UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly period ended	Commission File Number:
June 30, 2005	**0-22269**

GS Financial Corp.

(Exact Name of Registrant as Specified in its Charter)

Louisiana	**72-1341014**
(State of Incorporation)	**(IRS Employer Identification No.)**

3798 Veterans Blvd.
Metairie, LA 70002
(Address of Principal Executive Offices)

(504) 457-6220
(Registrant's Telephone Number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ___ No X

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

Class	Outstanding at August 11, 2005
Common Stock, par value $.01 per share	1,284,031 shares

GS FINANCIAL CORP.

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

GS Financial Corp.
Condensed Consolidated Statements of Financial Condition

($ in thousands)		**6/30/2005 *(Unaudited)***		12/31/2004 *(Audited)*
ASSETS				
Cash & Amounts Due from Depository Institutions	**$**	**2,162**	$	1,613
Interest-Bearing Deposits from Other Banks		**5,244**		3,761
Federal Funds Sold		**2,930**		1,650
Total Cash and Cash Equivalents		**10,336**		7,024
Securities Available-for-Sale, at Fair Value		**84,406**		94,557
Loans, Net		**87,903**		92,158
Accrued Interest Receivable		**753**		596
Premises & Equipment, Net		**2,543**		2,508
Stock in Federal Home Loan Bank, at Cost		**2,484**		2,445
Foreclosed Assets		**159**		-
Real Estate Held-for-Investment, Net		**485**		493
Other Assets		**334**		285
Total Assets	**$**	**189,403**	$	200,066
LIABILITIES				
Deposits				
Interest-Bearing Deposits	**$**	**122,772**	$	129,758
Noninterest-Bearing Deposits		**1,088**		965
Total Deposits		**123,860**		130,723
FHLB Advances		**35,817**		39,689
Other Liabilities		**901**		710
Total Liabilities		**160,578**		171,122
STOCKHOLDERS' EQUITY				
Preferred Stock - $.01 Par Value	**$**	**-**	$	-
Authorized - 5,000,000 shares				
Issued - 0 shares				
Common Stock - $.01 Par Value		**34**		34
Authorized - 20,000,000 shares				
Issued - 3,438,500 shares				
Additional Paid-in Capital		**34,538**		34,425
Unearned ESOP Stock		**(380)**		(521)
Unearned RRP Trust Stock		**(861)**		(865)
Treasury Stock (2,154,469 Shares at June 30, 2005 and 2,150,720 Shares at December 31, 2004)		**(32,193)**		(32,119)
Retained Earnings		**28,216**		28,286
Accumulated Other Comprehensive Loss		**(529)**		(296)
Total Stockholders' Equity		**28,825**		28,944
Total Liabilities & Stockholders' Equity	**$**	**189,403**	$	200,066

The accompanying notes are an integral part of these financial statements.

GS Financial Corp.
Consolidated Statements of Income
(Unaudited)

($ in thousands, except per share data)	For the Three Months Ended June 30, **2005**	For the Three Months Ended June 30, 2004	For the Six Months Ended June 30, **2005**	For the Six Months Ended June 30, 2004
INTEREST AND DIVIDEND INCOME				
Loans, Including Fees	**$ 1,685**	$ 1,640	**$ 3,523**	$ 3,203
Investment Securities	**891**	1,067	**1,615**	2,176
Other Interest Income	**71**	10	**172**	21
Total Interest and Dividend Income	**2,647**	2,717	**5,310**	5,400
INTEREST EXPENSE				
Deposits	**738**	824	**1,453**	1,672
Advances from Federal Home Loan Bank	**482**	554	**990**	1,134
Interest Expense	**1,220**	1,378	**2,443**	2,806
NET INTEREST INCOME	**1,427**	1,339	**2,867**	2,594
PROVISION FOR LOAN LOSSES	**-**	19	**-**	33
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**1,427**	1,320	**2,867**	2,561
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	**662**	643	**1,732**	1,324
Occupancy Expense	**109**	107	**216**	208
Other Expenses	**300**	370	**640**	731
Total Non-Interest Expense	**1,071**	1,120	**2,588**	2,263
NET INCOME BEFORE NON-INTEREST INCOME AND INCOME TAXES	**356**	200	**279**	298
NON-INTEREST (LOSS) INCOME				
Net (Loss) on Available-for-Sale Securities	**-**	(143)	**(18)**	(143)
Other Income	**24**	26	**50**	47
Total Non-Interest (Loss) Income	**24**	(117)	**32**	(96)
INCOME BEFORE INCOME TAXES	**380**	83	**311**	202
INCOME TAX (BENEFIT) EXPENSE	**109**	(11)	**139**	(3)
NET INCOME	**$ 271**	$ 94	**$ 172**	$ 205
EARNINGS PER SHARE				
Basic	**$ 0.23**	$ 0.08	**$ 0.14**	$ 0.18
Diluted	**$ 0.23**	$ 0.08	**$ 0.14**	$ 0.17

The accompanying notes are an integral part of these financial statements.

GS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

($ in thousands)	Common Stock	Additional Paid-in Capital	Treasury Stock	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances At December 31, 2003	$ 34	$ 34,231	$ (31,804)	$ (802)	$ (1,059)	$ 28,553	$ 155	$ 29,308
Comprehensive Income:								
Net Income	-	-	-	-	-	205	-	205
Other Comprehensive Income								
Unrealized net holding gains on securities, net of taxes	-	-	-	-	-	-	(1,054)	(1,054)
Total Comprehensive Income	-	-	-	-	-	205	(1,054)	(849)
Distribution of RRP Stock	-	(5)	-	-	20	-	-	15
ESOP Compensation Earned	-	135	-	141	-	-	-	276
Purchase of Treasury Stock	-	-	(121)	-	-	-	-	(121)
Dividends Declared	-	-	-	-	-	(235)	-	(235)
Balances at June 30, 2004	**$ 34**	**$ 34,361**	**$ (31,925)**	**$ (661)**	**$ (1,039)**	**$ 28,523**	**$ (899)**	**$ 28,394**
Balances At December 31, 2004	$ 34	$ 34,425	$ (32,119)	$ (521)	$ (865)	$ 28,286	$ (296)	$ 28,944
Comprehensive Income:								
Net Income	-	-	-	-	-	172	-	172
Other Comprehensive Income								
Unrealized net holding gains on securities, net of taxes	-	-	-	-	-	-	(233)	(233)
Total Comprehensive Income	-	-	-	-	-	172	(233)	(61)
Distribution of RRP Stock	-	1	-	-	4	-	-	5
ESOP Compensation Earned		112	-	141	-	-	-	253
Purchase of Treasury Stock	-	-	(74)	-	-	-	-	(74)
Dividends Declared	-	-	-	-	-	(242)	-	(242)
Balances at June 30, 2005	**$ 34**	**$ 34,538**	**$ (32,193)**	**$ (380)**	**$ (861)**	**$ 28,216**	**$ (529)**	**$ 28,825**

The accompanying notes are an integral part of these financial statements.

