UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
_X_ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _______________ to _______________

Commission File Number: 000-51992

LIBERTY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Missouri	20-4447023
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16 West Franklin Street, Liberty, Missouri	64068
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (816) 781-4822

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ___. No ___.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 ____ Non-accelerated filer (Do not check if a smaller reporting company.) ___ Smaller reporting company _X_.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding August 13, 2009
Common Stock, par value $0.01 per share	3,621,875

LIBERTY BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2009

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

Consolidated Balance Sheets
(Unaudited)

Assets	**June 30, 2009**	**September 30, 2008**
Cash and due from banks	$ 6,468,252	5,274,603
Federal funds sold	5,642,000	2,810,000
Total cash and cash equivalents	12,110,252	8,084,603
Securities available for sale- taxable, at market value (amortized cost of $12,215,537 and $13,966,593, respectively)	12,761,765	14,374,559
Securities available for sale - non-taxable, at market value (amortized cost of $10,889,329 and $11,714,464, respectively)	10,844,162	11,678,861
Mortgage-backed securities - available for sale, at market value (amortized cost of $10,002,752 and $14,007,011, respectively)	10,219,049	13,989,151
Stock in Federal Home Loan Bank ("FHLB") of Des Moines	3,910,100	3,576,300
Loans receivable, net of allowance for loan losses of $2,803,662 and $2,633,298, respectively	299,541,918	256,713,257
Loans held for sale	4,018,425	877,246
Premises and equipment, net	12,814,719	9,790,337
Bank-owned life insurance ("BOLI")	8,866,916	8,538,528
Foreclosed real estate, net	3,819,316	4,936,355
Accrued interest receivable	1,677,990	1,640,478
Goodwill	1,191,603	-
Core deposit intangible, net	917,333	-
Other assets	1,549,143	1,985,219
Total assets	$ 384,242,691	336,184,894
Liabilities and Stockholders' Equity		
Deposits	$ 279,576,338	219,763,837
Accrued interest payable	300,641	297,656
Advances from FHLB of Des Moines	58,165,864	69,240,870
Securities sold under agreement to repurchase	855,407	812,500
Advances from borrowers for taxes and insurance	714,820	864,268
Other liabilities	1,369,806	1,196,659
Total liabilities	340,982,876	292,175,790
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; shares issued and outstanding - none	-	-
Common stock, $0.01 par value; 20,000,000 shares authorized; 4,761,712 shares issued	47,617	47,617
Treasury stock, at cost, 1,139,837 shares and 825,002 shares	(11,100,506)	(8,632,753)
Additional paid-in capital	32,529,726	32,320,258
Common stock acquired by ESOP	(320,262)	(474,634)
Accumulated other comprehensive earnings, net	473,552	292,484
Retained earnings - substantially restricted	21,629,688	20,456,132
Total stockholders' equity	43,259,815	44,009,104
Total liabilities and stockholders' equity	$ 384,242,691	336,184,894

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008
Interest income:				
Loans receivable	$ 4,617,915	4,287,809	13,409,778	13,231,211
Mortgage-backed securities	110,923	166,731	401,633	550,423
Securities - taxable	160,454	339,555	517,693	1,169,574
Securities - non-taxable	125,231	132,275	396,468	403,763
Other interest-earning assets	(355)	21,930	5,557	127,108
Total interest income	5,014,168	4,948,300	14,731,129	15,482,079
Interest expense:				
Deposits	1,190,200	1,503,786	4,049,277	5,901,424
Securities sold under agreement to repurchase	4,729	12,778	20,514	48,147
Advances from FHLB	350,894	506,935	1,118,538	1,498,554
Total interest expense	1,545,823	2,023,499	5,188,329	7,448,125
Net interest income	3,468,345	2,924,801	9,542,800	8,033,954
Provision for loan losses	320,857	1,173,000	790,912	1,623,175
Net interest income after provision for loan losses	3,147,488	1,751,801	8,751,888	6,410,779
Noninterest income:				
Loan service charges	28,947	13,236	69,046	53,282
Gain on sale of loans	146,566	105,238	261,713	239,674
Gain (loss) on sale of securities available for sale	(1,709)	-	54,293	45,597
Gain on sale of MBSs available for sale	-	-	51,620	-
Other-than-temporary impairment ("OTTI") loss on equity security	(113,126)	-	(113,126)	-
Change in cash surrender value of BOLI	110,585	109,533	328,387	327,211
Deposit account and other service charges	354,169	312,154	933,368	865,268
Total noninterest income	525,432	540,161	1,585,301	1,531,032
Noninterest expense:				
Compensation and benefits	1,353,045	1,008,015	3,836,001	3,340,846
Occupancy expense	237,140	163,555	664,782	496,799
Equipment and data processing expense	297,875	227,965	918,962	701,647
Operations from foreclosed real estate, net	293,181	20,282	853,590	173,717
FDIC premium expense	300,000	37,240	416,000	91,795
Professional and regulatory services	101,950	97,685	398,474	295,526
Advertising	95,035	48,813	221,198	180,309
Correspondent banking charges	29,266	70,409	95,181	202,824
Supplies	42,546	30,126	142,372	96,292
Amortization of core deposit intangible	52,000	-	138,667	-
Other	218,753	182,083	648,396	593,834
Total noninterest expense	3,020,791	1,886,173	8,333,623	6,173,589
Earnings before income taxes	652,129	405,789	2,003,566	1,768,222
Income taxes	181,300	82,000	552,900	460,000
Net earnings	$ 470,829	323,789	1,450,666	1,308,222
Basic and diluted earnings per share	$ 0.13	0.09	0.40	0.32
Dividends per share	$ 0.025	0.025	0.075	0.075

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Earnings (Loss)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Net earnings	$ 470,829	323,789	1,450,666	1,308,222
Other comprehensive earnings (loss):				
Reclassification adjustment for gains (loss) in earnings, net of tax of $0, $(62,423) and $(16,871), respectively	1,709	-	(43,490)	(28,726)
Reclassification adjustment of OTTI loss, net of tax of $0 and $0, respectively	113,126	-	113,126	-
Unrealized gains (losses), net of tax of $(101,058), $(293,114), $115,040 and $243,595, respectively	(200,017)	(499,085)	121,224	414,769
Amortization of unrecognized gain, net - SFAS No. 158	(3,264)	(3,264)	(9,792)	(9,793)
Comprehensive earnings (loss)	$ 382,383	(178,560)	1,631,734	1,684,472

See accompanying notes to unaudited consolidated financial statements.

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008
Cash flows from operating activities:		
Net earnings	$ 1,450,666	1,308,222
Adjustments to reconcile net earnings to net		
cash provided by (used for) operating activities:		
Depreciation expense	506,641	430,331
Amortization of core deposit intangible	138,667	-
ESOP expense	141,074	229,637
Incentive Plan expense	222,766	246,060
Amortization of premiums (discounts) on investments, net	105,229	(20,531)
Amortization of premium on loans	53,000	-
Amortization of deferred loan fees, net	(85,512)	(241,240)
Provision for loan losses	790,912	1,623,175
Loans held for sale - originated	(27,839,962)	(19,205,729)
Loans held for sale - proceeds from sale	24,960,496	18,338,718
Loss on foreclosed real estate, net	707,735	135,820
Gain on sale of securities available for sale	(54,293)	(45,597)
Gain on sale of MBSs available for sale	(51,620)	-
OTTI loss on equity security	113,126	-
Gain on sale of loans	(261,713)	(239,674)
Increase in cash surrender value of BOLI	(328,387)	(327,211)
Decrease (increase) in:		
Accrued interest receivable	173,351	246,824
Other assets	15,559	(565,489)
Increase (decrease) in:		
Accrued interest on deposits and other liabilities	(90,355)	(718,093)
Accrued income taxes	-	(88,308)
Net cash provided by (used for) operating activities	667,380	1,106,915
Cash flows from investing activities:		
Net change in loans receivable	(27,065,858)	(24,281,084)
Mortgage-backed available for sale:		
Purchased	(254,698)	-
Principal collections	4,343,632	4,530,450
Proceeds from sales	1,338,734	-
Securities available for sale:		
Principal collections	59,679	41,180
Purchased	-	(448,061)
Proceeds from sales	9,628,947	7,292,478
Proceeds from maturity or call	1,010,000	4,935,000
Proceeds from foreclosed real estate, net	4,631,274	2,649,880
Purchase of stock in FHLB of Des Moines	(678,000)	(2,385,071)
Redemption of stock in FHLB of Des Moines	412,500	382,971
Purchase of premises and equipment	(755,896)	(1,500,869)
Cash paid in acquistion of KLT Bancshares, Inc., net	(1,164,119)	-
Net cash provided by (used for) investing activities	$ (8,493,805)	(8,783,126)

(Continued)

Consolidated Statements of Cash Flows
(Unaudited)

(Continued)

