OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY
1700 G STREET, N.W.
WASHINGTON, D. C. 20552

FORM 10-QSB

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from ____________ to ___________ OTS Docket No. 5964

LIBERTY SAVINGS BANK, F.S.B.
(Exact name of small business issuer as specified in its charter)

United States	43-1652156
(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 office)	(Zip Code)

Issuer'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 issuer (1) has filed all reports required to be filed by Sections 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __. No _X_.

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

Class	Outstanding May 4, 2006
Common Stock, par value $1.00 per share	1,357,876

LIBERTY SAVINGS BANK, F.S.B.

FORM 10-QSB

FOR THE QUARTER ENDED MARCH 31, 2006

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LIBERTY SAVINGS BANK, F.S.B.

Balance Sheets

(Unaudited)

Part I. Financial Information
Item 1. Financial Statements

Assets		March 31, 2006	September 30, 2005
Cash and due from banks	$	5,456,966	6,481,038
Federal funds sold		2,070,000	3,990,000
Total cash and cash equivalents		7,526,966	10,471,038
Securities available for sale- taxable, at market value (amortized cost of $19,735,852 and $16,577,666, respectively)		19,439,516	16,450,199
Securities available for sale - non-taxable, at market value (amortized cost of $5,889,784 and $5,881,815, respectively)		5,825,938	5,864,322
Stock in Federal Home Loan Bank of Des Moines		2,119,700	1,679,200
Mortgage-backed securities:			
Available for sale, at market value (amortized cost of $25,007,893 and $27,582,869, respectively)		24,289,661	27,188,678
Loans receivable, net of allowance for loan losses of $1,790,055 and $1,762,066, respectively		187,221,575	163,842,810
Loans held for sale		322,705	2,084,730
Premises and equipment, net		6,658,835	5,932,189
Foreclosed real estate, net		1,806,502	1,529,586
Accrued interest receivable		1,216,922	1,087,390
Other assets		1,861,208	1,445,550
Total assets	$	258,289,528	237,575,692
Liabilities and Stockholders' Equity			
Deposits	$	191,683,402	181,616,654
Accrued interest on deposits		335,157	222,993
Advances from FHLB		41,530,410	30,497,082
Securities sold under agreement to repurchase		1,520,701	1,654,751
ESOP note payable		412,315	378,602
Advances from borrowers for taxes and insurance		349,826	873,639
Other liabilities		1,172,924	1,201,275
Accrued income taxes		55,727	-
Total liabilities		237,060,462	216,444,996
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $1 par value; 1,000,000 shares authorized; shares issued and outstanding - none		-	-
Common stock, $1 par value; 5,000,000 shares authorized; 1,357,876 and 1,357,776 shares issued and outstanding		1,357,876	1,357,776
Additional paid-in capital		4,137,816	4,106,988
Common stock acquired by ESOP		(371,083)	(378,680)
Common stock acquired by Incentive Plan		(32,674)	(46,672)
Accumulated other comprehensive earnings, net		(679,400)	(339,665)
Retained earnings - substantially restricted		16,816,531	16,430,949
Total stockholders' equity		21,229,066	21,130,696
Total liabilities and stockholders' equity	$	258,289,528	237,575,692

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Earnings
(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Six Months Ended March 31, 2006	Six Months Ended March 31, 2005
Interest income:				
Loans receivable	$ 3,337,360	2,867,741	6,357,164	5,526,268
Mortgage-backed securities	251,027	176,552	510,949	373,176
Securities - taxable	205,401	85,429	403,297	180,477
Securities - non-taxable	56,745	13,948	111,465	27,895
Other interest-earning assets	58,055	29,062	103,026	50,445
Total interest income	3,908,588	3,172,732	7,485,901	6,158,261
Interest expense:				
Deposits	1,420,572	951,221	2,728,744	1,789,507
Securities sold under agreement to repurchase	13,558	6,362	25,213	12,477
ESOP note payable	6,600	5,425	13,246	10,466
Advances from FHLB	378,733	283,887	655,004	597,099
Total interest expense	1,819,463	1,246,895	3,422,207	2,409,549
Net interest income	2,089,125	1,925,837	4,063,694	3,748,712
Provision for loan losses	250,000	135,000	470,000	285,000
Net interest income after provision for loan losses	1,839,125	1,790,837	3,593,694	3,463,712
Noninterest income:				
Loan service charges	22,801	12,578	41,523	19,334
Gain on sale of MBSs available for sale	-	9,711	-	9,711
Gain on sale of loans	33,752	18,251	90,138	62,501
Deposit account and other service charges	217,326	197,176	444,731	431,507
Total noninterest income	273,879	237,716	576,392	523,053
Noninterest expense:				
Compensation and benefits	941,082	798,557	1,823,093	1,561,116
Occupancy expense	129,032	105,019	244,452	200,285
Equipment and data processing expense	182,027	193,729	349,220	378,173
Operations from foreclosed real estate, net	4,061	(120,248)	6,413	(114,316)
Federal deposit insurance premiums	5,913	5,440	11,782	11,117
Professional and regulatory services	71,688	121,950	136,738	198,849
Advertising	93,277	88,757	177,032	146,200
Correspondent banking charges	64,603	54,539	121,810	108,893
Supplies	38,603	31,977	83,333	62,490
Other	159,872	184,637	300,771	305,790
Total noninterest expense	1,690,158	1,464,357	3,254,644	2,858,597
Earnings before income taxes	422,846	564,196	915,442	1,128,168
Income taxes	143,000	191,000	311,000	400,000
Net earnings	$ 279,846	373,196	604,442	728,168
Basic and diluted earnings per share	$ 0.21	0.28	0.45	0.55
Dividends per share	$ 0.20	0.20	0.40	0.40