GS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	*Six Months Ended June 30,* **2005**	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	**$ 172**	$ 205
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	**77**	71
Discount Accretion Net of Premium Amortization	**(32)**	(39)
Provision for Loan Losses	**-**	33
Non-Cash Dividend - FHLB Stock	**(39)**	(19)
Net Loan Fees	**1**	-
Mutual Fund Dividends Reinvested	**(143)**	(716)
ESOP Shares Expense	**253**	276
RRP Expense	**57**	48
Loss on Disposal and Write-down of Property and Equipment	**4**	-
Loss on Sale of Investments	**18**	143
Deferred Income Tax Provision (Benefit)	**112**	(65)
Changes in Operating Assets and Liabilities		
Increase in Accrued Interest Receivable	**(157)**	(68)
Decrease in Prepaid Income Taxes	**(16)**	(11)
Increase in Other Assets	**(23)**	(67)
Decrease in Accrued Interest - FHLB Advances	**(19)**	(178)
Decrease in Accrued Income Tax	**(65)**	-
Increase in Other Liabilities	**269**	487
Net Cash Provided by Operating Activities	**468**	100
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities of Investment Securities	**2,804**	6,786
Proceeds from Sales of Investment Securities	**19,331**	-
Purchases of Investment Securities	**(12,077)**	(11,941)
Investment in Mutual Funds, Net	**(104)**	13,247
Loan Originations and Principal Collections, Net	**4,099**	(10,084)
Capitalized REO Expenses	**(4)**	(21)
Purchases of Premises and Equipment	**(109)**	(7)
Proceeds from Disposal of Property and Equipment	**1**	-
Proceeds from Sale of FHLB Stock	**-**	327
Net Cash Provided by (Used in) Investing Activities	**13,941**	(1,693)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of Treasury Stock	**(74)**	(121)
Decrease in Advances from Federal Home Loan Bank	**(3,872)**	(3,671)
Payment of Cash Stock Dividends	**(242)**	(235)
Decrease in Deposits	**(6,863)**	(334)
Decrease in Deposits for Escrows	**(46)**	(33)
Net Cash Used In Financing Activities	**(11,097)**	(4,394)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,312**	(5,987)
CASH AND CASH EQUIVALENTS - Beginning of Period	**7,024**	11,371
CASH AND CASH EQUIVALENTS - End of Period	**$ 10,336**	$ 5,384
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Period For:		
Interest Expense	**2,424**	2,984
Income Taxes	**109**	73
Loans Transferred to Foreclosed Real Estate During the Period	**155**	344
Market Value Adjustments for Gain on Securities Available-for-Sale	**-**	(1,597)

The accompanying notes are an integral part of these financial statements.

GS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The consolidated financial statements include the accounts of GS Financial Corp. (the "Company") and its subsidiary, Guaranty Savings and Homestead Association (the "Association"). All significant intercompany balances and transactions have been eliminated. Certain financial information for prior periods has been reclassified to conform with the current presentation.

In preparing the consolidated financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial condition, results of operations, changes in stockholders' equity and cash flows for the interim periods presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

Pursuant to rules and regulations of the Securities and Exchange Commission, certain financial information and disclosures have been condensed or omitted in preparing the consolidated financial statements presented in this quarterly report on Form 10-Q. The results of operations for the three and six month periods ended June 30, 2005 are not necessarily indicative of the results to be expected for the year ending December 31, 2005. These unaudited financial statements should be read in conjunction with the Company's 2004 annual report on Form 10-K.

NOTE 2 – EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares outstanding as prescribed in Statement of Financial Accounting Standard ("SFAS") 128. The components used in this computation were as follows:

	Three Months Ended June 30		*Six Months Ended June 30*	
($ in thousands, except per share data)	**2005**	2004	**2005**	2004
Numerator:				
Net Income	**$ 271**	$ 94	**$ 172**	$ 205
Effect of Dilutive Securities	**-**	-	**-**	-
Numerator for Diluted Earnings Per Share	**$ 271**	$ 94	**$ 172**	$ 205
Denominator				
Weighted-Average Shares Outstanding	**1,181,065**	1,156,784	**1,181,834**	1,158,428
Effect of Potentially Dilutive Securities and Contingently Issuable Shares	**12,353**	27,736	**15,802**	28,790
Denominator for Diluted Earnings Per Share	**1,193,417**	1,184,520	**1,197,636**	1,187,219
Earnings Per Share				
Basic	**$ 0.23**	$ 0.08	**$ 0.14**	$ 0.18
Diluted	**0.23**	0.08	**0.14**	0.17
Cash Dividends Per Share	**$ 0.10**	$ 0.10	**$ 0.20**	$ 0.20

NOTE 3 – EMPLOYEE STOCK OWNERSHIP PLAN

The GS Financial Employee Stock Ownership Plan ("ESOP") purchased 275,080 shares of the Company's common stock on April 1, 1997 financed by a loan from the Company. The loan is secured by those shares not yet allocated to plan participants. At June 30, 2005, there were 52,054 unallocated shares and the balance of the loan was $519,000. The Association bears the cost of the ESOP as compensation expense, which is based on the principal and interest payments on the corresponding debt as well as the market value of the stock. Compensation expense related to the ESOP was $112,000 and $225,000 for the three and six month periods ended June 30, 2005, respectively, compared to $125,000 and $250,000 for the same time periods ended June 30, 2004.

NOTE 4 – STOCK OPTION PLAN

On October 15, 1997, the stockholders approved the adoption of the GS Financial Corp. 1997 Stock Option Plan for the benefit of directors, officers and other key employees. Under this plan, 343,850 shares of common stock have been reserved for issuance pursuant to the exercise of stock options, of which 275,076 shares have become fully vested and exerciseable. To date no options have been exercised.

The Company accounts for the plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Under this Opinion, the Company recognizes no compensation expense with respect to fixed awards of stock options. All options granted under the plan have an exercise price equal to the market value of the underlying common stock on the date of the grant. As such, the options have no intrinsic value on the award date, which is also the measurement date for compensation expense.

SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, established a fair value-based method of accounting for stock-based compensation. As provided for in SFAS No. 123, the Company has elected to continue to follow APB Opinion No. 25 and related interpretations to measure and recognize stock-based compensation expense. Because all of the options that have been granted have vested prior to 2004, net income and earnings per share for the three and six month periods ended June 30, 2005 and 2004 would not have been affected if the Company had applied the fair value recognition provisions of SFAS No. 123, to measure and recognize stock based compensation expense.

NOTE 5 – RECOGNITION AND RETENTION PLAN

On October 15, 1997 the Company established the Recognition and Retention Plan and Trust ("RRP") as an incentive to retain personnel of experience and ability in key positions. Stockholders approved a total of 137,540 shares of stock to be granted pursuant to the RRP. The Company acquired a total of 137,500 shares of common stock for issuance under the RRP. The Company is accruing this expense over the ten-year vesting period based on the price of the stock ($12.50/share) when the plan was modified in September, 1998. As of June 30, 2005 of the 125,028 shares awarded, 6,627 shares have been forfeited due to termination of employment or service as a director and 89,697 had been earned and issued. Compensation expense related to the RRP was $24,000 and $33,000 for the three and six month periods ended June 30, 2005, respectively, compared to $10,000 and $48,000 for the same time periods ended June 30, 2004.

