB borrowings are under the Bank's physical control.

11. BORROWINGS FROM THE FEDERAL RESERVE BANK

Borrowings from the Federal Reserve Bank represent short-term borrowings from the Federal Reserve Bank of St. Louis' discount window and are typically extended for periods of 28 days or less. Outstanding borrowings at September 30, 2008 totaled $40 million with an interest rate of 2.25% and an average maturity of eight days. The average balances of these borrowings were $34.1 million and $1,000, respectively, and the maximum month-end balances were $112.0 million and $0, respectively, for the years ended September 30, 2008 and 2007. The average rates paid during the years ended September 30, 2008 and 2007 were 2.28% and 6.25%, respectively.

The Bank has the ability to borrow funds from the Federal Reserve under an agreement that assigns certain qualifying loans as collateral to secure the amounts borrowed. At September 30, 2008, $224.2 million of commercial loans were assigned under this arrangement. The assets underlying these borrowings are under the Bank's physical control. In addition to the $40.0 million in advances outstanding at September 30, 2008, the Bank had approximately $128.1 million in additional borrowing capacity available to it under this arrangement.

12. SUBORDINATED DEBENTURES

On March 30, 2004, Pulaski Financial Statutory Trust I ("Trust I"), a Connecticut statutory trust, issued $9.0 million of adjustable-rate preferred securities. The proceeds from this issuance, along with the Company's $279,000 capital contribution for Trust I's common securities, were used to acquire $9.3 million aggregate principal amount of the Company's floating rate junior subordinated deferrable interest debentures due in 2034 which constitute the sole asset of Trust I. The interest rate on the debentures and the capital securities at September 30, 2008 was 5.52% and is adjustable quarterly at 2.70% over the three-month LIBOR.

The stated maturity of the Trust I debenture is June 17, 2034. In addition, the Trust I debentures are subject to redemption at par at the option of the Company, subject to prior regulatory approval, in whole or in part on any interest payment date on or after June 17, 2009.

On December 15, 2004, Pulaski Financial Statutory Trust II ("Trust II"), a Delaware statutory trust, issued $10.0 million of adjustable-rate preferred securities. The proceeds from this issuance, along with the Company's $310,000 capital contribution for Trust II's common securities, were used to acquire $10.3 million of the Company's floating rate junior subordinated deferrable interest debentures due in 2034, which constitute the sole asset of Trust II. The interest rate on the debentures and the capital securities at September 30, 2008 was 4.68% and is adjustable quarterly at 1.86% over the three-month LIBOR.

The stated maturity of the debentures held by Trust II is December 15, 2034. In addition, the Trust II debentures are subject to redemption at par at the option of the Company, subject to prior regulatory approval, in whole or in part on any interest payment date on or after December 15, 2009.

13. NOTE PAYABLE

The note payable at September 30, 2008 and 2007 is a variable-rate obligation of the Company that is payable to a correspondent bank and is secured by all of the Bank's common stock. At September 30, 2008 and 2007, there were outstanding borrowings of $7.6 million and $3.0 million, respectively. At September 30, 2007, the interest rate was set at the correspondent bank's prime rate less 1.25%, or 6.50% and interest was payable quarterly. Principal was payable quarterly in installments of $85,000 each plus a final payment equal to all unpaid principal on May 20, 2010, the maturity date. During the year ended September 30, 2008, the Company modified the terms of this note.

The note matured on September 30, 2008 and the terms of the new note were still being negotiated with the lender at September 30, 2008.

The average balances of these borrowings were $4.9 million and $3.2 million, respectively, and the maximum month-end balances were $7.7 million and $3.3 million, respectively, for the years ended September 30, 2008 and 2007. The average rates paid during the years ended September 30, 2008 and 2007 were 4.97% and 7.08%, respectively.

14. INCOME TAXES

Income tax expense for the years ended September 30, 2008, 2007 and 2006 is summarized as follows:

	2008	2007	2006
Current:			
Federal	$ 3,577,591	$4,158,012	$5,343,626
State	118,700	592,800	722,816
Deferred benefit	(3,011,846)	(249,519)	(641,767)
Total	$ 684,445	$4,501,293	$5,424,675

Income tax expense for the years ended September 30, 2008, 2007 and 2006 differs from that computed at the federal statutory rate of 34% as follows:

	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Tax at statutory federal income tax rate	$1,214,884	34.0%	$4,584,537	34.0%	$5,189,328	34.0%
Non-taxable income from bank owned life insurance	(351,042)	(9.8)	(345,376)	(2.5)	(287,884)	(1.9)
Non-taxable interest and dividends	(129,368)	(3.6)	(71,877)	(0.5)	(55,566)	(0.4)
State taxes, net of federal benefit	78,342	2.2	391,248	2.9	477,058	3.1
Other	(128,371)	(3.6)	(57,239)	(0.5)	101,739	0.7
Total	$ 684,445	19.2%	$4,501,293	33.4%	$5,424,675	35.5%

The components of deferred tax assets and liabilities are as follows:

	2008	2007
Deferred tax assets:		
Allowance for loan losses	$4,983,936	$3,940,132
Restricted stock awards	21,424	14,071
Deferred compensation	1,403,395	1,474,127
FAS 123 restricted stock	133,704	60,953
Unrealized gains on securities available-for-sale	59,693	37,284
Loss on derivative instruments	—	162,848
Equity investments	7,336	—
Capital loss carryover	2,007,637	—
Other	147,977	121,732
Total deferred tax assets	8,765,102	5,811,147
Deferred tax liabilities:		
FHLB stock dividends	152,311	152,311
Core deposit intangible	137,405	190,254
Premises and equipment	369,081	366,699
Other	43,664	51,088
Total deferred tax liabilities	702,461	760,352
Net deferred tax assets	$8,062,641	$5,050,795

Effective October 1, 2007, the Company adopted the provisions of FIN. 48. The Company had no cumulative effect adjustment recognized upon adoption. At September 30, 2008, the Company had $180,000 of unrecognized tax benefits, $139,000 of which would affect the effective tax rate if recognized. The Company recognizes interest related to uncertain tax positions in income tax expense and classifies such interest and penalties in the liability for unrecognized tax benefits. As of September 30, 2008, the Company had approximately $41,000 accrued for the payment of interest and penalties. The tax years ended September 30, 2005 through 2008 remain open to examination by the taxing jurisdictions to which the Company is subject.

