

GREAT SOUTHERN BANCORP INC
Form 10-Q
August 13, 2009

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 June 30, 2009

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

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 proceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes// No //

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

(Check one):

Non-accelerated filer / /

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Large accelerated filer Accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares outstanding of each of the registrant's classes of common stock: 13,385,931 shares of common stock, par value \$.01, outstanding at August 11, 2009.

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)

	JUNE 30, 2009 (Unaudited)	DECEMBER 31, 2008
ASSETS		
Cash	\$ 225,970	\$ 135,043
Interest-bearing deposits in other financial institutions	179,297	32,877
Cash and cash equivalents	405,267	167,920
Available-for-sale securities	721,123	647,678
Held-to-maturity securities (fair value \$26,394 – June 2009; \$1,422 - December 2008)	26,290	1,360
Mortgage loans held for sale	16,788	4,695
Loans receivable, net of allowance for loan losses of \$32,602 – June 2009; \$29,163 - December 2008	1,868,775	1,716,996
FDIC indemnification asset	154,869	--
Interest receivable	15,427	13,287
Prepaid expenses and other assets	22,240	14,179
Foreclosed assets held for sale, net	42,935	32,659
Premises and equipment, net	36,870	30,030
Goodwill and other intangible assets	4,440	1,687
Investment in Federal Home Loan Bank stock	12,461	8,333
Current and deferred income taxes	5,230	21,099
Total Assets	\$ 3,332,715	\$ 2,659,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 2,448,521	\$ 1,908,028
Securities sold under reverse repurchase agreements with customers	327,101	215,261
Federal Home Loan Bank advances	200,364	120,472
Structured repurchase agreements	50,000	50,000
Short-term borrowings	325	83,368
Subordinated debentures issued to capital trust	30,929	30,929
Accrued interest payable	7,325	9,225
Advances from borrowers for taxes and insurance	1,379	334
Accounts payable and accrued expenses	9,396	8,219
Total Liabilities	3,075,340	2,425,836
Stockholders' Equity:		
Capital stock		
Serial preferred stock, \$.01 par value; authorized 1,000,000 shares; issued and outstanding June 2009 and December 2008 – 58,000 shares	55,796	55,580
Common stock, \$.01 par value; authorized 20,000,000 shares; issued and		

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outstanding June 2009 - 13,385,731 shares; December 2008 -
13,380,969 shares

Stock warrants; June 2009 and December 2008 – 909,091 shares	2,452	2,452
Additional paid-in capital	19,984	19,811
Retained earnings	172,219	156,247
Accumulated other comprehensive income (loss)	6,790	(137)
Total Stockholders' Equity	257,375	234,087
Total Liabilities and Stockholders' Equity	\$ 3,332,715	\$ 2,659,923

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED JUNE 30,	
	2009	2008
INTEREST INCOME	(Unaudited)	
Loans	\$ 31,832	\$ 29,661
Investment securities and other	8,389	6,003
TOTAL INTEREST INCOME	40,221	35,664
INTEREST EXPENSE		
Deposits	14,974	14,863
Federal Home Loan Bank advances	1,492	1,142
Short-term borrowings and repurchase agreements	1,774	1,186
Subordinated debentures issued to capital trust	202	342
TOTAL INTEREST EXPENSE	18,442	17,533
NET INTEREST INCOME	21,779	18,131
PROVISION FOR LOAN LOSSES	6,800	4,950
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,979	13,181
NON-INTEREST INCOME		
Commissions	1,752	2,432
Service charges and ATM fees	4,539	3,970
Net realized gains on sales of loans	736	365
Net realized gains (losses) on sales and impairments of available-for-sale securities	176	1
Late charges and fees on loans	173	154
Change in interest rate swap fair value net of change in hedged deposit fair value	337	2,277
Accreted income on purchase of additional business units	1,366	--
Other income	504	665
TOTAL NON-INTEREST INCOME	9,583	9,864
NON-INTEREST EXPENSE		
Salaries and employee benefits	10,136	7,970
Net occupancy and equipment expense	2,728	2,137
Postage	676	569
Insurance	2,572	507
Advertising	425	342
Office supplies and printing	297	226
Telephone	451	360
Legal, audit and other professional fees	672	343
Expense on foreclosed assets	598	262
Other operating expenses	1,453	841
TOTAL NON-INTEREST EXPENSE	20,008	13,557
INCOME BEFORE INCOME TAXES	4,554	9,488