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Comprehensive Earnings

(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Six Months Ended March 31, 2006	Six Months Ended March 31, 2005
Net earnings	$ 279,846	373,196	604,442	728,168
Other comprehensive earnings:				
Unrealized gain (loss) on securities and MBSs available for sale, net:				
Reclassification adjustment for gain included in earnings, net of tax	-	(6,312)	-	(6,312)
Unrealized gains (losses) arising during the period, net of tax	(41,289)	(170,180)	(339,735)	(271,559)
Comprehensive earnings	$ 238,557	196,704	264,707	450,297

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Cash Flows
(Unaudited)

	Six Months Ended March 31, 2006	Six Months Ended March 31, 2005
Cash flows from operating activities:		
Net earnings	$ 604,442	728,168
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:		
Depreciation expense	215,248	193,981
ESOP expense	69,838	63,165
Incentive Plan expense	13,998	13,998
Amortization of premiums on investments, net	45,361	112,266
Amortization of unearned discount on loans and deferred loan fees, net	(211,474)	(229,456)
Provision for loan losses	470,000	285,000
Loans held for sale - originated	(7,346,819)	(7,269,822)
Loans held for sale - proceeds from sale	9,198,982	7,035,976
Gain on foreclosed real estate, net	(4,822)	(158,346)
Gain on sale of loans	(90,138)	(62,501)
Gain on sale of MBSs available for sale	-	(9,711)
Decrease (increase) in:		
Accrued interest receivable	(129,532)	(213,332)
Other assets	(216,131)	(123,062)
Increase (decrease) in:		
Accrued interest on deposits and other liabilities	83,813	163,134
Accrued income taxes	55,727	(19,869)
Net cash provided by operating activities	2,758,493	509,589
Cash flows from investing activities:		
Net change in loans receivable	(25,374,143)	(20,396,359)
Mortgage-backed securities:		
Available for sale - purchased	(653,756)	(3,011,164)
Available for sale - principal collections	3,197,467	3,256,559
Available for sale - proceeds from sale	-	1,883,700
Held to maturity - principal collections	-	69,883
Securities available for sale:		
Purchase	(6,345,250)	-
Proceeds from maturity or call	3,165,000	3,475,000
Proceeds from foreclosed real estate, net	1,464,758	295,171
Purchase of stock in FHLB of Des Moines	(747,500)	(610,100)
Redemption of stock in FHLB of Des Moines	307,000	590,800
Purchase of premises and equipment	(941,894)	(1,193,687)
Net cash provided by (used for) investing activities	$ (25,928,318)	(15,640,197)

(Continued)

LIBERTY SAVINGS BANK, F.S.B.

Statements of Cash Flows
(Unaudited)

(Continued)

	Six Months Ended March 31, 2006	2005
Cash flows from financing activities:		
Net increase (decrease) in deposits	$ 10,066,748	15,614,771
Increase (decrease) in advances from borrowers for taxes and insurance	(523,813)	(562,576)
Proceeds from advances from the FHLB	157,150,000	31,250,000
Repayment of advances from the FHLB	(146,116,672)	(32,316,672)
Securities sold under agreement to repurchase:		
Proceeds	21,738,288	14,388,472
Repayments	(21,872,338)	(13,750,791)
Repayment of ESOP note payable	-	(407)
Proceeds from exercise of stock options	2,400	2,275
Cash dividends	(218,860)	(212,330)
Net cash provided by (used for) financing activities	20,225,753	14,412,742
Net increase (decrease) in cash and cash equivalents	(2,944,072)	(717,866)
Cash and cash equivalents at beginning of period	10,471,038	7,311,684
Cash and cash equivalents at end of period	$ 7,526,966	6,593,818
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest on deposits	$ 2,616,580	1,707,315
Interest on ESOP note payable	6,646	10,466
Interest on securities sold under agreement to repurchase	25,213	12,477
Interest on advances from FHLB of Des Moines	650,252	597,099
Income taxes	219,631	430,511
Transfer of securities and MBS, held to maturity to available for sale	-	1,308,092

See accompanying notes to financial statements.