GS FINANCIAL CORP.
SELECTED CONSOLIDATED FINANCIAL DATA
(Unaudited)

	Three Months Ended			Six Months Ended	
($ in thousands, except per share data)	**June 30, 2005**	March 31, 2005	June 30, 2004	**June 30, 2005**	June 30, 2004
SUMMARY OF INCOME					
Interest Income	**$ 2,647**	$ 2,663	$ 2,717	**$ 5,310**	$ 5,400
Interest Expense	**1,220**	1,223	1,378	**2,443**	2,806
Net Interest Income	**1,427**	1,440	1,339	**2,867**	2,594
Provision for Loan Losses	**-**	-	19	**-**	33
Net Interest Income After Provision for Loan Losses	**1,427**	1,440	1,320	**2,867**	2,561
Non-Interest (Loss) Income	**24**	8	(117)	**32**	(96)
Non-Interest Expense	**1,071**	1,517	1,120	**2,588**	2,263
Net (Loss) Income Before Taxes	**380**	(69)	83	**311**	202
Income Tax (Benefit) Expense	**109**	30	(11)	**139**	(3)
Net Income (Loss)	**271**	(99)	94	**172**	205
SELECTED BALANCE SHEET DATA					
Total Assets	**$ 189,403**	$ 191,013	$ 209,496		
Loans Receivable, Net	**87,903**	89,753	87,074		
Investment Securities	**84,406**	85,546	110,194		
Deposit Accounts	**123,860**	123,672	141,774		
Borrowings	**35,817**	37,762	38,464		
Stockholders' Equity	**28,825**	28,468	28,394		
SELECTED AVERAGE BALANCES					
Total Assets	**$ 189,725**	$ 194,939	$ 216,234	**$ 192,229**	$ 216,789
Loans Receivable, Net	**89,617**	91,676	86,929	**90,641**	84,283
Investment Securities	**85,190**	82,594	116,340	**83,899**	118,222
Deposit Accounts	**123,189**	126,587	143,367	**124,898**	143,116
Borrowings	**36,504**	38,442	39,122	**37,468**	40,045
Equity	**28,980**	29,010	30,496	**28,890**	29,932
KEY RATIOS					
Return on average assets	**0.57%**	(0.20)%	0.17%	**0.18%**	0.19%
Return on average shareholders' equity	**3.74%**	(1.37)%	1.23%	**1.19%**	1.37%
Net Interest Margin	**3.09%**	3.03%	2.55%	**3.06%**	2.47%
Average loans to average deposits	**72.75%**	72.42%	60.63%	**72.57%**	58.89%
Average Interest-earning assets to interest-bearing liabilities	**116.36%**	115.68%	115.62%	**116.02%**	115.10%
Efficiency ratio	**73.81%**	104.77%	91.65%	**89.27%**	90.59%
Non-interest expense to average assets	**2.26%**	3.11%	2.07%	**2.69%**	2.09%
Allowance for loan losses to total loans	**1.04%**	1.01%	0.70%		
Stockholders' equity to total assets	**15.22%**	14.90%	13.55%		
COMMON SHARE DATA					
Earnings (Loss) Per Share					
Basic	**$ 0.23**	$ (0.09)	$ 0.08	**$ 0.14**	$ 0.18
Diluted	**0.23**	(0.08)	0.08	**0.14**	0.17
Dividends Paid Per Share	**0.10**	0.10	0.10	**0.20**	0.20
Book Value Per Share	**22.45**	22.16	21.87		
Average Shares Outstanding					
Basic	**1,181,065**	1,182,616	1,156,784	**1,181,834**	1,158,428
Diluted	**1,193,417**	1,201,867	1,184,520	**1,210,624**	1,174,230

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide information necessary to gain an understanding of the financial condition, changes in financial condition and results of operations of GS Financial Corp. ("GS Financial" or the "Company"), and its subsidiary during the first and second quarters of 2005 and 2004. Virtually all of the Company's operations are dependent on the operations of its subsidiary, Guaranty Savings and Homestead Association ("Guaranty" or the "Association"). This discussion is presented to highlight and supplement information presented elsewhere in this quarterly report on Form 10-Q, particularly the consolidated financial statements and related notes in Item 1. This discussion and analysis should be read in conjunction with accompanying tables and the Company's 2004 annual report on Form 10-K.

FORWARD-LOOKING STATEMENTS

In addition to the historical information, this discussion includes certain forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. Such statements include, but may not be limited to comments regarding (a) the potential for earnings volatility from changes in the estimated allowance for loan losses over time, (b) the expected growth rate of the loan portfolio, (c) future changes in the mix of deposits, (d) the results of net interest income simulations run by the Company to measure interest rate sensitivity, (d) the performance of Guaranty's net interest income and net interest margin assuming certain future conditions, and (f) changes or trends in certain expense levels.

Forward-looking statements are based on numerous assumptions, certain of which may be referred to specifically in connection with a particular statement. Some of the more important assumptions include:

- expectations about overall economic strength and the performance of the economies in Guaranty's market area,
- expectations about the movement of interest rates, including actions that may be taken by the Federal Reserve Board in response to changing economic conditions,
- reliance on existing or anticipated changes in laws or regulations affecting the activities of the banking industry and other financial service providers, and
- expectations regarding the nature and level of competition, changes in customer behavior and preferences, and Guaranty's ability to execute its plans to respond effectively.

Because it is uncertain whether future conditions and events will confirm these assumptions, there is a risk that the Company's future results will differ materially from what is stated or implied by such forward-looking statements. The Company cautions the reader to consider this risk.

The Company undertakes no obligation to update any forward-looking statement included in this quarterly report, whether as a result of new information, future events or developments, or for any other reason.

FINANCIAL CONDITION

LOANS AND ALLOWANCE FOR LOAN LOSSES

Total loans decreased $4.3 million, or 4.9%, from year-end 2004 to the end of the second quarter of 2005. Average loans for the second quarter of 2005 were $89.6 million, up $2.7 million (3.1%) compared to the second quarter of 2004. Year-to-date average loans at June 30, 2005 totaled $90.6 million, up $6.4 million (7.5%) from the same time period in 2004. Table 1, which is based on regulatory reporting codes, shows loan balances at June 30, 2005 and at the end of the four prior quarters and average loans outstanding during each quarter.

TABLE 1. COMPOSITION OF LOAN PORTFOLIO

	2005	***2004***			
($ in thousands)	**June 30**	March 31	December 31	September 30	June 30
Real estate loans - residential	**$ 39,266**	$ 41,666	$ 45,007	$ 45,963	$ 44,896
Real estate loans - commercial and other	**32,926**	32,722	36,143	33,769	34,293
Real estate loans - construction	**13,836**	13,441	8,233	6,292	5,590
Consumer loans	**646**	535	629	598	538
Commercial business loans	**2,142**	2,302	3,058	2,983	2,359
Total Loans	**$ 88,816**	$ 90,666	$ 93,070	$ 89,605	$ 87,676
Average Loans During Period	**$ 89,617**	$ 91,676	$ 92,198	$ 87,975	$ 86,929

Over the past several years the Company has been able to develop significant new business in the growing commercial lending market including loans secured by commercial real estate and multi-family residential property. At December 31, 2004, these loans made up approximately 39% of the entire loan portfolio. During the last quarter of 2004 and extending into 2005, management performed a review of the Company's underwriting practices in this area. This review was initiated as a result of concerns over the portion of the portfolio that was delinquent more than 90 days and the number of relatively large loan account balances outstanding with certain individual borrowers. As a result of its review, the Company updated and strengthened its commercial loan policies and procedures. While this review was being performed, the number of commercial loan originations decreased, resulting in a reduction of $3.2 million, or 8.9%, in outstanding balances at June 30, 2005, compared to year-end 2004 and a reduction of $1.4 million, or 4.0%, from the end of the June 30, 2004 quarter. The Company plans to continue to originate commercial real estate loans in accordance with its updated policies and underwriting standards.

