SOUTHERN MISSOURI BANCORP INC
Form 10-K
September 24, 2012

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

FORM 10-K

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended June 30, 2012 OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-23406

SOUTHERN MISSOURI BANCORP, INC.

(Exact name of registrant as specified in its charter)

Missouri	43-1665523
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
531 Vine Street, Poplar Bluff, Missouri	63901
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ___ NO X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ___ NO X

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 registration was required to submit and post such files. YES X NO ___

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company X
(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 X

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average of the high and low traded price of such stock as of the last business day of the registrant's most recently completed second fiscal quarter, was $63.3 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

As of September 7, 2012, there were issued and outstanding 3,289,040 shares of the Registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of the Proxy Statement for the 2012 Annual Meeting of Stockholders.

PART I

Item 1. Description of Business

General

Southern Missouri Bancorp, Inc. ("Company"), which changed its state of incorporation to Missouri on April 1, 1999, was originally incorporated in Delaware on December 30, 1993 for the purpose of becoming the holding company for Southern Missouri Savings Bank upon completion of Southern Missouri Savings Bank's conversion from a state chartered mutual savings and loan association to a state chartered stock savings bank. As part of the conversion in April 1994, the Company sold 1,803,201 shares of its common stock to the public. The Company's Common Stock is quoted on the NASDAQ Global Market under the symbol "SMBC".

Southern Missouri Savings Bank was originally chartered as a mutual Missouri savings and loan association in 1887. On June 20, 1995, it converted to a federally chartered stock savings bank and took the name Southern Missouri Savings Bank, FSB. On February 17, 1998, Southern Missouri Savings Bank converted from a federally chartered stock savings bank to a Missouri chartered stock savings bank and changed its name to Southern Missouri Bank & Trust Co. On June 4, 2004, Southern Missouri Bank & Trust Co. converted from a Missouri chartered stock savings bank to a Missouri state chartered trust company with banking powers ("Charter Conversion"). On June 1, 2009, the institution changed its name to Southern Bank ("Bank").

The primary regulator of the Bank is the Missouri Division of Finance. The Bank is a member of the Federal Reserve, and the Federal Reserve Board ("FRB") is the Bank's primary federal regulator. The Bank's deposits continue to be insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC"). With the Bank's conversion to a trust company with banking powers, the Company became a bank holding company regulated by the FRB.

The principal business of the Bank consists primarily of attracting retail deposits from the general public and using such deposits along with wholesale funding from the Federal Home Loan Bank of Des Moines ("FHLB"), and to a lesser extent, brokered deposits, to invest in one- to four-family residential mortgage loans, mortgage loans secured by commercial real estate, commercial non-mortgage business loans, and consumer loans. These funds are also used to purchase mortgage-backed and related securities ("MBS"), U.S. Government Agency obligations, municipal bonds, and other permissible investments.

At June 30, 2012, the Company had total assets of $739.2 million, total deposits of $584.8 million and stockholders' equity of $94.7 million. The Company has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, relates primarily to the Bank. The Company's revenues are derived principally from interest earned on loans, debt securities, MBS, CMOs and, to a lesser extent, banking service charges, bank card interchange fees, loan late charges, increases in the cash surrender value of bank owned life insurance, and other fee income.

Acquisitions

On December 17, 2010, the Bank entered into a Purchase and Assumption Agreement with the FDIC, as receiver, to acquire certain assets and assume certain liabilities of the former First Southern Bank, with headquarters in Batesville, Arkansas, and one branch location in Searcy, Arkansas. As a result of the transaction, the Company acquired loans recorded at a fair value of $114.6 million and deposits recorded at a fair value of $130.8 million, at December 17, 2010.

On July 17, 2009, the Company completed the acquisition of Southern Bank of Commerce headquartered in Paragould, Arkansas, with branches in Jonesboro, Leachville, and Brookland, Arkansas. As of June 30, 2009, the quarter-end immediately prior to the closing of the transaction, Southern Bank of Commerce had assets of $30.3 million, loans of $16.2 million, deposits of $29.3 million, and total equity of $916,000, all of which are prior to fair value adjustments. The purchase price was $600,000.

Capital Raising Transactions

On November 22, 2011, the Company completed an underwritten public offering of 1,150,000 shares of Common Stock at a price to the public of $19.00 per share, for aggregate gross proceeds of $21.9 million. The proceeds from the offering are being used for general corporate purposes, including the funding of loan growth and the purchase of securities.

On July 21, 2011, as part of the U.S. Treasury’s Small Business Lending Fund (“SBLF”) program, the Company entered into a Small Business Lending Fund-Securities Purchase Agreement (“SBLF Purchase Agreement”) with the Secretary of the Treasury, pursuant to which the Company (i) sold 20,000 shares of the Company’s Senior Non-Cumulative Perpetual Preferred Stock, Series A (the “SBLF Preferred Stock”) to the Secretary of the Treasury for a purchase price of $20,000,000. The SBLF program is a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small business by providing capital to qualified community banks with assets of less than $10 billion.

