

BASSETT FURNITURE INDUSTRIES INC
Form 8-K
November 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) November 10, 2014

BASSETT FURNITURE INDUSTRIES, INCORPORATED

(Exact name of registrant as specified in its charter)

VIRGINIA	0-209	54-0135270
(State or other jurisdiction of	(Commission File No.)	(I.R.S.
		Employer

incorporation or organization)

**Identification
No.)**

3525 FAIRYSTONE PARK HIGHWAY
24055
BASSETT, VIRGINIA
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 276/629-6000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

On November 10, 2014 Bassett Furniture Industries issued a news release relating to the declaration of a special dividend of \$.20 per share of outstanding common stock payable on December 19, 2014, to shareholders of record at the close of business December 5, 2014. A copy of the news release is attached to the report as Exhibit 99.

Item 9.01. Financial Statements and Exhibits

Exhibit 99 News release issued by Bassett Furniture Industries, Inc. on November 10, 2014.

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 hereunto duly authorized.

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

Date: November 10, 2014

By: /s/ J. Michael Daniel
J. Michael Daniel
Title: Senior Vice President – Chief Financial Officer

EXHIBIT INDEX

Description

Exhibit No. 99 News release issued by Bassett Furniture Industries on November 10, 2014.

xt-justify:inter-ideograph;font-size: 12pt">

0.27%

14

June 24, 2018

3,400

1.55%

0.27%

-

June 25, 2023

3,400

2.72%

0.27%

(12)

Total

\$ 36,300

\$ 894

Note 10. Intangible Assets

On November 29, 2012, the Company acquired software and personnel of a prepaid program manager in Europe for approximately \$1.8 million. Accordingly, the Company has established a European payment solutions presence which will facilitate European processing for its existing customers. The Company has preliminarily allocated the purchase price to identified proprietary internal use software and expects to complete its accounting for this business combination during the third or fourth quarter of 2013.

The Company accounts for its customer list in accordance with FASB ASC Topic 350, Intangibles—Goodwill and Other. The acquisition of the Stored Value Solutions division of Marshall Bank First in 2007 resulted in a customer list intangible of \$12.0 million which is being amortized over a 12 year period. Amortization expense is \$1.0 million per year (\$5.0 million over the next five years). The gross carrying amount of the customer list intangible is \$12.0 million and as of June 30, 2013 the accumulated amortization was \$5.5 million. For both 2013 and 2012, amortization expense for the second quarter was \$250,000 and for the six months was \$500,000.

Note 11. Subsequent Events

The Company evaluated its June 30, 2013 financial statements for subsequent events through the date the financial statements were issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Note 12. Recent Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities, which amended disclosures by requiring improved information about financial instruments and derivative instruments that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet. Reporting entities are required to provide both net and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of international financial reporting standards. Companies were required to apply the amendments for fiscal years beginning on or after January 1, 2013, and interim periods within those years. The adoption had no material impact on the Company's financial position or results of

operations.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires a reporting entity to provide information about the amounts reclassified out of accumulated comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional details about those amounts. Companies were required to apply these amendments prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption had no material impact on the Company's financial position or results of operations.

Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Forward-Looking Statements

When used in this Form 10-Q, the words "believes" "anticipates" "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties more particularly described in Item 1A, under the caption "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2012 and in other of our public filings with the Securities and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from those expressed or implied in this Form 10-Q. We caution readers not place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this report except as required by applicable law.

In the following discussion we provide information about our results of operations, financial condition, liquidity and asset quality. We intend that this information facilitate your understanding and assessment of significant changes and trends related to our financial condition and results of operations. You should read this section in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

We are a Delaware financial holding company with a wholly owned subsidiary, The Bancorp Bank, which we refer to as the Bank. Through the Bank, we provide a wide range of commercial and retail banking services and related banking services, which include private label banking, healthcare accounts, prepaid and debit cards, and merchant card processing to both regional and national markets.

Regionally, we focus on providing our banking services directly to retail and commercial customers in the Philadelphia-Wilmington metropolitan area, consisting of the 12 counties surrounding Philadelphia, Pennsylvania and Wilmington, Delaware including Philadelphia, Delaware, Chester, Montgomery, Bucks and Lehigh Counties in Pennsylvania, New Castle County in Delaware and Mercer, Burlington, Camden, Ocean and Cape May Counties in New Jersey. We believe that changes over the past ten years in this market have created an underserved base of small and middle-market businesses and high net worth individuals that are interested in banking with a company headquartered in and with decision-making authority based in, the Philadelphia-Wilmington area. We believe that our presence in the area provides us with insights as to the local market and, as a result, with the ability to tailor our products and services, and especially the structure of our loans, more closely to the needs of our targeted customers. We seek to develop overall banking relationships with our targeted customers so that our lending operations serve as a generator of deposits and our deposit relationships serve as a source of loan assets. We believe that our regional

presence also allows us to oversee and further develop our existing customer relationships.

Nationally, we focus on providing our services to organizations with a pre-existing customer base who can use one or more selected banking services tailored to support or complement the services provided by these organizations to their customers. These services include private label banking; credit and debit card processing for merchants affiliated with independent service organizations; healthcare savings accounts for healthcare providers and third-party plan administrators; and prepaid cards, also known as stored value cards, for insurers, incentive plans, large retail chains and consumer service organizations. We typically provide these services under the name and through the facilities of each organization with whom we develop a relationship. We refer to this, generally, as affinity group banking. Our private label banking, merchant processing, healthcare accounts and prepaid card programs are a source of fee income and low-cost deposits.

In Europe, the Company maintains three operational service subsidiaries and one subsidiary through which it offers prepaid card issuing services.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform with accounting principles generally accepted in the United States and general practices within the financial services industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. We believe that the determination of our allowance for loan and lease losses, our determination of the fair value of financial instruments, and income tax involve a higher degree of judgment and complexity than our other significant accounting policies.

We determine our allowance for loan and lease losses with the objective of maintaining a reserve level we believe to be sufficient to absorb our estimated probable credit losses. We base our determination of the adequacy of the allowance on periodic evaluations of our loan portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates,

including, among others, expected default probabilities, the amount of loss we may incur on a defaulted loan, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience. We also evaluate economic conditions and uncertainties in estimating losses and inherent risks in our loan portfolio. To the extent actual outcomes differ from our estimates, we may need additional provisions for loan losses. Any such additional provisions for loan losses will be a direct charge to our earnings. See "Allowance for Loan and Lease Losses".

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, we estimate fair value. Our valuation methods and inputs consider factors such as types of underlying assets or liabilities, rates of estimated credit losses, interest rate or discount rate and collateral. Our best estimate of fair value involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, current delinquency rates, loan-to value ratios and the possibility of obligor refinancing.

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. From time to time, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs to measure fair value at the measurement date. Transfers into or out of hierarchy levels are based upon the fair value at the beginning of the reporting period.

We periodically review our investment portfolio to determine whether unrealized losses on securities are temporary, based on evaluations of the creditworthiness of the issuers or guarantors, and underlying collateral, as applicable. In addition, we consider the continuing performance of the securities. We recognize credit losses through the income statement. If management believes market value losses are temporary and that we have the ability and intention to hold those securities to maturity, we recognize the reduction in other comprehensive income, through equity.

We account for our stock-based compensation plans based on the fair value of the awards made, which include stock options, restricted stock, and performance based shares. To assess the fair value of the awards made, management makes assumptions as to expected stock price volatility, option terms, forfeiture rates and dividend rates. All of these estimates and assumptions may be susceptible to significant change that may impact earnings in future periods.

We account for income taxes under the liability method whereby we determine deferred tax assets and liabilities based on the difference between the carrying values on our financial statements and the tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities.