	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008
Cash flows from financing activities:		
Net increase (decrease) in deposits	$ 25,848,380	(26,494,818)
Increase (decrease) in advances from borrowers for taxes and insurance	(219,344)	(300,602)
Proceeds from advances from the FHLB	574,766,000	824,350,000
Repayment of advances from the FHLB	(585,841,006)	(780,514,522)
Securities sold under agreement to repurchase:		
Proceeds	7,559,306	7,274,400
Repayments	(7,516,399)	(7,290,440)
Proceeds from exercise of stock options	-	4,347
Repurchase of common stock	(2,467,753)	(8,498,110)
Other contributed capital	-	989
Cash dividends	(277,110)	(306,671)
Net cash provided by (used for) financing activities	11,852,074	8,224,573
Net increase (decrease) in cash and cash equivalents	4,025,649	548,362
Cash and cash equivalents at beginning of period	8,084,603	9,042,289
Cash and cash equivalents at end of period	$ 12,110,252	9,590,651
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest on deposits	$ 4,262,126	6,197,522
Interest on securities sold under agreement to repurchase	20,514	48,242
Interest on advances from FHLB of Des Moines	1,104,569	1,466,355
Income taxes	614,615	816,126
Real estate acquired in settlement of loans	5,708,845	3,778,527
Loans originated to finance the sale of foreclosed real estate	1,486,875	-
Net cash paid in acquisition of KLT Bancshares, Inc.:		
Cash paid to Farley State Bank shareholders	$ (4,500,000)	-
Acquisition costs paid	(251,256)	-
Total cash payments	(4,751,256)	-
Cash and cash equivalents acquired	3,587,137	-
Net cash paid in acquistion	$ (1,164,119)	-

See accompanying notes to unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

(1) Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Such adjustments were of a normal recurring nature. The results of operations for the three-month period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year or any other interim period. For additional information, refer to the consolidated financial statements and footnotes thereto of the Company for the year ended September 30, 2008 contained in the Company's Annual Report on Form 10-K filed with the Securities Exchange Commission on December 29, 2008. Subsequent events have been evaluated through August 13, 2009 which is the date the financial statements were issued.

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to determination of the allowance for loan losses and the fair values of financial instruments.

(2) Organization

Liberty Bancorp, Inc. (the "Company" or "Liberty Bancorp") a Missouri corporation, was formed on February 14, 2006 and became the holding company for BankLiberty (formerly Liberty Savings Bank, F.S.B., and referred to herein as the "Bank") upon completion of the Bank's conversion (the "Conversion") from a mutual holding company form to a stock holding company structure on July 21, 2006. A total of 2,807,383 shares of common stock were sold in the stock offering at the price of $10.00 per share. In addition, a total of 1,952,754 shares of common stock were issued to the minority shareholders of the former Liberty Savings Bank, F.S.B. representing an exchange ratio of 3.5004 shares of Company common stock for each share of Liberty Savings Bank, F.S.B. common stock. Fractional shares in the aggregate, or 36 shares, were redeemed for cash. Total shares outstanding after the stock offering and the exchange totaled 4,760,137 shares. Net proceeds of $25.6 million were raised in the stock offering, excluding $1.2 million which was loaned by the Company to a trust for the Bank's Employee Stock Ownership Plan (the "ESOP"), enabling it to finance the purchase of 153,263 shares of common stock in the offering and exchange. Direct offering costs totaled approximately $1.3 million. In addition, as part of the second-step conversion and dissolution of Liberty Savings Mutual Holding Company, the Bank received $694,000 previously held by this entity.

(3) Business Combination

On November 7, 2008, the Company acquired KLT Bancshares, Inc., the parent company of Farley State Bank ("the acquisition"). Shareholders of KLT Bancshares, Inc. received total merger consideration of $4.5 million, consisting of entirely cash. The Company incurred acquisition costs of $251,000. The acquisition was accounted for using the purchase method under Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations." Fair value adjustments on the assets acquired and liabilities assumed are depreciated or amortized as applicable, over the estimated useful lives of the related assets and liabilities. The core deposit intangible of $1.1 million is amortized over 10.2 years using the double declining balance method. The Company recorded fair value accounting adjustments of $422,000, net of income taxes of $247,000 and core deposit intangibles of $665,000, net of income taxes of $391,000. Based upon Farley State Bank's stockholders' equity of $2.5 million, goodwill amounted to approximately $1.2 million at November 7, 2008. The excess purchase price has been allocated to goodwill and identifiable intangible assets in accordance with current accounting literature. As a result of the acquisition, the Bank operates two additional full-service offices which expanded its market area.

Notes to Unaudited Consolidated Financial Statements

The following table summarizes the assets acquired and liabilities assumed at November 7, 2008, the date of acquisition:

Cash and due from banks	$ 1,353,137
Federal funds sold	2,234,000
Securities available for sale	9,658,286
Federal Home Loan Bank stock	68,300
Loans, net	20,743,173
Property and equipment, net	2,775,127
Accrued interest receivable	210,863
Goodwill	1,191,603
Core deposit intangible	1,056,000
Other assets	389,946
Total assets acquired	39,680,435
Deposits	33,964,121
Accrued interest payable	215,834
Advances from borrowers for taxes and insurance	69,896
Other liabilities	40,860
Deferred tax liability	638,468
Total liabilities assumed	34,929,179
Purchase price, including acquisition costs	$ 4,751,256

The consolidated statement of earnings for the nine months ended June 30, 2009 include the results of operations of the acquired entity from November 8, 2008 through June 30, 2009.

The following pro forma information, including the effects of the purchase accounting adjustments, summarizes the results of operations for the three and nine months ended June 30, 2009 and 2008 as though the acquisition had been completed as of the beginning of each period.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Total interest income	$ 5,014,168	5,495,300	14,938,101	17,175,079
Total interest expense	1,545,823	2,225,499	5,251,944	8,119,125
Net interest income	3,468,345	3,269,801	9,686,157	9,055,954
Provision for loan losses	320,857	1,887,000	1,214,840	2,465,175
Total noninterest income	525,432	610,161	1,599,690	1,761,032
Total noninterest expense	3,020,791	2,232,173	8,558,736	7,266,589
Income (loss) before income taxes	652,129	(239,211)	1,512,271	1,085,222
Income taxes	181,300	(173,000)	466,058	205,000
Net earnings (loss)	$ 470,829	(66,211)	1,046,213	880,222
Pro forma basic and diluted earnings (loss) per share	$ 0.13	(0.02)	0.29	0.21

Notes to Unaudited Consolidated Financial Statements

The pro forma results of operations do not purport to be indicative of the results that would actually have been obtained had the acquisition occurred on the date indicated or which may be obtained in the future.

The gross carrying value and accumulated amortization of the core deposit intangible is presented below:

	June 30, 2009
Core deposit intangible	$ 1,056,000
Accumulated amortization	(138,667)
	$ 917,333

Amortization expense on core deposit intangible for the three and nine months ended June 30, 2009 was $52,000 and $138,667, respectively. There was no amortization expense of core deposit intangible for the three and nine months ended June 30, 2008.

Estimated amortization expense on core deposit intangible for July 1, 2009 through September 30, 2009 and each of the five succeeding fiscal years is as follows:

July 1, 2009 through September 30, 2009	$ 52,000
Year ended September 30, 2010	170,000
Year ended September 30, 2011	137,000
Year ended September 30, 2012	110,000
Year ended September 30, 2013	89,000
Year ended September 30, 2014	71,000

(4) Earnings Per Share

Following is a summary of basic and diluted earnings per common share for the Company for the three and nine months ended June 30, 2009 and 2008:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Net earnings	$ 470,829	323,789	1,450,666	1,308,222
Weighted-average shares - Basic EPS	3,507,840	3,777,356	3,598,764	4,072,269
Stock options - treasury stock method	3,242	34,040	34,631	39,179
Weighted-average shares - Diluted EPS	3,511,082	3,811,396	3,633,395	4,111,448
Basic earnings per common share	$ 0.13	0.09	0.40	0.32
Diluted earnings per common share	$ 0.13	0.09	0.40	0.32
Anti-dilutive shares	70,611	104,267	39,851	88,958

Notes to Unaudited Consolidated Financial Statements

(5) Retirement Benefits

The components of the net periodic cost for postretirement medical benefits are summarized as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Service cost	$ 1,671	1,670	5,014	5,011
Interest cost	3,678	3,678	11,034	11,033
Amortization of transition obligation	3,135	3,136	9,405	9,406
Amortization of prior service cost	(2,416)	(2,415)	(7,248)	(7,246)
Amortization of actuarial gain	(5,342)	(5,343)	(16,027)	(16,027)
Net periodic cost	$ 726	726	2,178	2,177

Directors' retirement plan expense was $16,047 and $16,048 for the nine months ended June 30, 2009 and 2008, respectively. The expense consisted primarily of interest cost.