The SBLF Preferred Stock qualifies as Tier 1 capital. The SBLF Preferred Stock is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The dividend rate, as a percentage of the liquidation amount, can fluctuate on a quarterly basis during the first 10 quarters during which the SBLF Preferred Stock is outstanding, based upon changes in the level of “Qualified Small Business Lending” or “QBSL” (as defined in the SBLF Purchase Agreement) by the by the Bank. Based upon the increase in the Bank’s level of QBSL over the baseline level calculated under the terms of the Purchase Agreement, the dividend rate has ranged from 1.00% to 2.82% during the first through the fifth calendar quarters since the SBLF issuance. For the sixth quarter, which will be the quarter ending September 30, 2012, the dividend rate will by 3.90%. For the seventh through ninth calendar quarters, the dividend rate may be adjusted to between one percent (1%) and five percent (5%) per annum, to reflect the amount of change in the Bank’s level of QBSL. For the tenth calendar quarter through four and one half years after issuance, the dividend rate will be fixed at between one percent (1%) and seven percent (7%) based upon the increase in QBSL as compared to the baseline. After four and one half years from issuance, the dividend rate will increase to 9% (including a quarterly lending incentive fee of 0.5%).

The SBLF Preferred Stock is non-voting, except in limited circumstances. In the event that the Company misses five dividend payments, whether or not consecutive, the holder of the SBLF Preferred Stock will have the right, but not the obligation, to appoint a representative as an observer on the Company’s Board of Directors. In the event that the Company misses six dividend payments, whether or not consecutive, and if the then outstanding aggregate liquidation amount of the SBLF Preferred Stock is at least $20,000,000, then the holder of the SBLF Preferred Stock will have the right to designate two directors to the Board of Directors of the Company. The SBLF Preferred Stock may be redeemed at any time at the Company’s option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to the approval of its federal banking regulator. As required by the Purchase Agreement, $9,635,000 of the proceeds from the sale of the SBLF Preferred Stock was used to redeem the 9,550 shares of the Company’s CPP Series A Preferred Stock, Series A issued in 2008 to the Treasury, plus the accrued dividends owed on the TARP preferred shares, as described below.

On December 5, 2008, as part of the Troubled Asset Relief Program ("TARP") Capital Purchase Program (“CPP”), the Company issued a warrant (the "Warrant") to purchase 114,326 shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), for a per share price of $12.53 per share. The Warrant has a 10-year term and was immediately exercisable upon its issuance. In July 2011, the CPP Series A Preferred Stock was redeemed by the Company simultaneously with its issuance to the Treasury of preferred stock under the terms of the Small Business Lending Fund (SBLF). The Warrant remains outstanding.

On December 5, 2008, as part of the Troubled Asset Relief Program ("TARP") Capital Purchase Program (“CPP”), the Company entered into a Letter Agreement and Securities Purchase Agreement (collectively, the "CPP Purchase Agreement") with the United States Department of the Treasury ("Treasury"), pursuant to which the Company (i) sold 9,550 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the "CPP Series A Preferred Stock") for a purchase price of $9,550,000 in cash and (ii) issued a ten-year warrant (the "Warrant") to purchase 114,326 shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), for a per share price of $12.53 per share, subject to anti-dilution adjustments. The terms of the CPP Series A

Preferred Stock provided for cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. In July 2011, the CPP Series A Preferred Stock was redeemed by the Company simultaneously with its issuance to the Treasury of the SBLF preferred stock. The Warrant remains outstanding.

Forward Looking Statements

This document contains statements about the Company and its subsidiaries which we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates, cost savings and funding advantages expected or anticipated to be realized by management. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by the Company and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and the intentions of management and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. The important factors we discuss below, as well as other factors discussed in this report under the captions “Risk Factors” and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and identified in our other filings with the SEC and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this document:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- fluctuations in interest rates and in real estate values;
- monetary and fiscal policies of the FRB and the U.S. Government and other governmental initiatives affecting the financial services industry;
- the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- the timely development of and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
- expected cost savings, synergies and other benefits from the Company’s merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- legislative or regulatory changes that adversely affect our business;
-

results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our reserve for loan losses or to write-down assets;

- the impact of technological changes; and
- our success at managing the risks involved in the foregoing

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The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise.

Market Area

The Bank provides its customers with a full array of community banking services and conducts its business from its headquarters in Poplar Bluff, 17 additional full service offices located in Poplar Bluff (3), Van Buren, Dexter, Kennett, Doniphan, Sikeston, Qulin, Matthews, and Springfield, Missouri, and Paragould, Jonesboro, Leachville, Brookland, Batesville, and Searcy, Arkansas. At June 30, 2012, the Bank considered its primary market area to be as follows: the Bank operates ten branches in six southeast Missouri counties, with one branch in a municipality that straddles a county line and is mostly situated in a seventh county. Those seven counties have a population of roughly 183,000 persons. In northeast and north central Arkansas, the Bank's six full-service branches are located in five counties with a population of roughly 302,000 persons. The Bank also serves a few communities just outside these county borders, but without a notable impact on the demographics of the market area. Springfield, Missouri, is situated in Greene County, Missouri, with a population of 277,000, and anchors the surrounding Metropolitan Statistical Area (MSA), which boasted a population of nearly 440,000. The Bank's southeast Missouri and northeast and north central Arkansas markets are primarily rural in nature with economies supported by manufacturing activity, agriculture (livestock, rice, timber, soybeans, wheat, melons, corn, and cotton), healthcare, and education. Large employers include hospitals, manufacturers, school districts, and colleges. In the Springfield market, major employers include healthcare providers, educational institutions, federal, local, and state government, retailers, and transportation and distribution firms.