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PROVISION FOR INCOME TAXES		1,072		3,156
NET INCOME		3,482		6,332
PREFERRED STOCK DIVIDENDS AND DISCOUNT ACCRETION		841		--
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$	2,641	\$	6,332
BASIC EARNINGS PER COMMON SHARE	\$.20	\$.47
DILUTED EARNINGS PER COMMON SHARE	\$.19	\$.47
DIVIDENDS DECLARED PER COMMON SHARE	\$.18	\$.18

See Notes to Consolidated Financial Statements

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

	SIX MONTHS ENDED JUNE 30,	
	2009	2008
INTEREST INCOME	(Unaudited)	
Loans	\$ 58,568	\$ 62,401
Investment securities and other	15,953	11,603
TOTAL INTEREST INCOME	74,521	74,004
INTEREST EXPENSE		
Deposits	28,974	31,762
Federal Home Loan Bank advances	2,437	2,724
Short-term borrowings and repurchase agreements	3,321	2,783
Subordinated debentures issued to capital trust	455	761
TOTAL INTEREST EXPENSE	35,187	38,030
NET INTEREST INCOME	39,334	35,974
PROVISION FOR LOAN LOSSES	11,800	42,700
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	27,534	(6,726)
NON-INTEREST INCOME		
Commissions	3,613	5,072
Service charges and ATM fees	7,911	7,536
Net realized gains on sales of loans	1,341	758
Net realized gains (losses) on sales and impairments of available-for-sale securities	(3,809)	8
Late charges and fees on loans	307	373
Change in interest rate swap fair value net of change in hedged deposit fair value	1,184	5,254
Gain realized on purchase of additional business units	28,838	-
Accreted income on purchase of additional business units	1,366	-
Other income	874	1,046
TOTAL NON-INTEREST INCOME	41,625	20,047
NON-INTEREST EXPENSE		
Salaries and employee benefits	18,052	16,246
Net occupancy and equipment expense	5,409	4,185
Postage	1,242	1,132
Insurance	3,526	1,120
Advertising	640	620
Office supplies and printing	477	445
Telephone	797	732
Legal, audit and other professional fees	1,336	721
Expense on foreclosed assets	1,351	615
Other operating expenses	2,392	1,858
TOTAL NON-INTEREST EXPENSE	35,222	27,674

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INCOME (LOSS) BEFORE INCOME TAXES		33,937		(14,353)
PROVISION (CREDIT) FOR INCOME TAXES		11,542		(5,532)
NET INCOME (LOSS)		22,395		(8,821)
PREFERRED STOCK DIVIDENDS AND DISCOUNT ACCRETION		1,666		-
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$	20,729	\$	(8,821)
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$	1.55	\$	(.66)
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$	1.51	\$	(.66)
DIVIDENDS DECLARED PER COMMON SHARE	\$.36	\$.36

See Notes to Consolidated Financial Statements

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

	SIX MONTHS ENDED	
	JUNE 30,	
	2009	2008
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 22,395	\$ (8,821)
Proceeds from sales of loans held for sale	93,029	51,316
Originations of loans held for sale	(104,103)	(44,248)
Items not requiring (providing) cash:		
Depreciation	1,276	1,219
Amortization	275	198
Provision for loan losses	11,800	42,700
Net gains on loan sales	(1,341)	(758)
Net (gains) losses on sale or impairment of available-for-sale investment securities	3,809	(8)
Net gains on sale of premises and equipment	(28)	(166)
(Gain) loss on sale of foreclosed assets	(240)	(36)
Gain on purchase of additional business units	(28,838)	--
Amortization of deferred income, premiums and discounts	(2,521)	(1,108)
Change in interest rate swap fair value net of change in hedged deposit fair value	(1,184)	(5,254)
Deferred income taxes	7,162	(1,005)
Changes in:		
Interest receivable	639	2,332
Prepaid expenses and other assets	(7,401)	(2,286)
Accounts payable and accrued expenses	(1,172)	759
Income taxes refundable/payable	4,918	(7,877)
Net cash provided by (used in) operating activities	(1,525)	26,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in loans	59,468	(47,905)
Purchase of loans	(11,908)	(1,865)
Proceeds from sale of student loans	774	238
Cash received from purchase of additional business units	117,850	--
Purchase of premises and equipment	(8,069)	(2,918)
Proceeds from sale of premises and equipment	145	352
Proceeds from sale of foreclosed assets	5,738	6,144
Capitalized costs on foreclosed assets	(222)	(322)
Proceeds from sales of available-for-sale investment securities	69,366	65,220
Proceeds from maturing available-for-sale investment securities	--	21,000
Proceeds from maturing held-to-maturity investment securities	70	60
Proceeds from called investment securities	35,740	105,500
Principal reductions on mortgage-backed securities	89,390	34,836
Purchase of available-for-sale securities	(150,609)	(268,441)
Purchase of held-to-maturity securities	(25,000)	--
Redemption of Federal Home Loan Bank stock	(193)	4,263
Net cash provided by (used in) investing activities	182,540	(83,838)