Results of Operations

Second quarter 2013 to second quarter 2012

Net Income: Net income for the second quarter of 2013 was \$5.6 million, compared to \$3.9 million for the second quarter of 2012. The \$1.7 million, or 45.0%, increase reflected a \$2.7 million increase in net interest income and an \$11.4 million increase in non-interest income (excluding security gains) which were partially offset by a \$6.5 million increase in non-interest expense and a \$5.2 million increase in the provision for loan and lease losses. Non-interest income (excluding security gains) increased to \$21.9 million in second quarter 2013 from \$10.4 million in second

quarter 2012, reflecting increases in prepaid card fees and loan sales income. Higher prepaid fees reflected an increased volume of accounts and related transaction fees. Other non-interest income categories increased as a result of both an increased volume of transactions and increased service charges on certain health savings accounts. The gain on the sale of loans, which is presented net of direct origination costs, was \$5.7 million for the second quarter of 2013. This gain includes \$1.5 million of other departmental loan origination expenses. Net interest income increased to \$23.6 million from \$20.9 million primarily as a result of higher loan and investment security balances. The provision for loan and lease losses increased \$5.2 million to \$9.5 million in second quarter 2013, compared to \$4.3 million in second quarter 2012 primarily due to the impact of two relationships, each with multiple loans. Diluted earnings per share were \$0.15 in second quarter 2013 compared to \$0.12 in the second quarter of 2012. Return on average assets was 0.56% and return on average equity was 6.45% for the second quarter of 2013, as compared to 0.46% and 5.54%, respectively, for the second quarter of 2012.

Net Interest Income: Our net interest income for second quarter 2013 increased to \$23.6 million, an increase of \$2.7 million or 12.9% from \$20.9 million in second quarter 2012. Our interest income for second quarter 2013 increased to \$26.2 million, an increase of \$2.2 million or 9.3% from \$23.9 million for second quarter 2012. The increase in interest income resulted primarily from higher balances of loans and investment securities. Investment security balances have been increased to achieve higher returns compared to overnight

investments. Our average loans and leases increased to \$2.01 billion for second quarter 2013 from \$1.79 billion for second quarter 2012, while related interest income increased \$1.6 million. Our average investment securities increased to \$1.04 billion for second quarter 2013 from \$541.8 million for second quarter 2012, while related interest income increased \$591,000.

Our net interest margin (calculated by dividing net interest income by average interest earning assets) for second quarter 2013 decreased to 2.46% from 2.59% in the second quarter of 2012, a decrease of 13 basis points. The decrease in the net interest margin resulted primarily from lower yields on our loan and investment securities portfolios. In second quarter 2013, the average yield on our loans decreased to 4.17% from 4.30% for second quarter 2012, a decrease of 13 basis points. The decrease is the result of existing higher rate loans repricing to lower rates, as well as new loans pricing at lower rates. Yields on taxable investment securities in second quarter 2013 were lower at 1.82% compared to 3.09% for second quarter 2012, a decrease of 127 basis points. Additionally, yields on non-taxable investments were lower at 2.60% compared to 4.14%, respectively, a decrease of 154 basis points. The lower yields reflected new purchases with shorter maturities or earlier repricing periods which typically have lower yields than longer maturities. These decreases were partially offset by a 9 basis point decrease in the cost of our deposits to 0.28% from 0.37%. Average interest earning deposits decreased \$112.9 million, or 11.8% to \$841 million in second quarter 2013 from \$954.2 million in second quarter 2012 as loan and investment balances were increased. The interest cost of total deposits and interest bearing liabilities amounted to 0.29% for second quarter 2013 compared to 0.40% in second quarter 2012. The decrease is primarily the result of continuing decreases in our deposit rates due to the prolonged period of low market interest rates.

Average Daily Balances. The following table presents the average daily balances of assets, liabilities and stockholders' equity and the respective interest earned or paid on interest earning assets and interest-bearing liabilities, as well as average annualized rates, for the periods indicated:

	Three months ended June 30, 2013			2012			Average Rate	Interest	Average Rate
	Average Balance (dollars in thousands)	Interest	Average Rate	Average Balance (dollars in thousands)	Interest	Average Rate			
Assets:									
Interest earning assets:									
Loans net of unearned fees and costs **	\$ 1,991,622	\$ 20,774	4.17%	\$ 1,780,071	\$ 19,125	4.30%			
Leases - bank qualified*	13,800	208	6.03%	13,770	207	6.03%			
Investment securities-taxable	836,299	3,801	1.82%	435,903	3,371	3.09%			
Investment securities-nontaxable*	206,629	1,342	2.60%	105,869	1,096	4.14%			
Interest earning deposits at Federal Reserve Bank	841,315	505	0.24%	954,213	605	0.29%			
Federal funds sold/securities	33,761	98	1.16%	-	-	-			

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

purchased under agreement to resell									
Net interest earning assets	3,923,426	26,728	2.72%	3,289,826	24,404				2.9
Allowance for loan and lease losses	(36,596)			(32,101)					
Other assets	85,476			126,547					
	\$ 3,972,306			\$ 3,384,272					
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	\$ 3,083,831	\$ 1,901	0.25%	\$ 2,580,647	\$ 2,094				0.3
Savings and money market	482,722	528	0.44%	448,571	626				0.5
Time	18,310	47	1.03%	29,862	106				1.4
Total deposits	3,584,863	2,476	0.28%	3,059,080	2,826				0.3
Repurchase agreements	17,057	12	0.28%	22,255	24				0.4
Subordinated debt	13,401	118	3.52%	13,401	217				6.4
Total deposits and interest bearing liabilities	3,615,321	2,606	0.29%	3,094,736	3,067				0.4
Other liabilities	9,379			9,551					
Total liabilities	3,624,700			3,104,287					
Shareholders' equity	347,606			279,985					
	\$ 3,972,306			\$ 3,384,272					
Net interest income on tax equivalent basis *		\$ 24,122			\$ 21,337				
Tax equivalent adjustment		543			456				
Net interest income		\$ 23,579			\$ 20,881				
Net interest margin *			2.46%						2.5

* Fully taxable equivalent basis using a 35% statutory tax rate.

** Includes loans held for sale.

For second quarter 2013, average interest earning assets increased to \$3.92 billion, an increase of \$633.6 million or 19.3% from second quarter 2012. The increase reflected increased average balances of loans and leases of \$211.6 million or 11.8%, and increased average balances of investment securities of \$501.2 million or 92.5%. As noted previously these increases were partially offset by decreases in interest earning deposits. Average demand and interest checking deposits increased \$503.2 million or 19.5%. Average savings and money market deposits increased \$34.2 million or 7.6%. The Bank experienced growth in wealth management, merchant acquiring and other deposit categories, due to the acquisition of new customers. Prepaid and healthcare deposit growth was significantly offset by the termination of higher cost relationships.

Provision for Loan and Lease Losses. Our provision for loan and lease losses was \$9.5 million for the second quarter of 2013 compared to \$4.3 million for the second quarter of 2012. The \$5.2 million increase in the provision primarily reflects the impact of two relationships, each with multiple loans. The first was a commercial relationship with receivables and real estate collateral. The second was a single residential construction relationship. The increase in the provision is based on our evaluation of the adequacy of our allowance for loan and leases losses, particularly in light of current economic conditions. At June 30, 2013, our allowance for loan and lease losses amounted to \$40.3 million or 2.05% of total loans as compared to \$33.0 million or 1.74% of total loans at December 31, 2012. We believe that our allowance is adequate to cover inherent losses. For more information about our provision and allowance for loan and lease losses and our loss experience, see “Financial Condition-Allowance for loan and lease losses”, “-Summary of loan and lease loss experience,” “-Net charge-offs,” and “-Non-performing loans, loans 90 days delinquent and still accruing, and troubled debt restructurings,” below.

Non-Interest Income. Non-interest income was \$21.9 million in second quarter 2013 compared to \$10.4 million in second quarter 2012 before gains on securities of \$476,000 in the second quarter of 2013. The \$11.3 million or 107.0% increase between those respective periods reflected significant increases in several categories, including a \$4.5 million or 63.2% increase in prepaid fees to \$11.5 million for second quarter 2013. The increase resulted from an increased volume of transactions from current and new customers. Loan sale income was \$5.7 million for second quarter 2013, gross of \$1.5 million of direct production expenses. Such income and expense result from the sale of commercial real estate loans to institutions which package such loans in secondary commercial mortgage backed or secondary Small Business Administration (SBA) securities markets. There were no loan sales in second quarter 2012. Service fees on deposit accounts increased \$237,000 or 28.0% to \$1.1 million for second quarter 2013 from \$847,000 for second quarter 2012 reflecting the institution of monthly service charges on certain health savings accounts. Affinity fees increased \$266,000 or 45.5% to \$850,000 for second quarter 2013 from \$584,000 for second quarter 2012. This increase resulted primarily from an additional affinity relationship. Other non-interest income increased \$505,000 or 181.0% to \$784,000 for second quarter 2013 from \$279,000 in second quarter 2012. This increase reflected an increase in letter of credit fee income in the second quarter of 2013.