All loans carry a degree of credit risk. Management's evaluation of this risk ultimately is reflected in the estimate of probable loan losses that is reported in the Company's financial statements as the allowance for loan losses. Changes in this ongoing evaluation over time are reflected in the provision for loan losses charged to operating expense. At June 30, 2005 the allowance for loan losses was $920,000, or 1.04%, of total loans. Table 2 presents an analysis of the activity in the allowance for loan losses for the past five quarters.

TABLE 2. SUMMARY OF ACTIVITY IN THE ALLOWANCE FOR LOAN LOSSES

	2005		*2004*		
($ in thousands)	**Second Quarter**	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Beginning Balance	**$ 920**	$ 920	$ 610	$ 610	$ 594
Provision for Losses	**-**	-	310	-	19
Loans Charged Off	**-**	-	-	-	(3)
Recoveries of loans previously charged off	**-**	-	-	-	-
Ending Balance	**$ 920**	$ 920	$ 920	$ 610	$ 610
Ratios					
Charge-offs to average loans	**0.00%**	0.00%	0.00%	0.00%	0.00%
Provision for loan losses to charge-offs	**n/a**	n/a	n/a	n/a	633.33%
Allowance for loan losses to charge-offs *(annualized)*	**n/a**	n/a	n/a	n/a	5,083.33%
Allowance for loan losses to ending loans	**1.04%**	1.01%	0.99%	0.68%	0.70%

Tables 3 and 4 set forth the Company's delinquent loans and nonperforming assets at June 30, 2005 and at the end of the preceding four quarters. The balances presented in Table 3 are total principal balances outstanding on the loans rather than the actual principal past due. Nonperforming assets consist of loans on non-accrual status and foreclosed assets. There were no loans 90 days delinquent and still accruing interest at the end of any of the five quarters presented.

TABLE 3. DELINQUENT LOANS

	2005		*2004*		
($ in thousands)	**June 30**	March 31	December 31	September 30	June 30
30-89 Days	**$ 5,205**	$ 3,945	$ 8,106	$ 5,588	$ 6,255
90+ Days	**559**	922	894	2,207	759
Total	**$ 5,764**	$ 4,867	$ 9,000	$ 7,795	$ 7,014
Ratios					
Loans delinquent 90 days to total loans	**0.63%**	1.02%	0.96%	2.46%	0.87%
Total delinquent loans to total loans	**6.49%**	5.37%	9.67%	8.70%	8.00%
Allowance for loan losses to 90 day delinquent loans	**164.58%**	99.78%	102.91%	27.64%	80.37%
Allowance for loan losses to total delinquent loans	**15.96%**	18.90%	10.22%	7.83%	8.70%

TABLE 4. NONPERFORMING ASSETS

	2005		*2004*		
($ in thousands)	**June 30**	March 31	December 31	September 30	June 30
Loans accounted for on a nonaccrual basis	**$ 559**	$ 922	$ 894	$ 2,207	$ 759
Foreclosed assets	**159**	-	-	-	417
Total nonperforming assets	**$ 718**	$ 922	$ 894	$ 2,207	$ 1,176
Ratios					
Nonperforming assets to loans plus foreclosed assets	**0.81%**	1.02%	0.96%	2.46%	1.33%
Nonperforming assets to total assets	**0.38%**	0.48%	0.45%	1.07%	0.56%
Allowance for loan losses to nonperforming assets	**128.13%**	99.78%	102.91%	27.64%	51.87%

INVESTMENT IN SECURITIES

At June 30, 2005, the Company's total securities available-for-sale were $84.4 million, compared to $94.6 million at December 31, 2004 and $110.2 million at June 30, 2004. Mutual fund investments made up 58.7% of the portfolio at June 30, 2005, compared to 52.5% at year-end 2004 and 47.6% at June 30, 2004. At June 30, 2005, collateralized mortgage obligations made up 34.6% of the portfolio, compared to 25.9% at December 31, 2004 and 34.2% at June 30, 2004. During the six month period ended June 30, 2005, the Company sold its entire $19.3 million portfolio of FHLMC stock at a loss of approximately $18,000. Such sale was undertaken as part of the Company's plans to restructure its portfolio by investing in securities that provide monthly cash flow and regular opportunities for reinvestment. Table 5 shows the composition of the Company's investment portfolio at June 30, 2005, December 31, 2004, and June 30, 2004.

Management expects the investment portfolio mix to shift further toward securities that are backed by mortgage assets and that produce monthly cash flow in the form of interest and principal repayments. Proceeds from interest, dividends and principal repayments that are not needed to fund new loan commitments will likely be reinvested in collateralized mortgage obligations and pass-through mortgage backed obligations. The timing of this reallocation will depend on a number of factors, including the change in market price of the Company's mutual fund investments and the prevailing yields available on other securities.

At June 30, 2005, the net unrealized losses on the Company's entire securities portfolio was $801,000 or .94% of amortized cost, compared to net unrealized losses of $447,000, or .47% of amortized cost at December 31, 2004. These losses consist primarily on the Company's mutual fund investments. Management believes that these losses are temporary in nature and will reverse themselves when interest rates become more favorable for those types of investments.

TABLE 5. COMPOSITION OF INVESTMENT PORTFOLIO

	June 30, 2005		December 31, 2004		June 30, 2004	
($ in thousands)	**Amortized Cost**	**Market Value**	Amortized Cost	Market Value	Amortized Cost	Market Value
U.S. Treasury Securities	**$ 500**	**$ 517**	$ 800	$ 832	$ 800	$ 853
U.S. Agency Securities	**4,988**	**5,043**	-	-	-	-
Mortgage Backed Securities	**124**	**133**	223	238	253	277
Collateralized Mortgage Obligations	**29,056**	**29,164**	24,340	24,481	37,500	37,633
Mutual funds	**50,539**	**49,549**	50,292	49,657	53,156	52,444
FHLMC Stock	**-**	**-**	19,349	19,349	19,846	18,987
Total Investments	**$ 85,207**	**$ 84,406**	$ 95,004	$ 94,557	$ 111,555	$ 110,194

DEPOSITS

Deposit pricing strategies implemented during the second quarter of 2004 because of excess liquidity levels caused a decline of customer deposit accounts. At June 30, 2005, deposits were 5.3%, or $6.9 million, below the level at December 31, 2004 and $17.9 million, or 12.6% below the level at the end of the second quarter of the previous year. Average deposits totaled $123.2 million in the second quarter of 2005, a $3.4 million (2.7%) decrease from the first quarter of 2005 and a $20.2 million (14.1%) decrease from the second quarter of 2004.

Table 6 presents the composition of average deposits for the quarters ended June 30, 2005, March 31, 2005 and June 30, 2004.

