GREAT SOUTHERN BANCORP INC
Form 10-Q
May 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 2014

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	43-1524856 (IRS Employer Identification Number)
1451 E. Battlefield, Springfield, Missouri (Address of principal executive offices)	65804 (Zip Code)

(417) 887-4400
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant 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/X/ No / /

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one):

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes / / No /X/

The number of shares outstanding of each of the registrant's classes of common stock: 13,692,324 shares of common stock, par value $.01, outstanding at May 6, 2014.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except number of shares)

	MARCH 31, 2014 (Unaudited)	DECEMBER 31, 2013
ASSETS		
Cash	$ 98,646	$ 96,167
Interest-bearing deposits in other financial institutions	299,736	131,758
Cash and cash equivalents	398,382	227,925
Available-for-sale securities	532,110	555,281
Held-to-maturity securities (fair value $914 – March 2014; $912 - December 2013)	805	805
Mortgage loans held for sale	6,770	7,239
Loans receivable, net of allowance for loan losses of $38,275 – March 2014; $40,116 - December 2013	2,513,985	2,439,530
FDIC indemnification asset	65,592	72,705
Interest receivable	10,547	11,408
Prepaid expenses and other assets	74,612	72,904
Other real estate owned, net	49,963	53,514
Premises and equipment, net	104,630	104,534
Goodwill and other intangible assets	5,923	4,583
Investment in Federal Home Loan Bank stock	9,333	9,822
Total Assets	$ 3,772,652	$ 3,560,250
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 3,016,047	$ 2,808,626
Federal Home Loan Bank advances	126,260	126,757
Securities sold under reverse repurchase agreements with customers	128,179	134,981
Short-term borrowings	1,207	1,128
Structured repurchase agreements	50,000	50,000
Subordinated debentures issued to capital trusts	30,929	30,929
Accrued interest payable	966	1,099
Advances from borrowers for taxes and insurance	6,510	3,721
Accounts payable and accrued expenses	18,606	18,502
Current and deferred income tax liability	4,113	3,809
Total Liabilities	3,382,817	3,179,552
Stockholders' Equity:		
Capital stock		
Serial preferred stock – $.01 par value; authorized 1,000,000 shares; issued and outstanding March 2014 and December 2013 - 57,943 shares,	57,943	57,943

$1,000 liquidation amount		
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding March 2014 – 13,691,595 shares; December 2013 - 13,673,709 shares	137	137
Additional paid-in capital	19,850	19,567
Retained earnings	306,685	300,589
Accumulated other comprehensive income	5,220	2,462
Total Stockholders' Equity	389,835	380,698
Total Liabilities and Stockholders' Equity	$ 3,772,652	$ 3,560,250

See Notes to Consolidated Financial Statements

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GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	THREE MONTHS ENDED MARCH 31, 2014	THREE MONTHS ENDED MARCH 31, 2013 Retrospectively Adjusted – Note 3
	(Unaudited)	
INTEREST INCOME		
Loans	$ 39,308	$ 42,778
Investment securities and other	2,986	4,578
TOTAL INTEREST INCOME	42,294	47,356
INTEREST EXPENSE		
Deposits	2,660	3,527
Federal Home Loan Bank advances	975	974
Short-term borrowings and repurchase agreements	557	583
Subordinated debentures issued to capital trusts	136	140
TOTAL INTEREST EXPENSE	4,328	5,224
NET INTEREST INCOME	37,966	42,132
PROVISION FOR LOAN LOSSES	1,691	8,225
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	36,275	33,907
NON-INTEREST INCOME		
Commissions	281	328
Service charges and ATM fees	4,168	4,427
Net realized gains on sales of loans	549	1,429
Net realized gains on sales of available-for-sale securities	73	34
Late charges and fees on loans	314	300
Gain (loss) on derivative interest rate products	(103)	61
Accretion (amortization) of income/expense related to business acquisitions	(6,388)	(5,868)
Other income	2,030	2,213
TOTAL NON-INTEREST INCOME	924	2,924
NON-INTEREST EXPENSE		
Salaries and employee benefits	13,017	13,222
Net occupancy and equipment expense	5,403	5,135
Postage	793	793
Insurance	926	1,165
Advertising	731	475
Office supplies and printing	290	307
Telephone	736	687
Legal, audit and other professional fees	934	802
Expense on foreclosed assets	850	1,055
Partnership tax credit investment amortization	453	363
Other operating expenses	1,761	1,916