Non-Interest Expense. Total non-interest expense was \$27.6 million for second quarter 2013, an increase of \$6.6 million or 31.1% over \$21.0 million for second quarter 2012. Salaries and employee benefits amounted to \$13.6 million, an increase of \$4.5 million or 49.6% over \$9.1 million for second quarter 2012. The increase in salaries and employee benefits reflected staff additions and related expense for prepaid card operations, compliance, commercial loan sales and SBA loans. It also reflected average annual salary increases approximating 2% for our

staff. Depreciation and amortization increased \$258,000 or 38.1% to \$935,000 in second quarter 2013 from \$677,000 in second quarter 2012 which reflected increased depreciation costs related to leasehold improvements and equipment for staff additions and information technology upgrades. Rent and occupancy increased \$259,000 or 32.2% to \$1.1 million in second quarter 2013 from \$805,000 in second quarter 2012 which reflected increased main office operations space and office space for European prepaid card operations. Data processing increased \$71,000 or 2.6% to \$2.8 million in second quarter 2013 from \$2.7 million in second quarter 2012. Printing and supplies decreased \$21,000 or 4.6% to \$437,000, in second quarter 2013 from \$458,000 in second quarter 2012. Audit expense increased \$32,000 or 11.7% to \$305,000 in second quarter 2013 from \$273,000 in second quarter 2012. The increase reflected additional audit expense for data security. Legal expense increased \$184,000 or 30.3% to \$791,000 in second quarter 2013 from \$607,000 in second quarter 2012. Losses on sale and write downs on other real estate owned increased \$394,000 to \$815,000 in second quarter of 2013 from \$421,000 in second quarter 2012 due primarily to write downs to reduce carrying costs to expected proceeds from sales. Federal Deposit Insurance Corporation (FDIC) insurance expense increased \$104,000 or 13.8% to \$858,000 for second quarter 2013 from \$754,000 in second quarter 2012, reflecting deposit growth. Software expense increased \$356,000 or 56.9% to \$982,000 in second quarter 2013 from \$626,000 in second quarter 2012 reflecting additional prepaid card and other information technology related expense. Other real estate owned expense decreased \$255,000 or 67.1% to \$125,000 in second quarter 2013 from \$380,000 in second quarter 2012. Other non-interest expense increased \$650,000 or 16.4% to

\$4.6 million in second quarter 2013 from \$4.0 million in second quarter 2012. The \$650,000 increase reflected an increase of \$265,000 in travel, \$92,000 in consulting and \$60,000 in insurance.

Income Taxes. Income tax expense was \$3.3 million for second quarter 2013 compared to \$2.2 million in second quarter 2012, an increase of \$1.1 million. The increase resulted primarily from an increase in taxable income. Our effective tax rate for second quarter 2013 was 36.8% compared to 35.8% in second quarter 2012.

First six months 2013 to first six months 2012

Net Income: Net income for the first six months of 2013 was \$13.0 million, compared to \$7.8 million for the first six months of 2012. The \$5.2 million, or 66.1%, increase reflected a \$4.5 million increase in net interest income and a \$18.1 million increase in non-interest income (excluding security gains) which were partially offset by a \$9.2 million increase in non-interest expense and a \$5.5 million increase in the provision for loan and lease losses. Non-interest income (excluding security gains) increased to \$40.8 million in the first six months of 2013 from \$22.7 million in the first six months of 2012, reflecting increases in prepaid card fees and loan sales income. Higher prepaid fees reflected an increased volume of accounts and related transaction fees. Other non-interest income categories increased as a result of both an increased volume of transactions and increased service charges on certain health savings accounts. Net interest income increased to \$46.3 million from \$41.8 million primarily as a result of higher loan and investment security balances. The provision for loan and lease losses increased \$5.5 million to \$15.0 million in the first six months of 2013, compared to \$9.5 million in the first six months of 2012. Diluted earnings per share were \$0.34 in first the six months of 2013 compared to \$0.24 in the first six months of 2012. Return on average assets was 0.64% and return on average equity was 7.62% for the first six months of 2013, compared to 0.42% and 5.72%, respectively, for the first six months of 2012.

Net Interest Income: Our net interest income for the first six months of 2013 increased to \$46.3 million, an increase of \$4.5 million, or 10.7%, from \$41.8 million in the first six months of 2012. Our interest income for first the six months of 2013 increased to \$51.6 million, an increase of \$3.8 million or 7.8% from \$47.8 million for the first six months of 2012. The increase in interest income resulted primarily from higher balances of loans and investment securities. Investment security balances have been increased to achieve higher returns compared to overnight investments. Our average loans and leases increased to \$1.97 billion for the first six months of 2013 from \$1.77 billion for the first six months of 2012, while related interest income increased \$3.0 million. Our average investment securities increased to \$926.5 million for the first six months of 2013 from \$504.1 million for the first six months of 2012, while related interest income increased \$920,000.

Our net interest margin (calculated by dividing net interest income by average interest earning assets) for the first six months of 2013 decreased to 2.35% from 2.37% in the first six months of 2012, a decrease of 2 basis points. The decrease in the net interest margin resulted primarily from lower yields on our loan and investment securities portfolios. In the first six months of 2013, the average yield on our loans decreased to 4.18% from 4.32% for the first six months of 2012, a decrease of 14 basis points. The decrease is the result of existing higher rate loans repricing to lower rates, as well as new loans pricing at lower rates. Yields on taxable investment securities were lower at 1.92% compared to 3.26%, a decrease of 134 basis points. Additionally, yields on non-taxable investments were lower at 2.95% compared to 4.27%, respectively, a decrease of 132 basis points. The lower yields reflected new purchases with shorter maturities or earlier repricing periods which typically have lower yields than longer maturities. These decreases were partially offset by a 5 basis point decrease in the cost of our deposits to 0.27% from 0.32%. Average interest earning deposits decreased \$234.0 million, or 17.7% to \$1.09 billion in the first six months of 2013 from

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

\$1.33 billion in the first six months of 2012 as loan and investment balances were increased. The interest cost of total deposits and interest bearing liabilities amounted to 0.29% for the first six months of 2013 compared to 0.35% in the first six months of 2012. The decrease is primarily the result of continuing decreases in our deposit rates due to the prolonged period of low market interest rates.

Average Daily Balances. The following table presents the average daily balances of assets, liabilities and stockholders' equity and the respective interest earned or paid on interest earning assets and interest-bearing liabilities, as well as average annualized rates, for the periods indicated:

	Six months ended June 30, 2013			2012			
	Average Balance (dollars in thousands)	Interest	Average Rate	Average Balance (dollars in thousands)	Interest		Average Rate
Assets:							
Interest earning assets:							
Loans net of unearned fees and costs **	\$ 1,960,399	\$ 40,964	4.18%	\$ 1,756,910	\$ 37,948		4.3%
Leases - bank qualified*	14,096	407	5.77%	12,105	397		6.3%
Investment securities-taxable	759,899	7,288	1.92%	402,949	6,561		3.2%
Investment securities-nontaxable*	166,648	2,460	2.95%	101,126	2,161		4.2%
Interest earning deposits at Federal Reserve Bank	1,091,219	1,343	0.25%	1,325,250	1,658		0.2%
Federal funds sold/securities purchased under agreement to resell	27,107	122	0.90%	-	-		0.0%
Net interest earning assets	4,019,368	52,584	2.62%	3,598,340	48,725		2.7%
Allowance for loan and lease losses	(35,722)			(31,388)			
Other assets	85,102			179,115			
	\$ 4,068,748			\$ 3,746,067			
Liabilities and stockholders' equity:							
Deposits:							
Demand and interest checking	\$ 3,170,543	\$ 3,767	0.24%	\$ 2,936,649	\$ 4,088		0.2%
Savings and money market	494,383	1,106	0.45%	453,213	1,257		0.3%
Time	19,607	101	1.03%	30,608	203		1.3%

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

Total deposits	3,684,533	4,974	0.27%	3,420,470	5,548	0.3
Repurchase agreements	16,413	26	0.32%	25,257	51	0.4
Subordinated debt	13,401	318	4.75%	13,401	434	6.4
Total deposits and interest bearing liabilities	3,714,347	5,318	0.29%	3,459,128	6,033	0.3
Other liabilities	10,455			10,078		
Total liabilities	3,724,802			3,469,206		
Shareholders' equity	343,946			276,861		
	\$ 4,068,748			\$ 3,746,067		
Net interest income on tax equivalent basis *		\$ 47,266			\$ 42,692	
Tax equivalent adjustment		1,003			895	
Net interest income		\$ 46,263			\$ 41,797	
Net interest margin *			2.35%			2.3

* Fully taxable equivalent basis using a 35% statutory tax rate.

