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 December 31, 2005

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)

Missouri	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 X . No ___.

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

Class	Outstanding February 13, 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 DECEMBER 31, 2005

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LIBERTY SAVINGS BANK, F.S.B.

Part I. Financial Information
Item 1. Financial Statements

Balance Sheet

(Unaudited)

Assets		December 31, 2005	September 30, 2005
Cash and due from banks	$	8,651,642	6,481,038
Federal funds sold		5,050,000	3,990,000
Total cash and cash equivalents		13,701,642	10,471,038
Securities available for sale, at market value (amortized cost of $26,197,756 and $22,459,481, respectively)		25,882,879	22,314,521
Stock in Federal Home Loan Bank of Des Moines		1,856,900	1,679,200
Mortgage-backed securities:			
Available for sale, at market value (amortized cost of $26,372,739 and $27,582,869, respectively)		25,674,742	27,188,678
Loans receivable, net of allowance for loan losses of $1,646,709 and $1,762,066, respectively		171,942,666	163,842,810
Loans held for sale		729,228	2,084,730
Premises and equipment, net		6,331,953	5,932,189
Foreclosed real estate, net		2,930,457	1,529,586
Accrued interest receivable		1,283,374	1,087,390
Other assets		1,573,468	1,445,550
Total assets	$	251,907,309	237,575,692
Liabilities and Stockholders' Equity			
Deposits	$	192,721,418	181,616,654
Accrued interest on deposits		223,796	222,993
Advances from FHLB		33,663,746	30,497,082
Securities sold under agreement to repurchase		2,555,867	1,654,751
ESOP note payable		389,602	378,602
Advances from borrowers for taxes and insurance		85,923	873,639
Other liabilities		1,060,836	1,201,275
Accrued income taxes		124,358	-
Total liabilities		230,825,546	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		4,122,720	4,106,988
Common stock acquired by ESOP		(369,310)	(378,680)
Common stock acquired by Incentive Plan		(39,673)	(46,672)
Accumulated other comprehensive earnings, net		(638,111)	(339,665)
Retained earnings - substantially restricted		16,648,261	16,430,949
Total stockholders' equity		21,081,763	21,130,696
Total liabilities and stockholders' equity	$	251,907,309	237,575,692

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Earnings
(Unaudited)

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004
Interest income:		
Loans receivable	$ 3,019,804	2,658,527
Mortgage-backed securities	259,922	196,624
Securities - taxable	197,896	95,048
Securities - non-taxable	54,720	13,947
Other interest-earning assets	44,971	21,383
Total interest income	3,577,313	2,985,529
Interest expense:		
Deposits	1,308,172	838,286
Securities sold under agreement to repurchase	11,655	6,115
ESOP note payable	6,646	5,041
Advances from FHLB	276,271	313,212
Total interest expense	1,602,744	1,162,654
Net interest income	1,974,569	1,822,875
Provision for loan losses	220,000	150,000
Net interest income after provision for loan losses	1,754,569	1,672,875
Noninterest income:		
Loan service charges	18,722	6,756
Gain on sale of MBSs available for sale	-	-
Gain on sale of loans	56,386	44,250
Deposit account and other service charges	227,405	234,331
Total noninterest income	302,513	285,337
Noninterest expense:		
Compensation and benefits	882,011	762,559
Occupancy expense	115,420	95,265
Equipment and data processing expense	167,193	184,445
Operations from foreclosed real estate, net	2,352	5,932
Federal deposit insurance premiums	5,869	5,677
Professional and regulatory services	65,050	76,899
Advertising	83,755	57,443
Correspondent banking charges	57,207	54,354
Supplies	44,730	30,513
Other	140,899	121,153
Total noninterest expense	1,564,486	1,394,240
Earnings before income taxes	492,596	563,972
Income taxes	168,000	209,000
Net earnings	$ 324,596	354,972
Basic and diluted earnings per share	$ 0.24	0.27
Dividends per share	$ 0.20	0.20

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Comprehensive Earnings

(Unaudited)

	Three Months Ended December 31,	
	2005	2004
Net earnings	$ 324,596	354,972
Other comprehensive earnings:		
Unrealized gain (loss) on securities and MBSs available for sale, net:		
Unrealized gains (losses) arising during the period, net of tax	(298,446)	(101,379)
Comprehensive earnings	$ 26,150	253,593

See accompanying notes to financial statements.