TOTAL NON-INTEREST EXPENSE	25,894	25,920
INCOME BEFORE INCOME TAXES	11,305	10,911
PROVISION FOR INCOME TAXES	2,487	2,517
NET INCOME	8,818	8,394
Preferred stock dividends	145	145
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 8,673	$ 8,249

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	THREE MONTHS ENDED MARCH 31,	
	2014	2013
BASIC EARNINGS PER COMMON SHARE	$ 0.64	$ 0.61
DILUTED EARNINGS PER COMMON SHARE	$ 0.63	$ 0.60
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.20	$ 0.18

See Notes to Consolidated Financial Statements

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	THREE MONTHS ENDED MARCH 31,	
	2014	2013
	(Unaudited)	
Net Income	$8,818	$8,394
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $1,533 and $(72), for 2014 and 2013, respectively	2,847	(135)
Non-credit component of unrealized gain (loss) on available-for-sale debt securities for which a portion of an other-than-temporary impairment has been recognized, net of taxes (credit) of $0 and $(21), for 2014 and 2013, respectively	—	(38)
Reclassification adjustment for gains included in net income, net of taxes of $(26) and $(12), for 2014 and 2013, respectively	(47)	(22)
Change in fair value of cash flow hedge, net of taxes (credit) of $(23) and $0, for 2014 and 2013, respectively	(42)	—
Comprehensive Income	$11,576	$8,199

See Notes to Consolidated Financial Statements

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	THREE MONTHS ENDED MARCH 31, 2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,818	$ 8,394
Proceeds from sales of loans held for sale	21,220	49,412
Originations of loans held for sale	(13,389)	(57,070)
Items not requiring (providing) cash:		
Depreciation	2,089	1,954
Amortization of other assets	760	1,692
Compensation expense for stock option grants	136	110
Provision for loan losses	1,691	8,225
Net gains on loan sales	(549)	(1,429)
Net gains on sale or impairment of available-for-sale investment securities	(73)	(34)
Net (gains) losses on sale of premises and equipment	5	(18)
Loss on sale of foreclosed assets	123	497
Amortization of deferred income, premiums, discounts and fair value adjustments	6,421	9,762
(Gain) loss on derivative interest rate products	103	(61)
Deferred income taxes	(1,266)	(6,660)
Changes in:		
Interest receivable	895	323
Prepaid expenses and other assets	(2,168)	(4,125)
Accounts payable and accrued expenses	(388)	1,118
Income taxes refundable/payable	86	(410)
Net cash provided by operating activities	24,514	11,680
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(54,050)	(22,203)
Purchase of loans	(20,298)	—
Cash received from acquisition	80,028	—
Cash received from FDIC loss sharing reimbursements	1,111	9,618
Purchase of premises and equipment	(1,602)	(2,746)
Proceeds from sale of premises and equipment	85	1,162
Proceeds from sale of foreclosed assets	6,218	9,034
Capitalized costs on foreclosed assets	(7)	(76)
Proceeds from sales of available-for-sale investment securities	1,280	—
Proceeds from maturing investment securities	110	—
Proceeds from called investment securities	1,760	3,660
Principal reductions on mortgage-backed securities	27,057	45,098
Purchase of available-for-sale securities	(4,083)	(58,703)
Redemption of Federal Home Loan Bank stock	489	5
Net cash provided by (used in) investing activities	38,098	(15,151)
CASH FLOWS FROM FINANCING ACTIVITIES		

Net decrease in certificates of deposit	(39,884)	(71,677)
Net increase in checking and savings deposits	154,279	138,769
Repayments of Federal Home Loan Bank advances	(282)	(108)
Net increase (decrease) in short-term borrowings	(6,723)	11,949
Advances from borrowers for taxes and insurance	2,753	1,533
Dividends paid	(2,606)	(168)
Stock options exercised	308	305
Net cash provided by financing activities	107,845	80,603
INCREASE IN CASH AND CASH EQUIVALENTS	170,457	77,132
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	227,925	404,141
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 398,382	$ 481,273

See Notes to Consolidated Financial Statements

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") 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 Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial condition, results of operations and cash flows of the Company for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year. The consolidated statement of financial condition of the Company as of December 31, 2013, has been derived from the audited consolidated statement of financial condition of the Company as of that date. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2013 filed with the Securities and Exchange Commission.

