

SOUTHERN MISSOURI BANCORP INC
Form 10-Q
February 14, 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 quarterly 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 0-23406

Southern Missouri Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Missouri
(State or jurisdiction of incorporation)

43-1665523
(IRS employer id. no.)

531 Vine Street Poplar Bluff, MO
(Address of principal executive offices)

63901
(Zip code)

(573) 778-1800
Registrant's telephone number, including area code

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

Yes 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 (§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

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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	Smaller reporting company	X
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act)

Yes No X

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date:

Class	Outstanding at February 13, 2014
Common Stock, Par Value \$.01	3,311,740 Shares

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PART I: Item 1: Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 31 AND JUNE 30, 2013

	December 31, 2013 (unaudited)	June 30, 2013
Cash and cash equivalents	\$ 19,884,920	\$ 12,788,950
Interest-bearing time deposits	980,000	980,000
Available for sale securities	113,298,082	80,004,226
Stock in FHLB of Des Moines	4,269,400	2,006,600
Stock in Federal Reserve Bank of St. Louis	1,004,450	1,004,450
Loans receivable, net of allowance for loan losses of \$9,084,904 and \$8,385,980 at December 31 and June 30, 2013, respectively	748,729,674	647,165,899
Accrued interest receivable	4,784,598	3,969,697
Premises and equipment, net	19,843,367	17,515,834
Bank owned life insurance – cash surrender value	16,725,624	16,467,043
Identifiable intangible assets, net	1,632,503	352,427
Goodwill	2,034,190	687,999
Prepaid expenses and other assets	17,024,528	13,448,115
Total assets	\$ 950,211,336	\$ 796,391,240
Deposits	\$ 729,790,874	\$ 632,378,933
Securities sold under agreements to repurchase	21,800,967	27,788,192
Advances from FHLB of Des Moines	80,888,037	24,500,000
Accounts payable and other liabilities	2,117,519	2,149,234
Accrued interest payable	904,288	528,528
Subordinated debt	9,714,096	7,217,000
Total liabilities	845,215,781	694,561,887
Preferred stock, \$.01 par value, \$1,000 liquidation value; 500,000 shares authorized; 20,000 shares issued and outstanding at December 31 and June 30, 2013	20,000,000	20,000,000
Common stock, \$.01 par value; 8,000,000 shares authorized; 3,299,740 and 3,294,040 shares, respectively, issued at December 31 and June 30, 2013, respectively	32,677	32,620
Warrants to acquire common stock	176,790	176,790
Additional paid-in capital	22,846,593	22,752,744
Retained earnings	62,973,250	59,046,139
Accumulated other comprehensive loss	(1,033,755)	(178,940)
Total stockholders' equity	104,995,555	101,829,353
Total liabilities and stockholders' equity	\$ 950,211,336	\$ 796,391,240