LIBERTY SAVINGS BANK, F.S.B.

Statements of Cash Flows
(Unaudited)

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004
Cash flows from operating activities:		
Net earnings	$ 324,596	354,972
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:		
Depreciation expense	101,748	97,395
ESOP expense	33,802	30,260
Incentive Plan expense	6,999	6,999
Amortization of premiums on investments, net	14,028	59,983
Amortization of unearned discount on loans and deferred loan fees, net	(93,677)	(115,108)
Provision for loan losses	220,000	150,000
Loans held for sale - originated	(4,831,811)	(4,035,670)
Loans held for sale - proceeds from sale	6,243,699	4,735,104
Gain on foreclosed real estate, net	(4,786)	-
Gain on sale of loans	(56,386)	(44,250)
Decrease (increase) in:		
Accrued interest receivable	(195,984)	(140,925)
Other assets	39,359	(197,897)
Deferred income tax	8,000	(67,000)
Increase (decrease) in:		
Accrued interest on deposits and other liabilities	(139,636)	(114,670)
Accrued income taxes	124,358	276,000
Net cash provided by operating activities	1,794,309	995,193
Cash flows from investing activities:		
Net change in loans receivable	(10,070,486)	(15,822,311)
Mortgage-backed securities:		
Available for sale - purchased	(653,756)	-
Available for sale - principal collections	1,845,681	1,680,053
Available for sale - proceeds from sale	-	-
Held to maturity - principal collections	-	62,558
Securities available for sale:		
Purchase	(4,954,098)	-
Proceeds from maturity or call	1,220,000	1,975,000
Securities held to maturity:		
Proceeds from maturity or call	-	-
Proceeds from foreclosed real estate, net	448,222	73,950
Purchase of stock in FHLB of Des Moines	(312,200)	(332,800)
Redemption of stock in FHLB of Des Moines	134,500	262,000
Purchase of premises and equipment	(501,512)	(598,766)
Net cash provided by (used for) investing activities	$ (12,843,649)	(12,700,316)

(Continued)

LIBERTY SAVINGS BANK, F.S.B.

Statements of Cash Flows
(Unaudited)

(Continued)

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004
Cash flows from financing activities:		
Net increase (decrease) in deposits	$ 11,104,764	14,328,051
Increase (decrease) in advances from borrowers for taxes and insurance	(787,716)	(819,499)
Proceeds from advances from the FHLB	26,350,000	16,250,000
Repayment of advances from the FHLB	(23,183,336)	(17,783,336)
Securities sold under agreement to repurchase:		
Proceeds	10,061,508	4,408,113
Repayments	(9,160,392)	(4,303,507)
Repayment of ESOP note payable	-	(407)
Proceeds from exercise of stock options	2,400	-
Cash dividends	(107,284)	(106,165)
Net cash provided by (used for) financing activities	14,279,944	11,973,250
Net increase (decrease) in cash and cash equivalents	3,230,604	268,127
Cash and cash equivalents at beginning of period	10,471,038	7,311,384
Cash and cash equivalents at end of period	$ 13,701,642	7,579,511

	2005	2004
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest on deposits	$ 1,307,369	849,640
Interest on ESOP note payable	6,646	5,041
Interest on securities sold under agreement to repurchase	11,655	6,115
Interest on advances from FHLB of Des Moines	272,668	313,212

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 Savings Association Insurance Fund (SAIF), which is administered 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 partially public mutual holding company form to the fully public 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. 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 representing 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 Savings Bank. 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.

(3) Following is a summary of basic and diluted earnings per common share for the three months ended December 31, 2005 and 2004:

		Three Months Ended December 31, 2005	Three Months Ended December 31, 2004
Net earnings	$	324,596	354,972
Weighted-average shares - Basic EPS		1,335,305	1,328,366
Stock options - treasury stock method		8,556	2,758
Weighted-average shares - Diluted EPS		1,343,861	1,331,124
Basic and diluted earnings per common share	$	0.24	0.27

Notes to Financial Statements

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 December 31, 2005	Three Months Ended December 31, 2004
Net earnings	$	324,596	354,972
Total stock-based employee compensation expense determined under fair value based method for stock options, net of related tax effects		(34,959)	(5,171)
Pro-forma net earnings	$	289,637	349,801
Earnings per share:			
Basis and diluted - as reported	$	0.22	0.27
Basic and diluted - pro forma	$	0.22	0.26

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.”