Notes to Financial Statements

(1) The information contained in the accompanying financial statements is unaudited. In the opinion of management, the financial statements contain all adjustments (none of which were other than normal recurring entries) necessary for a fair statement of the results of operations for the interim periods. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year. These financial statements should be read in conjunction with the financial statements of the Bank for the year ended September 30, 2005 contained in the Bank's Annual Report on Form 10-KSB.

(2) Liberty Savings Bank F.S.B. (Bank) operates as a federally-chartered stock savings bank, originally chartered by the State of Missouri in 1955. The Bank became a federally-chartered stock savings bank on February 8, 1995. The Bank's deposit accounts are insured up to a maximum of $100,000 by the Federal Deposit Insurance Corporation (FDIC).

On August 23, 1993, the Bank completed a reorganization from a state-chartered thrift institution into a Federal mutual holding company. The reorganization was accomplished whereby the Bank (i) incorporated a Missouri-chartered thrift institution; (ii) converted the Bank's charter to a Federally-chartered mutual holding company; (iii) transferred substantially all of the Bank's assets and liabilities to a newly formed stock savings bank in exchange for 800,000 shares of common stock; and (iv) adopted a new charter issued by the Office of Thrift Supervision (OTS) changing its form to that of a Federally-chartered mutual holding company known as Liberty Savings Mutual Holding Company (Company).

On December 21, 2005, the Bank announced that the Board of Directors unanimously adopted a Plan of Conversion, pursuant to which Liberty Savings Bank, F.S.B. will reorganize from the mutual holding company form to the stock holding company structure. In the stock holding company structure, all of the Liberty Savings Bank's stock will be owned by the new holding company, and all of the new holding company's stock will be owned by the public and our employee stock ownership plan. The names of the new holding company and bank will be Liberty Bancorp, Inc. and BankLiberty, respectively. Upon completion of the conversion and offering, Liberty Savings Mutual Holding Company will cease to exist. As part of the conversion, we are offering for sale common stock of Liberty Bancorp, Inc. equivalent to the majority ownership interest of Liberty Savings Bank that is currently held by Liberty Savings Mutual Holding Company. At the conclusion of the conversion, existing public stockholders of Liberty Savings Bank will receive new shares of common stock from Liberty Bancorp, Inc. The normal business operations of Liberty Savings Bank will continue without interruption during the conversion, and the same officers and directors who currently serve Liberty Savings Bank in the mutual holding company structure will serve the new holding company and the Bank in the fully converted form.

Notes to Financial Statements

(3) Following is a summary of basic and diluted earnings per common share for the three and six months ended March 31, 2006 and 2005:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	**2005**	**2006**	**2005**
Net earnings	$ 279,846	373,196	604,442	728,168
Weighted-average shares - Basic EPS	1,336,786	1,329,879	1,336,206	1,329,180
Stock options - treasury stock method	9,730	6,667	9,730	6,667
Weighted-average shares - Diluted EPS	1,346,516	1,336,546	1,345,936	1,335,847
Basic and diluted earnings per common share	$ 0.21	0.28	0.45	0.55

The following table illustrates the effect on net earnings and earnings per share as if the fair value based method had been applied in each period.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	**2005**	**2006**	**2005**
Net earnings	$ 279,846	373,196	604,442	728,168
Total stock-based employee compensation expense determined under fair value based method for stock options, net of related tax effects	(25,957)	(6,510)	(60,916)	(11,681)
Pro-forma net earnings	$ 253,889	366,686	543,526	716,487
Earnings per share:				
Basis and diluted - as reported	$ 0.21	0.28	0.45	0.55
Basic - pro forma	$ 0.19	0.28	0.41	0.54
Diluted - pro forma	$ 0.19	0.27	0.40	0.54

The option to purchase 11,000 shares granted in January, 2005 were not included in the computation of diluted earnings per share for the three and six months ended March 31, 2005, since the exercise price was greater than the average market price of the common stock.

The Bank accounts for its restricted stock award and stock options under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock issued to Employees."