** Includes loans held for sale.

For the first six months of 2013, average interest earning assets increased to \$4.02 billion, an increase of \$421.0 million or 11.7% from first six months 2012. The increase reflected increased average balances of loans and leases of \$205.5 million or 11.7%, and increased average balances of investment securities of \$422.5 million or 83.8%. As noted previously these increases were partially offset by decreases in interest earning deposits. Average demand and interest checking deposits increased \$233.9 million or 8.0%. Average savings and money market deposits increased \$41.2 million or 9.1%. The Bank experienced growth in wealth management, merchant acquiring and other deposit categories, due to the acquisition of new customers. Prepaid and healthcare deposit growth was significantly offset by the termination of higher cost relationships.

Provision for Loan and Lease Losses. Our provision for loan and lease losses was \$15.0 million for the first six months of 2013 compared to \$9.5 million for the first six months of 2012. The \$5.5 million increase in the provision primarily reflects the impact of two relationships, each with multiple loans. The first was a commercial relationship with receivables and real estate collateral. The second was a single residential construction relationship. The increase in the provision is based on our evaluation of the adequacy of our allowance for loan and leases losses, particularly in light of current economic conditions. At June 30, 2013, our allowance for loan and lease losses amounted to \$40.3 million or 2.05% of total loans as compared to \$33.0 million or 1.74% of total loans at December 31, 2012.

Non-Interest Income. Non-interest income was \$40.8 million in the first six months of 2013 compared to \$22.7 million in the first six months of 2012 before gains on securities of \$743,000 in the first six months of 2013. The \$18.0 million or 79.2% increase between those respective periods reflected a \$7.4 million or 45.9% increase in prepaid fees to \$23.5 million for first six months 2013. The increase resulted from an increased volume of transactions from current and new customers. The gain on the sale of the loans, which is presented net of direct origination costs, was \$7.9 million for the first six months of 2013. This gain excludes \$2.5 million of other departmental loan origination expenses. Such income and expense result from the sale of commercial real estate loans to institutions which package such loans in secondary commercial mortgage backed or SBA securities markets. There were no loan sales in the first six months of 2012. Service fees on deposit accounts increased \$560,000 or 35.4% to \$2.1 million for the first six months of 2013

from \$1.6 million for the first six months of 2012 reflecting the institution of monthly service charges on certain health savings accounts. Affinity fees increased \$519,000 or 43.7% to \$1.7 million for the first six months of 2013 from \$1.2 million for the first six months of 2012. This increase resulted primarily from an additional affinity relationship. Other non-interest income increased \$1.5 million or 382.9% to \$2.0 million for the first six months of 2013 from \$404,000 in the first six months of 2012. This increase reflected an increase of \$424,000 in letter of credit fee income, a one-time fee of \$300,000 related to a healthcare program contract and \$290,000 in fees related to special processing services in the first six months of 2013.

Non-Interest Expense. Total non-interest expense was \$52.1 million for the first six months of 2013, an increase of \$9.2 million or 21.6% over \$42.8 million for the first six months of 2012. Salaries and employee benefits amounted to \$25.9 million, an increase of \$7.2 million or 38.4% over \$18.7 million for the first six months of 2012. The increase in salaries and employee benefits reflected staff additions and related expense for prepaid operations, compliance, commercial loan sales and SBA loans. It also reflected average annual salary increases approximating 2% for our staff. Depreciation and amortization increased \$410,000 or 31.0% to \$1.7 million in the first six months of 2013 from \$1.3 million in the first six months of 2012 which reflected increased depreciation costs related to leasehold improvements and equipment for staff additions and information technology upgrades. Rent and occupancy increased \$343,000 or 21.4% to \$1.9 million in the first six months of 2013 from \$1.6 million in the first six months of 2012 which reflected increased main office operations space and office space for European prepaid operations. Audit expense increased \$41,000 or 7.1% to \$616,000 in the first six months of 2013 from \$575,000 in the first six months of 2012. The increase reflected additional audit expense for data security. Legal expense increased \$267,000 or 23.4% to \$1.4 million for the first six months of 2013 from \$1.1 million the first six months of 2012. Losses on sale and write downs on other real estate owned decreased \$806,000 to \$1.1 million in the first six months of 2013 from \$1.9 million in the first six months of 2012 due to a decrease in losses on sale of other real estate and a decrease in write downs to reduce carrying costs to expected proceeds from sales. Federal Deposit Insurance Corporation (FDIC) insurance expense increased \$146,000 or 8.6% to \$1.8 million for the first six months of 2013 from \$1.7 million in the first six months of 2012, reflecting deposit growth. Software expense increased \$598,000 or 50.1% to \$1.8 million in the first six months of 2013 from \$1.2 million in the first six months of 2012 reflecting additional prepaid card and other information technology related expense. Other real estate owned expense decreased \$304,000 or 56.4% to \$235,000 in the first six months of 2013 from \$539,000 in the first six months of 2012. Other non-interest expense increased \$1.4 million or 18.5% to \$8.8 million in the first six months of 2013 from \$7.4 million in the first six months of 2012. The \$1.4 million increase reflected an increase of \$413,000 in travel, \$321,000 in consulting, \$167,000 in prepaid card losses, \$146,000 in commercial mortgage sales expense and \$105,000 in SBA lending expense. Of the \$321,000 increase in consulting, \$196,000 resulted from the commercial mortgage loan origination and sales department.

Income Taxes. Income tax expense was \$7.7 million for the first six months of 2013 compared to \$4.4 million in the first six months of 2012, an increase of \$3.3 million. The increase resulted primarily from an increase in taxable income. Our effective tax rate for the first six months of 2013 was 37.2% compared to 35.9% in first six months 2012.

Liquidity and Capital Resources

Liquidity defines our ability to generate funds to support asset growth, meet deposit withdrawals, satisfy borrowing needs and otherwise operate on an ongoing basis. We invest the funds we do not need for daily operations primarily in overnight federal funds or in our interest-bearing account at the Federal Reserve.

The primary source of funds for our financing activities during the first six months of 2013 was cash inflows from net increases in deposits, which were \$137.4 million. Loan repayments, also a source of funds, were exceeded by new loan disbursements during that period and securities maturities and repayments were exceeded by new purchases. While we do not have a traditional branch system, we believe that our core deposits, which include our demand, interest checking, savings and money market accounts, have similar characteristics to those of a bank with a branch system. We seek to set rates on our deposits at levels competitive with the rates offered in our market; however we do not seek to compete principally on rate. The focus of our business model is to identify affinity groups that control significant amounts of deposits as part of their business. A key component to the model is that the deposits are both stable and “sticky,” in the sense that they do not react to fluctuations in the market. However, certain components of the deposits do experience seasonality, creating excess liquidity at certain times.

Historically, we have also used sources outside of our deposit products to fund our loan growth, including Federal Home Loan Bank (FHLB) advances, repurchase agreements, and institutional (brokered) certificates of deposit as a significant funding source. We have shifted to primarily using our deposits as our funding source as a result of deposit growth. We still maintain our secured borrowing lines with the Federal Home Loan Bank of Pittsburgh and other unsecured lines from our correspondent banks, which include Atlantic Central Bankers Bank, Wells Fargo Bank and PNC Bank. We have a \$392.0 million line of credit with the Federal Home Loan Bank and \$49.0 million in additional lines of credit with correspondent banks. As of June 30, 2013, we had no amounts outstanding on our borrowing lines. We expect to continue to use our facility with the Federal Home Loan Bank and our correspondent banks.