TABLE 6. DEPOSIT COMPOSITION

($ in thousands)	***Second Quarter 2005*** Average Balances	% of Deposits	*First Quarter 2005* Average Balances	% of Deposits	*Second Quarter 2004* Average Balances	% of Deposits
Noninterest bearing demand deposits	**$ 799**	**0.6%**	$ 912	0.7%	$ 799	0.6%
NOW account deposits	**7,738**	**6.3**	8,627	6.8	9,140	6.4
Savings deposits	**30,648**	**24.9**	32,330	25.5	34,475	24.0
Time deposits	**84,004**	**68.2**	84,718	67.0	98,953	69.0
Total	**$ 123,189**	**100.0%**	$ 126,587	100.0%	$ 143,367	100.0%

BORROWINGS

At June 30, 2005, the Company's borrowings from the Federal Home Loan Bank decreased $3.9 million, or 9.8%, from December 31, 2004 and $2.6 million, or 6.9%, from June 30, 2004. Average advances for the second quarter of 2005 were $36.5 million, a decrease of $1.9 million, or 5.0%, from the first quarter of 2005 and a decrease of $2.6 million, or 6.7%, from the prior year's second quarter. The decreases were due to regularly scheduled principal payments that were not fully offset by new borrowings because of the Company's current liquidity position. These balances should reduce further throughout the remainder of the year as there are $7.6 million in scheduled principal payments for the last six months of 2005.

STOCKHOLDERS' EQUITY AND CAPITAL ADEQUACY

At June 30, 2005, stockholders' equity totaled $28.8 million, a decrease of $119,000 from December 31, 2004. This decrease was due to dividends of $242,000, $233,000 in unrealized losses on investment securities available-for-sale, net of related deferred income taxes and treasury stock purchases of $74,000. The decreases were partially offset by net income of $172,000 and capitalized stock based compensation costs of $258,000.

Since 1998, the Company has been regularly repurchasing shares of its common stock when shares have been available at prices and amounts deemed prudent by management. Due to the highly capitalized condition of the Company, management believed in the past that these purchases, most of which were at a discount to book value, were an effective way to reduce capital while still enhancing shareholder value. These shares have not been retired and could potentially serve as a source of capital funding should the need arise in the future. Table 7 summarizes the repurchase of the shares of its common stock by year.

TABLE 7. SUMMARY OF STOCK REPURCHASES

Year Ended December 31,	Shares	Cost ($000)	Average Price Per Share
1998	491,054	$ 8,325	$ 16.95
1999	299,000	3,653	12.22
2000	679,600	8,590	12.64
2001	305,684	4,612	15.09
2002	142,201	2,516	17.69
2003	216,181	4,108	19.00
2004	16,842	315	18.70
Quarter Ended June 30, 2005	3,907	74	18.94
Total Stock Repurchases	2,154,469	$ 32,193	$ 14.94

The ratios in Table 8 indicate that the Association remained well capitalized at June 30, 2005. Reductions in the Association's loans and investment portfolios caused a decrease in risk-weighted assets of $20.4 million since year-end 2004. The regulatory capital ratios of Guaranty Savings and Homestead Association exceed the minimum required ratios, and the Association has been categorized as "well-capitalized" in the most recent notice received from its primary regulatory agency.

TABLE 8. CAPITAL AND RISK BASED CAPITAL RATIOS

	2005	2004	
($ in thousands)	**June 30**	December 31	June 30
Tier 1 regulatory capital	**$ 27,371**	$ 26,631	$ 25,624
Tier 2 regulatory capital	**500**	920	610
Total regulatory capital	**$ 27,871**	$ 27,551	$ 26,234
Adjusted total assets	**$ 188,914**	$ 198,389	$ 207,556
Risk-weighted assets	**$ 78,007**	$ 98,417	$ 97,253
Ratios			
Tier 1 capital to total assets	**14.49%**	13.42%	12.35%
Tier 1 capital to risk-weighted assets	**35.09%**	27.06%	26.35%
Total capital to risk-weighted assets	**35.73%**	27.99%	26.98%
Shareholders' equity to total assets	**15.22%**	14.47%	13.55%

LIQUIDITY AND CAPITAL RESOURCES

The objective of liquidity management is to ensure that funds are available to meet cash flow requirements of depositors and borrowers, while at the same time meeting the operating, capital and strategic cash flow needs of the Company and the Association, all in the most cost-effective manner. The Company develops its liquidity management strategies and measures and monitors liquidity risk as part of its overall asset/liability management process, making use of the quantitative modeling tools to project cash flows under a variety of possible scenarios.

On the liability side, liquidity management focuses on growing the base of more stable core deposits at competitive rates, while at the same time ensuring access to economical wholesale funding sources. The sections above on Deposits and Borrowings discuss changes in these liability-funding sources in the first three and six months of 2005.

Liquidity management on the asset side primarily addresses the composition and maturity structure of the loan and investment securities portfolios and their impact on the Company’s ability to generate cash flows from scheduled payments, contractual maturities and prepayments, their use as collateral for borrowings and possible sales on the secondary market.

Cash generated from operations is another important source of funds to meet liquidity needs. The consolidated statements of cash flows present operating cash flows and summarize all significant sources and uses of funds for the first six months of 2005 and 2004. While the Company reported net income of only $172,000 for the six months ended June 30, 2005, there was a net cash increase of $468,000 from operations. Certain adjustments are made to net income to reach the level of cash provided by operating activities. Some of these adjustments include non-cash expenses (depreciation, employee compensation made in the form of stock, and deferred tax provisions) and revenues (mutual fund dividends reinvested in principal, accretion of discounts, and dividends received in the form of stock).

In addition, management monitors its liquidity position by tracking certain financial data. Table 9 illustrates some of the factors that the Company uses to measure liquidity. After a period of increasing levels, the Company’s liquidity position has declined during the first six months of 2005, primarily reflecting increases in lending activity and lower levels of customer deposits as discussed earlier.

TABLE 9. KEY LIQUIDITY INDICATORS

	2005	2004	
($ in thousands)	**June 30**	December 31	June 30
Cash and cash equivalents	**$ 10,336**	$ 7,024	$ 5,384
Total loans	**88,816**	93,070	87,676
Total deposits	**123,860**	130,723	141,774
Deposits $100,000 and over	**19,449**	22,067	25,396
Ratios			
Total loans to total deposits	**71.71%**	71.20%	61.85%
Deposits $100,000 and over to total deposits	**15.70%**	16.88%	17.91%

RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income for the second quarter of 2005 decreased $13,000, or .9%, from the first quarter of 2005, on a decrease of average earning assets of 2.65% between these periods. Second quarter net interest income for 2005 was up $88,000, or 6.6%, on average earning assets that were down 12.0% compared with the second quarter of 2004.

The Company has maintained a significantly asset sensitive balance sheet in the short term (3 month) horizon. As discussed in "Financial Condition – Investment Securities" an earlier section, a large portion of the investment portfolio is concentrated in mutual fund investments that reprice frequently and tend to follow trends in short term interest rates. These interest rates have risen throughout the first half and second quarters of 2005 and the Company has benefited with increased yields on these investments from the same time periods in 2004. While market interest rates have also increased on the funding side, the Company's excess liquidity position has allowed management to control interest costs and delay the occurrence of any significant margin compression.

During the second quarter of 2005, interest income from earning assets was down $16,000, or .6%, from the first quarter of 2005. This decrease was due primarily to the Company's reduced investment in loans as well as a reduction in the average yield on loans from the first quarter of 2005. The Company's average investment in loans was down $2.1 million in the second quarter of 2005 compared to the first quarter of 2005 and average yield decreased 50 basis points, accounting for a $153,000 decrease in interest income. This decrease, combined with a $30,000 reduction in interest earned on FHLB stock and federal funds sold investments, was only partially offset by an increase in income from securities of $167,000.