Competition

The Bank faces strong competition in attracting deposits (its primary source of lendable funds) and originating loans. At June 30, 2012, the Bank was one of 47 bank or saving association groups located in its southeast Missouri and northeast Arkansas market area, and one of 27 bank or saving association groups located in Springfield, Missouri (seven of these overlap with the Bank's southeast Missouri and northeast and north central Arkansas markets).

Competitors for deposits include commercial banks, credit unions, money market funds, and other investment alternatives, such as mutual funds, full service and discount broker-dealers, equity markets, brokerage accounts and government securities. The Bank's competition for loans comes principally from other financial institutions, mortgage banking companies, mortgage brokers and life insurance companies. The Bank expects competition to continue to increase in the future as a result of legislative, regulatory and technological changes within the financial services industry. Technological advances, for example, have lowered barriers to market entry, allowed banks to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. The Gramm-Leach-Bliley Act, which permits affiliation among banks, securities firms and insurance companies, also has changed the competitive environment in which the Bank conducts business.

Internet Website

The Company maintains a website at www.bankwithsouthern.com. The information contained on that website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K. The Company currently makes available on or through its website at http://investors.bankwithsouthern.com its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K or amendments to these reports. These materials are also available free of charge on the Securities and Exchange Commission's website at www.sec.gov.

Lending Activities

General. The Bank's lending activities consist of origination of loans secured by mortgages on one- to four-family and multifamily residential real estate, commercial and agricultural real estate, construction loans on residential and commercial properties, commercial and agricultural business loans and consumer loans. The Bank has also occasionally purchased loan participation interests originated by other lenders and secured by properties generally located in the State of Missouri.

Supervision of the loan portfolio is the responsibility of our Chief Lending Officer. Loan officers have varying amounts of lending authority depending upon experience and types of loans. Loans beyond their authority are presented to the next level of authority, which may include the Commercial Loan Committee or the Agricultural Loan Committee. The Commercial Loan Committee consists of several senior lending officers of the Bank and is responsible for approving commercial lending relationships up to $1,000,000. The Agricultural Loan Committee consists of several senior lending officers of the Bank and is responsible for approving agricultural lending relationships of up to $1,00,000. Loan requests above these approval authorities are presented to the Loan Officers Committee, comprised of our President, Chief Lending Officer, and Chief Credit Officer, along with various appointed loan officers. Loans to one borrower (or group of related borrowers), in aggregate, in excess of $1.5 million require the approval of a majority of the Discount Committee, which consists of all Bank directors, prior to the closing of the loan. All loans are subject to ratification by the full Board of Directors.

The aggregate amount of loans that the Bank is permitted to make under applicable federal regulations to any one borrower, including related entities, or the aggregate amount that the Bank could have invested in any one real estate project, is based on the Bank's capital levels. See "Regulation - Loans to One Borrower." At June 30, 2012, the maximum amount which the Bank could lend to any one borrower and the borrower's related entities was approximately $21.6 million. However, the Bank's internal lending limit established by the Board of Directors is $10.0 million. On limited occasions and with board approval, the Bank has allowed exceptions to its internal lending limit. At June 30, 2012, the Bank's five largest credit relationships, as defined by loan to one borrower limitations, ranged from $8.4 million to $11.2 million, net of participation interests sold. Related to one of these larger relationships, a single party guarantees credit exposures totaling $19.4 million, however, $11.3 million of that total exposure is supported three independent repayment sources. As of June 30, 2012, the majority of these credits were commercial real estate, commercial, or multi-family real estate loans and all of them continued to perform according to their terms.

Loan Portfolio Analysis. The following table sets forth the composition of the Bank's loan portfolio by type of loan and type of security as of the dates indicated.

