

NASB FINANCIAL INC  
Form 10-Q  
February 10, 2014

**United States**

**Securities and Exchange Commission**

**Washington, DC 20549**

**FORM 10-Q**

**(Mark One)**

**Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the period ended December 31, 2013**

**or**

**Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-24033**

**NASB Financial, Inc.**

**(Exact name of registrant as specified in its charter)**

**Missouri**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**43-1805201**  
**(IRS Employer**  
**Identification No.)**

**12498 South 71 Highway, Grandview, Missouri**  
**(Address of principal executive offices)**  
**(816) 765-2200**

**64030**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of Common Stock of the Registrant outstanding as of February 3, 2014, was 7,867,614.

## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### *NASB Financial, Inc. and Subsidiary*

#### *Condensed Consolidated Balance Sheets*

	December 31, 2013 (Unaudited)	September 30, 2013
	(Dollars in thousands)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,031	6,347
Securities:		
Available for sale, at fair value	272,382	252,696
Stock in Federal Home Loan Bank, at cost	9,879	7,679
Mortgage-backed securities:		
Available for sale, at fair value	4,889	433
Held to maturity, at cost	38,071	43,074
Loans receivable:		
Held for sale, at fair value	66,306	69,079
Held for investment, net	736,602	715,713
Allowance for loan losses	(21,270)	(20,383)
Accrued interest receivable	4,191	4,098
Foreclosed assets held for sale, net	10,596	11,252
Premises and equipment, net	11,930	12,033
Investment in LLCs	16,542	16,499
Deferred income tax asset, net	11,851	12,273
Other assets	13,290	13,362
	<b>\$ 1,181,290</b>	<b>1,144,155</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Customer deposit accounts	\$ 735,691	748,193
Advances from Federal Home Loan Bank	210,000	155,000
Subordinated debentures	25,774	25,774
Escrows	4,310	8,458
Income taxes payable	848	70
Accrued expenses and other liabilities	12,678	11,143
Total liabilities	989,301	948,638
Stockholders equity:		
Common stock of \$0.15 par value: 20,000,000 shares authorized; 9,857,112 shares issued	1,479	1,479
Additional paid-in capital	16,613	16,613

Edgar Filing: NASB FINANCIAL INC - Form 10-Q

Retained earnings	214,421	217,143
Treasury stock, at cost; 1,989,498 shares	(38,418)	(38,418)
Accumulated other comprehensive loss	(2,106)	(1,300)
Total stockholders equity	191,989	195,517
	\$ 1,181,290	1,144,155

See accompanying notes to condensed consolidated financial statements.

*NASB Financial, Inc. and Subsidiary**Condensed Consolidated Statements of Operations (Unaudited)*

	Three months ended December 31,	
	2013	2012
	(Dollars in thousands, except share data)	
Interest on loans receivable	\$ 10,600	12,334
Interest on mortgage-backed securities	411	294
Interest and dividends on securities	1,421	963
Other interest income	2	2
<b>Total interest income</b>	<b>12,434</b>	<b>13,593</b>
Interest on customer and brokered deposit accounts	945	1,749
Interest on advances from Federal Home Loan Bank	470	531
Interest on subordinated debentures	125	129
Other interest expense	5	3
<b>Total interest expense</b>	<b>1,545</b>	<b>2,412</b>
<b>Net interest income</b>	<b>10,889</b>	<b>11,181</b>
Provision for loan losses		(4,000)
<b>Net interest income after provision for loan losses</b>	<b>10,889</b>	<b>15,181</b>
Other income (expense):		
Loan servicing fees, net	24	26
Customer service fees and charges	880	1,474
Provision for loss on real estate owned	(115)	(575)
Gain on sale of securities available for sale	98	
Gain from loans receivable held for sale	6,552	16,106
Other expense	(138)	(534)
<b>Total other income</b>	<b>7,301</b>	<b>16,497</b>
General and administrative expenses:		
Compensation and fringe benefits	6,143	6,356
Commission-based mortgage banking compensation	3,083	5,813
Premises and equipment	1,421	1,322
Advertising and business promotion	1,801	1,163
Federal deposit insurance premiums	308	586
Other	2,364	2,915
<b>Total general and administrative expenses</b>	<b>15,120</b>	<b>18,155</b>
<b>Income before income tax expense</b>	<b>3,070</b>	<b>13,523</b>
<b>Income tax expense</b>	<b>1,071</b>	<b>5,206</b>

Edgar Filing: NASB FINANCIAL INC - Form 10-Q

Net income	\$	1,999	8,317
Basic earnings per share	\$	0.25	1.06
Diluted earnings per share	\$	0.25	1.06
Basic weighted average shares outstanding		7,867,614	7,867,614

See accompanying notes to condensed consolidated financial statements.

*NASB Financial, Inc. and Subsidiary**Condensed Consolidated Statements of Comprehensive Income (Unaudited)*

	Three months ended December 31,	
	2013	2012
	(Dollars in thousands)	
Net income	\$ 1,999	8,317
Other comprehensive income (loss):		
Unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of \$(470) and \$25 at December 31, 2013 and 2012, respectively	(742)	40
Adjustment for gain included in net income, net of income tax expense of \$34 at December 31, 2013	(64)	
Change in unrealized gain (loss) on available for sale securities, net of income tax expense (benefit) of \$(504) and \$25 at December 31, 2013 and 2012, respectively	(806)	40
Comprehensive income	\$ 1,193	8,357

See accompanying notes to condensed consolidated financial statements.