Second quarter interest income for 2005 was also down $70,000, or 2.6%, from the second quarter of 2004. This decrease was primarily due to the reduction in the Company's investment in FHLMC stock. During the second quarter of 2004, the Company earned $279,000 on an average investment in FHLMC stock of $21.2 million. This investment was sold in the first quarter of 2005. The income that the Company earned on all other interest-earning assets increased $209,000 in the second quarter of 2005 over the second quarter of 2004.

During the second quarter of 2005, interest expense was down $3,000, or .3%, from the first quarter of 2005 and $158,000, or 11.5%, from the second quarter of 2004. Lower average balances of all funding sources more than offset rate increases in time deposits in the second quarter of 2005 when compared to both the first quarter of 2005 and the second quarter of 2004.

The average cost on interest bearing deposits increased to 2.41% for the second quarter of 2005, from 2.28% in the first quarter of 2005 and 2.31% in the second quarter of 2004. These changes in rates contributed $36,000 and $33,000 of increases in interest expense from the first quarter of 2005 and the second quarter of 2004, respectively. While the changes in deposits, as discussed earlier, contributed decreases of $13,000 and $119,000 of interest expense from the first quarter of 2005 and the second quarter of 2004, respectively which combined with the changes in rates resulted in decreases in total expenses for the period.

Average borrowings were down $1.9 million for the second quarter of 2005 compared to the first quarter of 2005, and $2.6 million compared to the second quarter of 2004. These decreases in the average balances accounted for $26,000 and $37,000 in reduced interest expenses for each respective period.

Net interest income for the first six months of 2005 increased $273,000, or 10.5%, from the first six months of 2004 on earning assets that were $22.5 million (10.7%) lower. Table 12 shows the components of the Company's net interest margin for the first six months of 2005 and 2004. Net interest margin was 3.06% for the six months ended June 30, 2005 and 2.47% for the prior year's period. The yield on average earning assets increased 52 basis points and the total interest cost of funding earning assets decreased 5 basis points compared to the first six months of 2004.

The same factors that affected the mix and rates for earning assets and funding sources in the second quarter of 2005 were also evident for the year-to-date period. The Company's liquidation of its investment in FHLMC stock and reduced average balances in collateralized mortgage obligations and mutual fund investments contributed $837,000 to the reduction in interest income in the first six months of 2005 from the same period of 2004. These reductions were not fully offset by an increase in average loan balances and increases in yields received on loans and investments, leaving an overall reduction in interest income of $90,000in the first six months of 2005 compared to the same period in 2004.

Interest expenses were $363,000 lower for the first six months of 2005 from the first six months of 2004. The average cost of interest bearing deposits was nearly unchanged at 2.34% for the year to date in 2005 compared to 2.35% for the same period in 2004. The average cost of borrowings during the first six months was 5.28% in 2005 compared to 5.66% in 2004.

TABLE 10. SUMMARY OF AVERAGE BALANCE SHEETS, NET INTEREST INCOME AND INTEREST RATES

	Second Quarter 2005			*First Quarter 2005*			*Second Quarter 2004*		
($ in thousands)	**Average Balance**	**Interest**	**Average Yield/ Cost**	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
ASSETS									
INTEREST-EARNING ASSETS									
Loans	**$ 89,617**	**$ 1,685**	**7.52%**	$ 91,676	$ 1,838	8.02%	$ 86,929	$ 1,640	7.55%
U.S. Treasury securities	**520**	**9**	**7.02**	678	11	6.49	876	15	6.85
U.S. Agency securities	**5,022**	**64**	**5.08**	222	2	3.60	-	-	-
Mortgage-backed securities	**199**	**1**	**2.39**	232	4	6.90	281	5	7.12
Collateralized mortgage obligations	**29,815**	**390**	**5.23**	24,780	351	5.67	30,595	412	5.39
Mutual funds	**49,634**	**427**	**3.44**	49,702	356	2.87	63,354	356	2.25
FHLMC stock	**-**	**-**	**-**	6,980	-	-	21,234	279	5.26
Total investment in securities	**85,190**	**891**	**4.18**	82,594	724	3.51	116,340	1,067	3.67
FHLB stock	**2,464**	**17**	**2.74**	2,448	22	3.59	2,518	10	1.59
Federal funds sold and demand deposits	**7,617**	**54**	**2.84**	13,135	79	2.41	4,275	-	-
Total interest-earning assets	**184,888**	**2,647**	**5.73%**	189,853	2,663	5.61%	210,062	2,717	5.17%
NONINTEREST-EARNING ASSETS									
Other assets	**5,757**			6,006			6,765		
Allowance for loan losses	**(920)**			(920)			(593)		
Total assets	**$ 189,725**			$ 194,939			$ 216,234		
LIABILITIES AND SHAREHOLDERS' EQUITY									
INTEREST-BEARING LIABILITIES									
NOW account deposits	**$ 7,738**	**$ 24**	**1.22%**	$ 8,627	$ 27	1.25%	$ 9,140	$ 29	1.27%
Savings deposits	**30,648**	**95**	**1.24**	32,330	100	1.24	34,475	110	1.28
Time deposits	**84,004**	**619**	**2.95**	84,718	588	2.78	98,953	685	2.77
Total interest-bearing deposits	**122,390**	**738**	**2.41**	125,675	715	2.28	142,568	824	2.31
Borrowings	**36,504**	**482**	**5.28**	38,442	508	5.29	39,122	554	5.66
Total interest-bearing liabilities	**158,894**	**1,220**	**3.07%**	164,117	1,223	2.98%	181,690	1,378	3.03%
NONINTEREST-BEARING LIABILITIES AND SHAREHOLDERS' EQUITY									
Demand deposits	**799**			912			799		
Other liabilities	**1,052**			900			3,249		
Shareholders' equity	**28,980**			29,010			30,496		
Total liabilities and shareholders' equity	**$ 189,725**			$ 194,939			$ 216,234		
Net interest income and margin		**$ 1,427**	**3.09%**		$ 1,440	3.03%		$ 1,339	2.55%
Net interest-earning assets and spread	**$ 25,994**		**2.66%**	$ 25,736		2.63%	$ 28,372		2.14%
Cost of funding interest-earning assets			**2.64%**			2.58%			2.62%

TABLE 11. SUMMARY OF CHANGES IN NET INTEREST MARGIN

	Second Quarter 2005 Compared to:					
	First Quarter of 2005			Second Quarter of 2004		
	Due to Change in		**Total Increase**	Due to Change in		Total Increase
($ in thousands)	**Volume**	**Rate**	**(Decrease)**	Volume	Rate	(Decrease)
INTEREST INCOME						
Loans	**$ (41)**	**$ (112)**	**$ (153)**	$ 51	$ (6)	$ 45
U.S. Treasury securities	**(3)**	**1**	**(2)**	(6)	-	(6)
U.S. Agency securities	**43**	**19**	**62**	-	64	64
Mortgage-backed securities	**(1)**	**(2)**	**(3)**	(1)	-	(4)
Collateralized mortgage obligations	**71**	**(32)**	**39**	(11)	(11)	(22)
Mutual funds	**-**	**71**	**71**	(77)	148	71
FHLMC stock	**-**	**-**	**-**	(279)	-	(279)
Total investment in securities	**110**	**57**	**167**	(374)	201	(176)
FHLB stock	**-**	**(5)**	**(5)**	-	7	7
Federal funds sold and demand deposits	**(33)**	**8**	**(25)**	-	54	54
Total interest income	**36**	**(52)**	**(16)**	(323)	256	(70)
INTEREST EXPENSE						
NOW account deposits	**$ (3)**	**$ -**	**$ (3)**	$ (4)	$ (1)	$ (5)
Savings deposits	**(5)**	**-**	**(5)**	(12)	(3)	(15)
Time deposits	**(5)**	**36**	**31**	(103)	37	(66)
Total interest-bearing deposits	**(13)**	**36**	**23**	(119)	33	(86)
Borrowings	**(26)**	**-**	**(26)**	(37)	(35)	(72)
Total interest expense	**(39)**	**36**	**(3)**	(156)	(2)	(158)
Change in net interest income	**75**	**(88)**	**(13)**	(167)	258	88