	At June 30,								
	2012			2011			2010		
	Amount	Percent		Amount	Percent		Amount	Percent	
				(Dollars in thousands)					
Type of Loan:									
Mortgage Loans:									
Residential real estate	$201,013	34.45	%	$199,855	35.91	%	$158,494	37.86	%
Commercial real estate (1)	200,957	34.44		185,159	33.27		121,526	29.03	
Construction	40,182	6.89		29,921	5.38		27,951	6.68	
Total mortgage loans	442,152	75.78		414,965	74.56		307,971	73.56	
Other Loans:									
Automobile loans	7,552	1.29		9,024	1.62		8,442	2.02	
Commercial business (2)	137,004	23.48		126,290	22.69		97,481	23.28	
Home equity	15,856	2.72		14,027	2.52		12,879	3.08	
Other	5,578	0.96		6,912	1.24		5,003	1.19	
Total other loans	165,990	28.45		156,253	28.07		123,805	29.56	
Total loans	608,142	104.23		571,218	102.63		431,776	103.13	
Less:									
Undisbursed loans in process	17,370	2.98		8,330	1.50		8,705	2.08	
Deferred fees and discounts	(185)	(0.02)		(126)	(0.02)		(121)	(0.03)	
Allowance for loan losses	7,492	1.28		6,438	1.16		4,509	1.08	
Net loans receivable	$583,465	100.00	%	$556,576	100.00	%	$418,683	100.00	%
Type of Security:									
Residential real estate									
One-to four-family	$189,313	32.45		$189,282	34.01		$167,622	40.04	
Multi-family	36,513	6.26		30,272	5.44		12,475	2.98	
Commercial real estate	162,478	27.85		145,453	26.13		96,601	23.07	
Land	58,830	10.08		52,933	9.51		34,518	8.24	
Commercial	132,022	22.63		123,295	22.15		94,224	22.51	
Consumer and other	28,986	4.97		29,983	5.39		26,336	6.29	
Total loans	608,142	104.23		571,218	102.63		431,776	103.13	
Less:									
Undisbursed loans in process	17,370	2.98		8,330	1.50		8,705	2.08	
Deferred fees and discounts	(185)	(0.02)		(126)	(0.02)		(121)	(0.03)	
Allowance for loan losses	7,492	1.08		6,438	1.16		4,509	1.08	
Net loans receivable	$583,465	100.00	%	$556,576	100.00	%	$418,683	100.00	%

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(1) Commercial real estate loan balances included farmland and other agricultural-related real estate loans of $48.6 million, $42.4 million and $28.3 million as of June 30, 2012, 2011, and 2010, respectively.

(2)

Commercial business loan balances included agricultural equipment and production loans of $50.8 million, $45.3 million and $35.9 million as of June 30, 2012, 2011, and 2010, respectively.

The following table shows the fixed and adjustable rate composition of the Bank's loan portfolio at the dates indicated.

	At June 30,					
	2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Type of Loan:						
Fixed-Rate Loans:						
Residential real estate	$115,716	19.83 %	$129,967	23.35 %	$107,190	25.60 %
Commercial real estate	128,954	22.10	120,327	21.62	70,643	16.87
Construction	35,886	6.15	27,947	5.02	21,467	5.13
Consumer	13,130	2.25	15,934	2.86	13,439	3.21
Commercial business	75,910	13.01	77,154	13.86	50,747	12.12
Total fixed-rate loans	369,596	63.34	371,329	66.72	263,486	62.93
Adjustable-Rate Loans:						
Residential real estate	85,296	14.62	69,917	12.56	51,304	12.25
Commercial real estate	72,005	12.34	64,831	11.65	50,883	12.15
Construction	4,296	0.74	1,975	0.35	6,484	1.55
Consumer	15,855	2.72	14,030	2.52	12,885	3.08
Commercial business	61,094	10.47	49,136	8.83	46,734	11.16
Total adjustable-rate loans	238,546	40.88	199,889	35.91	168,290	40.20
Total loans	608,142	104.23	571,218	102.63	431,776	103.13
Less:						
Undisbursed loans in process	17,370	2.98	8,330	1.50	8,705	2.08
Net deferred loan fees	(185)	(0.03)	(126)	(0.02)	(121)	(0.03)
Allowance for loan loss	7,492	1.28	6,438	1.16	4,509	1.08
Net loans receivable	$583,465	100.00 %	$556,576	100.00 %	$418,683	100.00 %

Residential Mortgage Lending. The Bank actively originates loans for the acquisition or refinance of one- to four-family residences. These loans are originated as a result of customer and real estate agent referrals, existing and walk-in customers and from responses to the Bank's marketing campaigns. At June 30, 2012, residential loans secured by one- to four-family residences totaled $177.0 million, or 30.3% of net loans receivable.

The Bank currently offers both fixed-rate and adjustable-rate mortgage ("ARM") loans. During the year ended June 30, 2012, the Bank originated $25.5 million of ARM loans and $13.7 million of fixed-rate loans that were secured by one- to four-family residences, for retention in the Bank’s portfolio. An additional $7.9 million in fixed-rate one- to four-family residential loans were originated for sale on the secondary market. Substantially all of the one- to four-family residential mortgage originations in the Bank's portfolio are located within the Bank's primary market area.

The Bank generally originates one- to four-family residential mortgage loans in amounts up to 90% of the lower of the purchase price or appraised value of residential property. For loans originated in excess of 80%, the Bank charges an additional 50 basis points, but does not require private mortgage insurance. At June 30, 2012, the remaining balance of loans originated with a loan-to-value ratio in excess of 80% was $50.8 million. For fiscal years ended June 30, 2012, 2011, and 2010, originations of one- to four-family loans in excess of 80% loan-to-value have totaled $12.7 million, $6.7 million and $7.9 million, respectively, a total of $27.3 million. The remaining balance of those loans at June 30, 2012, was $25.7 million. Originating loans with higher loan-to-value ratios presents additional credit risk to the Company. Consequently, the Company limits this product to borrowers with a favorable credit history and a demonstrable ability to service the debt. The majority of new residential mortgage loans originated by the Bank conform to secondary market underwriting standards, however, documentation of loans files may not be adequate to allow for immediate sale. The interest rates charged on these loans are competitively priced based on local market conditions, the availability of funding, and anticipated profit margins. Fixed and ARM loans originated by the Bank are amortized over periods as long as 30 years, but typically are repaid over shorter periods.