Notes to Financial Statements

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

		Three Months Ended March 31,		Six Months Ended March 31,	
		2006	2005	2006	2005
Service cost	$	1,671	1,671	3,342	3,342
Interest cost		5,681	5,813	11,362	11,626
Amortization of transition obligation		3,135	3,135	6,270	6,270
Amortization of prior service cost		(2,416)	(2,416)	(4,832)	(4,832)
Amortization of actuarial gain		(1,080)	(1,578)	(2,160)	(3,156)
Over (under) accrual		(3,091)	125	(6,182)	250
Net periodic cost	$	3,900	6,750	7,800	13,500

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) was signed into law on December 8, 2003. In accordance with FASB Staff Position 106-2, neither the accumulated postretirement benefit obligation nor the net periodic postretirement benefit cost in the financial statements reflects the effects of the Act. The Bank does not expect the effects of the Act to have a material impact on the financial statements.

Directors' retirement plan expense was $13,200 and $14,000 for the six months ended March 31, 2006 and 2005, respectively. The expense consisted primarily of interest cost.

(5) In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS No. 123 (R)), "Share-Based Payment." SFAS No. 123 (R) requires all entities to recognize compensation expense equal to the fair value of share-based payments such as stock options granted to employees. The Bank is required to apply SFAS No. 123 (R) using a modified prospective method. Under this method, the Bank is required to record compensation expense for the unvested portion of previously granted awards that are outstanding as of the required effective date over the requisite service period. In addition, the Bank may elect to adopt SFAS No. 123 (R) by restating prior years on a basis consistent with the pro forma disclosures required for those years by SFAS No. 123. SFAS No. 123 (R) will be applicable to Liberty Bancorp, Inc. for the first interim period after the effective date of the Conversion and Reorganization. SFAS No. 123 (R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Based upon the unvested portion of previously granted awards that will be outstanding as of the required effective date of the Statement, the Bank does not expect SFAS No. 123 (R) to have a material impact on the Bank's financial position or results of operations.

(6) Securities having a continuous unrealized loss position at March 31, 2006 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:							
Federal agency obligations	$	12,099,374	(180,415)	5,948,342	(116,555)	18,047,716	(296,970)
State and municipal obligations		4,598,575	(61,134)	642,947	(6,485)	5,241,522	(67,619)
	$	16,697,949	(241,549)	6,591,289	(123,040)	23,289,238	(364,589)

Notes to Financial Statements

Mortgage-backed securities having a continuous unrealized loss position at March 31, 2006 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:							
FHLMC	$	6,940,398	(148,580)	9,108,548	(305,531)	16,048,946	(454,111)
FNMA		3,240,489	(74,870)	3,811,818	(149,047)	7,052,307	(223,917)
FHLMC - CMO		-	-	234,636	(2,810)	234,636	(2,810)
FNMA - CMO		-	-	189,326	(11,529)	189,326	(11,529)
GNMA - CMO		-	-	711,744	(26,003)	711,744	(26,003)
	$	10,180,887	(223,450)	14,056,072	(494,920)	24,236,959	(718,370)

The decline in market value is related to changes in market interest rates and not the credit quality of the issuers.

Item 2. Management's Discussion and Analysis or Plan of Operation

Management's discussion and analysis of the financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of Liberty Savings Bank, F.S.B. (the "Bank"). 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 document.

Forward-Looking Statements

When used in this Form 10-QSB, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including, but not limited to, changes in economic conditions in our market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in our market area, and competition that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on any such forward-looking statements, which speak only as of the date made. The factors listed above could affect the Bank's financial performance and could cause the Bank's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Except as required by applicable law or regulation, the Bank does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Future Expansion

The Board of Directors has adopted a five-year strategic plan to enhance long-term shareholder value through franchise growth. The strategic plan calls for expansion through de novo branching in the Kansas City metropolitan area to enable the Bank to take advantage of the opportunities afforded by recent and forecasted economic growth in that market. Management anticipates that the Bank will open additional branch offices over the next five years based upon local market conditions. The first new branch was opened in Independence, Missouri in May 2005 and the second new branch recently opened in Kansas City, Missouri in January 2006. The Bank's strategic plan also calls for the Bank to gradually expand its commercial and consumer lines of business, while continuing to pursue its traditional business of construction lending and mortgage banking. The Board and management believe that the increased asset size to be achieved through the planned expansion will enable the Bank to better leverage efficiencies and technology but still attract customers based on personal service and relationships. The strategic plan provides for this planned branch expansion to be funded with the Bank's current capital plus future retained earnings, in addition to capital raised through the future stock offering in connection with the Bank's conversion to stock form.