NOTE 2: NATURE OF OPERATIONS AND OPERATING SEGMENTS

The Company operates as a one-bank holding company. The Company’s business primarily consists of the operations of Great Southern Bank (the “Bank”), which provides a full range of financial services to customers primarily located in Missouri, Iowa, Kansas, Minnesota, Nebraska and Arkansas. In addition, the Company also operates commercial loan production offices in Dallas, Texas and Tulsa, Oklahoma. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

The Company’s banking operation is its only reportable segment. The banking operation is principally engaged in the business of originating residential and commercial real estate loans, construction loans, commercial business loans and consumer loans and funding these loans through attracting deposits from the general public, accepting brokered deposits and borrowing from the Federal Home Loan Bank and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance. Selected information is not presented separately for the Company’s reportable segment, as there is no material difference between that information and the corresponding information in the consolidated financial statements.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued ASU No. 2014-01 to amend FASB ASC Topic 323, Investments – Equity Method and Joint Ventures. The objective of this Update is to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments in the Update permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The Update would be effective for the Company beginning January 1, 2015; however, early adoption was permitted. The Company elected to adopt this Update early, adopting it during the three months ended March 31, 2014. There was no material impact on the Company's financial position or results of operations, except that the investment amortization expense which was previously included in Other Noninterest Expense in the Consolidated Statements of Income was moved from Other Noninterest Expense to Provision for Income Taxes in the Consolidated Statements of Income. For the three months ended March 31, 2013, $1.0 million was moved from Other Noninterest Expense to Provision for Income Taxes. This had the effect of reducing Noninterest Expense and increasing Provision for Income Taxes, but did not have any impact on Net Income.

In January 2014, the FASB issued ASU No. 2014-04 to amend FASB ASC Topic 310, Receivables – Troubled Debt Restructurings by Creditors. The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The Update will be effective for the Company beginning January 1, 2015, and is not expected to have a material impact on the Company’s financial position or results of operations.

NOTE 4: STOCKHOLDERS' EQUITY

Previously, the Company's stockholders approved the Company's reincorporation to the State of Maryland. Under Maryland law, there is no concept of "Treasury Shares." Instead, shares purchased by the Company constitute authorized but unissued shares under Maryland law. Accounting principles generally accepted in the United States of America state that accounting for treasury stock shall conform to state law. The cost of shares purchased by the Company has been allocated to Common Stock and Retained Earnings balances.

NOTE 5: EARNINGS PER SHARE

	Three Months Ended March 31,	
	2014	2013
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	13,684	13,605
Net income available to common stockholders	$8,818	$8,249
Per share amount	$0.64	$0.61
Diluted:		
Average shares outstanding	13,684	13,605
Net effect of dilutive stock options and warrants – based on the treasury stock method using average market price	71	46
Diluted shares	13,755	13,651
Net income available to common stockholders	$8,818	$8,249
Per share amount	$0.63	$0.60

Options to purchase 313,710 and 479,251 shares of common stock were outstanding at March 31, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per share for each of the three month periods because the options’ exercise prices were greater than the average market prices of the common shares for the three months ended March 31, 2014 and 2013, respectively.

NOTE 6: INVESTMENT SECURITIES

	March 31, 2014					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
			(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:						
U.S. government agencies	$20,000	$—	$2,026	$17,974	2.00	%
Mortgage-backed securities	340,127	4,913	1,726	343,314	1.98	
Small Business Administration loan pools	39,959	1,031	—	40,990	0.67	
States and political subdivisions	123,030	4,481	644	126,867	5.43	
Equity securities	847	2,118	—	2,965	—	
	$523,963	$12,543	$4,396	$532,110	2.69	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$805	$109	$—	$914	7.37	%

	December 31, 2013					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
			(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:						
U.S. government agencies	$20,000	$—	$2,745	$17,255	2.00	%
Mortgage-backed securities	365,020	4,824	2,266	367,578	2.04	
Small Business Administration loan pools	43,461	1,394	—	44,855	1.34	
States and political subdivisions	122,113	2,549	1,938	122,724	5.47	
Equity securities	847	2,022	—	2,869	—	
	$551,441	$10,789	$6,949	$555,281	2.74	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$805	$107	$—	$912	7.37	%

The amortized cost and fair value of available-for-sale securities at March 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$110	$112
After one through five years	793	791

After five through ten years	9,475	9,737
After ten years	172,611	175,191
Securities not due on a single maturity date	340,127	343,314
Equity securities	847	2,965
	$523,963	$532,110

The held-to-maturity securities at March 31, 2014, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

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	Amortized Cost	Fair Value
	(In Thousands)	
After one through five years	$805	$914

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at March 31, 2014 and December 31, 2013, respectively, was approximately $175.5 million and $237.6 million, which is approximately 32.9% and 42.7% of the Company's available-for-sale and held-to-maturity investment portfolio, respectively.