Fixed-rate loans secured by one- to four-family residences have contractual maturities up to 30 years, and are generally fully amortizing with payments due monthly. These loans normally remain outstanding for a substantially shorter period of time because of refinancing and other prepayments. A significant change in the interest rate environment can alter the average life of a residential loan portfolio. The one- to four-family fixed-rate loans do not contain prepayment penalties. At June 30, 2012, one- to four-family loans with a fixed rate totaled $104.6 million, and had a weighted-average maturity of 176 months.

The Bank currently originates one- to four-family adjustable rate mortgage (“ARM”) loans, which adjust annually, after an initial period of one, three, five, or seven years. Typically, originated ARM loans secured by owner occupied properties reprice at a margin of 2.75% to 3.00% over the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (“CMT”). Generally, ARM loans secured by non-owner occupied residential properties reprice at a margin of 3.75% over the CMT index. Current residential ARM loan originations are subject to annual and lifetime interest rate caps and floors. As a consequence of using interest rate caps, initial rates which may be at a premium or discount, and a "CMT" loan index, the interest earned on the Bank's ARMs will react differently to changing interest rates than the Bank's cost of funds. At June 30, 2012, one- to four-family loans tied to the CMT index totaled $69.5 million. One- to four-family loans tied to other indices totaled $2.9 million.

In underwriting one- to four-family residential real estate loans, the Bank evaluates the borrower's ability to meet debt service requirements at current as well as fully indexed rates for ARM loans, as well as the value of the property securing the loan. Most properties securing real estate loans made by the Bank during fiscal 2012 had appraisals performed on them by independent fee appraisers approved and qualified by the Board of Directors. The Bank generally requires borrowers to obtain title insurance and fire, property and flood insurance (if indicated) in an amount not less than the amount of the loan. Real estate loans originated by the Bank generally contain a "due on sale" clause allowing the Bank to declare the unpaid principal balance due and payable upon the sale of the security property.

The Company also originates loans secured by multi-family residential properties that are generally located in the Company’s primary market area. At June 30, 2012, the Bank had $24.1 million, or 4.1% of net loans receivable, in multi-family residential real estate. The majority of the multi-family residential loans that are originated by the Bank are amortized over periods generally up to 20 years, with balloon maturities up to five years. Both fixed and adjustable interest rates are offered and it is typical for the Company to include an interest rate “floor” in the loan agreement. Variable rate loans typically adjust daily, monthly, quarterly or annually based on the Wall Street prime interest rate. Generally, multi-family residential loans do not exceed 85% of the lower of the appraised value or purchase price of the secured property. The Company generally requires a Board-approved independent certified fee appraiser to be engaged in determining the collateral value. As a general rule, the Company requires the unlimited guaranty of all individuals (or entities) owning (directly or indirectly) 20% or more of the stock of the borrowing entity.

The primary risk associated with multifamily loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. High unemployment or generally weak economic conditions may result in borrowers having to provide rental rate concessions to achieve adequate occupancy rates. In an effort to reduce these risks, the Bank will evaluate the guarantor’s ability to inject personal funds as a tertiary source of repayment.

Commercial Real Estate Lending. The Bank actively originates loans secured by commercial real estate including land (improved and unimproved), strip shopping centers, retail establishments and other businesses generally located in the Bank's primary market area. At June 30, 2012, the Bank had $201.0 million in commercial real estate loans, which represented 34.4% of net loans receivable. Of this amount, $48.6 million were loans secured by agricultural properties. The increase over the last several fiscal years in agricultural lending is the result of an intentional focus by the Bank on that segment of our market, including the hiring of personnel with knowledge of agricultural lending and experience in that type of business development. The Company expects to continue to grow its agricultural lending portfolio, but expects that the rate of growth experienced over the last several fiscal years is unlikely to be maintained. The Company expects to continue to maintain or increase the percentage of commercial real estate loans in its total portfolio.

Most commercial real estate loans originated by the Bank generally are based on amortization schedules of up to 20 years with monthly principal and interest payments. Generally, the interest rate received on these loans is fixed for a maturity for up to five years, with a balloon payment due at maturity. Alternatively, for some loans, the interest rate adjusts at least annually after an initial period up to five years, based upon the Wall Street prime rate. The Bank typically includes an interest rate "floor" in the loan agreement. The Bank's fixed-rate commercial real estate portfolio has a weighted average maturity of 38 months. Variable rate commercial real estate originations typically adjust daily, monthly, quarterly or annually based on the Wall Street prime rate. Generally, improved commercial real estate loan amounts do not exceed 80% of the lower of the appraised value or the purchase price of the secured property. Agricultural real estate terms offered differ slightly, with amortization schedules of up to 25 years with an 80% loan-to-value ratio, or 30 years with a 75% loan-to-value ratio. Agricultural real estate loans generally require an annual payment. Before credit is extended, the Bank analyzes the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property and the value of the property itself. Generally, personal guarantees are obtained from the borrower in addition to obtaining the secured property as collateral for such loans. The Bank also generally requires appraisals on properties securing commercial real estate to be performed by a Board-approved independent certified fee appraiser.