Included in our cash and cash-equivalents at June 30, 2013 are \$623.0 million of interest earning deposits which primarily consisted of deposits with the Federal Reserve Bank. Traditionally, we sell our excess funds overnight to other financial institutions, with which we have correspondent relationships, to obtain better returns. As the federal funds rates decreased to the same 25 basis point level offered by the Federal Reserve Bank, we have adjusted our strategy to retain our excess funds at the Federal Reserve Bank, which also

offers the full guarantee of the federal government. In addition, we diverted a portion of our excess funds to short term securities to generate better returns.

Funding was directed primarily at cash outflows required for purchases of investment securities (net of repayments), which were \$390.7 million for the year to date period ended June 30, 2013 and \$130.6 million for the prior year to date period ended June 30, 2012 and funding for net loan growth, which was \$97.8 million and \$69.3 million, respectively. We had outstanding commitments to fund loans, including unused lines of credit, of \$518.0 million and \$463.4 million as of June 30, 2013 and December 31, 2012, respectively.

We must comply with capital adequacy guidelines issued by the FDIC. A bank must, in general, have a Tier 1 leverage ratio of 8.00%, a ratio of Tier I capital to risk-weighted assets of 6.0% and a ratio of total capital to risk-weighted assets of 10.0% in order to be considered "well capitalized." The Tier I leverage ratio is the ratio of Tier 1 capital to average assets for the period. "Tier I capital" includes common shareholders' equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles. At June 30, 2013 we were "well capitalized" under banking regulations

The following table sets forth our regulatory capital amounts and ratios for the periods indicated:

	Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio
As of June 30, 2013			
Bancorp	8.81%	14.45%	15.71%
The Bancorp Bank	6.82%	11.20%	12.46%
"Well capitalized" institution (under FDIC regulations)	5.00%	6.00%	10.00%
As of December 31, 2012			
Bancorp	10.00%	16.39%	17.64%
The Bancorp Bank	7.50%	11.91%	13.16%
"Well capitalized" institution (under FDIC regulations)	5.00%	6.00%	10.00%

New Capital Rules

In July 2013, our primary federal regulator, the Federal Reserve, and the Bank's primary federal regulator, the FDIC, approved final rules (the "New Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including us and the Bank, as compared to the current U.S. general risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel Committee's 1988 "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal agencies' rules. The New Capital Rules are effective for us and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

Among other matters, the New Capital Rules: (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the New Capital Rules, for most banking organizations, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common form of Tier 2 capital is subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the New Capital Rules' specific requirements.

Pursuant to the New Capital Rules, the minimum capital ratios as of January 1, 2015 will be as follows:

4.5% CET1 to risk-weighted assets;

6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;

8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and

4% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the “leverage ratio”).

The New Capital Rules also introduce a new “capital conservation buffer”, composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. Thus, when fully phased-in on January 1, 2019, the Bank and us will be required to maintain such additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the current general risk-based capital rules, the effects of accumulated other comprehensive income or loss (“AOCI”) items included in shareholders’ equity (for example, mark-to-market of securities held in the available for sale portfolio) under U.S. GAAP are reversed for the purposes of determining regulatory capital ratios. Pursuant to the New Capital Rules, the effects of certain AOCI items are not excluded; however, “non-advanced approaches banking organizations”, including us and the Bank, may make a one-time permanent election to continue to exclude these items. This election must be made concurrently with the first filing of certain of our and the Bank’s periodic regulatory reports in the beginning of 2015. We and the Bank expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of their securities portfolio. The New Capital Rules also preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies’ Tier 1 capital, subject to grandfathering in the case of bank holding companies, such as us, that had less than \$15 billion in total consolidated assets as of December 31, 2009.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and increase by

0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

With respect to the Bank, the New Capital Rules revise the “prompt corrective action” (“PCA”) regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act, by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The New Capital Rules do not change the total risk-based capital requirement for any PCA category.

The New Capital Rules prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes.

We believe that that both us and the Bank will be able to meet targeted capital ratios upon implementation of the revised requirements, as finalized.

Asset and Liability Management

The management of rate sensitive assets and liabilities is essential to controlling interest rate risk and optimizing interest margins. An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market rates. Interest rate sensitivity measures the relative volatility of an institution’s interest margin resulting from changes in market interest rates.

We monitor, manage and control interest rate risk through a variety of techniques, including use of traditional interest rate sensitivity analysis (also known as “gap analysis”) and an interest rate risk management model. With the interest rate risk management model, we project future net interest income and then estimate the effect of various changes in interest rates and balance sheet growth rates on

that projected net interest income. We also use the interest rate risk management model to calculate the change in net portfolio value over a range of interest rate change scenarios. Traditional gap analysis involves arranging our interest earning assets and interest bearing liabilities by repricing periods and then computing the difference (or “interest rate sensitivity gap”) between the assets and liabilities that we estimate will reprice during each time period and cumulatively through the end of each time period.

Both interest rate sensitivity modeling and gap analysis are done at a specific point in time and involve a variety of significant estimates and assumptions. Interest rate sensitivity modeling requires, among other things, estimates of how much and when yields and costs on individual categories of interest earning assets and interest bearing liabilities will respond to general changes in market rates, future cash flows and discount rates. Gap analysis requires estimates as to when individual categories of interest-sensitive assets and liabilities will reprice, and assumes that assets and liabilities assigned to the same repricing period will reprice at the same time and in the same amount. Gap analysis does not account for the fact that repricing of assets and liabilities is discretionary and subject to competitive and other pressures. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds interest rate sensitive assets. During a period of falling interest rates, a positive gap would tend to adversely affect net interest income, while a negative gap would tend to result in an increase in net interest income. During a period of rising interest rates, a positive gap would tend to result in an increase in net interest income while a negative gap would tend to affect net interest income adversely.

The following table sets forth the estimated maturity or repricing structure of our interest earning assets and interest bearing liabilities at June 30, 2013. We estimate the repricing characteristics of deposits based on historical performance, past experience at other institutions, wholly judgmental predictions and other deposit behavior assumptions. However, we may choose not to reprice liabilities proportionally to changes in market interest rates for competitive or other reasons. The table does not assume any prepayment of fixed-rate loans and mortgage-backed securities, which are scheduled based on their anticipated cash flow, including prepayments based on historical data and current market trends. The table does not necessarily indicate the impact of general interest rate movements on our net interest income because the repricing of certain categories of assets and liabilities is beyond our control as, for example, prepayments of loans and withdrawal of deposits. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different times and at different rate levels.

	1-90 Days (dollars in thousands)	91-364 Days	1-3 Years	3-5 Years	Over 5 Years
Interest earning assets:					
Loans net of deferred loan	\$ 789,393	\$ 271,886	\$ 341,756	\$ 238,233	\$ 326,114

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

costs								
Investment securities	386,556	86,214	326,108	156,197	162,435			
Interest earning deposits	622,989	-	-	-	-			
Securities purchased under agreements to resell	40,240	-	-	-	-			
Total interest earning assets	1,839,178	358,100	667,864	394,430	488,549			
Interest bearing liabilities:								
Demand and interest checking	1,860,265	149,106	149,106	-	-			
Savings and money market	117,309	234,620	117,309	-	-			
Time deposits	5,796	3,573	8,819	61	-			
Securities sold under agreements to repurchase	19,059	-	-	-	-			
Subordinated debenture	13,401	-	-	-	-			
Total interest bearing liabilities	2,015,830	387,299	275,234	61	-			
Gap	\$ (176,652)	\$ (29,199)	\$ 392,630	\$ 394,369	\$ 488,549			
Cumulative gap	\$ (176,652)	\$ (205,851)	\$ 186,779	\$ 581,148	\$ 1,069,697			
Gap to assets ratio	-5%	*	10%	10%	13%			
Cumulative gap to assets ratio	-5%	-5%	5%	15%	28%			

* While demand deposits are non-interest bearing, related fees paid to affinity groups may reprice according to specified indices.