Based on an evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary at March 31, 2014.

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014 and December 31, 2013:

	March 31, 2014					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. government agencies	$20,000	$(2,026)	$—	$—	$20,000	$(2,026)
Mortgage-backed securities	61,365	(878)	65,295	(848)	126,660	(1,726)
State and political subdivisions	28,858	(644)	—	—	28,858	(644)
	$110,223	$(3,548)	$65,295	$(848)	$175,518	$(4,396)

	December 31, 2013					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. government agencies	$20,000	$(2,745)	$—	$—	$20,000	$(2,745)
Mortgage-backed securities	127,901	(1,871)	39,255	(395)	167,156	(2,266)
State and political subdivisions	50,401	(1,938)	—	—	50,401	(1,938)
	$198,302	$(6,554)	$39,255	$(395)	$237,557	$(6,949)

Gross gains of $75,000 and $34,000 and gross losses of $2,000 and $0 resulting from sales of available-for-sale securities were realized for the three months ended March 31, 2014 and 2013, respectively. Gains and losses on sales of securities are determined on the specific-identification method.

Other-than-temporary Impairment. Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model. The Company does not currently have securities within the scope of this guidance for beneficial interests in securitized financial assets.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. The Company considers the length of time a security has been in an unrealized loss position, the relative amount of the unrealized loss compared to the carrying value of the security, the type of security and other factors. If certain criteria are met, the Company performs additional review and evaluation using observable market values or various inputs in economic models to determine if an unrealized loss is other-than-temporary. The Company uses quoted market prices for marketable equity securities and uses broker pricing quotes based on observable inputs for equity investments that are not traded on a stock exchange. For non-agency collateralized mortgage obligations, to determine if the unrealized loss is other-than-temporary, the Company projects total estimated defaults of the underlying assets (mortgages) and multiplies that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss. The Company also evaluates any current credit enhancement underlying these securities to determine the impact on cash flows. If the Company determines that a given security position will be subject to a write-down or loss, the Company records the expected credit loss as a charge to earnings.

During the three months ended March 31, 2014, no securities were determined to have impairment that was other than temporary.

Credit Losses Recognized on Investments. Certain debt securities have experienced fair value deterioration due to credit losses, as well as due to other market factors, but are not otherwise other-than-temporarily impaired.

The following table provides information about debt securities for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income.

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2014	$—
Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to final principal payments	—
March 31, 2014	$—

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2013	$4,176
Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to sales	—
March 31, 2013	$4,176

Amounts Reclassified Out of Accumulated Other Comprehensive Income. Amounts reclassified from accumulated other comprehensive income and the affected line items in the statements of income during the three months ended March 31, 2014 and 2013, were as follows:

	Amounts Reclassified from Other Comprehensive Income Three Months Ended March 31,		
	2014	2013	Affected Line Item in the Statements of Income
	(In Thousands)		
Unrealized gains (losses) on available-for-sale securities	$73	$34	Net realized gains on available-for-sale securities (Total reclassified amount before tax)
Income Taxes	(26)	(12)	Provision for income taxes
Total reclassifications out of accumulated other comprehensive income	$47	$22	

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES

	March 31, 2014	December 31, 2013
	(In Thousands)	
One- to four-family residential construction	$35,259	$34,662
Subdivision construction	29,253	40,409
Land development	61,809	57,841
Commercial construction	223,113	184,019
Owner occupied one- to four-family residential	91,767	89,133
Non-owner occupied one- to four-family residential	144,215	145,908
Commercial real estate	827,962	780,690
Other residential	309,964	325,599
Commercial business	319,348	315,269
Industrial revenue bonds	41,087	42,230
Consumer auto	160,784	134,717
Consumer other	81,268	82,260
Home equity lines of credit	58,612	58,283
FDIC-supported loans, net of discounts (TeamBank)	46,794	49,862
FDIC-supported loans, net of discounts (Vantus Bank)	53,094	57,920
FDIC-supported loans, net of discounts (Sun Security Bank)	63,130	64,843
FDIC-supported loans, net of discounts (InterBank)	212,212	213,539
	2,759,671	2,677,184
Undisbursed portion of loans in process	(204,262)	(194,544)
Allowance for loan losses	(38,275)	(40,116)
Deferred loan fees and gains, net	(3,149)	(2,994)