(6) Stock Options

As authorized by the Company's 2003 Incentive Equity and Deferred Compensation Plan (the "2003 Plan"), the Board of Directors granted 78,760 options to non-employee directors and 96,260 options to certain officers and employees during fiscal 2004. The Plan authorizes the award of up to 258,064 shares of common stock, subject to restrictions, to be issued to directors, officers and employees of the Bank. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock and unrestricted stock. Options expire ten years from the date of the grant. Stock options to directors were fully vested on the grant date of June 16, 2004. Options granted to the Bank's CEO are vested over three years and three months and options granted to certain other officers and employees are vested over a five-year period. On January 27, 2005 the Board of Directors granted an additional 38,504 options to certain officers and employees. Options granted to the CEO are vested over a period of three years and eight months and options granted to certain officers and employees are vested over a five-year period. On November 23, 2005 the Board of Directors granted an additional 42,440 options to directors and officers. Options granted to the board, CEO, and certain officers, were vested over a ten-month period.

In connection with the completion of the Conversion in July 2006, the Company assumed the 2003 Plan and all outstanding options and shares were adjusted based upon the 3.5004 exchange ratio. The exercise prices were adjusted to reflect the proportional change in values that resulted from the exchange.

As authorized by the Liberty Bancorp, Inc. 2007 Equity Incentive Plan (the "2007 Plan"), the Board of Directors granted 25,150 options to non-employee directors and 65,500 options to certain officers and employees on February 27, 2007. In addition, the Board of Directors granted 5,000 options to one employee on April 1, 2009. The 2007 Plan authorizes the award of up to 100,691 options to purchase shares of common stock, subject to restrictions, to directors, officers and employees of the Bank. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock and unrestricted stock. Options expire ten years from the date of the grant. All 95,650 options granted are vested over a five-year period.

Notes to Unaudited Consolidated Financial Statements

On October 1, 2006, the Company adopted SFAS No. 123R, "Share-Based Payment," using the modified prospective method. Under this method compensation expense is recognized based on the fair value of unvested stock awards at October 1, 2006 or, for new awards granted thereafter, which includes restricted stock and stock options, at the grant date and is recognized on a straight-line basis over the requisite service period.

Stock option compensation expense is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Pretax	$ 10,465	18,906	$ 36,130	61,120
After tax	9,704	17,979	33,846	58,339
Basic and diluted earnings per share	$ 0.00	0.00	$ 0.01	0.01

At June 30, 2009, the total unrecognized compensation expense related to nonvested stock options was approximately $114,000 and is expected to be recognized over the weighted-average period of 3.11 years.

A summary of the Company's stock option activity under the Plan for the nine months ended June 30, 2009 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at October 1, 2008	321,488	$ 8.40	6.72	$ 396,443
Granted	5,000	6.78	9.76	2,600
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Outstanding at June 30, 2009	326,488	8.37	6.00	71,909
Exercisable at June 30, 2009	264,321	7.82	5.64	69,309
Vested and expected to vest at June 30, 2009	264,321	$ 7.82	5.64	$ 69,309

Notes to Unaudited Consolidated Financial Statements

A summary of the total value of options exercised, the amount of cash received from the exercise of stock options, and the total fair value of shares vested is as follows periods indicated:

		Three Months Ended June 30,		Nine Months Ended June 30,	
		2009	2008	2009	2008
Intrinsic value of options exercised	$	-	-	-	1,076
Cash received from the exercise of options		-	-	-	4,347
Fair value of shares vested		47,243	64,306	189,033	291,875

Restricted Stock Awards

On February 27, 2007, as authorized by the 2007 Plan, the Board of Directors granted 31,400 restricted stock awards to non-employee directors and 78,000 awards to certain officers and employees and on April 1, 2009 the Board of Directors granted 5,000 awards to one employee. The Plan authorized the award of up to 125,649 shares of common stock, which were repurchased by a trust to fund the restricted stock awards. All awards are vested over a five-year period. A summary of the Company's restricted stock compensation expense is as follows:

		Three Months Ended June 30,		Nine Months Ended June 30,	
		2009	2008	2009	2008
Restricted Stock Compensation Expense	$	63,342	61,647	186,636	184,941

At June 30, 2009, the total unrecognized expense was $690,000 and is expected to be recognized over the weighted-average period of 2.75 years.

A summary of the Company's nonvested restricted stock award activity for the nine months ended June 30, 2009 is as follows:

	Number of Nonvested Shares		Weighted-Average Grant Date Fair Value
Nonvested at October 1, 2008	87,520	$	11.27
Granted	5,000		6.78
Vested	(21,880)		11.27
Forfeited	-		-
Nonvested at June 30, 2009	70,640	$	11.03

Notes to Unaudited Consolidated Financial Statements

(7) <u>Securities</u>

Securities are summarized as follows:

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Available for sale - debt securities:				
Federal agency obligations	$ 11,943,547	648,224	-	12,591,771
State and municipal obligations	10,889,329	192,739	(237,906)	10,844,162
	22,832,876	840,963	(237,906)	23,435,933
Available for sale - equity securities	271,990	-	(101,996)	169,994
	$ 23,104,866	840,963	(339,902)	23,605,927
Weighted-average rate	4.75%			

	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Available for sale - debt securities:				
Federal agency obligations	$ 13,422,143	480,901	-	13,903,044
State and municipal obligations	11,714,464	46,438	(82,041)	11,678,861
	25,136,607	527,339	(82,041)	25,581,905
Available for sale - equity securities	544,450	-	(72,935)	471,515
	$ 25,681,057	527,339	(154,976)	26,053,420
Weighted-average rate	4.69%			

During the three and nine months ended June 30, 2009, the Company sold a portion of one equity security, recognizing a loss of $1,780 and $72,440, respectively. In addition, the Company determined that an other-than-temporary impairment loss was required on the remaining investment in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's assessment considered the duration and severity of the unrealized losses, the financial condition and near term prospects of the issuer, the ability to recover its initial cost basis within a reasonable period of time and adverse changes to expected cash flows.

Based on these factors, the Company recorded an other-than-temporary impairment loss on the equity security of $113,126. At June 30, 2009, the carrying value of the equity security was $169,994.

In April 2009, the FASB issued FSP SFAS No. 115-2 and SFAS No. 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." FSP SFAS No. 115-2 and SFAS No. 124-2 applies to debt securities classified as available-for-sale and held-to-maturity and makes other-than-temporary impairment guidance more operational and improves related presentation and disclosure requirements. This FSP requires that impairment losses related to credit losses will be included in earnings. Impairments related to other factors will be included in other comprehensive income, when management asserts it does not have the intent to sell the security and it is not more likely than not that it will have to sell the security before its recovery. FSP SFAS No. 115-2 and SFAS No. 124-2 was adopted, effective June 30, 2009.

Notes to Unaudited Consolidated Financial Statements

Securities having a continuous unrealized loss position at June 30, 2009 are summarized as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Available for sale- debt securities:						
State and municipal obligations	$ 3,552,700	(197,447)	2,037,066	(40,459)	5,589,766	(237,906)
Available for sale- equity securities	-	-	169,994	(101,996)	169,994	(101,996)
	$ 3,552,700	(197,447)	2,207,060	(142,455)	5,759,760	(339,902)

State and Municipal Obligations (11 issues). The unrealized losses on the Company's state and municipal obligations were caused primarily by changes in interest rates and not credit quality. One state and municipal obligation had an unrealized loss of $195,000 and represented approximately 82% of the total unrealized loss on such securities. Management of the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost basis, which may be upon maturity. Accordingly, the Company did not consider the unrealized losses on those securities to be other-than-temporarily impaired credit related losses at June 30, 2009.

Nine state and municipal obligations amounting to $2.8 million had a credit rating of Baa1 (investment grade) or better. Two state and municipal obligations of $2.8 million were not rated.

Equity Security (1 issue). As discussed above, the Company has recognized an OTTI loss on a portion of one equity security during the June 2009 quarter. The security had an unrealized loss of $101,996 at June 30, 2009. The unrealized loss was caused by general market conditions of the banking industry, which has been relatively out of favor and resulting lack of liquidity in the market. The Company has the ability and intent to hold this investment until a recovery of fair value. Accordingly, the Company does not consider the remaining investment in the equity security to be other-than-temporarily impaired at June 30, 2009.

Maturities of debt securities at June 30, 2009 are summarized as follows:

	Available for Sale	
	Amortized Cost	Market Value
Due within one year	$ 4,345,175	4,398,741
Due after one through five years	10,335,507	11,008,542
Due after five through ten years	3,417,775	3,506,498
Due after ten years	4,734,419	4,522,152
	$22,832,876	23,435,933

At June 30, 2009, securities with a carrying value of approximately $6,009,057 are callable at the discretion of the issuer prior to the maturity date. Securities in the amount of $15,264,072 were pledged to secure certain deposits at June 30, 2009.