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CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in certificates of deposit	(19,954)	115,007
Net increase (decrease) in checking and savings deposits	56,765	(9,122)
Proceeds from Federal Home Loan Bank advances	--	503,000
Repayments of Federal Home Loan Bank advances	(619)	(593,836)
Net increase in short-term borrowings and structured repo	25,227	65,188
Advances from borrowers for taxes and insurance	785	639
Stock repurchase	--	(408)
Dividends paid	(6,106)	(4,820)
Stock options exercised	234	259
Net cash provided by financing activities	56,332	75,907
INCREASE IN CASH AND CASH EQUIVALENTS	237,347	19,026
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	167,920	80,525
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 405,267	\$ 99,551
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 position, 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 and six months ended June 30, 2009 and 2008 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, 2008, has been derived from the audited consolidated statement of financial condition of the Company as of that date.

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 2008 filed with the Securities and Exchange Commission.

NOTE 2: OPERATING SEGMENTS

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 deposits attracted from the general public and correspondent account relationships, brokered deposits and borrowings from the Federal Home Loan Bank ("FHLBank") and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance.

Revenue from segments below the reportable segment threshold is attributable to three operating segments of the Company. These segments include insurance services, travel services and investment services. 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.

For the three months ended June 30, 2009, the travel, insurance and investment divisions reported gross revenues of \$1.4 million, \$317,000 and \$83,000, respectively, and net income of \$13,000, \$33,000 and \$19,000, respectively. For the three months ended June 30, 2008, the travel, insurance and investment divisions reported gross revenues of \$1.9 million, \$358,000 and \$230,000, respectively, and net income of \$131,000, \$37,000 and \$31,000, respectively.

For the six months ended June 30, 2009, the travel, insurance and investment divisions reported gross revenues of \$2.8 million, \$701,000 and \$163,000, respectively, and net income of \$91,000, \$99,000 and \$53,000, respectively. For the six months ended June 30, 2008, the travel, insurance and investment divisions reported gross revenues of \$3.6 million, \$766,000 and \$755,000, respectively, and net income of \$187,000, \$90,000 and \$144,000, respectively.

The decrease in gross revenues in the investment division for the three and six months ended June 30, 2009, was a result of the alliance formed with Ameriprise Financial Services through Penney, Murray and Associates. As a result of this change, Great Southern now records most of its investment services activity on a net basis in non-interest income. Thus, non-interest expense related to the investment services division is also reduced. The decrease in gross revenues in the travel division for the three and six months ended June 30, 2009, was a result of customers reducing their travel in light of current economic conditions.

NOTE 3: COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, requires the reporting of comprehensive income and its components. Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources, and excludes investments by and distributions to owners. Comprehensive income includes net income and other items of comprehensive income meeting the above criteria. The Company's only component of other comprehensive income is the unrealized gains and losses on available-for-sale securities.

	Three Months Ended June 30,	
	2009	2008
	(In thousands)	
Net income	\$ 2,641	\$ 6,332
Unrealized holding gains (losses), net of income taxes	1,538	(3,538)
Less: reclassification adjustment for gains included in net income, net of income taxes	114	1
	1,424	(3,539)
Comprehensive income	\$ 4,065	\$ 2,793
	Six Months Ended June 30,	
	2009	2008
	(In thousands)	
Net income (loss)	\$	