	$2,513,985	$2,439,530
Weighted average interest rate	4.86 %	5.10 %

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Classes of loans by aging were as follows:

	March 31, 2014						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Still Accruing
				(In Thousands)			
One- to four-family residential construction	$—	$—	$—	$—	$35,259	$35,259	$—
Subdivision construction	—	111	1,303	1,414	27,839	29,253	—
Land development	150	2	373	525	61,284	61,809	—
Commercial construction	—	—	—	—	223,113	223,113	—
Owner occupied one- to four-family residential	2,055	80	2,673	4,808	86,959	91,767	163
Non-owner occupied one- to four-family residential	531	—	770	1,301	142,914	144,215	—
Commercial real estate	2,089	—	6,607	8,696	819,266	827,962	—
Other residential	—	—	—	—	309,964	309,964	—
Commercial business	987	236	1,082	2,305	317,043	319,348	—
Industrial revenue bonds	—	—	2,022	2,022	39,065	41,087	—
Consumer auto	1,033	103	79	1,215	159,569	160,784	—
Consumer other	1,098	214	486	1,798	79,470	81,268	160
Home equity lines of credit	214	22	391	627	57,985	58,612	—
FDIC-supported loans, net of discounts (TeamBank)	587	—	1,188	1,775	45,019	46,794	—
FDIC-supported loans, net of discounts (Vantus Bank)	961	36	2,052	3,049	50,045	53,094	—
FDIC-supported loans, net of discounts (Sun Security Bank)	630	130	3,329	4,089	59,041	63,130	—
FDIC-supported loans, net of discounts (InterBank)	4,734	248	15,345	20,327	191,885	212,212	—
	15,069	1,182	37,700	53,951	2,705,720	2,759,671	323
Less FDIC-supported loans, net of discounts	6,912	414	21,914	29,240	345,990	375,230	—
Total	$8,157	$768	$15,786	$24,711	$2,359,730	$2,384,441	$323

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	December 31, 2013						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$—	$—	$—	$—	$34,662	$34,662	$—
Subdivision construction	—	—	871	871	39,538	40,409	—
Land development	145	38	338	521	57,320	57,841	—
Commercial construction	—	—	—	—	184,019	184,019	—
Owner occupied one- to four-family residential	1,233	344	3,014	4,591	84,542	89,133	211
Non-owner occupied one- to four-family residential	1,562	171	843	2,576	143,332	145,908	140
Commercial real estate	2,856	131	6,205	9,192	771,498	780,690	—
Other residential	—	—	—	—	325,599	325,599	—
Commercial business	17	19	5,208	5,244	310,025	315,269	—
Industrial revenue bonds	—	—	2,023	2,023	40,207	42,230	—
Consumer auto	955	127	168	1,250	133,467	134,717	—
Consumer other	1,258	333	732	2,323	79,937	82,260	257
Home equity lines of credit	168	16	504	688	57,595	58,283	—
FDIC-supported loans, net of discounts (TeamBank)	414	130	1,396	1,940	47,922	49,862	6
FDIC-supported loans, net of discounts (Vantus Bank)	675	31	2,356	3,062	54,858	57,920	42
FDIC-supported loans, net of discounts (Sun Security Bank)	510	121	4,241	4,872	59,971	64,843	147
FDIC-supported loans, net of discounts (InterBank)	6,024	1,567	16,768	24,359	189,180	213,539	20
	15,817	3,028	44,667	63,512	2,613,672	2,677,184	823
Less FDIC-supported loans, net of discounts	7,623	1,849	24,761	34,233	351,931	386,164	215
Total	$8,194	$1,179	$19,906	$29,279	$2,261,741	$2,291,020	$608

Nonaccruing loans (excluding FDIC-supported loans, net of discount) are summarized as follows:

	March 31, 2014	December 31, 2013
	(In Thousands)	
One- to four-family residential construction	$—	$—
Subdivision construction	1,303	871
Land development	373	338
Commercial construction	—	—
Owner occupied one- to four-family residential	2,510	2,803
Non-owner occupied one- to four-family residential	770	703
Commercial real estate	6,607	6,205
Other residential	—	—
Commercial business	3,104	5,208
Industrial revenue bonds		2,023
Consumer auto	79	168
Consumer other	326	475
Home equity lines of credit	391	504
Total	$15,463	$19,298