Notes to Unaudited Consolidated Financial Statements

Gross proceeds, gross realized gains and gross realized losses from sales of available for sale securities were $114,210, $71 and $1,780 for the three months ended June 30, 2009. Gross proceeds, gross realized gains and gross realized losses from sales of available for sale securities were $9,628,947, $202,074 and $147,781, respectively, for the nine months ended June 30, 2009. Gross proceeds, gross realized gains and gross realized losses from sales of available for sale securities were $7,292,478, $45,597 and $0, respectively, for the nine months ended June 30, 2008. There were no sales of securities for the three months ended June 30, 2008.

Mortgage-backed securities ("MBSs") are summarized as follows:

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Available for sale:				
FHLMC	$ 5,933,699	148,815	-	6,082,514
FNMA	3,736,164	74,277	(5,939)	3,804,502
GNMA	29,688	414	-	30,102
GNMA - CMO	303,201	82	(1,352)	301,931
	$ 10,002,752	223,588	(7,291)	10,219,049
Weighted-average rate	4.24%			

	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Available for sale:				
FHLMC	$ 8,910,347	25,750	(17,813)	8,918,284
FNMA	4,737,407	8,921	(28,539)	4,717,789
GNMA	32,785	439	-	33,224
GNMA - CMO	202,623	-	(1,032)	201,591
FNMA - CMO	123,849	-	(5,586)	118,263
	$ 14,007,011	35,110	(52,970)	13,989,151
Weighted-average rate	4.33%			

Mortgage-backed securities having a continuous unrealized loss position at June 30, 2009 are summarized as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Available for sale:						
FNMA	$ -	-	544,516	(5,939)	544,516	(5,939)
GNMA - CMO	245,473	(1,352)	-	-	245,473	(1,352)
	$ 245,473	(1,352)	544,516	(5,939)	789,989	(7,291)

Notes to Unaudited Consolidated Financial Statements

Mortgage-backed Securities (2 issues) and Agency Collateralized Mortgage Obligation (1 issue). The unrealized losses on the Company's mortgage-backed securities and agency collateralized mortgage obligation were caused primarily by changes in interest rates and not credit quality. Management of the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost basis, which may be upon maturity. Accordingly, the Company did not consider the unrealized losses on those securities to be other-than-temporarily impaired credit related losses at June 30, 2009.

Gross proceeds, gross realized gains and gross realized losses from sales of mortgage-backed securities were $1,338,734, $55,174 and $3,554, respectively, for the nine months ended June 30, 2009. There were no sales of mortgage-backed securities for the nine months ended June 30, 2008 or three months ended June 30, 2009 or 2008.

(8) Fair Value Measurements and Financial Instruments

Fair Value Measurements

Effective October 1, 2008, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and liabilities. In accordance with Financial Accounting Standards Board Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," the Company will delay application of SFAS No. 157 for non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements, until October 1, 2009.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the assumptions that market participants would use in pricing the assets or liabilities (the "inputs") into three broad levels.

The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets and liabilities and the lowest priority (Level 3) to unobservable inputs in which little, if any, market activity exists, requiring entities to develop their own assumptions and data.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in market areas that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Valuation Techniques

Available for sale securities are carried at fair value utilizing Level 1, Level 2 and Level 3 inputs. For equity securities, the Company obtains fair values for its common stock.

For Level 2 debt securities, the Company obtains fair value measurements from an independent pricing service. Level 2 debt securities include Federal agency obligations, state and municipal obligations, mortgage-backed securities and collateralized mortgage obligations. The fair value measurements consider observable data that may include dealer quotes, live trading levels, trade execution data, cash flows, market consensus prepayment speeds, market spreads, credit information and the U.S. Treasury yield curve.

The fair value of Level 3 debt securities are determined by the appraisal of the underlying collateral, discounted cash flow analysis, and other internally developed estimates that incorporate market-based assumptions.

Notes to Unaudited Consolidated Financial Statements

Impaired loans are carried at fair value utilizing Level 3 inputs, consisting of appraisals of underlying collateral and discounted cash flow analysis. The Company considers a loan to be impaired under SFAS No. 114 when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement on a timely basis. Impairment losses are recognized through an increase in the allowance for loan losses and provision for loan losses, included in earnings for the period. The types of loans for which impairment under SFAS No. 114 is measured include nonaccrual income property loans (excluding those loans included in the homogenous portfolio which are collectively reviewed for impairment), large, nonaccrual single-family loans and troubled debt restructurings. Valuation allowances are established for impaired loans under SFAS No. 114 for the difference between the loan amount and the fair value of collateral and estimated selling costs.

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate, utilizing Level 2 inputs as determined based on expected proceeds from outstanding commitments from investors.

Assets Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets measured at fair value on a recurring basis at June 30, 2009, segregated by the level of the inputs within the hierarchy used to measure fair value:

	Fair Value Measurements at Reporting Date Using			
Assets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Available for sale securities:				
Debt securities:				
Federal agency obligations	$ -	12,591,771	-	12,591,771
State and municipal obligations	-	7,847,942	2,996,220	10,844,162
Mortgage-backed securities	-	9,917,118	-	9,917,118
Collateralized mortgage obligations	-	301,931	-	301,931
Equity securities	169,994	-	-	169,994
	$ 169,994	30,658,762	2,996,220	33,824,976

Notes to Unaudited Consolidated Financial Statements

Level 3 Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs:

	State and Municipal Obligations
Balance at October 1, 2008	$ 3,205,908
Total unrealized losses included in other comprehensive earnings	(211,818)
Purchases	2,130
Balance at June 30, 2009	$ 2,996,220

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at June 30, 2009 include nonperforming loans of $435,929 utilizing Level 3 inputs and loans held for sale of $4,018,425, utilizing Level 2 inputs. The nonperforming loans are collateral dependent and the allowance for losses on these nonperforming loans was $37,475 at June 30, 2009.

Following is a summary of activity in the allowance for loan losses on nonperforming loans:

	June 30, 2009
Balance at beginning of period	$ 437,523
Charge-offs	(604,613)
Recoveries	-
Provision charged to expense	204,565
Balance at end of period	$ 37,475

Financial Instruments

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires public entities to disclose the fair values of financial instruments for interim reporting periods. FSP SFAS No. 107-1 and APB No. 28-1 is effective for interim reporting periods after June 15, 2009. The Company adopted this FSP as of June 30, 2009.

Notes to Unaudited Consolidated Financial Statements

The carrying amounts and estimated fair values of the Company's financial instruments are summarized as follows:

	June 30, 2009		September 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-trading instruments and nonderivatives:				
Cash and cash equivalents	$ 12,110,252	12,110,252	8,084,603	8,084,603
Securities available for sale	23,605,927	23,605,927	26,053,420	26,053,420
Stock in FHLB of Des Moines	3,910,100	3,910,100	3,576,300	3,576,300
Mortgage-backed securities - available for sale	10,219,049	10,219,049	13,989,151	13,989,151
Loans receivable, net	299,541,918	311,033,844	256,713,257	262,427,542
Loans held for sale	4,018,425	4,018,425	877,246	877,246
Accrued interest receivable	1,677,990	1,677,990	1,640,478	1,640,478
Deposits	279,576,338	281,673,161	219,763,837	220,125,700
Accrued interest on deposits	300,641	300,641	297,656	297,656
Advances from FHLB	58,165,864	58,647,529	69,240,870	68,890,734
Securities sold under agreement to repurchase	$ 855,407	860,026	812,500	806,000

The following methods and assumptions were used in estimating the fair values of financial instruments, exclusive of securities which are discussed under "Valuation Techniques."

Cash and cash equivalents are valued at their carrying amounts due to the relatively short period to maturity of the instruments.

The carrying amounts of accrued interest receivable and payable approximate fair value. Stock in FHLB of Des Moines is valued at cost, which represents redemption value and approximates fair value.

Fair values are computed for each loan category using market spreads to treasury securities for similar existing loans in the portfolio and management's estimates of prepayments.

Deposits with no defined maturities, such as NOW accounts, passbook accounts and money market deposit accounts, are valued at the amount payable on demand at the reporting date. The fair value of certificates of deposit, advances from FHLB of Des Moines and securities sold under agreement to repurchase is computed at fixed spreads to treasury securities with similar maturities.

Off-balance sheet assets include commitments to extend credit and unused lines of credit for which fair values were estimated based on interest rates and fees currently charged to enter into similar transactions and commitments to sell loans for which fair values were estimated based on current secondary market prices for commitments with similar terms. As a result of the short-term nature of the outstanding commitments, the fair values of fees on such commitments are considered immaterial to the Company's financial condition.

Notes to Unaudited Consolidated Financial Statements

(9) Income Taxes

The Company follows the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). No adjustment was recognized for uncertain tax positions. The Company is subject to U.S. Federal income taxes, as well as Missouri income taxes and special financial institution taxes. Tax years ending September 30, 2006 through September 30, 2008 remain open to examination by these jurisdictions. The Company recognizes interest and penalties related to tax positions in income tax expense. At June 30, 2009, there was no accrual for uncertain tax positions or related interest.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of the Company's financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Financial Statements and footnotes appearing in Part I, Item 1 of this report.