TABLE 12. SUMMARY OF AVERAGE BALANCE SHEETS, NET INTEREST INCOME AND INTEREST RATES

($ in thousands)	**Six Months Ended June 30, 2005** Average Balance	Interest	Average Yield/ Cost	**Six Months Ended June 30, 2004** Average Balance	Interest	Average Yield/ Cost
ASSETS						
INTEREST-EARNING ASSETS						
Loans	**$ 90,641**	**$ 3,523**	**7.77%**	$ 84,283	$ 3,203	7.60%
U.S. Treasury securities	**599**	**20**	**6.72**	879	29	6.60
U.S. Agency securities	**2,635**	**66**	**5.00**	-	-	-
Mortgage-backed securities	**215**	**5**	**4.83**	306	11	7.19
Collateralized mortgage obligations	**27,311**	**741**	**5.43**	31,246	846	5.42
Mutual funds	**49,668**	**783**	**3.15**	65,035	733	2.25
FHLMC stock	**3,471**	**-**	**-**	20,756	557	5.37
Total investment in securities	**83,899**	**1,615**	**3.85**	118,222	2,176	3.68
FHLB stock	**2,456**	**39**	**3.17**	2,625	20	1.52
Federal funds sold and demand deposits	**10,361**	**133**	**2.57**	4,774	1	0.04
Total interest-earning assets	**187,357**	**5,310**	**5.67%**	209,904	5,400	5.15%
NONINTEREST-EARNING ASSETS						
Other assets	**5,792**			7,482		
Allowance for loan losses	**(920)**			(597)		
Total assets	**$ 192,229**			$ 216,789		
LIABILITIES AND SHAREHOLDERS' EQUITY						
INTEREST-BEARING LIABILITIES						
NOW account deposits	**$ 8,180**	**$ 51**	**1.24%**	$ 9,256	$ 64	1.38%
Savings deposits	**31,484**	**195**	**1.24**	34,664	240	1.38
Time deposits	**84,359**	**1,207**	**2.86**	98,400	1,368	2.78
Total interest-bearing deposits	**124,023**	**1,453**	**2.34**	142,320	1,672	2.35
Borrowings	**37,468**	**990**	**5.28**	40,045	1,134	5.66
Total interest-bearing liabilities	**161,491**	**2,443**	**3.03%**	182,365	2,806	3.08%
NONINTEREST-BEARING LIABILITIES AND SHAREHOLDERS' EQUITY						
Demand deposits	**875**			796		
Other liabilities	**973**			3,696		
Shareholders' equity	**28,890**			29,932		
Total liabilities and shareholders' equity	**$ 192,229**			$ 216,789		
Net interest income and margin		**$ 2,867**	**3.06%**		$ 2,594	2.47%
Net interest-earning assets and spread	**$ 25,866**		**2.64%**	$ 27,539		2.07%
Cost of funding interest-earning assets			**2.61%**			2.67%

TABLE 13. SUMMARY OF CHANGES IN NET INTEREST MARGIN

	First Six Months 2005 Compared to: First Six Months of 2004		
	Due to Change in		Total Increase
($ in thousands)	Volume	Rate	(Decrease)
INTEREST INCOME			
Loans	$ 242	$ 78	$ 320
U.S. Treasury securities	(9)	-	(9)
U.S. Agency securities	-	66	66
Mortgage-backed securities	(3)	(3)	(6)
Collateralized mortgage obligations	(107)	2	(105)
Mutual funds	(173)	223	50
FHLMC stock	(557)	-	(557)
Total investment in securities	(849)	288	(561)
FHLB stock	(1)	20	19
Federal funds sold and demand deposits	1	131	132
Total interest income	(607)	517	(90)
INTEREST EXPENSE			
NOW account deposits	$ (7)	$ -	$ (13)
Savings deposits	(22)	(23)	(45)
Time deposits	(195)	34	(161)
Total interest-bearing deposits	(224)	11	(219)
Borrowings	(73)	(71)	(144)
Total interest expense	(297)	(60)	(363)
Change in net interest income	(310)	577	273

PROVISION FOR LOAN LOSSES

The Company made no provision for losses in the first or second quarter of 2005, compared to $19,000 in the second quarter of 2004. There were no charge-offs in the first or second quarter of 2005. Net charge-offs totaled $3,000 in the second quarter of 2004.

For a more detailed discussion of changes in the allowance for loan losses, nonperforming assets and general credit quality, see the earlier section on Loans and Allowance for Loan Losses. The future level of the allowance for loan losses will reflect management's ongoing evaluation of credit risk, based on established internal policies and practices.

NON-INTEREST INCOME

Non-interest income increased $141,000 for the second quarter of 2005 compared to the same time period in 2005 and increased $128,000 for the first six months of 2005 compared to the first six months of 2004. Non-interest income before securities transactions was down $2,000, or 8%, for the second quarter of 2005 compared to the same time period of 2004 and up $3,000, or 6%, for the first six months of 2005 compared to the first six months of 2004. Losses from the sale of securities totaled $18,000 in the first six months of 2005 compared to losses of $143,000 for the first six months of 2004. The major categories of non-interest income for the three and six months ended June 30, 2005 and 2004 are presented in Table 14.

TABLE 14. NON-INTEREST INCOME

	Three Months Ended			Six Months Ended		
($ in thousands)	**June 30, 2005**	June 30, 2004	Percentage Increase (Decrease)	**June 30, 2005**	June 30, 2004	Percentage Increase (Decrease)
Service charges on deposit accounts	**$ 5**	$ 5	0%	**$ 12**	$ 10	20%
ATM fees	**2**	3	(33)	**4**	5	(20)
Early closing penalties	**2**	1	100	**3**	2	50
Income from real estate held for investment	**13**	12	8	**26**	24	8
Miscellaneous	**2**	5	(60)	**5**	6	(17)
Total noninterest income before securities transactions	**24**	26	(8)	**50**	47	6
Securities transactions	**-**	(143)	*100*	**(18)**	(143)	87
Total noninterest income	**$ 24**	$ (117)	*(a)*	**$ 32**	$ (96)	*(a)*

(a) Not meaningful

NON-INTEREST EXPENSE

Non-interest expense for the second quarter of 2005 totaled $1.1 million, a $49,000 (4%) decrease from the second quarter of 2004. For the first six months of 2005, non-interest expenses were $2.6 million, a $325,000 (14%) increase from 2004. Included in these expenses for the first half of 2005 is a charge of $428,000 related to retirement benefits to be paid to the Company's former President and Chief Executive Officer. Without this charge, non-interest expenses would have been approximately $103,000 below that of the year earlier quarter. Non-interest expense for the three and six months ended June 30, 2005 and 2004 are presented in Table 15 below.