The aggregate changes in the balance of gross unrealized tax benefits, which excludes interest and penalties, for the year ended September 30, 2008 is a follows:

Balance at September 30, 2007	$108,000
Increases related to tax positions taken during a prior period	—
Decreases related to tax positions taken during a prior period	—
Increases related to tax positions taken during the current period	31,000
Decreases related to tax positions taken during the current period	—
Decreases related to settlements with taxing authorities	—
Decreases related to the expiration of the statute of limitations	—
Balance at September 30, 2008	$139,000

Retained earnings at September 30, 2008 included earnings of approximately $4.1 million representing tax bad debt deductions, net of actual bad debts and bad debt recoveries, for which no provision for federal income taxes has been made. If these amounts are used for any purpose other than to absorb loan losses, they will be subject to federal income taxes at the then prevailing corporate rate.

The net deferred tax asset at September 30, 2008 includes $2.0 million of deferred tax assets related to capital loss carryovers generated by losses on the sales of equity securities during September 2008, primarily the sale of the Company's entire portfolio of Fannie Mae preferred stock. At the time of sale, the losses on the sale of the Fannie Mae preferred stock were classified as capital losses for Federal income tax purposes and, accordingly, could only be deducted on the Company's income tax return to the extent they could be used to offset capital gains. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was enacted, which provided ordinary loss treatment (subject to restrictions) for sales by financial institutions of devalued preferred stock of Fannie Mae and Freddie Mac sold between January 1, 2008 and September 6, 2008, or held as of September 6, 2008. However, under Statement of Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), these losses must be treated as capital losses for financial accounting purposes at September 30, 2008, but will then be treated as ordinary losses during the quarter ended December 31, 2008.

A valuation allowance should be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation allowance at September 30, 2008 or 2007 because management believes that all criteria for recognition have been met, including the existence of a history of taxes paid or qualifying tax planning strategies that are sufficient to support the realization of deferred tax assets.

15. STOCKHOLDERS' EQUITY

During fiscal 2008, the Company paid quarterly cash dividends on common stock of $0.095 per share on July 16, 2008 and $0.09 per share on April 14, 2008, January 14, 2008 and October 15, 2007. During fiscal 2007, the Company paid quarterly cash dividends on common stock of $0.09 per share on July 16, 2007 and $0.085 on April 16, 2007, January 22, 2007 and October 16, 2006.

During fiscal 2008, the Company repurchased 51,898 of its common shares with a total value of $593,000, which are available for issuance upon exercise of stock options and purchased 11,605 of its common shares with a total value of $120,000, which were deposited into the Company's equity trust plan.

16. REGULATORY CAPITAL REQUIREMENTS

The Company is not subject to any separate capital requirements from those of the Bank. The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators which, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures that have been established by regulation to ensure capital adequacy require the Bank to maintain minimum capital amounts and ratios (set forth in the table below). The Bank's primary regulatory agency, the Office of Thrift Supervision ("OTS"), requires that the Bank maintain minimum ratios, as defined in the regulations, of tangible capital of 1.5%, core capital of 4.0% and total risk-based capital of 8.0%. The Bank is also subject to prompt corrective action capital requirement regulations set forth by the OTS. As defined in the regulations, the OTS requires the Bank to maintain minimum total and Tier I capital to risk-weighted assets and Tier I capital to average assets. The Bank met all capital adequacy requirements to which it was subject at September 30, 2008.

As of September 30, 2008, the most recent notification from the OTS categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

	Actual		For Capital Adequacy Purposes		To be Categorized as "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of September 30, 2008:						
Tangible capital (to total assets)	$102,884	7.93%	$ 19,471	1.50%	N/A	N/A
Total risk-based capital (to risk-weighted assets)	114,838	10.59%	86,769	8.00%	$ 108,462	10.00%
Tier I risk-based capital (to risk-weighted assets)	102,884	9.49%	N/A	N/A	65,077	6.00%
Tier I leverage capital (to average assets)	102,884	7.93%	51,923	4.00%	64,904	5.00%
As of September 30, 2007:						
Tangible capital (to total assets)	$ 98,974	8.79%	$ 16,892	1.50%	N/A	N/A
Total risk-based capital (to risk-weighted assets)	108,751	11.18%	77,790	8.00%	$ 97,237	10.00%
Tier I risk-based capital (to risk-weighted assets)	98,974	10.18%	N/A	N/A	58,342	6.00%
Tier I leverage capital (to average assets)	98,974	8.79%	45,045	4.00%	56,307	5.00%

A reconciliation of the Bank's Tier I stockholders' equity and regulatory risk-based capital at September 30, 2008 follows:

	(in thousands)
Tier I stockholders' equity	$ 107,186
Deduct:	
Intangible assets	(4,300)
Disallowed servicing rights	(92)
Add:	
Unrealized gains on available for sale securities	90
Tangible capital	102,884
Add:	
General valuation allowances	11,954
Total risk-based capital	$ 114,838

The Bank is prohibited from paying cash dividends if the effect thereof would be to reduce the regulatory capital of the Bank below the amount required for the liquidation account that the Bank established in connection with the consummation of the conversion from the mutual holding company structure on December 2, 1998.

OTS regulations impose limitations upon payment of capital distributions to the Company. Under the regulations, the prior approval of the OTS is required prior to any capital distribution if the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years or the Bank would be undercapitalized following the distribution. None of the Bank's dividend payments to the Company during the three years ended September 30, 2008 were in excess of the amounts that required prior approval of the OTS.

Subsequent to September 30, 2008, the Company applied for $32.5 million in preferred stock in the U.S. Treasury's Troubled Asset Relief Program Capital Purchase Program. Under this program, the U.S. Treasury will make $250 billion of capital available to U.S. financial institutions, which for certain public institutions like the Company, will be in the form of preferred stock. In conjunction with the purchase of preferred stock, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the total amount of the preferred investment. Participating financial institutions will be required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program and will be restricted from increasing dividends to common shareholders or repurchasing common stock for three years without the consent of the Treasury.