The methods used to analyze interest rate sensitivity in this table have a number of limitations. Certain assets and liabilities may react differently to changes in interest rates even though they reprice or mature in the same or similar time periods. The interest rates on certain assets and liabilities may change at different times than changes in market interest rates, with some changing in advance of changes in market rates and some lagging behind changes in market rates. Additionally, the actual prepayments and withdrawals we experience when interest rates change may deviate significantly from those assumed in calculating the data shown in the table. Accordingly actual results can and often do differ from projections.

Financial Condition

General. Our total assets at June 30, 2013 were \$3.90 billion, of which our total loans were \$1.97 billion. At December 31, 2012 our total assets were \$3.70 billion, of which our total loans were \$1.90 billion.

Interest earning deposits and federal funds sold. At June 30, 2013, we had a total of \$623.0 million of interest earning deposits compared to \$948.1 million at December 31, 2012 a decrease of \$325.1 million or 34.3%. These deposits were comprised primarily of balances at the Federal Reserve Bank, which pays interest on such balances. Reductions in such balances reflected deployment of such funds into higher yielding loans and securities.

Investment portfolio. For detailed information on the composition and maturity distribution of our investment portfolio, see Note 5 to the Financial Statements. Total investment securities increased to \$1.12 billion at June 30, 2013, an increase of \$354.3 million or 46.4% from year-end 2012. The increase in investment securities was primarily a result of increased purchases of municipal and corporate bonds. The purchases carry higher yields than overnight investments which, because of the historically low rate environment, earn approximately 25 basis points.

Other securities, included in the held-to-maturity classification at June 30, 2013, consisted of three securities secured by diversified portfolios of corporate securities, one bank senior note, three single issuer trust preferred securities and two pooled trust preferred securities.

The \$19.0 million of other debt securities - single issuers are comprised of the following. The amortized cost of the three single issuer trust preferred securities was \$14.0 million, of which one security for \$1.9 million was issued by a bank and two securities totaling \$12.1 million were issued by two different insurance companies. The book value of the one bank senior note note was \$5.0 million.

The \$76.7 million of other debt securities – pooled are comprised of the following. The two pooled trust preferred securities totaled \$810,000 and were collateralized by bank trust preferred securities. The book value for the securities comprised by diversified portfolios of corporate securities is \$75.9 million.

The following table provides additional information related to our single issuer trust preferred securities as of June 30, 2013 (in thousands):

Single issuer	Book value	Fair value	Unrealized gain/(loss)
---------------	------------	------------	------------------------

						Credit rating	
Security A	\$	1,892	\$	2,000	\$	108	Not rated
Security B		3,214		2,868		(346)	Not rated
Security C		8,885		5,032		(3,853)	Not rated

Class: All of the above are trust preferred securities.

The following table provides additional information related to our pooled trust preferred securities as of June 30, 2013:

Pooled issue	Class	Book value	Fair value	Unrealized gain/(loss)	Credit rating	Excess subordination
Pool A (17 performing issuers)	Mezzanine *	\$ 658	\$ 531	\$ (127)	Ca	***
Pool B (14 performing issuers)	Mezzanine **	153	184	31	Ca	***

* The actual deferrals and defaults as a percentage of the original collateral were 24%. Assumed losses resulting from expected deferrals and defaults as a percentage of remaining collateral is .75% annually with 15% recovery with a two year lag.

** The actual deferrals and defaults as a percentage of the original collateral were 24%. Assumed losses resulting from expected deferrals and defaults as a percentage of remaining collateral is 1.2% every three years with no recoveries.

*** There is no excess subordination in these securities.

Under the accounting guidance related to the recognition of other-than-temporary impairment charges on debt securities an impairment on a debt security is deemed to be other-than-temporary if it meets the following conditions:

1) we intend to sell or it is

more likely than not we will be required to sell the security before a recovery in value, or 2) we do not expect to recover the entire amortized cost basis of the security. If we intend to sell or it is more likely than not we will be required to sell the security before a recovery in value, a charge is recorded in net realized capital losses equal to the difference between the fair value and amortized cost basis of the security. For those other-than-temporarily impaired debt securities which do not meet the first condition and for which we do not expect to recover the entire amortized cost basis, the difference between the security's amortized cost basis and the fair value is separated into the portion representing a credit impairment, which is recorded in net realized capital losses, and the remaining impairment, which is recorded in other comprehensive income. Generally, a security's credit impairment is the difference between its amortized cost basis and the best estimate of its expected future cash flows discounted at the security's effective yield prior to impairment. The previous amortized cost basis less the impairment recognized in net realized capital losses becomes the security's new cost basis. As prescribed by accounting standards, for year to date June 30, 2013 and June 30, 2012 respectively, we recognized other-than-temporary impairment charges of \$20,000 and \$126,000 related to trust preferred securities classified in our held-to-maturity portfolio.

Investments in Federal Home Loan and Atlantic Central Bankers Bank stock are recorded at cost and amounted to \$3.2 million at June 30, 2013 and \$3.6 million at December 31, 2012.

Investment securities with a carrying value of \$18.8 million at June 30, 2013 and \$34.3 million at December 31, 2012, were pledged as collateral for Federal Home Loan Bank advances and to secure securities sold under repurchase agreements as required or permitted by law.

Loans held for sale. Loans held for sale are comprised of commercial mortgage loans, SBA loans and residential mortgage loans originated for sale in the secondary market. The fair value of commercial mortgage loans and the SBA loans originated for sale is based on purchase commitments or quoted prices for the same or similar loans. The residential mortgage loans held for sale are carried at the lower of cost or market. Commercial loans held for sale increased to \$49.4 million at June 30, 2013 from \$11.3 million at December 31, 2012.

Loan portfolio. Total loans increased to \$1.97 billion at June 30, 2013 from \$1.90 billion at December 31, 2012.

The following table summarizes our loan portfolio not including loans held for sale by loan category for the periods indicated (in thousands):

	June 30, 2013	December 31, 2012
Commercial	\$ 481,537	\$ 470,109
Commercial mortgage *	651,034	617,069
Construction	266,911	258,684
Total commercial loans	1,399,482	1,345,862
Direct lease financing	172,250	156,697
Residential mortgage	93,960	97,717

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

Consumer and other loans	295,576		296,915	
	1,961,268		1,897,191	
Unamortized loan fees and costs	6,114		5,663	
Total loans, net of deferred loan fees and costs	\$	1,967,382	\$	1,902,854
Supplemental loan data:				
Construction 1-4 family	\$	64,144	\$	60,343
Commercial construction, acquisition and development	202,767		198,341	
	\$	266,911	\$	258,684

* At June 30, 2013, our owner-occupied loans amounted to \$171.3 million, or 26.3% of commercial mortgages as compared to \$172.5 million, or 28.0% at December 31, 2012.

Allowance for loan and lease losses. We review the adequacy of our allowance for loan and lease losses on at least a quarterly basis to determine that the provision for loan losses is made in an amount necessary to maintain our allowance at a level that is appropriate, based on management's estimate of inherent losses. Our estimates of loan and lease losses are intended to, and, in management's

opinion, do, meet the criteria for accrual of loss contingencies in accordance with ASC topic 450, Contingencies, and ASC topic 310, Receivables. The process of evaluating this adequacy has two basic elements: first, the identification of problem loans or leases based on current financial information and the fair value of the underlying collateral; and second, a methodology for estimating general loss reserves. For loans or leases classified as “special mention,” “substandard” or “doubtful,” we reserve all losses inherent in the portfolio at the time we classify the loan or lease. This “specific” portion of the allowance is the total of potential, although unconfirmed, losses for individually classified loans. In this process, we establish specific reserves based on an analysis of the most probable sources of repayment and liquidation of collateral. While each impaired loan is individually evaluated, not every loan requires a reserve when the collateral value and estimated cash flows exceed the current balance.