TABLE 15. NON-INTEREST EXPENSE

	Three Months Ended			Six Months Ended		
($ in thousands)	**June 30, 2005**	June 30, 2004	Percentage Increase (Decrease)	**June 30, 2005**	June 30, 2004	Percentage Increase (Decrease)
Employee compensation	**$ 490**	$ 450	9%	**$ 1,381**	$ 937	47%
Employee benefits	**173**	193	(11)	**352**	387	(9)
Total personnel expense	**663**	643	3	**1,732**	1,324	31
Net occupancy expense	**109**	97	12	**216**	198	9
Ad Valorem taxes	**109**	140	(22)	**218**	268	(19)
Data processing costs	**31**	50	(38)	**78**	108	(28)
Advertising	**19**	30	(37)	**44**	62	(29)
ATM server expenses	**7**	12	(42)	**13**	23	(43)
Professional fees	**48**	35	37	**114**	57	100
Deposit insurance and supervisory fees	**30**	28	8	**57**	56	2
Printing and office supplies	**17**	27	(37)	**28**	45	(38)
Telephone	**9**	23	(61)	**28**	42	(33)
Dues and subscriptions	**9**	14	(36)	**19**	31	(39)
Other operating expenses	**20**	21	(1)	**41**	49	(17)
Total non-interest expense	**1,071**	$ 1,120	(4)%	**$ 2,588**	$ 2,263	14%
Efficiency Ratio	**73.81%**	91.65%		**89.27%**	90.59%	
Efficiency Ratio - Exluding Securities Transactions	**73.81%**	82.05%		**88.72%**	85.69%	

Personnel costs, which represent the largest component of non-interest expense, increased $20,000, or 3% to $663,000 in the second quarter of 2005 compared to $643,000 in the second quarter of 2004. Personnel costs increased $408,000, or 31%, to $1.7 million in the first half of 2005 compared to $1.3 million the half of 2004. This increase was the result of the charge for retirement benefits discussed above. Without this charge, personnel expense would have been $1.3 million in 2005, a $20,000 (1.5%) decrease from the comparable period in the previous year.

Professional fees increased $13,000, or 37% in the second quarter of 2005 compared to the second quarter of 2004 and $57,000, or 100% during the first half of 2005 compared to the first half of 2004. This increase was primarily due to consulting fees paid to assist management in evaluating its policies and procedures concerning the Association's loan portfolio and fees associated with the departure of the Company's former Chief Executive Officer.

Data processing costs decreased $19,000, or 38%, in the second quarter of 2005 compared to the same period for 2004 and $30,000, or 28% for the first half of 2005 compared to the first half of 2004. During the first quarter of 2004, the Association introduced an internet banking product. In connection with the set up of this new service, the Company incurred a one-time charge of $18,000. In addition, the Company converted to a new core processing system in the first quarter of 2005 that has reduced recurring monthly service fees.

The following table presents GS Financial's results of operations under generally accepted accounting principles (GAAP) and the results of operations excluding the charge for retirement benefits discussed earlier (referred to as Non-GAAP). Management views the $428,000 in costs recorded in the first quarter of 2005 upon the retirement of the Company's former President to be non-recurring in nature. Currently, there are no employment or severance agreements in place at either the Company or the Association. Management believes the non-GAAP presentation is useful to investors because it provides information of the Company's underlying operations and performance trends. Specifically, these measures permit evaluation and comparison of the results of ongoing business operations that management uses to assess the performance of the Association's operations. While management considers the non-GAAP presentation to be useful, it should not be considered an alternative to GAAP.

TABLE 16. GAAP TO NON-GAAP RECONCILIATION

($ in thousands, except per share data)	GAAP	Post-Retirement Benefits and Related Interest	Non-GAAP
Six Months Ended June 30, 2005			
Noninterest expense	**$ 2,588**	**$ 428**	**$ 2,160**
Income tax provision	**139**	**145**	**284**
Net Income	**172**	**282**	**454**
Earnings per share - Basic	**0.14**	**0.24**	**0.38**
Earnings per share - Diluted	**0.14**	**0.23**	**0.37**
Efficiency Ratio	**89.27%**	**14.76%**	**74.51%**
Efficiency Ratio - Excluding Securities Transactions	**88.72%**	**14.67%**	**74.05%**
Six Months Ended June 30, 2004			
Noninterest expense	$ 2,263	$ -	$ 2,263
Income tax provision	(3)	-	(3)
Net Income	205	-	205
Earnings per share - Basic	0.18	-	0.18
Earnings per share - Diluted	0.17	-	0.17
Efficiency Ratio	90.59%	-	90.59%
Efficiency Ratio - Exluding Securities Transactions	85.69%	-	85.69%

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures about market risk are presented at December 31, 2004 in the Company's Annual Report on Form 10-K, filed with the SEC on March 30, 2005. Management believes there have been no material changes in the Company's market risk since December 31, 2004.

Item 4 - Controls and Procedures

Our management evaluated, with the participation of our interim Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our interim Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a–15(f) or 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

Part II - Other Information

Item 1 - Legal Proceedings

There are no matters required to be reported under this item.

Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

(a) Not applicable

(b) Not applicable

(c) ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
Month 1 (April 1, 2005 - April 30, 2005)	-	$ -	-	-
Month 2 (May 1, 2005 - May 31, 2005)	-	-	-	-
Month 3 (June 1, 2005 - June 30, 2005)	756	18.00	-	-
Total	756	$ 18.94	-	-

[1] All purchases were made in open-market transactions.

Item 3 - Defaults Upon Senior Securities

There are no matters required to be reported under this item.

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

There are no matters required to be reported under this item.

Item 5 - Other Information

There are no matters required to be reported under this item.

Item 6 - Exhibits

3.1*	Articles of Incorporation of GS Financial Corp.
3.2*	Bylaws of GS Financial Corp.
4.1*	Stock Certificate of GS Financial Corp.
10.1**	GS Financial Corp. Stock Option Plan
10.2**	GS Financial Corp. Recognition and Retention Plan and Trust Agreement for Employees and Non-Employee Directors
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.0	Certification pursuant to 18 U.S.C. Section 1350

* Incorporated herein by reference from the Registration Statement on Form SB-2 (Registration number 333-18841) filed by the Registrant with the SEC on December 26, 1996, as subsequently amended.

** Incorporated herein by reference from the definitive proxy statement, dated September 16, 1997, filed by the Registrant with the SEC (Commission File No. 000-22269)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GS FINANCIAL CORP.

Date: August 15, 2005 By: /s/ Ralph E. Weber
Ralph E. Weber
Interim President
and Chief Executive Officer

Date: August 15, 2005 By: /s/ Jerry M. Sintes
Jerry M. Sintes
Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Ralph E. Weber, Interim Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GS Financial Corp.;

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

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

4. The registrant's other certifying 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 registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986)

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

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

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

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

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

Date: August 15, 2005

/s/ Ralph E. Weber

Ralph E. Weber
Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jerry M. Sintes, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GS Financial Corp.;

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

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

4. The registrant's other certifying 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 registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986)

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

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

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

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

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

Date: August 15, 2005

/s/ Jerry M. Sintes

Jerry M. Sintes
Chief Financial Officer

Exhibit 32.0

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

The undersigned executive officers of the Registrant hereby certify that this Quarterly Report on Form 10-Q for the period ended March 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 15, 2005

/s/ Ralph E. Weber

Ralph E. Weber
Interim Chief Executive Officer

/s/ Jerry M. Sintes

Jerry M. Sintes
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to GS Financial Corp. and will be retained by GS Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.