See Notes to Condensed Consolidated Financial Statements

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SOUTHERN MISSOURI BANCORP, INC
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE- AND SIX-MONTH PERIODS ENDED DECEMBER 31, 2013 AND 2012 (Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
INTEREST INCOME:				
Loans	\$9,512,181	\$8,730,367	\$18,176,851	\$17,584,301
Investment securities	509,437	376,663	918,811	739,366
Mortgage-backed securities	213,742	79,632	301,450	205,395
Other interest-earning assets	2,931	11,106	5,912	30,355
Total interest income	10,238,291	9,197,768	19,403,024	18,559,417
INTEREST EXPENSE:				
Deposits	1,505,658	1,496,722	2,954,170	3,076,424
Securities sold under agreements to repurchase	31,122	54,165	62,679	102,467
Advances from FHLB of Des Moines	285,554	258,742	541,470	513,454
Subordinated debt	85,147	57,646	140,852	116,772
Total interest expense	1,907,481	1,867,275	3,699,171	3,809,117
NET INTEREST INCOME	8,330,810	7,330,493	15,703,853	14,750,300
PROVISION FOR LOAN LOSSES	294,770	462,017	794,290	1,072,706
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,036,040	6,868,476	14,909,563	13,677,594
NONINTEREST INCOME:				
Deposit account charges and related fees	659,655	442,291	1,235,006	874,107
Bank card interchange income	339,696	289,790	658,450	588,309
Loan late charges	62,585	52,705	117,099	104,261
Other loan fees	152,093	73,019	227,866	145,579
Net realized gains on sale of loans	159,850	89,700	244,488	142,856
Net realized gains on available-for-sale securities	109,481	-	109,481	-
Earnings on bank owned life insurance	129,670	128,717	258,581	254,538
Other income	52,775	41,678	95,189	68,231
Total noninterest income	1,665,805	1,117,900	2,946,160	2,177,881
NONINTEREST EXPENSE:				
Compensation and benefits	3,031,551	2,523,408	5,662,973	4,984,574
Occupancy and equipment, net	978,299	681,323	1,762,103	1,373,234
Deposit insurance premiums	109,965	92,121	208,356	186,667
Legal and professional fees	684,920	116,193	910,926	215,252
Advertising	135,757	84,452	237,039	143,351
Postage and office supplies	167,278	123,027	270,431	226,550
Intangible amortization	175,915	104,283	280,198	208,566
Bank card network expense	180,900	142,653	323,024	286,763
Other operating expense	760,985	573,110	1,137,871	953,572
Total noninterest expense	6,225,570	4,440,570	10,792,921	8,578,529
INCOME BEFORE INCOME TAXES	3,476,275	3,545,806	7,062,802	7,276,946
INCOME TAXES	957,447	1,064,886	1,980,894	2,205,772
NET INCOME	\$2,518,828	\$2,480,920	\$5,081,908	\$5,071,174
Less: dividend on preferred shares	50,000	50,000	100,000	245,115

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Net income available to common shareholders	\$2,468,828	\$2,430,920	\$4,981,908	\$4,826,059
Basic earnings per common share	\$0.75	\$0.74	\$1.51	\$1.47
Diluted earnings per common share	\$0.73	\$0.72	\$1.47	\$1.43
Dividends per common share	\$0.16	\$0.15	\$0.32	\$0.30

See Notes to Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE THREE- AND SIX-MONTH PERIODS ENDED DECEMBER 31, 2013 AND 2012 (Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
Net income	\$2,518,828	\$2,480,920	\$5,081,908	\$5,071,174
Other comprehensive income (loss):				
Unrealized gains (losses) on securities available-for-sale	(153,829)	(14,363)	(1,248,877)	343,157
Less: reclassification adjustment for realized gains	109,481	-	109,481	-
Included in net income				
Unrealized gains on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income	693	15,234	1,509	15,318
Tax benefit (expense)	97,168	(322)	502,034	(132,635)
Total other comprehensive income (loss)	(165,449)	549	(854,815)	225,840
Comprehensive income	\$2,353,379	\$2,481,469	\$4,227,093	\$5,297,014

See Notes to Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2013 AND 2012 (Unaudited)