17. EMPLOYEE BENEFITS

The Company maintains shareholder-approved, stock-based incentive plans, which permit the granting of options to purchase common stock of the Company and awards of restricted shares of common stock. All employees, non-employee directors and consultants of the Company and its affiliates are eligible to receive awards under the plans. The plans authorize the granting of awards in the form of options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code, options that do not so qualify (non-statutory stock options) and granting of restricted shares of common stock. Stock awards are generally granted with an exercise price equal to the market value of the Company's shares at the date of grant and generally vest over a period of three to five years. Generally, option and share awards provide for accelerated vesting if there is a change in control (as defined in the plans). The exercise period for all stock options generally may not exceed 10 years from the date of grant. Shares used to satisfy stock awards and stock option exercises are generally issued from treasury stock. At September 30, 2008, the Company had 185,727 reserved but unissued shares that can be awarded in the form of stock options or restricted share awards.

Restricted Stock Awards—A summary of the Company's restricted stock awards as of and for the years ended September 30, 2008, 2007 and 2006 is as follows:

	2008		2007		2006	
	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	3,105	$ 10.21	5,543	$ 9.85	16,548	$ 6.89
Granted	—	—	—	—	—	—
Vested	(2,438)	9.39	(2,438)	9.39	(10,505)	4.99
Forfeited	—	—	—	—	(500)	14.00
Nonvested at end of year	667	$ 13.20	3,105	$ 10.21	5,543	$ 9.85

Stock Option Awards—A summary of the Company's stock option program as of and for the years ended September 30, 2008, 2007 and 2006 is as follows:

	2008				2007		2006	
	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (years)	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding—beginning of year	780,008	$ 8.51			824,800	$ 8.23	862,217	$ 6.87
Granted	330,550	11.44			44,500	15.20	109,000	16.61
Exercised	(245,542)	4.70			(60,567)	6.54	(135,092)	5.90
Forfeited	(76,783)	14.05			(28,725)	15.09	(11,325)	12.70
Outstanding—end of year	788,233	10.38	$922,921	6.5	780,008	8.51	824,800	8.23
Exercisable at end of year	380,522	8.24	$922,921	4.0	573,486	6.37	549,329	5.57

The weighted-average fair value per share of options granted during the years ended September 30, 2008, 2007 and 2006 was $2.98, $4.15, and $4.65, respectively. Cash received from stock options exercised totaled $1.2 million, $396,000 and $797,000 during the years ended September 30, 2008, 2007 and 2006, respectively. The total intrinsic value of stock options exercised totaled $1.5 million, $566,000 and $1.5 million during the years ended September 30, 2008, 2007 and 2006, respectively. Senior officers and directors exercised 146,880 options during the year ended September 30, 2008. In order for awardees to meet tax obligations, 11,025 shares were withheld by the Company.

The following is a summary of the options outstanding at September 30, 2008:

	Outstanding			Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$2.70 – $4.29	91,777	1.56	$ 3.00	91,777	$ 3.00
5.13 – 6.12	111,761	3.45	5.68	111,761	5.68
6.30 – 10.01	79,500	6.10	8.72	52,000	8.25
10.05 – 11.10	41,357	9.27	10.87	803	10.09
11.13 – 11.94	148,250	9.06	11.24	5,250	11.65
11.95 – 12.84	112,750	9.21	12.78	9,900	12.23
12.85 – 13.99	93,000	6.05	13.18	60,244	13.17
14.00 – 15.97	49,338	7.77	15.40	18,887	15.47
15.98 – 16.90	34,000	7.75	16.52	13,000	16.54
16.91 – 18.70	26,500	5.42	18.01	16,900	18.18
$2.70 – $18.70	788,233	6.51	$ 10.38	380,522	$ 8.24

A summary of total stock-based compensation expense for the years ended September 30, 2008, 2007 and 2006 follows:

	2008	2007	2006
Total expense:			
Pre-tax	$465,000	$307,000	$345,000
After-tax	293,000	197,000	214,000
Earnings per share:			
Basic	$ 0.03	$ 0.03	$ 0.02
Diluted	0.03	0.03	0.02

As of September 30, 2008, the total unrecognized compensation expense related to non-vested stock awards was approximately $1.2 million and the related weighted average period over which it is expected to be recognized is approximately 3.52 years.

The fair value of stock options granted in 2008, 2007 and 2006 was estimated on the date of grant using the Black-Scholes option pricing model with the following average assumptions:

	2008	2007	2006
Risk free interest rate	4.22%	4.56%	4.40%
Expected volatility	27.83%	27.50%	27.93%
Expected life in years	5.5	5.7	6.0
Dividend yield	2.28%	2.13%	1.82%
Expected forfeiture rate	1.28%	1.24%	1.50%

Equity Trust Plan—The Company maintains an Equity Trust Plan for the benefit of key loan officers and sales staff. The plan is designed to recruit and retain top-performing loan officers and other key revenue-producing employees who are instrumental to the Company's success. The plan allows the recipients to defer a percentage of commissions earned, which is partially matched by the Company and paid into a rabbi trust for the benefit of the participants. The assets of the trust are limited to the purchase of Company shares in the open market. Awards generally vest over a period of three to five years, and the participants will forgo any accrued but unvested benefits if they voluntarily leave the Company. At September 30, 2008, 226,992 shares had been purchased on behalf of the participants at an average price of $14.13. Shares distributed to participants during the fiscal year were 26,108, with a market value at the time of distribution totaling $311,000 and 8,373 shares were withheld by the Bank in order for the awardees to meet their tax obligations. Vested shares in the plan are treated as issued and outstanding when computing basic and diluted earnings per share, whereas unvested shares are treated as issued and outstanding only when computing diluted earnings per share.

Employee Stock Ownership Plan—The Bank maintained a tax-qualified stock ownership plan for all eligible employees ("ESOP"). At September 30, 2005, the total amount of the ESOP loan had been repaid and all shares held by the ESOP had been committed to be released. The remaining 28,491 unallocated shares at September 30, 2005 were allocated to participants' accounts subsequent to December 31, 2005. Compensation expense under the ESOP plan was $762,000 for the year ended September 30, 2005. There was no compensation expense associated with this plan during any of the years ended September 30, 2008, 2007 or 2006. There were 610,484 and 611,500 shares of the Company's common stock held in the plan at September 30, 2007 and 2006, respectively. Effective September 1, 2008, the ESOP was merged into the Company's 401(k) Savings Plan.

401(k) Savings Plan—The Bank maintains a 401(k) savings plan for eligible employees. Effective July 1, 2006, the Bank matched 75% of each participant's contribution up to a maximum of 5% of salary. Prior to that date, the Bank matched 50% of each participant's contribution up to a maximum of 4% of salary. The Bank's contributions to this plan were $591,000, $573,000 and $349,000 for the years ended September 30, 2008, 2007 and 2006, respectively.