Forward-Looking Statements

This quarterly report contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of Liberty Bancorp and the Bank. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions.

Liberty Bancorp and the Bank's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of Liberty Bancorp and its subsidiary include, but are not limited to, changes in interest rates, national and regional economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in Liberty Bancorp and the Bank's market area, changes in real estate market values in the Bank's market area, changes in relevant accounting principles and guidelines and inability of third party service providers to perform.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, Liberty Bancorp does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

General

The Bank is a community-oriented financial institution dedicated to serving the financial service needs of consumers and businesses within its market area. We attract deposits from the general public and use these funds to originate loans secured by real estate located in our market area. Our real estate loans include construction loans, commercial real estate loans and loans secured by single-family or multi-family properties. To a lesser extent, we originate consumer loans and commercial business loans. At June 30, 2009, we operated out of our main office in Liberty, Missouri and nine additional retail banking facilities in the Kansas City metropolitan area. The Federal Deposit Insurance Corporation insures the Bank's savings accounts up to the applicable legal limits. The Bank is a member of the Federal Home Loan Bank System.

Critical Accounting Policies

The accounting and reporting policies were prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and general practices accepted within the financial services industry. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Management has identified the accounting policies described below as those that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of our financial statements and management's discussion and analysis.

Income Recognition

We recognize interest income by methods conforming to US GAAP that include general accounting practices within the financial services industry. Interest income on loans and investment securities is recognized by methods that result in level rates of return on principal amounts outstanding, including yield adjustments resulting from the amortization of loan costs and premiums on investment securities and accretion of loan fees and discounts on investment securities.

In the event management believes collection of all or a portion of contractual interest on a loan has become doubtful, which generally occurs after the loan is 90 days past due, the accrual of interest is discontinued. In addition, previously accrued interest deemed uncollectible that was recognized in income is reversed. Interest received on nonaccrual loans is included in income only if principal recovery is reasonably assured. A nonaccrual loan is restored to accrual status when it is brought current or has performed in accordance with contractual terms for a reasonable period of time, and the collectibility of the total contractual principal and interest is no longer doubtful.

Allowance for Loan Losses

Valuation allowances are established for impaired loans for the difference between the loan amount and the fair value of collateral less estimated selling costs. We consider a loan to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement on a timely basis. The types of loans for which impairment is measured include nonaccrual income property loans (excluding those loans included in the homogenous portfolio which are collectively reviewed for impairment), large nonaccrual single-family loans and troubled debt restructurings. Such loans are generally placed on nonaccrual status at the point deemed uncollectible. Impairment losses are recognized through an increase in the allowance for loan losses. See also “Asset Quality.”

Allowances for loan losses are available to absorb losses incurred on loans and represent additions charged to expense, less net charge-offs. The allowances are evaluated on a regular basis by management and are based on management’s periodic review of the collectibility of loans, in light of historical experience, fair value of the underlying collateral, changes in the types and mix of loans originated and prevailing economic conditions.

Securities Impairment

We periodically perform analyses to determine whether there has been an other- than-temporary decline in the value of one or more of our securities. Our available-for-sale securities portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders’ equity. We conduct a quarterly review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. If such decline is deemed other-than-temporary, we adjust the cost basis of the security by writing down the security to estimated fair market value through a charge to current period operations.

Qualitative Disclosures of Market Risk

Our principal financial objective is to achieve long-term profitability while reducing our exposure to fluctuating interest rates. We have an exposure to interest rate risk. We have employed various strategies intended to minimize the adverse effect of interest rate risk on future operations by providing a better match between the interest rate sensitivity of our assets and liabilities.

In particular, our strategies are intended to stabilize net interest income for the long-term by protecting our interest rate spread against increases in interest rates. Such strategies include originating for portfolio adjustable-rate and short-term loans with greater interest rate sensitivities than long-term, fixed-rate residential mortgage loans. We sell fixed-rate mortgage loans in the secondary market.

Liquidity and Capital Resources

Our principal sources of funds are cash receipts from deposits, loan repayments by borrowers, proceeds from maturing securities, advances from the Federal Home Loan Bank ("FHLB") and net earnings. We have an agreement with the FHLB of Des Moines to provide cash advances, should we need additional funds for loan originations or other purposes. As of June 30, 2009 we have $19.6 million in additional borrowing capacity with the FHLB of Des Moines.

Commitments to originate loans are legally binding agreements to lend to our customers. Letters of credit are conditional commitments issued by us to guarantee the performance of the borrower to a third party. The following table sets forth information regarding off-balance sheet financial instruments as of June 30, 2009:

		Fixed-Rate	Adjustable-Rate
Off-balance sheet financial instruments:			
Commitments to originate loans	$	2,460,644	7,690,151
Commitments for unused lines of credit	$	283,608	11,763,647
Commitments for undisbursed loans	$	2,154,903	5,081,941
Commitments for letters of credit	$	219,253	-

Financial Condition

Total assets increased from $336.2 million at September 30, 2008 to $384.2 million at June 30, 2009. Cash and cash equivalents increased by $4.0 million from September 30, 2008 to June 30, 2009.

Securities decreased from $26.1 million at September 30, 2008 to $23.6 million at June 30, 2009 due to sales, maturities and calls of securities, partially offset by the acquisition of securities from KLT Bancshares, Inc. Mortgage-backed securities available for sale decreased from $14.0 million at September 30, 2008 to $10.2 million at June 30, 2009 due to principal repayments, maturities and sales, partially offset by the acquisition of mortgage-backed securities and the purchase of one security. Stock in the Federal Home Loan Bank of Des Moines increased by $334,000 due to stock purchase requirements as a result of a higher level of advances for the three months ended December 31, 2008. From January through June, 2009 the Bank decreased total advances, but the FHLB of Des Moines suspended excess capital stock redemptions. This resulted in an increase in FHLB stock for the nine months ended June 30, 2009 even though advances decreased for this period. The FHLB of Des Moines continues to pay a quarterly dividend.

Loans receivable increased by $42.8 million to $299.5 million at June 30, 2009 due to loans received in the amount of $20.7 million in the KLT Bancshares, Inc. acquisition and increased activity in commercial real estate, one-to-four family, multifamily, construction non residential and consumer lending. Loans held for sale increased $3.1 million due to an increase in mortgage lending activity related to hiring three additional mortgage lending officers and increased marketing.

Premises and equipment, net increased $3.0 million to $12.8 million at June 30, 2009 due to the acquisition, the opening of a new branch and the expansion of one existing branch, partially offset by depreciation expense. The premises and equipment acquired consisted primarily of three bank branch facilities. The cash surrender value of bank-owned life insurance increased by $328,000 to $8.9 million as of June 30, 2009 as compared to $8.5 million as of September 30, 2008.

Foreclosed real estate, net at June 30, 2009 totaled $3.8 million, a decrease of $1.1 million from $4.9 million at September 30, 2008. Foreclosed real estate, net consists of five single-family lots, two spec construction properties, eleven single-family homes, one multi-family property and two residential development properties. 36 single-family homes, three residential lots, and one residential development property were acquired through foreclosure and 39 single-family homes, four lots and one multi-family property and one non residential property were sold for the nine months ended June 30, 2009. Charge-offs totaling $636,000 were taken on property foreclosed during this period.

Goodwill totaling $1.2 million and core deposit intangible totaling $917,000 resulted from the acquisition of Farley State Bank. Other assets decreased primarily due to lower deferred tax assets as a result of unrealized gains on securities and the elimination of acquisition costs due to the completion of the acquisition, partially offset by an accounts receivable due to the timing of the receipt of cash proceeds from the sale of foreclosed real estate.

Total liabilities increased $48.8 million to $341.0 million at June 30, 2009 compared to $292.2 million at September 30, 2008.

Deposits increased from $219.8 million at September 30, 2008 to $279.6 million at June 30, 2009 primarily due to the KLT Bancshares, Inc. acquisition and an increase in long-term certificate accounts, money market accounts, interest bearing and noninterest bearing checking and brokered certificates. Deposits assumed in the acquisition totaled $34.0 million. An increase in deposits (both from internally-generated customers and from deposits assumed in the acquisition) were offset by a lower average rate which resulted in accrued interest payable remaining virtually the same at June 30, 2009 as compared to September 30, 2008. Advances from the FHLB decreased by $11.1 million to $58.2 million at June 30, 2009. FHLB advances were replaced primarily with interest and noninterest checking, money market accounts and long-term certificate accounts. Advances from borrowers for taxes and insurance decreased by $149,000 due to calendar year-end payment of real estate taxes on behalf of borrowers.

Stockholders' equity decreased $749,000 from $44.0 million at September 30, 2008 to $43.3 million at June 30, 2009 due to the repurchase of common stock totaling $2.5 million and the payment of cash dividends, partially offset by net earnings of $1.5 million for the nine months ended June 30, 2009, amortization of ESOP and stock-based incentive awards and higher unrealized gains, net of taxes, on investments. During the nine months ended June 30, 2009 and 2008, the Company paid cash dividends of $277,110 and $306,671, respectively.