While the Board and management anticipate that this expansion strategy will enhance long-term shareholder value, new branches generally require a significant initial capital investment and take approximately three years to become profitable. Accordingly, management anticipates that, in the short term, net earnings will be negatively affected as the Bank incurs significant capital expenditures and non-interest expenses in opening and operating new branches before the new branches can produce sufficient net interest income to offset the increased expense.

Critical Accounting Policies

The accounting and reporting policies of the Bank were prepared in accordance with accounting principles generally accepted in the United States of America, ("US GAAP") and to general practices 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 the Bank's financial statements and management's discussions and analysis.

Income Recognition

The Bank recognizes interest income by methods conforming to US GAAP that include the 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 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. The Bank considers a loan to be impaired when, based on current information and events, it is probable that the Bank 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" section.

Allowances for loan losses are available to absorb losses incurred on loans and foreclosed real estate held for sale 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.

Qualitative Disclosures of Market Risk

The Bank's principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating interest rates. The Bank has an exposure to interest rate risk. The Bank has 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 its assets and liabilities.

In particular, the Bank's strategies are intended to stabilize net interest income for the long-term by protecting its interest rate spread against increases in interest rates. Such strategies include the origination for portfolio of one-year, adjustable-rate mortgage loans (AMLs) secured by one-to-four family residential real estate and the origination of other types of adjustable-rate and short-term loans with greater interest rate sensitivities than long-term, fixed-rate residential mortgage loans. The Bank also sells fixed-rate loans in the secondary market.

The Bank does not purchase derivative financial instruments or other financial instruments for trading purposes. Further, the Bank is not subject to any foreign currency exchange rate risk, commodity price risk or equity price risk. The Bank is subject to interest rate risk.

The OTS provides a net market value methodology to measure the interest rate risk exposure of thrift institutions. This exposure is a measure of the potential decline in the net portfolio value (NPV) of the institution based upon the effect of assumed incremental 100 basis point increases or decreases in interest rates. NPV is the present value of the expected net cash flows from the institution's financial instruments (assets, liabilities and off-balance sheet contracts). Loans, deposits, advances and investments are valued taking into consideration similar maturities, related discount rates and applicable prepayment assumptions.

Liquidity and Capital Resources

The Bank's 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. The Bank has an agreement with the FHLB of Des Moines to provide cash advances, should the Bank need additional funds for loan originations or other purposes.

Commitments to originate loans are legally binding agreements to lend to the Bank's customers. Letters of credit are conditional commitments issued by the Bank to guarantee the performance of the borrower to a third party.

Liquidity and Capital Resources

The following table sets forth information regarding off-balance sheet financial instruments as of March 31, 2006:

	Fixed-Rate	Adjustable-Rate
Loan commitments		
One-to four-family mortgage loans	$ 504,765	$ -
Multi-family real estate loans	-	4,162,250
Commercial real estate loans	-	3,071,831
Unused lines of credit		
Home equity loans	-	8,632,475
Commercial real estate	414,048	761,832
Commercial non-real estate	20,456	777,606
One-to four-family real estate loans	-	769,632
Undisbursed Contruction and Other Loans		
Construction and land development loans	3,057,667	26,927,813
Multi-family real estate loans	-	174
One-to four-family real estate loans	50,653	683,785
Commercial real estate loans	134,604	2,074,014
Commercial non-real estate loans	434,104	95,221
Letters of Credit:		
Unused Lines of Credit	76,000	-
	$ 4,692,297	$ 47,956,633

Financial Condition

Total assets increased from $237.6 million at September 30, 2005 to $258.3 million at March 31, 2006. Cash and cash equivalents decreased $2.9 million to $7.5 million at March 31, 2006 due to an increase in loans receivable. Securities available for sale increased from $22.3 million at September 30, 2005 to $25.3 million at March 31, 2006 due to additional purchases of both agency and municipal securities, partially offset by maturities of agencies and calls on municipal securities. Mortgage-backed securities available for sale decreased from $27.2 million at September 30, 2005 to $24.3 million at March 31, 2006 due to principal repayments. Loans receivable increased $23.4 million to $187.2 million at March 31, 2006 due to activity in construction, land development, commercial and residential real estate lending. Loans held for sale decreased from $2.1 million at September 30, 2005 to $323,000 at March 31, 2006 due to a seasonal decrease in demand and higher interest rates. Foreclosed real estate owned at March 31, 2006 totaled $1.8 million, an increase of $277,000 from $1.5 million at September 30, 2005. The foreclosed real estate consists of one single-family investment property, one multi-family investment and seven spec construction properties. Premises and equipment increased due to the construction and purchase of furniture and equipment for a branch facility in Kansas City, Missouri. Accrued interest receivable increased due to a higher level of loans receivable. Other assets increased by $416,000 primarily due to the capitalization of costs related to the plan of conversion, pursuant to which Liberty Savings Bank, F.S.B. will reorganize from the mutual holding company form to the stock holding company structure.