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2014. Also presented are the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2014:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Balance January 1, 2014	$6,235	$2,678	$ 16,939	$ 4,464	$ 6,451	$3,349	$40,116
Provision (benefit) charged to expense	(548)	(687)	1,641	2,582	(2,307)	1,010	1,691
Losses charged off	(1,192)	—	(381)	(35)	(1,949)	(1,020)	(4,577)
Recoveries	143	7	244	60	146	445	1,045
Balance March 31, 2014	$4,638	$1,998	$ 18,443	$ 7,071	$ 2,341	$3,784	$38,275
Ending balance:							
Individually evaluated for impairment	$1,394	$—	$ 1,503	$ 2,791	$ 174	$193	$6,055
Collectively evaluated for impairment	$3,244	$1,998	$ 16,940	$ 4,280	$ 2,166	$3,591	$32,219
Loans acquired and accounted for under ASC 310-30	$—	$—	$ —	$ —	$ 1	$—	$1
Loans							
Individually evaluated for impairment	$11,501	$10,942	$ 29,665	$ 12,616	$ 4,771	$1,222	$70,717
Collectively evaluated for impairment	$288,993	$299,022	$ 839,385	$ 272,305	$ 314,577	$299,442	$2,313,724
Loans acquired and accounted for under ASC 310-30	$206,236	$35,270	$ 81,610	$ 2,266	$ 4,025	$45,823	$375,230

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2013:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Balance January 1, 2013	$6,822	$4,327	$17,441	$3,938	$5,096	$3,025	$40,649
Provision (benefit) charged to expense	(337)	2,031	3,590	1,240	1,735	(34)	8,225
Losses charged off	(919)	(1,895)	(4,343)	(53)	(1,018)	(917)	(9,145)
Recoveries	9	19	124	5	25	637	819
Balance March 31, 2013	$5,575	$4,482	$16,812	$5,130	$5,838	$2,711	$40,548

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The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2013:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Individually evaluated for impairment	$2,501	$—	$ 90	$ 473	$ 4,162	$218	$7,444
Collectively evaluated for impairment	$3,734	$2,678	$ 16,845	$ 3,991	$ 2,287	$3,131	$32,666
Loans acquired and accounted for under ASC 310-30	$—	$—	$ 4	$ —	$ 2	$—	$6
Loans							
Individually evaluated for impairment	$13,055	$10,983	$ 31,591	$ 12,628	$ 8,755	$1,389	$78,401
Collectively evaluated for impairment	$297,057	$314,616	$ 791,329	$ 229,232	$ 306,514	$273,871	$2,212,619
Loans acquired and accounted for under ASC 310-30	$206,964	$35,095	$ 84,591	$ 6,989	$ 4,883	$47,642	$386,164

The portfolio segments used in the preceding two tables correspond to the loan classes used in all other tables in Note 7 as follows:

- The one-to four-family residential and construction segment includes the one- to four-family residential construction, subdivision construction, owner occupied one- to four-family residential and non-owner occupied one- to four-family residential classes
- The other residential segment corresponds to the other residential class
- The commercial real estate segment includes the commercial real estate and industrial revenue bonds classes
- The commercial construction segment includes the land development and commercial construction classes
- The commercial business segment corresponds to the commercial business class
- The consumer segment includes the consumer auto, consumer other and home equity lines of credit classes

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include not only nonperforming loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties.

Impaired loans (excluding FDIC-supported loans, net of discount), are summarized as follows:

	At or for the Three Months Ended March 31, 2014				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
			(In Thousands)		
One- to four-family residential construction	$—	$—	$—	$—	$—
Subdivision construction	2,420	2,733	469	3,130	22
Land development	12,616	13,033	2,791	12,620	101
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	5,366	5,489	727	5,534	52
Non-owner occupied one- to four-family residential	3,716	3,845	198	3,721	41
Commercial real estate	29,664	32,010	1,503	31,123	330
Other residential	10,942	10,942	—	10,957	90
Commercial business	2,073	3,580	174	3,961	21
Industrial revenue bonds	2,698	2,805	—	2,698	—
Consumer auto	120	144	18	172	2
Consumer other	647	694	97	677	18
Home equity lines of credit	455	591	78	528	14
Total	$70,717	$75,866	$6,055	$75,121	$691

At or for the Year Ended December 31, 2013

Average

Unpaid