Supplemental Retirement Agreement—In January 1998, the Bank entered into a Supplemental Retirement Benefit agreement with its former chief executive officer. Under the terms of the agreement, the former officer is entitled to receive $2,473 monthly, for a period of 15 years commencing upon his retirement. The net present value of these payments is reflected in other liabilities and totaled $105,000, $126,000 and $145,000 at September 30, 2008, 2007 and 2006, respectively. Compensation expense under this agreement totaled $9,000, $10,000 and $12,000 for the years ended September 30, 2008, 2007 and 2006, respectively.

Employment Agreements—The Company and the Bank maintain an employment agreement with the CEO. The initial term of the agreement is three years. Commencing on the first anniversary of the effective date of May 1, 2008, the term of the agreement decreases to two years. Under the agreement, the Bank pays the CEO a base salary, which is reviewed at least annually and may be increased at the discretion of the Board of Directors. In addition, the CEO received a stock option grant on the effective date covering 100,000 shares of the Company's common stock, which vests ratably over a period of five years. The CEO is also entitled to receive health and welfare benefits provided to other Company and Bank employees. Additionally, the agreement provides for severance payments and continued medical coverage for 24 months if employment is terminated following a change in control or upon an event of termination as defined in the agreement. In the event of a change in control and subsequent termination of employment, the CEO will receive a lump sum payment equal to two times his average annual compensation computed using his base pay rate at the date of termination plus any bonus or incentive compensation earned by him in the prior fiscal year. The lump sum payment will include an amount for any required excise tax due under the Internal Revenue Code of 1986. The agreement also prohibits the CEO from soliciting the services of any of the Company's employees, and from competing with the Company, for a period of two years after termination.

Separation and Release Agreement—The Company entered into a Separation and Release Agreement with its former CEO in conjunction with his separation from the Company on May 1, 2008. Under the agreement, the former CEO received a lump sum payment of $1,450,000 and will continue to participate in the Bank's health, life and disability insurance programs, at the Bank's expense, for a period of 36 months from the separation date. The agreement also provides that the former CEO will continue to serve as a member of the Board of Directors of the Bank and the Company until his current terms expire and will receive compensation for such service in the same manner and to the same extent as other non-employee directors. In addition, the agreement provides that the former CEO will serve as a consultant to the Company for 36 months following his separation date and shall receive an annual retainer of $100,000 for such service. The lump-sum payment was charged to salaries and employee benefits expense when paid. The annual retainer fee and expenses associated with the health, life and disability insurance programs will be charged to salaries and employee benefits expense as they are earned over the term of the agreement.

18. RECONCILIATION OF BASIC EARNINGS PER SHARE TO DILUTED EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of common shares outstanding. The dilutive effect of potential securities is included in diluted earnings per share. The computations of basic and diluted earnings per share are presented in the following table.

	Years Ended September 30, 2008	2007	2006
Net income	$ 2,888,744	$ 8,982,639	$9,838,053
Weighted average shares outstanding—basic	9,914,220	9,814,396	9,205,525
Effect of dilutive securities:			
Treasury stock held in equity trust	171,470	140,917	121,479
Employee stock options and awards	153,611	300,389	390,729
Weighted average shares outstanding—diluted	10,239,301	10,255,702	9,717,733
Earnings per share:			
Basic	$ 0.29	$ 0.92	$ 1.07
Diluted	0.28	0.88	1.01

Under the treasury stock method, outstanding stock options are dilutive when the average market price of the Company's common stock, when combined with the effect of any unamortized compensation expense, exceeds the option price during a period. In addition, proceeds from the assumed exercise of dilutive options along with the related tax benefit are assumed to be used to repurchase common shares at the average market price of such stock during the period.

The following options to purchase shares during the fiscal years ended 2008, 2007 and 2006 were not included in the respective computations of diluted earnings per share because the exercise price of the options, when combined with the effect of the unamortized compensation expense, was greater than the average market price of the common shares and were considered anti-dilutive. As of September 30, 2008, these options expire in various periods through 2014.

	2008	2007	2006
Number of option shares	432,563	142,201	55,865
Equivalent anti-dilutive shares	615,246	180,417	68,438

19. CONTINGENCIES

The Company is a defendant in legal actions arising from normal business activities. Management, after consultation with counsel, believes that the resolution of these actions will not have any material adverse effect on the Company's consolidated financial statements.

20. DERIVATIVES

The Company originates and purchases derivative financial instruments, including interest rate lock commitments, forward contracts to sell mortgage-backed securities and interest rate swaps. Derivative financial instruments originated by the Company consist of interest rate lock commitments to originate residential loans. At September 30, 2008, the Company had issued $137.4 million of unexpired interest rate lock commitments to loan customers compared to $144.7 million of unexpired commitments at September 30, 2007.

The Company typically economically hedges interest rate lock commitments through one of two means – either by obtaining a corresponding best-efforts lock commitment with an investor to sell the loan at an agreed upon price, or by forward selling mortgage-backed securities. The forward sale of mortgage-backed securities is a means of matching a corresponding derivative asset that has characteristics similar to the bank-issued commitment but its fair value changes directly opposite to market movements. Loans hedged through forward sales of mortgaged-backed securities are sold individually or in pools on a mandatory delivery basis to investors; whereas, the best efforts sales are locked with investors on a loan-by-loan basis shortly after issuing the rate lock commitments to customers. The Company had outstanding forward sales commitments of mortgage-backed securities totaling $19.0 million in notional value at September 30, 2007. These hedges were matched against $15.3 million of interest rate lock commitments at September 30, 2007 that were to be sold through the mandatory delivery of loan pool sales. There were no such commitments at September 30, 2008.

The carrying value of the interest-rate lock commitment liabilities included in the consolidated balance sheets was a credit balance of $125,000 at September 30, 2007. The carrying value of the forward sales commitment assets included in the consolidated balance sheets was a credit balance of $25,000 at September 30, 2007.