Generally, loans secured by commercial real estate involve a greater degree of credit risk than one- to four-family residential mortgage loans. These loans typically involve large balances to single borrowers or groups of related borrowers. Because payments on loans secured by commercial real estate are often dependent on the successful operation or management of the secured property, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. See "Asset Quality."

Construction Lending. The Bank originates real estate loans secured by property or land that is under construction or development. At June 30, 2012, the Bank had $40.2 million, or 6.89% of net loans receivable in construction loans outstanding.

Construction loans originated by the Bank are generally secured by mortgage loans for the construction of owner occupied residential real estate or to finance speculative construction secured by residential real estate, land development, or owner-operated or non-owner occupied commercial real estate. At June 30, 2012, $12.4 million of the Bank's construction loans were secured by one- to four-family residential real estate (of which $6.2 million was for speculative construction), $12.4 million of which were secured by multifamily residential real estate, and $15.4 million of which were secured by commercial real estate. During construction, these loans typically require monthly interest-only payments and have maturities ranging from 6 to 12 months. Once construction is completed, permanent construction loans may be converted to monthly payments using amortization schedules of up to 30 years on residential and generally up to 20 years on commercial real estate.

Speculative construction and land development lending generally affords the Bank an opportunity to receive higher interest rates and fees with shorter terms to maturity than those obtainable from residential lending. Nevertheless, construction and land development lending is generally considered to involve a higher level of credit risk than one- to four-family residential lending due to (i) the concentration of principal among relatively few borrowers and development projects, (ii) the increased difficulty at the time the loan is made of accurately estimating building or development costs and the selling price of the finished product, (iii) the increased difficulty and costs of monitoring and disbursing funds for the loan, (iv) the higher degree of sensitivity to increases in market rates of interest and changes in local economic conditions, and (v) the increased difficulty of working out problem loans. Due in part to these risk factors, the Bank may be required from time to time to modify or extend the terms of some of these types of loans. In an effort to reduce these risks, the application process includes a submission to the Bank of accurate plans, specifications and costs of the project to be constructed. These items are also used as a basis to determine the appraised value of the subject property. Loan amounts are generally limited to 80% of the lesser of current appraised value and/or the cost of construction.

Consumer Lending. The Bank offers a variety of secured consumer loans, including home equity, direct and indirect automobile loans, second mortgages, mobile homes and loans secured by deposits. The Bank originates substantially all of its consumer loans in its primary market area. Usually, consumer loans are originated with fixed rates for terms of up to five years, with the exception of home equity lines of credit, which are variable, tied to the prime rate of interest, and are for a period of ten years. At June 30, 2012, the Bank's consumer loan portfolio totaled $29.0 million, or 4.97% of net loans receivable.

Home equity loans represented 54.7% of the Bank's consumer loan portfolio at June 30, 2012, and totaled $15.9 million, or 2.72% of net loans receivable.

Home equity lines of credit (HELOCs) are secured with a deed of trust and are issued up to 100% of the appraised or assessed value of the property securing the line of credit, less the outstanding balance on the first mortgage. Interest rates on the HELOCs are adjustable and are tied to the current prime interest rate, generally with an interest rate floor in the loan agreement. This rate is obtained from the Wall Street Journal and adjusts on a daily basis. Interest rates are based upon the loan-to-value ratio of the property with better rates given to borrowers with more equity. HELOCs, which are secured by residential properties, are secured by stronger collateral than automobile loans and because of the adjustable rate structure, contain less interest rate risk to the Bank. Lending up to 100% of the value of the property presents greater credit risk to the Bank. Consequently, the Bank limits this product to customers with a favorable credit history. At June 30, 2012, lines of credit up to 80% of the property value represented 85.0% of outstanding balances, and 87.7% of balances and commitments; lines of credit for more than 80%, but not exceeding 90%, of the property value represented 14.5% of outstanding balances and 11.8% of balances and commitments; and lines of credit in excess of 90% of the property value represented 0.5% of outstanding balances and 0.4% of balances and commitments.

Automobile loans represented 26.05% of the Bank's consumer loan portfolio at June 30, 2012, and totaled $7.6 million, or 1.29% of net loans receivable. Of that total, $55,000 represented loans originated by auto dealers. The Bank generally pays a negotiated fee back to the dealer for these loans. Typically, automobile loans are made for terms of up to 60 months for new and used vehicles. Loans secured by automobiles have fixed rates and are generally made in amounts up to 100% of the purchase price of the vehicle.

Consumer loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards employed for consumer loans include employment stability, an application, a determination of the applicant's payment history on other debts, and an assessment of ability to meet existing and proposed obligations. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer loans may entail greater credit risk than do residential mortgage loans, because they are generally unsecured or are secured by rapidly depreciable or mobile assets, such as automobiles. In the event of repossession or default, there may be no secondary source of repayment or the underlying value of the collateral could be insufficient to repay the loan. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. The Bank's delinquency levels for these types of loans are reflective of these risks. See "Asset Classification."