	Six months ended December 31,	
	2013	2012
Cash Flows From Operating Activities:		
Net income	\$5,081,908	\$5,071,174
Items not requiring (providing) cash:		
Depreciation	724,805	537,074
Loss on disposal of fixed assets	168	20,875
Stock option and stock grant expense	7,095	107,095
Amortization of intangible assets	280,198	208,566
Increase in cash surrender value of bank owned life insurance	(258,581)	(254,538)
Gain on sale of foreclosed assets	(45,500)	(71,874)
Provision for loan losses and off-balance sheet credit exposures	794,290	1,072,706
Gains realized on AFS securities	(109,481)	-
Net amortization (accretion) of premiums and discounts on securities	290,281	287,784
Originations of loans held for sale	(5,751,624)	(3,389,505)
Proceeds from sales of loans held for sale	5,799,895	3,477,200
Gain on sales of loans held for sale	(226,056)	(142,856)
Changes in:		
Accrued interest receivable	(455,364)	(648,871)
Prepaid expenses and other assets	(149,168)	(2,483,778)
Accounts payable and other liabilities	(1,133,404)	617,223
Deferred taxes	40,584	(263,837)
Accrued interest payable	(100,133)	(85,560)
Net cash provided by operating activities	4,789,913	4,058,878
Cash flows from investing activities:		
Net increase in loans	(62,929,724)	(40,078,326)
Net change in interest-bearing deposits	-	(881,000)
Proceeds from maturities of available for sale securities	5,376,440	18,931,321
Proceeds from sales of available for sale securities	7,722,340	-
Net purchases of Federal Home Loan Bank stock	(2,101,400)	-
Purchases of available-for-sale securities	(13,660,413)	(21,383,823)
Purchases of premises and equipment	(1,897,209)	(4,539,833)
Net cash paid in acquisitions	(4,044,714)	-
Investments in state & federal tax credits	(3,385,154)	-
Proceeds from sale of fixed assets	-	26,500
Proceeds from sale of foreclosed assets	903,436	1,046,700
Net cash used in investing activities	(74,016,398)	(46,878,461)
Cash flows from financing activities:		
Net increase in demand deposits and savings accounts	25,889,200	15,922,582
Net increase in certificates of deposits	3,288,141	5,668,929
Net (decrease) increase in securities sold under agreements to repurchase	(7,086,900)	5,302,857
Net proceeds from Federal Home Loan Bank advances	55,300,000	-
Proceeds from issuance of common stock	-	66,555
Exercise of stock options	86,811	33,963

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Dividends paid on preferred stock	(100,000)	(311,553)
Dividends paid on common stock	(1,054,797)	(986,712)
Net cash provided by financing activities	76,322,455		25,696,621	
Increase (decrease) in cash and cash equivalents	7,095,970		(17,122,962)
Cash and cash equivalents at beginning of period	12,788,950		33,421,099	
Cash and cash equivalents at end of period	\$19,884,920		\$16,298,137	
Supplemental disclosures of cash flow information:				
Noncash investing and financing activities:				
Conversion of loans to foreclosed real estate	\$85,000		\$2,984,720	
Conversion of foreclosed real estate to loans	337,500		68,400	
Conversion of loans to repossessed assets	32,952		199,082	
Cash paid during the period for:				
Interest (net of interest credited)	\$1,214,796		\$1,171,468	
Income taxes	1,778,000		1,541,084	

See Notes to Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all material adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The consolidated balance sheet of the Company as of June 30, 2013, has been derived from the audited consolidated balance sheet of the Company as of that date. Operating results for the three- and six-month periods ended December 31, 2013, are not necessarily indicative of the results that may be expected for the entire fiscal year. For additional information, refer to the audited consolidated financial statements included in the Company's June 30, 2013, Form 10-K, which was filed with the SEC.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Southern Bank (Bank). All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 2: Organization and Summary of Significant Accounting Policies

Organization. Southern Missouri Bancorp, Inc., a Missouri corporation (the Company) was organized in 1994 and is the parent company of Southern Bank (the Bank). Substantially all of the Company's consolidated revenues are derived from the operations of the Bank, and the Bank represents substantially all of the Company's consolidated assets and liabilities.

The Bank is primarily engaged in providing a full range of banking and financial services to individuals and corporate customers in its market areas. The Bank and Company are subject to competition from other financial institutions. The Bank and Company are subject to regulation by certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Basis of Financial Statement Presentation. The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. In the normal course of business, the Company encounters two significant types of risk: economic and regulatory. Economic risk is comprised of interest rate risk, credit risk, and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities reprice on a different basis than its interest-earning assets. Credit risk is the risk of default on the Company's investment or loan portfolios resulting from the borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of the investment portfolio, collateral underlying loans receivable, and the value of the Company's investments in real estate.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany accounts and transactions have been eliminated.