The second phase of our analysis represents an allocation of the allowance. This methodology analyzes pools of loans that have similar characteristics and applies historical loss experience and other factors for each pool including management’s experience with similar loan and lease portfolios at other institutions, the historic loss experience of our peers and a review of statistical information from various industry reports to determine the allocable portion of the allowance. This estimate is intended to represent the potential unconfirmed and inherent losses within the portfolio. Individual loan pools are created for major loan categories: commercial loans, commercial mortgages, construction loans, direct lease financing and various types of loans to individuals. We augment historical experience for each loan pool by accounting for such items as current economic conditions, current loan portfolio performance, loan policy or management changes, loan concentrations, increases in our lending limit, average loan size and other factors as appropriate. Our Chief Risk Officer, who reports directly to our audit committee, oversees the loan review department processes and measures the adequacy of the allowance independently of management. The loan review department’s oversight parameters include borrower relationships over \$3.0 million and loans that are 90 days or more past due or which have been previously adversely classified. Approximately 69% of the portfolio was reviewed at both June 30, 2013 and December 31, 2012.

The following table presents delinquencies by type of loan as follows (in thousands):

	30-59 Days past due	60-89 Days past due	Greater than 90 days	Non-accrual	Total past due
June 30, 2013					
Commercial	\$ 3,921	\$ 3,005	\$ -	\$ 26,936	\$ 33,862
Commercial mortgage	-	7,171	-	9,323	16,494
Construction	-	-	-	2,352	2,352
Direct lease financing	3,436	505	63	-	4,004
Consumer - other	330	51	692	1,116	2,189
Consumer - home equity	106	61	-	-	167
Residential mortgage	-	-	-	2,016	2,016
Unamortized costs	-	-	-	-	-

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

\$ 7,793 \$ 10,793 \$ 755 \$ 41,743 \$ 61,084

	30-59 Days	60-89 Days	Greater than			Total	
December 31, 2012	past due	past due	90 days		Non-accrual	past due	
Commercial	\$ -	\$ 5,750	\$ 1,350		\$ 10,459	\$ 17,559	
Commercial mortgage	686	300	2,412		9,175	12,573	
Construction	-	-	667		4,538	5,205	
Direct lease financing	1,313	1,168	6		-	2,487	
Consumer - other	330	99	-		927	1,356	
Consumer - home equity	2	6	-		-	8	
Residential mortgage	749	1,175	-		91	2,015	
Unamortized costs	-	-	-		-	-	
	\$ 3,080	\$ 8,498	\$ 4,435		\$ 25,190	\$ 41,203	

Although we consider our allowance for loan and lease losses to be adequate based on information currently available, future additions to the allowance may be necessary due to changes in economic conditions, our ongoing loss experience and that of our peers, changes in management's assumptions as to future delinquencies, recoveries and losses, deterioration of specific credits and management's intent with regard to the disposition of loans and leases.

Summary of loan and lease loss experience. The following tables summarize our credit loss experience for each of the periods indicated:

The following table summarizes select asset quality ratios for each of the periods indicated:

	As of or for the six months ended June 30, 2013 2012	
Ratio of the allowance for loan losses to total loans	2.05%	1.73%
Ratio of the allowance for loan losses to nonperforming loans (1)	94.77%	111.64%
Ratio of nonperforming assets to total assets (1)	1.26%	1.04%
Ratio of net charge-offs to average loans	0.39%	0.45%
Ratio of net charge-offs to average loans annualized	0.79%	0.89%

(1) Includes loans 90 days past due still accruing interest

The ratio of the allowance for loan and lease losses to total loans increased to 2.05% at June 30, 2013 from 1.73% at June 30, 2012. The increase reflected a higher reserve which further reflected increased reserves on specific loans. The ratio of the allowance for loan losses to non-performing loans decreased to 94.77% at June 30, 2013 from 111.64% at June 30, 2012 primarily as a result of increased non-performing loans. The ratio of non-performing assets to total assets increased primarily as a result of increased non-performing loans for June 30, 2013 compared to the prior year. Net charge-offs to average loans decreased to 0.39% for the six months ended June 30, 2013 from 0.45% for the six months ended June 30, 2012, primarily due to higher average loan balances.

Net charge-offs. Net charge-offs were \$7.8 million for the six months ended June 30, 2013, a decrease of \$138,000 over net charge-offs for the same period of 2012. The majority of the charge-offs in the first six months of 2013 were associated with seven commercial loans totaling \$3.5 million and seven construction loan relationships totaling \$4.4 million.

Non-performing loans, loans 90 days delinquent and still accruing, and troubled debt restructurings. Loans are considered to be non-performing if they are on a non-accrual basis or they are past due 90 days or more and still accruing interest. A loan which is past due 90 days or more and still accruing interest remains on accrual status only when it is both adequately secured as to principal and interest, and is in the process of collection. Troubled debt restructurings are loans with terms that have been renegotiated to provide a reduction or deferral of interest or principal because of a weakening in the financial positions of the borrowers. The following tables summarize our non-performing loans, other real estate owned and loans past due 90 days or more still accruing interest (in thousands).

	June 30, 2013	June 30, 2012	December 31, 2012
Non-accrual loans			
Construction	\$ 2,352	\$ 8,698	\$ 4,538
Commercial mortgage	9,324	5,559	9,175
Commercial	26,935	9,536	10,459
Consumer	1,116	927	927
Residential	2,016	95	91
Total non-accrual loans	41,743	24,815	25,190
Loans past due 90 days or more	755	3,105	4,435
Total non-performing loans	42,498	27,920	29,625
Other real estate owned	6,308	4,919	4,241
Total non-performing assets	\$ 48,806	\$ 32,839	\$ 33,866

The Company's loans that were modified as of June 30, 2013 and December 31, 2012 and considered troubled debt restructurings are as follows (dollars in thousands):

	June 30, 2013			December 31, 2012		
	Number	Pre-modification recorded investment	Post-modification recorded investment	Number	Pre-modification recorded investment	Post-modification recorded investment
Commercial	2	\$ 1,287	\$ 1,287	2	\$ 2,416	\$ 2,416
Commercial mortgage	3	3,094	3,094	3	3,144	3,144
Construction	4	1,457	1,457	3	1,479	1,479
Residential mortgage	-	-	-	-	-	-
Total	9	\$ 5,838	\$ 5,838	8	\$ 7,039	\$ 7,039

The balances below provide information as to how the loans were modified as troubled debt restructurings loans at June 30, 2013 and December 31, 2012 (in thousands).

	June 30, 2013			December 31, 2012		
	Adjusted interest rate	Extended maturity	Combined rate and maturity	Adjusted interest rate	Extended maturity	Combined rate and maturity
Commercial	\$ -	\$ 1,127	\$ 160	\$ -	\$ 2,255	\$ 161
Commercial mortgage	692	214	2,188	714	214	2,216
Construction	-	1,457	-	-	1,479	-
Residential mortgage	-	-	-	-	-	-
Total	\$ 692	\$ 2,798	\$ 2,348	\$ 714	\$ 3,948	\$ 2,377

The following table summarizes as of June 30, 2013 loans that were restructured within the last 12 months that have subsequently defaulted:

	Number	Pre-modification recorded investment
Commercial	1	\$ 161

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

Commercial mortgage	-	-	
Construction	-	-	
Residential mortgage	-	-	
Total	1	\$	161

The following table provides information about impaired loans at June 30, 2013 and December 31, 2012:

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
June 30, 2013					
Without an allowance recorded					
Construction	\$ 1,899	\$ 3,888	\$ -	\$ 1,654	\$ -
Commercial mortgage	6,356	8,552	-	5,638	-
Commercial	6,782	6,782	-	5,709	-
Consumer - home equity	927	927	-	927	-
Residential	2,016	2,016	-	672	-
With an allowance recorded					
Construction	453	588	90	1,650	-
Commercial mortgage	2,968	2,968	1,249	5,286	-
Commercial	20,153	21,907	7,302	12,223	-
Consumer - home equity	189	189	51	63	-
Residential	-	-	-	60	-
Total					
Construction	\$ 2,352	\$ 4,476	\$ 90	\$ 3,304	\$ -
Commercial mortgage	\$ 9,324	\$ 11,520	\$ 1,249	\$ 10,924	\$ -
Commercial	\$ 26,935	\$ 28,689	\$ 7,302	\$ 17,932	\$ -
Consumer - home equity	\$ 1,116	\$ 1,116	\$ 51	\$ 990	\$ -
Residential	\$ 2,016	\$ 2,016	\$ -	\$ 732	\$ -