Total liabilities increased $20.7 million to $237.1 million at March 31, 2006 compared to $216.4 million at September 30, 2005. Deposits increased from $181.6 million at September 30, 2005 to $191.7 million at March 31, 2006 due to short-term certificate promotions, and to a lesser extent, greater demand deposit accounts, partially offset by a seasonal decrease in municipal funds. Advances from the FHLB increased $11.0 million to $41.5 million at March 31, 2006 as a result of funding loan originations. Accrued interest on deposits increased due to greater deposit balances and higher rates. Advances from borrowers for taxes and insurance decreased by $524,000 due to year-end payment of real estate taxes on behalf of borrowers.

Stockholders' equity increased by $98,000 from $21.1 million at September 30, 2005 to $21.2 million at March 31, 2006. This increase is primarily due to net earnings, partially offset by an increase in unrealized loss on investments and the payment of cash dividends.

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.

During the three months ended March 31, 2006 and 2005, the Bank paid cash dividends of $111,576 and $106,165, respectively, to its stockholders other than the Company. Cash dividends of $7,660,000 have been waived by the Company through March 31, 2006. The waiver of cash dividends has been approved by the OTS subject to certain provisions. The OTS no longer requires that waived dividends be considered a restriction on retained earnings.

The Bank's actual and required capital amounts and ratios at March 31, 2006 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	$ 21,230					
Computer software costs	(78)					
Unrealized loss on securities AFS, net	679					
Tangible capital	$ 21,831	8.4%	$ 3,886	1.5%		
General valuation allowance	1,790					
Total capital to risk-weighted assets	$ 23,621	12.0%	$ 15,694	8.0%	$ 19,618	10.0%
Tier 1 capital to risk-weighted assets	$ 21,831	11.1%	$ 7,847	4.0%	$ 11,771	6.0%
Tier 1 capital to total assets	$ 21,831	8.4%	$ 10,364	4.0%	$ 12,955	5.0%

Asset Quality

The following table sets forth information with respect to the Bank's impaired loans at the dates indicated.

	March 31, 2006	September 30, 2005
Nonaccrual loans	$ 2,016,085	906,934
Accruing loans past due 90 days or more	-	-
Other impaired loans	-	403,172
Total impaired loans	$ 2,016,085	1,310,106
Allowance for losses on impaired loans	$ 50,319	199,103
Impaired loans with no allowance for loan losses	$ 210,114	116,414

At March 31, 2006, 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 the Bank's internal review policy, loans classified as substandard increased from $1.3 million at September 30, 2005 to $2.0 million at March 31, 2006. No loans were identified as special mention at March 31, 2006 as compared to $1.7 million at September 30, 2005. All of the loans identified as special mention at September 30, 2005 were transferred to foreclosed real estate in December 2005.

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

Balance at September 30, 2005	$ 1,762,066
Charge-offs	(443,253)
Recoveries	1,242
Provision charged to expense	470,000
Balance at March 31, 2006	$ 1,790,055

Results of Operations

Net earnings decreased from $373,000 for the three months ended March 31, 2005 to $280,000 for the three months ended March 31, 2006. Net earnings decreased due to a higher provision for loan losses and higher noninterest expense, partially offset by higher net interest income and noninterest income. The increase in noninterest expense is primarily due to higher compensation expense related to the opening of two branch locations and a gain on sale of foreclosed real estate in 2005

Net earnings decreased from $728,000 for the six months ended March 31, 2005 to $604,000 for the six months ended March 31, 2006. Noninterest expense and provision for loan losses increased, partially offset by higher net interest income and noninterest income. The provision for loan losses increased due to an increase in total loans and the writedown of certain one- to four-family investment properties.

Net interest income increased from $1.9 million for the three months ended March 31, 2005 to $2.1 million for the three months ended March 31, 2006. Net interest income increased for the six-month period from $3.7 million in 2005 to $4.1 million in 2006. These increases were due to an increase in loans receivable, partially offset by a lower interest rate spread. The Bank’s interest rate spread was 3.41% for the six months ended March 31, 2005 and 3.34% for the six months ended March 31, 2006. The average yield on interest-earning assets and the average cost of interest-bearing liabilities increased by 60 and 67 basis points, respectively, for the six months ended March 31, 2006 as compared to the six months ended March 31, 2005. The Bank has funded loan growth since March 2005 through short-term certificate of deposit accounts.