The Bank is required to maintain certain minimum capital requirements under OTS regulations. Failure by a savings institution to meet minimum capital requirements can result in certain mandatory and possible discretionary actions by regulators, which, if undertaken, could have a direct material effect on the Bank's financial statements. Under the capital adequacy guidelines and 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 capital amounts and classifications are also subject to judgments by the regulators about components, risk-weightings and other factors.

The Bank's actual and required capital amounts and ratios at June 30, 2009 were as follows:

	Actual		Minimum Required for Capital Adequacy		Minimum Required to be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
Stockholders' equity	$ 40,977					
Computer software costs	(192)					
Goodwill and core deposit intangible 1)	(1,479)					
Unrecognized gain, net - SFAS No. 158	(59)					
Unrealized gain on securities AFS, net	(516)					
Tangible capital	$ 38,731	10.1%	$ 5,728	1.5%		
General valuation allowance	2,760					
Total capital to risk-weighted assets	$ 41,491	12.6%	$ 26,443	8.0%	$ 33,054	10.0%
Tier 1 capital to risk-weighted assets	$ 38,731	11.7%	$ 13,222	4.0%	$ 19,833	6.0%
Tier 1 capital to total assets	$ 38,731	10.1%	$ 15,275	4.0%	$ 19,094	5.0%

1) Net of deferred tax liability on core deposit intangible

Asset Quality

The following table sets forth information with respect to the Bank's nonperforming loans and foreclosed real estate, net at the dates indicated:

	June 30, 2009	September 30, 2008
Nonaccrual loans	$ 435,929	8,218,713
Accruing loans past due 90 days or more	-	-
Total nonperforming loans	435,929	8,218,713
Foreclosed real estate, net	3,819,316	4,936,355
Total nonperforming assets	$ 4,255,245	13,155,068
Allowance for losses on nonperforming loans	$ 37,475	437,523
Nonperforming loans with no allowance	$ 128,070	-

Nonaccrual loans decreased by $7.78 million due to the payoff on one commercial real estate loan totaling $3.2 million and the acquisition through foreclosure of twenty single-family properties and one residential development property.

On occasion, the Bank originates single-family loans with high loan to value ratios exceeding 90 percent. At June 30, 2009, these loans amounted to $5.1 million.

At June 30, 2009, all loans where known information about possible credit problems of borrowers which caused management to have serious concerns as to the ability of the borrowers to comply with present loan repayment terms have been disclosed as nonaccrual, 90 days past due, or restructured.

Under our internal review policy, loans classified as substandard decreased from $9.3 million at September 30, 2008 to $802,000 at June 30, 2009. Substandard loans were primarily secured by six 1-4 family properties, one 1-4 family construction spec, two commercial vehicles and one loan was secured by accounts receivable. Special mention loans remained the same at $2.9 million at June 30, 2009 and September 30, 2008 and consisted of two loans secured by land for the development of single-family lots and commercial real estate. Foreclosed real estate, net decreased by $1.1 million and consists primarily of single-family properties.

Following is a summary of activity in the allowance for loan losses:

	Nine Months Ended June 30,	
	2009	2008
Balance at beginning of period	$ 2,633,298	$ 3,010,904
Charge-offs	(887,221)	(1,582,408)
Recoveries	14,544	17,906
Allowance acquired by acquisition	252,129	-
Provision charged to expense	790,912	1,623,175
Balance at end of period	$ 2,803,662	$ 3,069,577

Results of Operations Overview

Our primary source of earnings before income taxes is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and securities, and interest expense, which is the interest that we pay on our deposits and borrowings. Other significant sources of earnings before income taxes are service charges on deposit accounts.

Results of Operations for the Three Months Ended June 30, 2009 and 2008

Selected Financial Data

	Three Months Ended June 30,		
	2009	2008	% Change
Net earnings	$ 470,829	323,789	45.4%
Return on assets	0.50%	0.38%	31.6
Return on average stockholders' equity	4.33%	2.95%	46.8
Stockholders' equity-to-assets ratio	11.50%	12.93%	(11.1)
Dividend payout ratio	19.08%	29.90%	(36.2)

Net Earnings

Net earnings increased from $324,000 for the three months ended June 30, 2008 to $471,000 for the three months ended June 30, 2009. Net earnings increased due to higher net interest income and a lower provision for loan losses, partially offset by higher noninterest expense and higher income tax expense. Basic and diluted earnings per share increased from $0.09, based on 3.8 million average outstanding shares, for the three months ended June 30, 2008 to $0.13, based on 3.5 million average outstanding shares, for the three months ended June 30, 2009. During the three months ended June 30, 2009 the Company recognized an OTTI loss on one equity security totaling $113,000 and a $168,000 FDIC special assessment of 5 basis points on the Bank's total assets minus Tier 1 Capital was accrued during the quarter. The FDIC may impose additional special assessments, if warranted.

The Company may acquire other bank branches or facilities or sell assets based on their profitability and long-term growth potential. Potential transactions are evaluated on an ongoing basis, however no arrangements are currently pending.

Net Interest Income

Net interest income increased from $2.9 million for three months ended June 30, 2008 to $3.5 million for the three months ended June 30, 2009 due to a higher interest rate spread, partially offset by a lower level of net interest-earning assets. Our interest rate spread increased by 42 basis points, as compared to the three months ended June 30, 2008, as a result of a significant decrease in the cost of deposits and, to a lesser extent, FHLB advances, which more than offset a lower yield on interest-earning assets. The lower yield on interest-earnings assets was primarily attributable to a 62 basis point decrease in yield on loans receivable. Our interest rate spread was 3.98% for the three months ended June 30, 2009 and 3.56% for the three months ended June 30, 2008. The average yield on interest-earning assets decreased by 48 basis points and the average cost of interest-bearing liabilities decreased by 90 basis points for the three months ended June 30, 2009, as compared to the three months ended June 30, 2008. Net interest-earning assets have decreased for the three months ended June 30, 2009 due to the repurchase of common stock, an increase in premises and equipment due to the construction of new retail branch facilities and the acquisition and an increase in foreclosed real estate, net. We have funded loan growth since September 30, 2008 primarily through an increase in deposits and through the sale, call and maturity of securities and the sale and principal reduction of mortgage-backed securities, partially offset by a decrease in FHLB advances.

Interest income on loans receivable increased from $4.3 million for the three months ended June 30, 2008 to $4.6 million for the comparable period in 2009. The increase is attributable to a higher average balance, partially offset by a lower average yield. The lower average yield is due to a decrease in the prime rate which affects a significant amount of our commercial and construction loans. The higher average balance is due primarily to an increase in commercial real estate loans, single and multi-family loans, nonresidential construction loans and consumer loans. Interest income on mortgage-backed securities decreased due primarily to a lower average balance, and to a lesser extent, a lower average yield. Interest income on securities decreased from $472,000 to $285,000 due to a lower average balance and average yield.

Interest expense on deposits decreased by $314,000 for the three months ended June 30, 2009 compared to the same period in 2008 as a result of a lower average rate, partially offset by a higher average balance. The higher average balance was due primarily to higher balances for checking, money market and certificate accounts. The weighted-average rate on deposits decreased from 2.70% for the three months ended June 30, 2008 to 1.72% for the comparable 2009 period. Interest expense on FHLB advances decreased by $156,000 for the comparable three month periods due to a lower average balance and average rate, even though the weighted-average duration of FHLB advances increased eight months from June 30, 2008 to June 30, 2009. In general, a declining interest rate environment lead to a lower cost of funds. From June 30, 2008 to June 30, 2009 deposits increased by $53.8 million, which provided lower costs of deposits as compared to FHLB advances which increased by $12.1 million for the same period. The increase in FHLB advances is also limited to our additional borrowing capacity which as of June 30, 2009 was $19.6 million.

Average Balances and Yields

The average balances and yields tables present information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing annualized income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of these tables, average balances have been calculated using month-end balances and, to a lesser extent, daily balances. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information presented. No tax equivalent adjustments were made. Nonaccruing loans have been included in the tables as loans carrying a zero yield.