Commercial Business Lending. The Bank's commercial business lending activities encompass loans with a variety of purposes and security, including loans to finance accounts receivable, inventory, equipment and operating lines of credit. At June 30, 2012, the Bank had $137.0 million in commercial business loans outstanding, or 23.5% of net loans receivable. Of this amount, $50.8 million were loans related to agriculture, including amortizing equipment loans and annual production lines. The increase over the last several fiscal years in agricultural lending is the result of an intentional focus by the Bank on that segment of our market, including the hiring of personnel with knowledge of agricultural lending and experience in that type of business development. The Company expects to continue to grow its agricultural lending portfolio, but expects that the rate of growth experienced over the last several fiscal years is unlikely to be maintained. The Bank expects to continue to maintain or increase the current percentage of commercial business loans in its total loan portfolio.

The Bank currently offers both fixed and adjustable rate commercial business loans. At year end, the Bank had $75.9 million in fixed rate and $61.1 million of adjustable rate commercial business loans. The adjustable rate business loans typically reprice daily, monthly, quarterly, or annually, in accordance with the Wall Street prime rate of interest. The Bank typically includes an interest rate "floor" in the loan agreement.

Commercial business loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. Generally, commercial loans secured by fixed assets are amortized over periods up to five years, while commercial operating lines of credit or agricultural production lines are generally for a one year period. The Bank's commercial business loans are evaluated based on the loan application, a determination of the applicant's payment history on other debts, business stability and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Contractual Obligations and Commitments, Including Off-Balance Sheet Arrangements. The following table discloses our fixed and determinable contractual obligations and commercial commitments by payment date as of June 30, 2012. Commitments to extend credit totaled $100.4 million at June 30, 2012.

	Less Than 1 year	1-3 Years	4-5 years	More Than 5 Years	Total
			(In Thousands)		
Federal Home Loan Bank advances	$---	$---	$10,000	$14,500	$24,500
Certificates of deposit	158,873	49,900	13,935	8,606	231,314
Total	$158,873	$49,900	$23,935	$23,106	$255,814

	Less Than 1 year	1-3 Years	4-5 years	More Than 5 Years	Total
			(In Thousands)		
Construction loans in process	$17,370	$---	$---	$---	$17,370
Other commitments	38,560	37,334	1,184	5,908	82,986
	$55,930	$37,334	$1,184	$5,908	$100,356

Loan Maturity and Repricing

The following table sets forth certain information at June 30, 2012 regarding the dollar amount of loans maturing or repricing in the Bank's portfolio based on their contractual terms to maturity or repricing, but does not include scheduled payments or potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. Mortgage loans that have adjustable rates are shown as maturing at their next repricing date. Listed loan balances are shown before deductions for undisbursed loan proceeds, unearned discounts, unearned income and allowance for loan losses.

	Within One Year	After One Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
			(In thousands)		

Residential real estate	$18,728	$73,059	$20,198	$89,027	$201,012
Commercial real estate	54,226	131,445	6,056	9,231	200,958
Construction	35,976	743	3,338	125	40,182
Consumer	3,593	12,551	12,841	-	28,985
Commercial business	82,455	36,135	11,722	6,693	137,005
Total loans	$194,978	$253,933	$54,155	$105,076	$608,142

As of June 30, 2012, loans with a maturity date after June 30, 2013 with fixed interest rates totaled $258.1 million, and loans with a maturity date after June 30, 2013 with adjustable rates totaled $167.4 million.

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Loan Originations, Sales and Purchases

Generally, all loans are originated by the Bank's staff, who are salaried loan officers. Loan applications are taken and processed at each of the Bank's full-service locations. The Bank began offering secondary market loans, which are also originated by the Bank's staff, to customers during fiscal year 2002.

While the Bank originates both adjustable-rate and fixed-rate loans, the ability to originate loans is dependent upon the relative customer demand for loans in its market. In fiscal 2012, the Bank originated $200.8 million of loans, compared to $150.4 million and $145.9 million in fiscal 2011 and 2010, respectively. Of these loans, mortgage loan originations were $138.4 million, $118.6 million and $98.6 million in fiscal 2012, 2011 and 2010, respectively.

From time to time, the Bank has purchased loan participations consistent with its loan underwriting standards. In fiscal 2012, the Bank purchased $839,000 of new loan participations. At June 30, 2012, loan participations totaled $15.8 million, or 2.71% of net loans receivable. At June 30, 2012, all of these participations were performing in accordance to their respective terms. The Bank will evaluate purchasing additional loan participations, based in part on local loan demand, liquidity, portfolio and leverage rate.

The following table shows total loans originated, purchased, sold and repaid during the periods indicated.