Interest Rate Swaps—The Company entered into interest rate swap agreements in November 2004, which were designed to convert the fixed rates paid on certain brokered certificates of deposit into variable, LIBOR-based rates. The swap agreements resulted in the counterparty paying a fixed rate to the Company while the Company paid a variable, LIBOR-based rate to the counterparty. During the first six months of fiscal year 2006, changes in the estimated fair values of these derivatives were recognized as charges or credits to earnings, as appropriate, during the periods in which the changes occurred. Effective January 1, 2006, the Company designated $80.0 million of interest rate swaps as fair value hedges of $80.0 million of the fixed-rate, brokered certificates of deposit under SFAS No. 133 using long-haul, fair-value, hedge accounting. All interest-rate swap agreements outstanding at September 30, 2007 were called by the counterparties during the year ended September 30, 2008 due to the declining interest-rate environment. At September 30, 2007, these fair value hedges were considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amounts of the liabilities being hedged were $80.0 million at September 30, 2007. At September 30, 2007, there were no swaps in a net settlement receivable position and swaps in a net settlement payable position totaled $864,000. The net amounts recognized on fair value hedges were gains of $396,000 and $586,000 for the years ended September 30, 2008 and 2007, respectively.

The maturity date, notional amounts, interest rates paid and received, and fair value of the Company's interest rate swap agreements as of September 30, 2007 are presented in the table below:

Maturity Date	Notional Amount	Interest Rate Paid	Interest Rate Received	Estimated Fair Value
October 20, 2008	$10,000,000	5.50%	4.30%	$ (55,664)
November 19, 2009	10,000,000	5.52%	3.50%	(26,557)
November 23, 2009	10,000,000	5.46%	3.75%	(72,534)
November 26, 2010	10,000,000	5.49%	4.13%	(205,111)
November 26, 2010	5,000,000	5.48%	4.13%	(101,518)
November 26, 2010	5,000,000	5.47%	4.13%	(100,482)
January 24, 2010	10,000,000	5.44%	3.70%	(43,702)
January 28, 2011	10,000,000	5.47%	4.30%	(178,348)
February 25, 2011	5,000,000	5.47%	4.80%	(48,365)
September 14, 2012	5,000,000	5.58%	4.25%	(31,931)
Total	$80,000,000			$(864,212)

The gross amounts of interest paid to and received from the counterparty under the swap agreements and the related average interest rates during the years ended September 30, 2008 and 2007 are as follows:

	2008	2007
Interest paid (variable rate):		
Total amount (000s)	$1,824.9	$4,298.4
Average interest rate	4.46%	5.37%
Interest received (fixed rate):		
Total amount (000s)	$2,103.9	$3,232.5
Average interest rate	3.86%	4.04%

The Company entered into two $14 million notional value interest-rate swap contracts during 2008 totaling $28 million notional value. These contracts supported a $14 million, variable-rate, commercial loan relationship and were used to allow the commercial loan customer to pay a fixed interest rate to the Bank, while the Bank, in turn, charged the customer a floating interest rate on the loan. Under the terms of the swap contract between the Bank and the loan customer, the customer pays the Bank a fixed interest rate of 6.58%, while the Bank pays the customer a variable interest rate of one-month LIBOR plus 2.30%. Under the terms of a similar but separate swap contract between the Bank and a major securities broker, the Bank pays the broker a fixed interest rate of 6.58%, while the broker pays the Bank a variable interest rate of one-month LIBOR plus 2.30%. The two contracts have identical terms except for the interest rates and interest does not begin to accrue until May 2009. The contracts are scheduled to mature on May 15, 2015. While these two swap derivatives generally work together as an interest-rate hedge, the Company has not designated them for hedge treatment under SFAS No. 133. Consequently, both derivatives are marked to fair value through either a charge or credit to current earnings.

21. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers by issuing commitments to extend credit. Such commitments are agreements to lend to a customer provided there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require the borrower to pay a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

At September 30, 2008, the Bank had firm commitments to originate loans of approximately $137.4 million, of which $65.4 million were committed to be sold. Of the remaining $72.0 million to be retained, $539,000 were at fixed rates. At September 30, 2007, the Bank had firm commitments to originate loans of approximately $144.7 million of which $65.9 million were committed to be sold. Of the remaining $78.7 million to be retained, $249,000 were at fixed rates. Additionally, the Bank had outstanding commitments to borrowers under unused equity lines of credit, commercial lines of credit and consumer lines of credit totaling $235.9 million, $53.8 million and $258,000, respectively, at September 30, 2008 compared to $252.9 million, $38.1 million and $234,000, respectively, at September 30, 2007.

At September 30, 2008 and 2007, the Bank had loans receivable held for sale totaling $72.0 million and $58.5 million, respectively, substantially all of which were under firm commitments to be sold on a best-efforts basis. Any unrealized loss on these commitment obligations is considered in conjunction with the Bank's lower of cost or market valuation on its loans held-for-sale.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These standby letters of credit are primarily issued for a fee to support contractual obligations of the Bank's customers. The credit risk involved with issuing letters of credit is essentially the same as the risk involved in extending loans to customers. At September 30, 2008, the Bank had 56 letters of credit totaling approximately $11.1 million due to expire no later than September 2012 compared to 48 letters of credit totaling approximately $7.1 million due to expire no later than May 2011 at September 30, 2007.

Substantially all of the Bank's loans are to borrowers located in St. Louis, Kansas City and the surrounding Missouri counties.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair values of financial instruments have been estimated by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2008 and 2007. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Carrying values and estimated fair values at September 30, 2008 and 2007 are summarized as follows:

	2008		2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
ASSETS:				
Cash and cash equivalents	$ 29,078,000	$ 29,078,000	$ 23,675,000	$ 23,675,000
Debt securities—HTM	—	—	5,980,000	5,979,000
Debt securities—AFS	—	—	7,043,000	7,043,000
Equity securities—AFS	733,000	733,000	3,965,000	3,965,000
Capital Stock of FHLB	10,896,000	10,896,000	8,306,000	8,306,000
Mortgage-backed securities—HTM	15,744,000	15,608,000	371,000	400,000
Mortgage-backed securities—AFS	10,181,000	10,181,000	2,655,000	2,655,000
Loans receivable held for sale	71,966,000	73,189,000	58,536,000	59,449,000
Loans receivable	1,088,737,000	1,102,715,000	949,826,000	943,357,000
Accrued interest receivable	5,615,000	5,615,000	6,605,000	6,605,000
LIABILITIES:				
Deposits	915,311,000	915,311,000	835,489,000	835,489,000
Advances from the FHLB	210,600,000	210,269,000	158,400,000	157,287,000
Borrowings from the Federal Reserve Bank	40,000,000	40,000,000	—	—
Note payable	7,640,000	7,640,000	2,980,000	2,980,000
Derivative liabilities	—	—	864,000	864,000
Subordinated debentures	19,589,000	17,051,000	19,589,000	19,589,000
Accrued interest payable	1,506,000	1,506,000	2,531,000	2,531,000
Due to other banks	14,378,000	14,378,000	17,485,000	17,485,000

	2008		2007	
	Contract or Notional Amount	Estimated Fair Value	Contract or Notional Amount	Estimated Fair Value
OFF BALANCE SHEET FINANCIAL INSTRUMENTS:				
Commitments to originate first and second mortgage loans	$ 113,697,000	$ —	$112,911,000	$ —
Commitments to originate non-mortgage loans	23,733,000	—	31,742,000	—
Unused Lines of Credit	290,018,000	—	291,268,000	—

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Cash and Cash Equivalents—The carrying amount approximates fair value.