Interest income on loans receivable for the three-month period increased as a result of higher average balance and higher average yields. The average yield on loans receivable increased from 6.43% for the three months ended March 31, 2005 to 7.38% for the three months ended March 31, 2006. The average loan balance increased from $178.4 million for the three months ended March 31, 2005 to $180.9 million for the three months ended March 31, 2006. Interest income on mortgage-backed securities increased due to a higher average balance and yield. Interest income on securities increased from $99,000 for the three months ended March 31, 2005 to $262,000 for the three months ending March 31, 2006. This was primarily due to an increase in the average balance from $12.7 million for the three months ended March 31, 2005 to $27.3 million for the three months ended March 31, 2006. Interest income on other interest-earning assets increased from $29,000 for the three months ended March 31, 2005 to $58,000 for the three months ended March 31, 2006. The average balance was $4.7 million and $5.3 million and the average yield was 2.49% and 4.40% for the three months ended March 31, 2005 and 2006, respectively.

Interest income on loans receivable increased from $5.5 million for the six-month period ended March 31, 2005 to $6.4 million for the six-month period ended March 31, 2006. The increase is attributable to a higher average balance and average yield. Interest income on mortgage-backed securities increased due to a higher average balance and higher average yield. For the six month period, interest income on securities increased $306,000 due to a higher average balance and yield. Interest income on other interest-earning assets increased as a result of a higher average balance and higher average yield.

Interest expense on deposits increased by $469,000 for the three months ended March 31, 2006 compared to the same period in 2005, as a result of a higher average balance and average rate. The weighted-average rate on deposits increased from 2.26% for the three months ended March 31, 2005 to 2.97% for the comparable 2006 period. The average balance increased from $168.2 million for the three months ended March 31, 2005 to $191.5 million for the three months ended March 31, 2006. For the six month period ended March 31, 2006 as compared to the six month period ended March 31, 2005 interest expense on deposits increased as a result of a higher average balance and higher average rate. Interest expense on advances from the FHLB increased due to a higher average rate, partially offset by a lower average balance for the six months ended March 31, 2006. The average yield on advances from FHLB increased from 3.18% for the six months ended March 31, 2005 to 3.98% for the comparable period in 2006.

The provision for loan losses was $250,000 and $135,000 for the three months ended March 31, 2006 and 2005, respectively. The provision increased from $285,000 for the six months ended March 31, 2005 to $470,000 for the comparable 2006 period. The provision for loan losses is based upon management's consideration of current economic conditions, the Bank's loan portfolio and historical loss experience used to estimate probable losses as well as the level of non-performing assets and classified assets. 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. This evaluation is ongoing and results in variations in the Bank's provision for loan losses.

The Bank is subject to periodic examination by regulatory agencies, which may require the Bank to record increases in the allowances based on their evaluation of available information. There can be no assurance that the Bank's regulators will not require further increases to the allowances.

Noninterest income increased from $238,000 for the three months ended March 31, 2005 to $274,000 for the three months ended March 31, 2006. The increase was primarily due to a higher level of overdraft fees collected on deposit accounts, loan service charges and gains on sale of loans.

We recognized gains on sales of loans of $34,000 and $18,000 for the three months ended March 31, 2006 and 2005, respectively. During the three months ended March 31, 2006 and the three months ended March 31, 2005, we originated loans for sale to secondary market investors of $2.5 million and $3.2 million, respectively. Gains on sales of available for sale securities and mortgage-backed securities are not stable sources of income and we may not be able to generate such gains in the future. We do not anticipate significant gains on sale of loans in the future due to current market conditions.

Noninterest income increased from $523,000 for the six months ended March 31, 2005 to $576,000 for the six months ended March 31, 2006 due to increases in loan and deposit service charges and gains on sale of loans.

We recognized gains on sale of loans of $90,000 and $63,000 for the six months ended March 31, 2006 and 2005, respectively. During the six months ended March 31, 2006 and 2005, we originated loans for sale to secondary market investors of $7.3 million and $7.3 million, respectively.

Noninterest expense increased from $1.5 million for the three months ended March 31, 2005 to $1.7 million for the three months ended March 31, 2006. Compensation expense increased primarily due to the opening of new branch offices in Independence and Kansas City, Missouri and salary increases, partially offset by a higher deferral of loan origination salary costs. Occupancy expense increased due to higher operating expenses for two additional branches, which opened in May 2005 and January 2006. For the three months ended March 31, 2006 compared to the three months ended March 31, 2005 equipment and data processing expense decreased due to the renegotiation of an existing contract with a service bureau, slightly offset by higher depreciation expense. We recognized a gain on foreclosed real estate of $158,000 as a result of a payoff of a development loan during the three-month period ended March 31, 2005. There were no gains on foreclosed real estate during the three-month period ended March 31, 2006. This change caused net expenses from operations from foreclosed real estate to increase for the comparable three month periods. Professional and regulatory service expense decreased as a result of consulting fees paid for recruitment and hiring of additional personnel and consulting fees paid during the three months ended March 31, 2005 related to compliance with the Sarbanes-Oxley Act of 2002. Advertising expense increased due to expenses related to checking account promotions and expenses related to the Bank’s name change, partially offset by lower general advertising expenses. Correspondent banking charges and supplies expense both increased due to general bank growth. Other noninterest expense decreased due to lower charitable contributions, partially offset by overall increases in other expense items.