	Three Months Ended June 30,					
	2009			2008		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	$ 298,831	$ 4,618	6.18%	$ 252,081	$ 4,288	6.80%
Mortgage-backed securities	10,919	111	4.06	15,963	166	4.16
Securities	27,788	285	4.11	40,672	472	4.64
Other interest-earning assets	6,341	-	-	5,109	22	1.72
Total interest-earning assets	343,879	5,014	5.83	313,825	4,948	6.31
Interest-bearing liabilities:						
Deposits	278,995	1,190	1.72	222,929	1,504	2.70
FHLB advances	54,753	351	2.56	69,812	507	2.90
Securities sold under agreement to repurchase	431	5	4.38	1,281	13	3.99
Total interest-bearing liabilities	$ 334,179	1,546	1.85	$ 294,022	2,024	2.75
Net interest income before provision for loan losses		$ 3,468			$ 2,924	
Interest rate spread			3.98%			3.56%
Net interest-earning assets	$ 9,700			$ 19,803		
Net yield on average interest-earning assets			4.03%			3.73%
Ratio of average interest-earning assets to average interest-bearing liabilities	102.90 %			106.74 %		

Provision for Loan Losses

The provision for loan losses is based upon management's consideration of current economic conditions, the loan portfolio composition and historical loss experience, adjusted for qualitative factors, used to estimate probable losses as well as the level of non-performing loans. Each month, management also reviews individual loans for which full collectibility may not be reasonably assured and considers, among other matters, the estimated fair value of the underlying collateral. The loan review process is subjective and relies on various assumptions, therefore actual results may differ from current estimates. The Company and Bank are subject to periodic examination by regulatory agencies, which may require us to record increases in the allowances based on their evaluation.

The provision for loan losses was $321,000 and $1.2 million for the three months ended June 30, 2009 and 2008, respectively. The current provision of $321,000 was due to a $14.1 million increase in loans receivable from March 31, 2009 to June 30, 2009 and charge-offs totaling $194,000 for the June 2009 quarter. All charge-offs were attributable to single-family loans.

Noninterest income

	Three Months Ended June 30, 2009	2008	% Change
Loan service charges	$ 28,947	13,236	118.7%
Gain on sale of loans	146,566	105,238	39.3
Loss on sale of securities available for sale	(1,709)	-	NM
OTTI loss	(113,126)	-	NM
Change in cash surrender value of BOLI	110,585	109,533	1.0
Deposit account and other service charges	354,169	312,154	13.5
	$ 525,432	540,161	(2.7)

NM - Not meaningful.

Noninterest income decreased for 2009 due primarily to an other-than-temporary impairment loss on one equity security, partially offset by gain on sale of loans and an increase in deposit account service charges.

During the three months ended June 30, 2009 and 2008, we originated loans for sale to secondary market investors of $17.4 million and $9.2 million, respectively. We have hired three additional mortgage loan officers this year in an effort to increase our market share. The level of gains on sale of loans in the immediate future will be dependent on interest rates and economic conditions.

Noninterest Expense

	Three Months Ended June 30, 2009	2008	% Change
Compensation and benefits	$ 1,353,045	1,008,015	34.2%
Occupancy expense	237,140	163,555	45.0
Equipment and data processing expense	297,875	227,965	30.7
Operations from foreclosed real estate, net	293,181	20,282	1,345.5
FDIC premium expense	300,000	37,240	705.6
Professional and regulatory services	101,950	97,685	4.4
Advertising	95,035	48,813	94.7
Correspondent banking charges	29,266	70,409	(58.4)
Supplies	42,546	30,126	41.2
Amortization of core deposit intangible	52,000	-	NM
Other	218,753	182,083	20.1
	$ 3,020,791	1,886,173	60.2

NM - Not meaningful.

Noninterest expense increased from $1.9 million for the three months ended June 30, 2008 to $3.0 million for the comparable period in 2009, due primarily to the acquisition of KLT Bancshares Inc., and higher expenses related to operations of foreclosed real estate and higher FDIC premium expense (which includes the special assessment of $168,000), partially offset by a decrease in correspondent banking charges.

Compensation and benefits expense increased primarily due to higher salary levels related to merit increases, additional branches and the acquisition as well as higher payroll taxes, partially offset by lower ESOP expense and stock option expense. ESOP expense is calculated based on the monthly stock price which on average was lower for the three months ended June 30, 2009 compared to the three months ended June 30, 2008. Stock option expense decreased since certain options became fully vested. Occupancy expense increased due primarily to higher building depreciation expense, higher real estate and personal property tax, higher building maintenance expenses on new branch offices and higher utility expense. Equipment and data processing expense increased due primarily to higher service agreement expense, web site expense and furniture depreciation expense in connection with new branch offices. FDIC premium expense increased due to the acquisition, special assessment and an increase in the regular quarterly assessment. The FDIC may impose additional special assessments, if warranted. Expenses from operations from foreclosed real estate, net increased due primarily to losses totaling $249,000 on sale of foreclosed real estate and higher maintenance expenses, partially offset by rental income. The losses on the sale of foreclosed real estate are due to a greater volume of foreclosure activity due to a weaker housing market. Advertising expense increased due to an increase in radio and television advertising costs and marketing expenses related to our mortgage loan department. Correspondent banking expense decreased due to performing certain check processing and statement rendering service operations in-house which reduced outside vendor expense. Amortization of core deposit intangible expense was related to the acquisition. Other expenses increased due primarily to higher telephone and data line expense and non-origination loan expense.

Income Taxes

Income taxes increased for the three months ended June 30, 2009 due primarily to higher pretax earnings. The effective rate for the three months ended June 30, 2009 was 27.8%, compared to 20.2% for the three months ended June 30, 2008. The effective tax rate is higher due to the non deductible OTTI loss and loss on sale recognized on one equity security in the 2009 period.

Results of Operations for the Nine Months Ended June 30, 2009 and 2008

Selected Financial Data

	Nine Months Ended June 30,		
	2009	**2008**	**% Change**
Net earnings	$ 1,450,666	1,308,222	10.9%
Return on assets	0.52%	0.52%	-
Return on average stockholders' equity	4.43%	3.76%	17.8
Stockholders' equity-to-assets ratio	11.79%	13.74%	(14.2)
Dividend payout ratio	19.10%	23.44%	(18.5)

Net Earnings

Net earnings for the nine months ended June 30, 2009 was $1.5 million, compared to net earnings of $1.3 million for the nine months ended June 30, 2008. Higher net interest income and noninterest income and a lower provision for loan losses were offset by higher noninterest expense. Basic and diluted earnings per share increased from $0.32, based on 4.1 million average outstanding shares, for the nine months ended June 30, 2008 to $0.40, based on 3.6 million average outstanding shares, for the nine months ended June 30, 2009. The increase in earnings per share is attributable to the repurchase of common stock and an increase in net earnings. During the nine months ended June 30, 2009 the Company recognized an OTTI loss on one equity security totaling $113,000 and a $168,000 FDIC special assessment of 5 basis points on the Bank's total assets minus Tier 1 Capital was accrued during the quarter. The FDIC may impose additional special assessments, if warranted.

The Company may acquire other bank branches or facilities or sell assets based on their profitability and long-term growth potential. Potential transactions are evaluated on an ongoing basis, however no arrangements are currently pending.

Net Interest Income

Net interest income increased from $8.0 million for the nine months ended June 30, 2008 to $9.5 million for the nine months ended June 30, 2009. Net interest income increased due to a higher interest rate spread, partially offset by a lower level of net interest-earning assets. Our interest rate spread increased for the nine months ended June 30, 2009 by 54 basis points as compared to the nine months ended June 30, 2008 primarily as a result of a 128 basis point decrease in the cost of deposits and a 137 basis point decrease in the cost of FHLB advances, which more than offset a 99 basis point decrease in the yield on loans receivable. Our interest rate spread was 3.17% for the nine months ended June 30, 2008 and 3.71% for the nine months ended June 30, 2009. The average yield on interest-earning assets and the average cost of interest-bearing liabilities decreased 76 and 130 basis points, respectively, for the nine months ended June 30, 2009, as compared to the nine months ended June 30, 2008. We have funded loan growth since September 2008 primarily through an increase in deposits and through the sale, maturity and call of agency securities and principal reductions from mortgage-backed securities.

Interest income on loans receivable increased from $13.2 million for the nine months ended June 30, 2008 to $13.4 million for the comparable period in 2009. The increase is attributable to a higher average balance, partially offset by a lower average yield. The higher average balance is due primarily to an increase in single and multi-family loans, non- residential construction and commercial loans. Interest income on mortgage-backed securities decreased due to a lower average balance, partially offset by a slightly higher average yield. Interest income on securities decreased from $1.6 million to $914,000 for the comparable nine month periods due to a lower average balance and average yield. Interest income on other interest-earning assets decreased due to a lower average yield, partially offset by a higher average balance.

Interest expense on deposits decreased by $1.9 million for the nine months ended June 30, 2009 compared to the same period in 2008 as a result of a lower average rate, partially offset by a higher average balance. The weighted-average rate on deposits decreased from 3.35% for the nine months ended June 30, 2008 to 2.07% for the comparable 2009 period, due to a higher percentage of interest and non-interest bearing checking and money market accounts as a result of increased marketing efforts. The average balance on deposits increased from $234.7 million for the nine months ended June 30, 2008 to $261.5 million for the nine months ended June 30, 2009. Interest expense on FHLB advances decreased due to a lower average rate, partially offset by a higher average balance.

Average Balances and Yields

The average balances and yields tables present information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing annualized income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of these tables, average balances have been calculated using month-end balances and, to a lesser extent, daily balances. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information presented. No tax equivalent adjustments were made. Nonaccruing loans have been included in the tables as loans carrying a zero yield.