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

		Three Months Ended December 31, 2005	Three Months Ended December 31, 2004
Service cost	$	1,671	1,671
Interest cost		5,681	5,813
Amortization of transition obligation		3,135	3,135
Amortization of prior service cost		(2,416)	(2,416)
Amortization of actuarial gain		(1,080)	(1,578)
Over (under) accrual		(3,091)	125
Net periodic cost	$	3,900	6,750

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 $6,600 and $7,000 for the three months ended December 31, 2005 and 2004, respectively. The expense consisted primarily of interest cost.

Notes to Financial Statements

(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) is effective for public entities that file as small business issuers at the beginning of the fiscal year that begins after December 15, 2005. SFAS No. 123 (R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Management of the Bank is currently evaluating the effect of SFAS No. 123 (R) on the Bank's financial statements.

(6) Securities having a continuous unrealized loss position at December 31, 2005 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	$	13,697,612	(128,969)	5,695,116	(117,138)	19,392,728	(246,107)
State and municipal obligations		4,848,658	(64,715)	1,055,766	(8,964)	5,904,424	(73,679)
	$	18,546,270	(193,684)	6,750,882	(126,102)	25,297,152	(319,786)

Mortgage-backed securities having a continuous unrealized loss position at December 31, 2005 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	$	11,155,501	(227,763)	5,812,908	(219,733)	16,968,409	(447,496)
FNMA		3,407,325	(67,486)	3,998,328	(144,579)	7,405,653	(212,065)
FHLMC - CMO		272,212	(2,809)	-	-	272,212	(2,809)
FNMA - CMO		-	-	203,919	(10,265)	203,919	(10,265)
GNMA - CMO		-	-	768,620	(25,958)	768,620	(25,958)
	$	14,835,038	(298,058)	10,783,775	(400,535)	25,618,813	(698,593)

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 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 income 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 recognized 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 December 31, 2005:

	Fixed-Rate	Adjustable-Rate
Off-balance sheet financial instruments:		
Commitments to originate one-to four-family mortgage loans	$ 932,500	$ 5,071,780
Commitments to originate multi-family real estate loans	644,000	675,000
Commitments to originate non-residential commercial real estate loans	2,905,230	5,380,000
Commitments to originate commercial non-real estate loans	500,000	5,600,250
Commitments for unused lines of credit on home equity loans	-	8,380,146
Commitments for unused lines of credit on commercial real estate	982,808	661,214
Commitments for unused lines of credit on commercial non-real estate	15,000	1,271,891
Commitments for unused lines of credit on one-to four-family real estate loans	-	472,679
Commitments for the undisbursed portion of construction and land development loans	1,389,364	25,678,830
Commitments for the undisbursed portion of multi-family real estate loans	-	99
Commitments for undisbursed portion of one-to four-family real estate loans	314,351	299,244
Commitments for undisbursed portion of commercial real estate loans	481,086	576,638
Commitments for undisbursed portion of commercial non-real estate loans	3,664	16,440
Letters of Credit:		
Unused Lines of Credit	76,000	-
	$ 8,244,003	$ 54,084,211

Financial Condition

Total assets increased from $237.6 million at September 30, 2005 to $251.9 million at December 31, 2005. Cash and cash equivalents increased $3.2 million to $13.7 million at December 31, 2005 due to a seasonal increase in deposits. Securities available for sale increased due to additional purchases of both agencies and municipal securities. Mortgage-backed securities available for sale decreased due to principal repayments, partially offset by purchases. Loans receivable increased from $163.8 million at September 30, 2005 to $171.9 million at December 31, 2005 due to activity in construction and commercial real estate lending. Loans held for sale decreased from $2.1 million at September 30, 2005 to $729,000 at December 31, 2005 due to fluctuations in seasonal demand. Foreclosed real estate, net at December 31, 2005 totaled $2.9 million, an increase from $1.4 million at September 30, 2005. The foreclosed real estate consists of five single-family investment property loans to two different borrowers and 13 single-family construction loans to two different borrowers. Premises and equipment increased from $5.9 million at September 30, 2005 to $6.3 million at December 31, 2005 due to the construction of a branch facility and the purchase of furniture and equipment for a branch in Kansas City, Missouri that was opened in January 2006. Accrued interest receivable increased due to an increase in loans receivable and higher loan yields. Other assets increased due to higher deferred tax assets attributable to unrealized losses on mortgage-backed securities and securities and a higher level of certain prepaid items.