Securities and Mortgage-backed Securities—Estimated fair values of securities and mortgage-backed securities are based on quoted market prices and prices obtained from independent pricing services. If quoted market prices are not available, fair values are estimated using quoted market prices for similar instruments.

Equity securities—Estimated fair values are based on stock market prices for publicly quoted stocks, and a broker-provided market value for the Community Reinvestment Act Fund.

Capital Stock of the Federal Home Loan Bank—The carrying amount approximates fair value.

Loans Receivable Held for Sale—The estimated fair value of loans held for sale is determined based upon recent historic sales premiums.

Loans Receivable—The fair value of loans receivable is estimated based on present values using applicable risk-adjusted spreads to the U. S. Treasury curve to approximate current interest rates applicable to each category of such financial instruments. No adjustment was made to the interest rates for changes in credit risk of performing loans where there are no known credit concerns. Management segregates loans in appropriate risk categories. Management believes that the risk factor embedded in the interest rates along with the allowance for loan losses applicable to the performing loan portfolio results in a fair valuation of such loans.

Accrued Interest Receivable—The carrying value approximates fair value.

Deposits—The estimated fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows of existing deposits using rates currently available on advances from the Federal Home Loan Bank having similar characteristics.

Derivative Liabilities—The fair value is based on quoted market prices by the counter-party.

Advances from Federal Home Loan Bank—The estimated fair value of advances from Federal Home Loan Bank is determined by discounting the future cash flows of existing advances using rates currently available on advances from Federal Home Loan Bank having similar characteristics.

Borrowings from the Federal Reserve Bank—The carrying value approximates fair value since the balance at September 30, 2008 matured in eight days.

Note Payable—The carrying value approximates fair value since it is a variable rate obligation.

Due to Other Banks—The carrying value approximates fair value since the amounts are generally settled in cash on the next business day.

Subordinated Debentures—The estimated fair values of subordinated debentures are determined by discounting the estimated future cash flows using rates currently available on debentures having similar characteristics.

Accrued Interest Payable—The carrying value approximates fair value.

Off-Balance Sheet Items—The estimated fair value of commitments to originate or purchase loans is based on the fees currently charged to enter into similar agreements and the difference between current levels of interest rates and the committed rates. The Company believes such commitments have been made on terms which are competitive in the markets in which it operates; however, no premium or discount is offered thereon, and accordingly, the Company has not assigned a value to such instruments for purposes of this disclosure.

23. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting standards, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In March 2008, the FASB issued Staff Position No. FAS 157-2 (“FSP No. 157-2”), which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years and interim periods beginning after November 15, 2008. Management has evaluated the requirements of SFAS No. 157 and believes it will not have a material effect on the Company’s financial condition or results of operations.

In September 2006, the FASB issued Statement No. 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans” (“SFAS No. 158”), which requires balance sheet recognition of the funded status of pension and other postretirement benefits with the offset to accumulated other comprehensive income. Employers will recognize actuarial gains and losses, prior service cost, and any remaining transition amounts when recognizing a plan’s funded status. SFAS No. 158 was effective for the Company beginning October 1, 2007. The adoption of SFAS No. 158 did not have a material effect on the Company’s financial condition or results of operations.

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of the fiscal year, has not yet issued financial statements for any interim period of such year, and elects to apply the provisions of SFAS No. 157. Management has evaluated the requirements of SFAS No. 159 and believes it will not have a material effect on the Company’s financial condition or results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007), “Business Combinations—A Replacement of FASB Statement No. 141” (“SFAS 141(R)”) and Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (“SFAS 160”). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures certain items in a business combination, as well as disclosures about the nature and financial effects of a business combination. SFAS 160 establishes accounting and reporting standards surrounding noncontrolling interest, or minority interests, which are the portions of equity in a subsidiary not attributable, directly or indirectly, to a parent. The pronouncements are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. Management is currently evaluating the impact of SFAS 141(R) on its accounting for future acquisitions and the impact of SFAS 160 on the Company’s consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133” (“SFAS 161”). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the impact of SFAS 161 on the Company’s consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of SFAS No. 109, "Accounting for Income Taxes" ("Interpretation No. 48"), which clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 was effective for the Company beginning October 1, 2007. The adoption of Interpretation No. 48 did not have a material effect on the Company's financial condition or results of operations.

In September 2006, the Emerging Issues Task Force Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," was ratified. This EITF Issue addresses accounting for separate agreements that split life insurance policy benefits between an employer and employee. The issue requires the employer to recognize a liability for future benefits payable to the employee under these agreements. The effects of applying this issue must be recognized through either a change in accounting principle through an adjustment to equity or through the retrospective application to all prior periods. The consensus in this issue is effective for fiscal years beginning after December 15, 2007, with earlier application permitted. Management has evaluated the requirements of the issue and believes it will not have a material effect on the Company's financial condition or results of operations.

In November 2007, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 109, "Written Loan Commitments Recorded at Fair Value through Earnings" ("SAB No. 109"). SAB No. 109 provides revised guidance on the valuation of written loan commitments accounted for at fair value through earnings. Former guidance under SAB No. 105, "Application of Accounting Principles to Loan Commitments," indicated that the expected net future cash flows related to the associated servicing of the loan should not be incorporated into the measurement of the fair value of a derivative loan commitment. The new guidance under SAB No. 109 requires these cash flows to be included in the fair value measurement. SAB No. 109 requires this view to be applied on a prospective basis to derivative loan commitments issued or modified in the first quarter of 2008. The Company's application of SAB No. 109 in 2008 did not have a material effect on its consolidated financial statements.

24. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The results of operations by quarter for 2008 and 2007 were as follows:

Year Ended September 30, 2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$19,370,147	$18,988,843	$17,676,509	$ 17,230,048
Interest expense	11,168,654	10,125,021	8,168,527	8,190,757
Net interest income	8,201,493	8,863,822	9,507,982	9,039,291
Provision for loan losses	1,032,551	1,728,140	2,140,974	2,832,976
Net interest income after loan loss provision	7,168,942	7,135,682	7,367,008	6,206,315
Non-interest income	2,978,526	3,842,570	3,254,655	(5,161,141)
Non-interest expense	6,280,016	6,916,229	8,277,107	7,746,016
Income (loss) before taxes	3,867,452	4,062,023	2,344,556	(6,700,842)
Income tax expense (benefit)	1,135,300	1,513,742	685,260	(2,649,857)
Net income (loss)	$ 2,732,152	$ 2,548,281	$ 1,659,296	$ (4,050,985)
Earnings per share—basic	$ 0.28	$ 0.26	$ 0.17	($ 0.40)
Earnings per share—diluted	$ 0.27	$ 0.25	$ 0.16	($ 0.39)
Weighted average shares outstanding—basic	9,780,132	9,854,302	9,983,506	10,039,042
Weighted average shares outstanding—diluted	10,186,789	10,209,176	10,271,469	10,289,791

Year Ended September 30, 2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$16,375,236	$16,960,960	$18,267,199	$ 19,321,325
Interest expense	9,468,772	9,981,138	11,000,847	11,383,124
Net interest income	6,906,464	6,979,822	7,266,352	7,938,201
Provision for loan losses	681,553	573,482	1,911,482	688,740
Net interest income after loan loss provision	6,224,911	6,406,340	5,354,870	7,249,461
Non-interest income	2,597,829	2,784,350	3,263,413	2,375,551
Non-interest expense	5,022,285	5,966,637	5,660,103	6,123,768
Income before taxes	3,800,455	3,224,053	2,958,180	3,501,244
Income taxes	1,314,010	1,019,761	974,637	1,192,885
Net income	$ 2,486,445	$ 2,204,292	$ 1,983,543	$ 2,308,359
Earnings per share—basic	$ 0.25	$ 0.22	$ 0.20	$ 0.25
Earnings per share—diluted	$ 0.24	$ 0.21	$ 0.19	$ 0.24
Weighted average shares outstanding—basic	9,823,850	9,829,899	9,825,886	9,778,411
Weighted average shares outstanding—diluted	10,269,066	10,265,321	10,266,592	10,222,156

25. CONDENSED PARENT COMPANY ONLY FINANCIAL STATEMENTS.

The following table presents the condensed parent-company-only balance sheets as of September 30, 2008 and 2007, and the condensed parent-company-only statements of income and cash flows of the Company for the years ended September 30, 2008, 2007 and 2006:

	2008	2007
Condensed Balance Sheets		
ASSETS:		
Cash and cash equivalents	$ 92,312	$ 302,510
Investment in Bank	107,185,843	103,407,450
Investments	735,378	1,684,765
Intercompany loan	2,000,000	—
Other assets	1,554,250	392,365
Total assets	$111,567,783	$105,787,090
LIABILITIES:		
Note payable	$ 7,640,000	$ 2,980,000
Subordinated debentures	19,589,000	19,589,000
Dividends payable	970,251	894,694
Other liabilities	1,008,026	1,518,905
Total liabilities	29,207,277	24,982,599
STOCKHOLDER'S EQUITY	82,360,506	80,804,491
Total liabilities and stockholder's equity	$111,567,783	$105,787,090

	2008	2007	2006
Condensed Statements of Income			
Interest income	$ 122,189	$ 207,364	$ 100,792
Interest expense	1,479,892	1,741,136	1,639,069
Net interest expense	(1,357,703)	(1,533,772)	(1,538,277)
Non-interest income	760,633	788,160	464,102
Non-interest expense	675,571	576,027	569,313
Loss before income taxes and equity in earnings of Bank	(1,272,641)	(1,321,639)	(1,643,488)
Income tax benefit	(406,564)	(457,900)	(575,561)
Net loss before equity in earnings of Bank	(866,077)	(863,739)	(1,067,927)
Equity in earnings of Bank, net of tax	3,754,821	9,846,378	10,905,980
Net Income	$ 2,888,744	$ 8,982,639	$ 9,838,053

	2008	2007	2006
Condensed Statements of Cash Flows			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,888,744	$ 8,982,639	$ 9,838,053
Adjustments to reconcile net income to net cash from operating activities:			
Equity in earnings of Bank	(3,754,821)	(9,846,378)	(10,905,980)
Net change in other assets and liabilities	(952,797)	1,436,715	483,560
Gain on sale of investment in joint venture	(30,755)	—	—
Realized loss (gain) on sale of investments	25,955	(143,720)	(123,188)
Net cash (used in) provided by operating activities	(1,823,674)	429,256	(707,555)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for investment in joint venture	(233,691)	(100,000)	(67,620)
Dividends received from Bank	3,000,000	—	4,000,000
Capital contribution to Bank	(3,000,000)	—	(11,000,000)
(Increase) decrease in intercompany loan	(2,000,000)	3,375,000	(2,150,000)
Purchases of investments	—	(150,000)	(500,000)
Proceeds from sale of investment in joint venture	49,375	—	—
Proceeds from sales of investments	425,985	772,648	575,365
Principal payments on mortgage-backed securities	13,425	27,545	54,680
Net cash (used in) provided by investing activities	(1,744,906)	3,925,193	(9,087,575)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash paid for acquired entities	—	—	(3,925,378)
Proceeds from note payable	5,000,000	—	—
Payment of note payable	(340,000)	(340,000)	(255,000)
Proceeds from common stock offering	—	—	16,139,230
Equity trust shares purchased	(120,000)	(1,248,787)	(1,959,000)
Proceeds from stock options exercised	1,153,623	395,836	797,429
Proceeds received from Bank for stock-based compensation	1,119,489	1,411,905	2,026,437
Proceeds from cash received in dividend reinvestment plan	695,389	393,061	276,582
Treasury stock issued	191,835	—	—
Stock repurchase	(593,253)	(1,415,545)	(88,301)
Dividends paid on common stock	(3,748,701)	(3,487,814)	(3,152,569)
Net cash provided by (used in) financing activities	3,358,382	(4,291,344)	9,859,430
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(210,198)	63,105	64,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	302,510	239,405	175,105
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 92,312	$ 302,510	$ 239,405

* * * * *

COMMON STOCK INFORMATION

The common stock of the Company is listed on the NASDAQ Global Select Market under the symbol "PULB." As of December 10, 2008, there were approximately 3,275 stockholders of record of the Company, including brokers or other nominees.