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
December 31, 2012					
Without an allowance recorded					
Construction	\$ 1,656	\$ 5,054	\$ -	\$ 1,060	\$ -
Commercial mortgage	4,583	6,730	-	2,563	-
Commercial	4,356	5,481	-	2,485	-
Consumer - home equity	927	927	-	927	-
Residential	-	-	-	253	-
With an allowance recorded					
Construction	3,158	4,147	1,273	6,650	-
Commercial mortgage	4,806	4,806	1,706	4,233	-
Commercial	6,264	7,067	4,069	5,571	-
Consumer - home equity	-	-	-	65	-
Residential	91	91	69	56	-
Total					
Construction	\$ 4,814	\$ 9,201	\$ 1,273	\$ 7,710	\$ -
Commercial mortgage	\$ 9,389	\$ 11,536	\$ 1,706	\$ 6,796	\$ -
Commercial	\$ 10,620	\$ 12,548	\$ 4,069	\$ 8,056	\$ -
Consumer - home equity	\$ 927	\$ 927	\$ -	\$ 992	\$ -
Residential	\$ 91	\$ 91	\$ 69	\$ 309	\$ -

We had \$41.7 million of non-accrual loans at June 30, 2013 compared to \$25.2 million of non-accrual loans at December 31, 2012. The increase in non-accrual loans was primarily due to \$30.9 million of loans placed on non-accrual status offset by \$6.1 million of loan charge-offs, \$3.8 million of loans transferred to other real estate owned and \$4.5 million of loan payments. Loans past due 90 days or more still accruing interest amounted to \$755,000 at June 30, 2013 and \$4.4 million at December 31, 2012. The \$3.7 million decrease reflected \$2.0 million of additions partially offset by \$5.6 million of loans transferred to non-accrual status, \$125,000 of loan payments.

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

We had \$6.3 million of other real estate owned at June 30, 2013 compared to \$4.2 million at December 31, 2012. The increase in other real estate owned was primarily due to \$3.8 million of additions which were partially offset by \$694,000 of sales, \$917,000 of write-downs and \$148,000 of realized losses.

The following table classifies our loans (not including loans held for sale) by categories which are used throughout the industry as of June 30, 2013 and December 31, 2012:

Risk Rating	Commercial		Construction		Commercial mortgage		R m 6
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012	
Pass	\$ 357,519	\$ 335,563	\$ 240,464	\$ 247,214	\$ 476,681	\$ 489,615	\$
Special							
Mention	5,010	6,788	4,348	-	28,621	23,200	-
Substandard	33,707	12,252	8,444	5,205	21,025	9,704	2
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Unrated subject to review *	34,355	17,614	7,689	2,301	62,051	18,286	1
Unrated not subject to review *	50,946	97,892	5,966	3,964	62,656	76,264	6
Total	\$ 481,537	\$ 470,109	\$ 266,911	\$ 258,684	\$ 651,034	\$ 617,069	\$
Risk Rating	Consumer		Direct lease financing		Unamortized costs		T 6
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012	
Pass	\$ 82,773	\$ 89,128	\$ 63,405	\$ 52,241	\$ -	\$ -	\$
Special							
Mention	1,359	99	-	-	-	-	3
Substandard	2,521	3,626	34	69	-	-	6
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Unrated subject to review *	7,784	4,593	-	3,337	-	-	1
Unrated not subject to review *	201,139	199,469	108,811	101,050	6,114	5,663	5

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

Total	\$	295,576	\$	296,915	\$	172,250	\$	156,697	\$	6,114	\$	5,663	\$
-------	----	---------	----	---------	----	---------	----	---------	----	-------	----	-------	----

* Unrated loans consist of performing loans which did not exhibit any negative characteristics which would require the loan to be evaluated, or fell below the dollar threshold requiring review and are not loans otherwise selected in ongoing portfolio evaluation. The scope of the Bank's loan review policy encompasses commercial and construction loans and leases which singly or in the aggregate in the case of loans with related borrowers, equal or exceed \$3.0 million. The loan portfolio review coverage was approximately 69% at June 30, 2013 and approximately 69% at December 31, 2012. This review is performed by the loan review department, which is independent of the loan department and reports directly to the audit committee. All classified loans are reviewed by the independent loan review function of the Bank. Potential problem loans which are identified by either the independent loan review department or line management are also reviewed. All loans are subject to review by their relationship manager and senior loan personnel. Also, many of the Bank's loans are relatively short term, and are subject to reconsideration with a full review in loan committee between one and three years.

Premises and equipment, net. Premises and equipment amounted to \$13.7 million at June 30, 2013 compared to \$10.4 million at December 31, 2012. The increase resulted primarily from computer equipment purchases.

Deposits. Our primary source of funding is deposit acquisition. We offer a variety of deposit accounts with a range of interest rates and terms, including demand, checking and money market accounts. One strategic focus is growing these accounts through affinity groups. At June 30, 2013, we had total deposits of \$3.5 billion compared to \$3.31 billion at December 31, 2012, an increase of \$137.4 million or 4.1%, which was primarily the result of growth in prepaid and wealth management accounts. Increases in average deposit trends have allowed us to virtually eliminate time deposits, which may bear higher interest rates than transaction accounts. The following table presents the average balance and rates paid on deposits for the periods indicated (in thousands):

	For the six months ended June 30, 2013		For the year ended December 31, 2012	
	Average balance (unaudited)	Average rate	Average balance	Average rate
Demand and interest checking	\$ 3,170,543	0.24%	\$ 2,666,493	0.29%
Savings and money market	494,383	0.45%	455,860	0.53%
Time	19,607	1.03%	26,624	1.34%
Total deposits	\$ 3,684,533	0.27%	\$ 3,148,977	0.33%

Borrowings. We had no outstanding advances from the Federal Home Loan Bank as of June 30, 2013 and December 31, 2012. Additionally, we had no outstanding balances on the Bank's lines of credit as of June 30, 2013 and December 31, 2012. We do not have any policy prohibiting us from incurring debt.

Other liabilities. Other liabilities amounted to \$49.1 million at June 30, 2013 compared to \$17.7 million at December 31, 2012, representing an increase of \$31.4 million. The increase resulted primarily from securities purchases in process.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except as discussed in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” there has been no material change in our assessment of our sensitivity to market risk since our presentation in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 6. Exhibits

The Exhibits furnished as part of this Quarterly Report on Form 10-Q are identified in the Exhibit Index immediately following the signature page of this Report. Such Exhibit Index is incorporated herein by reference.

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.

THE BANCORP INC
(Registrant)

August 9, 2013 /s/ Betsy Z. Cohen
Date Betsy Z. Cohen
Chief Executive Officer

August 9, 2013 /s/ Paul Frenkiel
Date Executive Vice President of Strategy,
Chief Financial Officer and Secretary

Exhibit No. Description

3.1 Certificate of
Incorporation ⁽¹⁾

3.2 Bylaws ⁽¹⁾

10.1 Form of Stock
Option Award

Agreement under the
2013 Plan

10.2 Form of Stock
Award Award
Agreement under the
2013 Plan

31.1 Rule
13a-14(a)/15d-14(a)
Certifications

31.2 Rule
13a-14(a)/15d-14(a)
Certifications

32.1 Section 1350
Certifications

32.2 Section 1350
Certifications

101.INS XBRL Instance
Document (2)

101.SCH XBRL Taxonomy
Extension Schema
Document(2)

101.CAL XBRL Taxonomy
Extension
Calculation
Linkbase
Document(2)

101.DEF XBRL Taxonomy
Extension Definition
Linkbase
Document(2)

101.LAB XBRL Taxonomy
Extension Label
Linkbase
Document(2)

101.PRE XBRL Taxonomy
Extension
Presentation
Linkbase
Document(2)

Edgar Filing: BASSETT FURNITURE INDUSTRIES INC - Form 8-K

Filed previously as an exhibit to our Registration Statement on Form S-4, as amended, registration number 333-117385, and by this reference incorporated herein.