Total liabilities increased $14.4 million to $230.8 million at December 31, 2005 as compared to $216.4 million at September 30, 2005. Deposits increased from $181.6 million to $192.7 million due to a seasonal increase of municipal funds in interest bearing accounts and, to a lesser extent, an increase in certificates of deposit due to

Financial Condition

promotions, most notably those less than 12 months. Accrued interest on deposits remained relatively stable. Advances from the FHLB increased $3.2 million to $33.7 million at December 31, 2005. Securities sold under agreements to repurchase increased by $901,000 due to a higher balance on one customers account. Advances from borrowers for taxes and insurance decreased by $788,000 due to payment of real estate taxes on behalf of borrowers. Other liabilities decreased primarily due to a lower level of accrued payroll and bonus expense. Accrued payroll and bonus expense was higher at September 30, 2005 due to the timing of payment of payroll and accrual of bonuses.

Stockholders' equity decreased by $49,000 from September 30, 2005 to December 31, 2005. This decrease is primarily due to an increase of $298,000 in unrealized loss on investments and the payment of a cash dividend, partially offset by net earnings of $325,000.

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 December 31, 2005 and 2004, the Bank paid cash dividends of $107,284 and $106,165, respectively, to its stockholders other than the Company. Cash dividends of $7,500,000 have been waived by the Company through December 31, 2005. 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 has filed a notice of intent to pay a cash dividend for the quarterly period ending March 31, 2006 with the Office of Thrift Supervision. The Company submitted an application requesting permission to waive its right to receive its cash dividend for the proposed dividend on September 23, 2005, as well as the following three calendar quarters. OTS approval of the waiver of dividends by the Company may be rescinded prior to the dividend declaration date.

The Bank's actual and required capital amounts and ratios at December 31, 2005 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	$ 21,082					
Computer software costs	(70)					
Unrealized loss on securities AFS, net	638					
Tangible capital	$ 21,650	8.6%	$ 3,790	1.5%		
General valuation allowance	1,647					
Total capital to risk-weighted assets	$ 23,297	12.6%	$ 14,813	8.0%	$ 18,516	10.0%
Tier 1 capital to risk-weighted assets	$ 21,650	11.7%	$ 7,407	4.0%	$ 11,110	6.0%
Tier 1 capital to total assets	$ 21,650	8.6%	$ 10,108	4.0%	$ 12,635	5.0%

Asset Quality

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

		December 31, 2005	September 30, 2005
Nonaccrual loans	$	492,788	906,934
Accruing loans past due 90 days or more		104,313	-
Other impaired loans		-	403,172
Total impaired loans	$	597,101	1,310,106
Allowance for losses on impaired loans	$	15,703	199,103
Impaired loans with no allowance for loan losses	$	114,648	116,414

At December 31, 2005, all loans where known information about possible credit problems of borrowers 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 decreased from $1.3 million at September 30, 2005 to $471,000 at December 31, 2005. Loans identified as special mention at December 31, 2005 and September 30, 2005 amounted to $155,000 and $1.7 million, respectively. 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		(335,555)
Recoveries		198
Provision charged to expense		220,000
Balance at December 31, 2005	$	1,646,709

Results of Operations

Net earnings decreased from $355,000 for the three months ended December 31, 2004 to $325,000 for the three months ended December 31, 2005. Net earnings decreased due to higher noninterest expense and provision for loan losses, partially offset by higher net interest income and lower income tax expense.

Net interest income increased from $1.82 million for the three months ended December 31, 2004 to $1.97 million for the three months ended December 31, 2005. This increase was due to a higher interest rate spread. The Bank's interest rate spread was 3.30% for the three months ended December 31, 2005 and 3.21% for the three months ended December 31, 2004. The increased interest rate spread is primarily due to management's efforts to attract more construction and commercial real estate loans that carry higher rates than traditional single-family mortgage loans. The average yield on interest-earning assets and the average cost of interest-bearing liabilities increased by 69 and 60 basis points, respectively, for the three months ended December 31, 2005 as compared to the three months ended December 31, 2004. The Bank has funded loan growth since December 2004 primarily through certificate of deposit accounts.