	Nine Months Ended June 30,					
	2009			2008		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	$ 287,355	$ 13,410	6.22%	$ 244,522	$ 13,231	7.21%
Mortgage-backed securities	12,591	402	4.25	17,558	551	4.18
Securities	29,773	914	4.09	45,158	1,573	4.64
Other interest-earning assets	6,623	5	0.11	5,484	127	3.09
Total interest-earning assets	336,342	14,731	5.84	312,722	15,482	6.60
Interest-bearing liabilities:						
Deposits	261,476	4,049	2.07	234,667	5,901	3.35
FHLB advances	62,933	1,118	2.37	53,464	1,499	3.74
Securities sold under agreement to repurchase	558	21	4.90	1,583	48	4.04
Total interest-bearing liabilities	$ 324,967	5,188	2.13	$ 289,714	7,448	3.43
Net interest income before provision for loan losses		$ 9,543			$ 8,034	
Interest rate spread			3.71%			3.17%
Net interest-earning assets	$ 11,375			$ 23,008		
Net yield on average interest-earning assets			3.78%			3.43%
Ratio of average interest-earning assets to average interest-bearing liabilities	103.50%			107.94		

Provision for Loan Losses

The provision for loan losses is based upon management's consideration of current economic conditions, the loan portfolio composition and historical loss experience, adjusted for qualitative factors, used to estimate probable losses as well as the level of non-performing loans. Each month, management also reviews individual loans for which full collectibility may not be reasonably assured and considers, among other matters, the estimated fair value of the underlying collateral. The loan review process is subjective and relies on various assumptions, therefore actual results may differ from current estimates. The Company and Bank are subject to periodic examination by regulatory agencies, which may require us to record increases in the allowances based on their evaluation.

The provision for loan losses was $791,000 and $1.6 million for the nine months ended June 30, 2009 and 2008, respectively. For the nine months ended June 30, 2009, the current provision of $791,000 was primarily due to loan charge-offs, and to a lesser extent, an increase in loans receivable, partially offset by a decrease in classified loans. Charge-offs were primarily attributable to construction, land development and 1-4 family lending. The allowance for loan losses as a percentage of total gross loans decreased to .90% as of June 30, 2009 as compared to .94% at September 30, 2008 due to the foreclosure of certain properties.

Noninterest income

	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008	% Change
Loan service charges	$ 69,046	53,282	29.6%
Gain on sale of loans	261,713	239,674	9.2
Gain on sale of securities	54,293	45,597	19.1
Gain on sale of MBSs	51,620	-	NM
OTTI loss	(113,126)	-	NM
Change in cash surrender value of BOLI	328,387	327,211	0.4
Deposit account service charges	933,368	865,268	7.9
	$ 1,585,301	1,531,032	3.5

NM - Not meaningful.

Noninterest income increased for 2009 due primarily to an increase in gains on sale of MBSs, securities and loans and an increase in deposit account service charges, partially offset by an OTTI loss on one equity security.

During the nine months ended June 30, 2009 and 2008, we originated loans for sale to secondary market investors of $27.8 million and $19.2 million, respectively. We have hired three additional mortgage loan officers this year in an effort to increase our market share. The level of gains on sale of loans in the immediate future will be dependent on interest rates and economic conditions.

Noninterest Expense

	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008	% Change
Compensation and benefits	$ 3,836,001	3,340,846	14.8%
Occupancy expense	664,782	496,799	33.8
Equipment and data processing expense	918,962	701,647	31.0
Operations from foreclosed real estate, net	853,590	173,717	391.4
FDIC premium expense	416,000	91,795	353.2
Professional and regulatory services	398,474	295,526	34.8
Advertising	221,198	180,309	22.7
Correspondent banking charges	95,181	202,824	(53.1)
Supplies	142,372	96,292	47.9
Amortization of core deposit intangible	138,667	-	NM
Other	648,396	593,834	9.2
	$ 8,333,623	6,173,589	35.0

Noninterest expense increased from $6.2 million for the nine months ended June 30, 2008 to $8.3 million for the comparable period in 2009. Compensation and benefits expense increased primarily due to higher salary levels and health insurance expense, and an increase in deferred loan origination costs, partially offset by lower ESOP expense and stock option expense. ESOP expense is calculated based on the monthly stock price which on average was lower for the nine months ended June 30, 2009 compared to the nine months ended June 30, 2008. Stock option expense decreased since certain options became fully vested. Occupancy expense increased due primarily to higher building depreciation expense, higher real estate and personal property tax expense due to new branch offices and higher utility expense. Equipment and data processing expense increased due primarily to service agreement expense, repairs and internet bill pay expense. FDIC premium expense increased due to a higher assessment as a result of a risk-based assessment system which considers the supervisory rating and certain financial ratios of each financial institution and related expiring credits, the acquisition and the special assessment of $168,000. The FDIC may impose additional special assessments, if warranted. Expenses from operations from foreclosed real estate, net increased due primarily to higher losses on sale of foreclosed real estate and higher maintenance expenses, partially offset by rental income. Losses on foreclosed real estate were $708,000 for the nine months ended June 30, 2009 as compared to $136,000 for the nine months ended June 30, 2008 as a result of adverse economic conditions which caused real estate values to decrease. Professional and regulatory services increased due primarily to higher accounting and legal expenses. Legal expense has increased due to costs associated with nonperforming loans. Advertising expense increased due to an increase in radio and television costs and mortgage lending marketing costs. Correspondent banking expense decreased due to performing certain check processing and statement rendering service operations in-house which reduced outside vendor expense. Supplies expense increased due to the addition of new branches and the acquisition. Amortization of core deposit intangible expense was related to the acquisition. Other expenses increased due primarily to an increase in telephone and data line expense, non-origination loan expense, retail banking and mortgage lending expense, and retail operations expense, partially offset primarily by lower mortgage lending website expense, travel and miscellaneous expense.

Income Taxes

Income taxes increased by $93,000 for the nine months ended June 30, 2009 as compared to the nine months ended June 30, 2008. The effective tax rate for the nine months ended June 30, 2009 was 27.6% compared to 26.0% for the nine months ended June 30, 2008.

Off-Balance Sheet Arrangements

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. We currently have no plans to engage in hedging activities in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies. See the Company's Form 10-K for the year ended September 30, 2008 filed with the Securities and Exchange Commission on December 29, 2008 for discussion of interest rate risk at September 30, 2008.

Item 4 (T). Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation 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 on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective for the purpose of ensuring that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) 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.

There have been no changes in the Company's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 - Legal Proceedings

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A – Risk Factors

Not required for smaller reporting companies. See the Company’s Form 10-K for the fiscal year ended September 30, 2008 filed with the Securities and Exchange Commission on December 29, 2008 for discussion of risk factors at September 30, 2008.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding the Company’s purchases of its equity securities during the three months ended June 30, 2009.

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	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (1)
April 1, 2009 through April 30, 2009	-	$ -	-	90,335
May 1, 2009 through May 31, 2009	90,335	$ 7.45	90,335	365,537
June 1, 2009 through June 30, 2009	33,500	$ 7.12	33,500	332,037
Total	123,835	$ 7.36	123,835	

(1) On May 21, 2009 a fourth stock repurchase program was approved to acquire up to 365,537, or 10%, of the Company’s outstanding stock. The first three repurchase plans have been completed. Repurchased shares are held in treasury.

Item 3 - Defaults upon Senior Securities

Not applicable.

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

None.

Item 5 - Other Information

None.

Item 6 – Exhibits

Exhibits:

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:	Section 1350 Certifications

LIBERTY BANCORP, INC.

SIGNATURES

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

LIBERTY BANCORP, INC.
(Registrant)

DATE: August 14, 2009

BY: /s/ Brent M. Giles
Brent M. Giles, President and Chief Executive Officer
(Principal Executive Officer)

BY:/s/ Marc J. Weishaar
Marc J. Weishaar, Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

LIBERTY BANCORP, INC.

Exhibit 31.1

CERTIFICATION

I, Brent M. Giles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Bancorp, Inc.;

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 quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) 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 quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(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: August 14, 2009

/s/ Brent M. Giles

Brent M. Giles
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Marc J. Weishaar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Bancorp, Inc.;

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 quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) 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 quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(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: August 14, 2009

/s/ Marc J. Weishaar

Marc J. Weishaar
Senior Vice President and Chief Financial Officer

LIBERTY BANCORP, INC.

Exhibit 32

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

Brent M. Giles, President and Chief Executive Officer, and Marc J. Weishaar, Senior Vice President and Chief Financial Officer, of Liberty Bancorp, Inc. (the “Company”) each certify in his capacity as an officer of the Company that he has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2009 (Report) and that to the best of his knowledge:

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

2. The information contained in this Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Brent M. Giles
Brent M. Giles
President and Chief Executive Officer

By: /s/ Marc J. Weishaar
Marc J. Weishaar
Senior Vice President and Chief Financial Officer

Date: August 14, 2009