*NASB Financial, Inc. and Subsidiary**Condensed Consolidated Statement of Stockholders Equity (Unaudited)*

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total stockholders equity
	(Dollars in thousands)					
Balance at October 1, 2013	\$ 1,479	16,613	217,143	(38,418)	(1,300)	195,517
Comprehensive income:						
Net income			1,999			1,999
Other comprehensive income, net of tax:						
Unrealized loss on securities available for sale					(806)	(806)
Total comprehensive income						1,193
Cash dividends accrued			(4,721)			(4,721)
Balance at December 31, 2013	\$ 1,479	16,613	214,421	(38,418)	(2,106)	191,989

See accompanying notes to condensed consolidated financial statements.



*NASB Financial, Inc. and Subsidiary**Condensed Consolidated Statements of Cash Flows (Unaudited)*

	Three months ended December 31,	
	2013	2012
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 1,999	8,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	352	337
Amortization and accretion, net	53	397
Gain on sale of securities available for sale	(98)	
(Income) loss from investment in LLCs	(35)	90
Gain from loans receivable held for sale	(6,552)	(16,106)
Provision for loan losses		(4,000)
Provision for loss on real estate owned	115	575
Origination of loans receivable held for sale	(290,579)	(542,797)
Sale of loans receivable held for sale	299,903	558,103
Changes in:		
Net fair value of loan-related commitments	136	300
Accrued interest receivable	(93)	233
Prepaid and accrued expenses, other liabilities, and income taxes payable	(1,441)	2,940
Net cash provided by operating activities	3,760	8,389
Cash flows from investing activities:		
Principal repayments of mortgage-backed securities:		
Held to maturity	702	2,248
Available for sale	31	28
Principal repayments of mortgage loans receivable held for investment	46,925	68,138
Principal repayments of other loans receivable	487	659
Loan origination - mortgage loans receivable held for investment	(66,941)	(24,930)
Loan origination - other loans receivable	(505)	(588)
Purchase of mortgage loans receivable held for investment	(270)	(647)
Purchase of Federal Home Loan Bank stock	(2,200)	(1,024)
Purchase of investment securities available for sale	(61,427)	(52,525)
Proceeds from sale of investment securities available for sale	40,426	
Proceeds from sale of real estate owned	1,191	2,772
Purchases of premises, equipment, and software, net	(356)	(499)
Investment in LLCs	(8)	(5)
Other	(481)	(319)
Net cash used in investing activities	(42,426)	(6,692)
Cash flows from financing activities:		
Net decrease in customer and brokered deposit accounts	(12,502)	(17,496)
Proceeds from advances from Federal Home Loan Bank	110,000	25,000
Repayment on advances from Federal Home Loan Bank	(55,000)	(2,000)
Change in escrows	(4,148)	(4,431)

Edgar Filing: NASB FINANCIAL INC - Form 10-Q

Proceeds from other borrowings		422
Net cash provided by financing activities	38,350	1,495
Net increase (decrease) in cash and cash equivalents	(316)	3,192
Cash and cash equivalents at beginning of the period	6,347	8,716
Cash and cash equivalents at end of period	\$ 6,031	11,908
Supplemental disclosure of cash flow information:		
Cash paid for income taxes (net of refunds)	\$ 449	2,093
Cash paid for interest	1,437	2,378
Supplemental schedule of non-cash investing and financing activities:		
Conversion of loans receivable to real estate owned, net of specific reserves	\$ 755	1,826
Transfer of mortgage-backed securities from held to maturity to available for sale	4,410	
Accrual of dividends payable	4,721	
See accompanying notes to condensed consolidated financial statements.		

## **(1) BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements include the accounts of NASB Financial, Inc. (the Company), its wholly-owned subsidiary, North American Savings Bank, F.S.B. (North American Bank), and the Bank's wholly-owned subsidiary, Nor-Am Service Corporation. All significant inter-company transactions have been eliminated in consolidation. The consolidated financial statements do not include the accounts of our wholly-owned statutory trust, NASB Preferred Trust I (the Trust). The Trust qualifies as a special purpose entity that is not required to be consolidated in the financial statements of NASB Financial, Inc. The Trust Preferred Securities issued by the Trust are included in Tier I capital for regulatory capital purposes. See Footnote 9, Subordinated Debentures.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. All adjustments are of a normal and recurring nature, and, in the opinion of management, the statements include all adjustments considered necessary for fair presentation. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2013, filed with the Securities and Exchange Commission on December 16, 2013. Operating results for the three month period ended December 31, 2013, are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2014. The condensed consolidated balance sheet of the Company as of September 30, 2013, has been derived from the audited balance sheet of the Company as of that date.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowances for losses on loans, valuation of foreclosed assets held for sale, accruals for loan recourse provisions, and fair values of financial instruments, among other items. Management believes that these estimates are adequate; however, future additions to the allowance or changes in the estimates may be necessary based on changes in economic conditions.

The Company's critical accounting policies involving the more significant judgments and assumptions used in the preparation of the condensed consolidated financial statements as of December 31, 2013, have remained unchanged from September 30, 2013. These policies relate to the allowance for loan losses, the valuation of foreclosed assets held for sale, the valuation of derivative instruments, and the valuation of equity method investments.

Certain quarterly amounts for previous periods have been reclassified to conform to the current quarter's presentation.

## **(2) RECENTLY ISSUED ACCOUNTING STANDARDS**

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting reclassification out of accumulated