For the six-month period ended March 31, 2006 compared to the six-month period ended March 31, 2005, noninterest expense increased by $396,000. Compensation expense increased primarily due to the addition of new branches and salary increases. Occupancy expense increased due to the opening of two additional branch offices and slightly due to the lease of land for a future branch office. Equipment and data processing expense decreased due to the renegotiation of an existing contract with a service bureau. Expense from operations of foreclosed real estate was higher for both 2006 periods due to nonrecurring income in 2005. Lower consulting fees paid for recruitment and hiring of additional personnel and lower consulting fees related to the Sarbanes-Oxley Act of 2002 during 2005 were primarily responsible for the decrease in professional and regulatory services expense. Other noninterest expenses decreased slightly from $306,000 for the six months ended March 31, 2005 to $301,000 for the six months ended March 31, 2006 due to a $46,000 decrease in contributions expense, partially offset by higher building insurance on branches, dues and subscriptions, telephone expenses and other expense items.

Income taxes decreased for the three months ended March 31, 2006 due to lower earnings before income taxes and higher nontaxable municipal bond income as compared to the three months ended March 31, 2005. The effective rate for the three months ended March 31, 2006 was 33.8% compared to 33.9% for the three months ended March 31, 2005. For the comparable six month periods income taxes also decreased due to lower earnings before income taxes and higher nontaxable municipal bond income. The effective rate for the six months ended March 31, 2006 was 34.0% compared to 35.5% for the six months ended March 31, 2005.

Off-Balance Sheet Arrangements

In the normal cause of operations, we engage in a variety of financial transactions that, in accordance with accounting principles generally accepted in the United States of America, 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.

For the six months ended March 31, 2006, we did not engage in off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Item 3.

Controls and Procedures

As of the end of the period covered by this report, the Bank carried out an evaluation, under the supervision and with the participation of the Bank's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Bank'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 Bank's principal executive officer and principal financial officer concluded that the Bank's disclosure controls and procedures were effective for the purpose of ensuring that information required to be disclosed by the Bank 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 Bank's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

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

PART II - Other Information

Item 1 - Legal Proceedings

There are no material legal proceedings to which the Bank is a party or of which any of their property is subject. From time to time, the Bank is a party to various legal proceedings incident to its business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to its financial condition and results of operations.

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

None.

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

(a)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 SAVINGS BANK, F.S.B.

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 SAVINGS BANK, F.S.B.
(Registrant)

DATE: May 8, 2006

BY: Brent M. Giles
Brent M. Giles, President, Chief Executive Officer
and Duly Authorized Officer

BY: Marc J. Weishaar
Marc J. Weishaar, Chief Financial Officer and
Principal Accounting Officer

LIBERTY SAVINGS BANK, F.S.B.

Exhibit 31.1

CERTIFICATION

I, Brent M. Giles, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Liberty Savings Bank, F.S.B.;

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 small business issuer as of, and for, the periods presented in this quarterly report;

4. The small business issuer's other certifying officer 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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors:

   (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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 8, 2006

Brent M. Giles

Brent M. Giles
President & Chief Executive Officer

LIBERTY SAVINGS BANK, F.S.B.

Exhibit 31.2

CERTIFICATION

I, Marc J. Weishaar, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Liberty Savings Bank, F.S.B.;

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 small business issuer as of, and for, the periods presented in this quarterly report;

4. The small business issuer's other certifying officer 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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors:

   (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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 8, 2006

Marc J. Weishaar
Senior Vice President & Chief Financial Officer

LIBERTY SAVINGS BANK, F.S.B.

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 & Chief Executive Officer, and Marc J. Weishaar, Senior Vice President & Chief Financial Officer, of Liberty Savings Bank, F.S.B. (Bank) each certify in his capacity as an officer of the Bank that he has reviewed the Quarterly Report of the Bank on Form 10-QSB for the quarter ended March 31, 2006 (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 Bank.

By:________________________________
Brent M. Giles
President & Chief Executive Officer

By: ________________________________
Marc J. Weishaar
Senior Vice President & Chief Financial Officer

Date: May 8, 2006