Interest income on loans receivable for the three-month period increased as a result of higher average yields. There was no significant change in the average balance. The average yield on loans receivable increased from

Results of Operations

6.24% for the three months ended December 31, 2004 to 7.10% for the three months ended December 31, 2005. Interest income on mortgage-backed securities increased from $197,000 for the three months ended December 31, 2004 to $260,000 for the three months ended December 31, 2005 as the result of both higher yields and balances. Interest income on securities increased from $109,000 for the three months ended December 31, 2004 to $253,000 for the three months ended December 31, 2005. This was due primarily to an increase in the average yield from 2.53% for the three months ended December 31, 2004 to 3.85% for the three months ended December 31, 2005 and the average balance increasing from $17 million to $26 million for the same time periods, respectively. Interest on other interest-earning assets increased from $21,000 for the three months ended December 31, 2004 to $45,000 for the three months ended December 31, 2005 due to a significantly higher average yield. The average yield for the three months ended December 31, 2004 and 2005 was 1.82% and 3.01%, respectively.

Interest expense on deposits for the three months ended December 31, 2005 increased as a result of a higher average balance and average rate. The weighted-average rate on deposits increased from 2.12% for the three months ended December 31, 2004 to 2.81% for the comparable 2005 period. The average balance increased from $158.1 million for the three months ended December 31, 2004 to $186.3 million for the three months ended December 31, 2005. Interest expense on advances from the FHLB decreased from 2004 to 2005 due to a lower average balance, partially offset by a higher average rate.

The provision for loan losses was $220,000 and $150,000 for the three months ended December 31, 2005 and 2004, respectively. 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 slightly from $285,000 for the three months ended December 31, 2004 to $303,000 for the three months ended December 31, 2005. The increase was due to a higher amount of loan service charges and an increase in gain on sale of loans, partially offset by a decrease in deposit account service charges. Gain on sale of loans is affected by the level of market interest rates.

Noninterest expense increased from $1.39 million for the three months ended December 31, 2004 to $1.56 million for the three months ended December 31, 2005. Compensation and benefits increased primarily due to the hiring of additional staff for a new branch in Independence, Missouri and salary increases. Occupancy expense increased primarily due to the lease of land in anticipation of the recently opened branch in January 2006 in Kansas City, Missouri and general operating expense for an additional branch facility, which opened in May 2005 in Independence, Missouri. Equipment and data processing expense was lower due to lower costs for online processing.

Professional and regulatory services decreased from $77,000 for the three months ended December 31, 2004 to $65,000 for the three months ended December 31, 2005. The decrease in professional and regulatory services for the three-month period is due to lower recruiting expenses for the three months ended December 31, 2005. The increase in advertising expense from $57,000 for the three months ended December 31, 2004 to $84,000 for the three months ended can be attributed to a greater marketing emphasis and the opening of the Independence, Missouri branch. Supplies expense increased $14,000 due to general Bank growth, including the opening of a new branch. Other noninterest expense increased from $121,000 for the three months ended December 31,

Results of Operations

2004 to $141,000 for the three months ended December 31, 2005. Other noninterest expense rose primarily as a result of higher insurance, telephone and charitable contribution expenses.

Income tax expense for the three months ended December 31, 2005 was $168,000, compared to $209,000 for the three months ended December 31, 2004. Income taxes decreased due to lower pre-tax earnings and higher non-taxable municipal bond income. The effective tax rate for the three months ended December 31, 2005 was 34.1% compared to 37.1% for the three months ended December 31, 2004.

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 three months ended December 31, 2005 and the year ended September 30, 2005, 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 flow.

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 o 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 Proceeding

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.

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: February 13, 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: February 13, 2006

Brent M. Giles
President & Chief Executive Officer

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: February 13, 2006

Marc J. Weishaar

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 December 31,2005 (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

Brent M. Giles
President & Chief Executive Officer

By: Marc J. Weishaar

Marc J. Weishaar
Senior Vice President & Chief Financial Officer

Date: February 13, 2006