The following table sets forth market price and dividend information for the Company's common stock for fiscal years 2008 and 2007.

	High	Low	Dividend Per Share
Fiscal 2008			
First Quarter	$13.47	$ 9.40	$ 0.090
Second Quarter	$12.18	$ 9.69	$ 0.090
Third Quarter	$13.24	$ 9.43	$ 0.090
Fourth Quarter	$11.50	$ 7.57	$ 0.095
Fiscal 2007			
First Quarter	$16.75	$15.23	$ 0.085
Second Quarter	$16.97	$15.07	$ 0.085
Third Quarter	$16.04	$14.24	$ 0.085
Fourth Quarter	$16.90	$12.11	$ 0.090

DIRECTORS AND OFFICERS

Directors

Stanley J. Bradshaw
Chairman of the Board of the Company
Principal, Bradshaw Capital Management

Lee S. Wielansky
Vice Chairman of the Board of the Company
Chairman and Chief Executive Officer of Midland Development Group, Inc.

William M. Corrigan, Jr.
Partner, Armstrong Teasdale LLP

William A. Donius
Chairman of the Board of the Bank

Gary W. Douglass
President and Chief Executive Officer

Leon A. Felman
Managing Partner of Felman Family Partnership LP

Michael R. Hogan
Retired Chief Administrative Officer and Chief Financial Officer of Sigma-Aldrich Corporation

Timothy K. Reeves
President and Owner of Keenan Properties of St. Louis

Steven C. Roberts
President of The Roberts Companies

Emeritus Director

Thomas F. Hack
Retired Thrift Executive

Senior Officers of Pulaski Bank

Gary W. Douglass
Chief Executive Officer

W. Thomas Reeves
President

Ramsey K. Hamadi
Chief Financial Officer

Brian J. Björkman
President, Commercial Lending

Matthew A. Locke
President, Mortgage Lending

Cheri G. Bliefernich
Executive Vice President, Banking Operations

Paul D. Grosse
Regional President

Diane L. Hughes
Senior Vice President, Kansas City Loan Operations

Rita M. Kuster
Senior Vice President, Commercial Lending

Paul J. Milano
Treasurer and Controller

Christopher A. Purcell
Senior Vice President, St. Louis Loan Operations

Lisa K. Simpson
Senior Vice President, Director of Human Resources

CORPORATE INFORMATION

Corporate Headquarters

12300 Olive Boulevard
St. Louis, Missouri
314.878.2210
www.pulaskibankstl.com

Independent Auditors

KPMG LLP
St. Louis, Missouri

General Counsel

Armstrong Teasdale LLP
St. Louis, Missouri

Kappel, Neill and Wolff LLC
St. Louis, Missouri

Special Securities Counsel

Kilpatrick Stockton LLP
Washington, D.C.

Stock Transfer Agent

Registrar and Transfer Company
Cranford, New Jersey
800.866.1340
www.rtco.com

ANNUAL MEETING

The annual meeting of the stockholders will be held Thursday, February 5, 2009 at 2:00 p.m., Central Time, at The St. Louis Mariott West, 660 Maryville Centre Drive, St. Louis, Missouri, 63141.

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Section 4: EX-21.1 (EXHIBIT 21.1)

Exhibit 21.1
Subsidiaries of Pulaski Financial Corp.

Registrant

Pulaski Financial Corp.

Subsidiaries	Percentage of Ownership	Jurisdiction or State of Incorporation
Pulaski Bank (1)	100%	United States
Pulaski Service Corporation (1) (2)	100%	Missouri
Pulaski Financial Statutory Trust I	100%	Connecticut
Pulaski Financial Statutory Trust II	100%	Delaware

(1) Are included in the Registrant's Consolidated Financial Statements contained in the Annual Report to Stockholders.
(2) Wholly-owned by Pulaski Bank.

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Section 5: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Pulaski Financial Corp.:

We consent to the incorporation by reference in the registration statements (No. 333-32986, No. 333-84392, No. 333-84515, No. 333-112962, and No. 333-135895) on Form S-8 and in the registration statement (No. 333-128997) on Form S-3 of Pulaski Financial Corp. and subsidiaries (the Company) of our report dated December 12, 2008, with respect to the consolidated balance sheets of the Company as of September 30, 2008 and 2007, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2008, and the effectiveness of internal control over financial reporting as of September 30, 2008, which report is incorporated by reference in the September 30, 2008 annual report on Form 10-K of the Company.

Our report with respect to the consolidated financial statements refers to the Company's adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on October 1, 2005.

/s/ **KPMG LLP**

St. Louis, Missouri
December 12, 2008
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Section 6: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Gary W. Douglass, certify that:

1. I have reviewed this annual report on Form 10-K of Pulaski Financial Corp.;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: December 12, 2008

/s/ Gary W. Douglass

Name: Gary W. Douglass
Title: President and Chief Executive Officer

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Section 7: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Ramsey K. Hamadi, certify that:

1. I have reviewed this annual report on Form 10-K of Pulaski Financial Corp.;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: December 12, 2008

/s/ Ramsey K. Hamadi
Name: Ramsey K. Hamadi
Title: Chief Financial Officer

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Section 8: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as added by
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pulaski Financial Corp. (the "Company") on Form 10-K for the period ended September 30, 2008 as filed with the Securities and Exchange Commission (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pulaski Financial as of and for the period covered by the Report.

Date: December 12, 2008

/s/ Gary W. Douglass
Name: Gary W. Douglass
Title: President and Chief Executive Officer

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Section 9: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as added by
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pulaski Financial Corp. (the "Company") on Form 10-K for the period ended September 30, 2008 as filed with the Securities and Exchange Commission (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pulaski Financial as of and for the period covered by the Report.

Date: December 12, 2008

/s/ Ramsey K. Hamadi
Name: Ramsey K. Hamadi
Title: Chief Financial Officer

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