	Year Ended June 30,		
	2012	2011	2010
	(Dollars in thousands)		
Total loans at beginning of period	$ 571,218	$ 431,776	$ 388,390
Loans originated:			
One-to four-family residential	47,403	34,288	35,862
Multi-family residential and commercial real estate	68,559	58,016	41,325
Construction loans	22,477	26,247	21,444
Commercial and industrial	44,972	24,029	31,677
Consumer and others	17,398	7,841	15,638
Total loans originated	200,809	150,241	145,946
Loans purchased:			
Total loans purchased (1)	839	123,007	25,887
Loans sold:			
Total loans sold	(11,914)	(14,501)	(6,917)
Principal repayments	(146,123)	(107,843)	(101,162)
Participation principal repayments	(5,421)	(10,469)	(18,442)
Foreclosures	(1,266)	(1,173)	(1,926)
Net loan activity	36,924	139,442	43,386
Total loans at end of period	$ 608,142	$ 571,218	$ 431,776

(1) Amounts reported in fiscal 2011 and 2010 include the Company's acquisition of loans recorded at a $114.6 million and $15.1 million fair value, respectively, in the December 2010 acquisition of the former First Southern Bank and in the July 2009 acquisition of the Southern Bank of Commerce.

Loan Commitments

The Bank issues commitments for one- to four-family residential mortgage loans, operating or working capital lines of credit. Such commitments may be oral or in writing with specified terms, conditions and at a specified rate of interest and standby letters-of-credit. The Bank had outstanding net loan commitments of approximately $100.4 million at June 30, 2012. See Note 15 of Notes to the Consolidated Financial Statements contained in Item 8.

Loan Fees

In addition to interest earned on loans, the Bank receives income from fees in connection with loan originations, loan modifications, late payments and for miscellaneous services related to its loans. Income from these activities varies from period to period depending upon the volume and type of loans made and competitive conditions.

Asset Quality

Delinquent Loans. Generally, when a borrower fails to make a required payment on mortgage or installment loans, the Bank begins the collection process by mailing a computer generated notice to the customer. If the delinquency is not cured promptly, the customer is contacted again by notice or telephone. After an account secured by real estate becomes over 60 days past due, the Bank will typically send a 30-day demand notice to the customer which, if not cured or unless satisfactory arrangements have been made, will lead to foreclosure. For consumer loans, the Missouri Right-To-Cure Statute is followed, which requires issuance of specifically worded notices at specific time intervals prior to repossession or further collection efforts.

The following table sets forth the Bank's loan delinquencies by type and by amount at June 30, 2012.

	Loans Delinquent For:					
	60-89 Days		90 Days and Over		Total Loans Delinquent 60 Days or More	
	Numbers	Amounts	Numbers	Amounts	Numbers	Amounts
			(Dollars in thousands)			
Residential real estate	2	$67	3	$59	5	$126
Commercial real estate	1	41	1	797	2	838
Commercial non-real estate	---	---	1	80	1	80
Other consumer	---	---	---	---	---	---
Totals	3	$108	5	$936	8	$1,044

Non-Performing Assets. The table below sets forth the amounts and categories of non-performing assets in the Bank's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest become doubtful, and as a result, previously accrued interest income on the loan is removed from current income. The Bank has no reserves for uncollected interest and does not accrue interest on non-accrual loans. A loan may be transferred back to accrual status once a satisfactory repayment history has been restored. Foreclosed assets held for sale include assets acquired in settlement of loans and are shown net of reserves.

For information regarding accrual of interest on impaired loans, see Note 1 of Notes to the Consolidated Financial Statements contained in Item 8.

The Company generally treats loans acquired with impaired credit quality as an accruing asset, despite reporting such loans as impaired, because these loans are recorded at acquisition at fair value, which includes an accretable discount which is recorded as interest income over the expected life of the obligation.

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The following table sets forth information with respect to the Bank's non-performing assets as of the dates indicated.

	At June 30,				
	2012	2011	2010	2009	2008
	(Dollars in thousands)				
Nonaccruing loans:					
Residential real estate	$395	$97	$154	$343	$---
Commercial real estate	977	152	51	241	---
Consumer	16	12	24	9	---
Commercial business	1,010	2	9	66	---
Total	2,398	263	238	659	---
Loans 90 days past due accruing interest:					
Residential real estate	---	189	9	137	---
Commercial real estate	---	125	---	---	---
Consumer	---	122	51	---	6
Commercial business	---	2	34	---	---
Total	---	438	94	137	6
Total nonperforming loans	2,398	701	332	796	6
Nonperforming investments	125	125	125	125	---
Foreclosed assets held for sale:					
Real estate owned	1,426	1,515	1,501	313	38
Other nonperforming assets	9	34	90	137	24
Total nonperforming assets	$3,958	$2,375	$2,048	$1,371	$68
Total nonperforming loans to net loans	0.41 %	0.13 %	0.08 %	0.22 %	0.00 %
Total nonperforming loans to total assets	0.32 %	0.10 %	0.06 %	0.17 %	0.00 %
Total nonperforming assets to total assets	0.54 %	0.35 %	0.37 %	0.29 %	0.02 %

At June 30, 2012, troubled debt restructurings (TDRs) totaled $4.9 million, of which $1.7 million was considered nonperforming and was included in the nonaccrual loan total above. The remaining $3.1 million in TDRs have complied with the modified terms for a reasonable period of time and are therefore considered by the Company to be accrual status loans. In general, these loans were subject to classification as TDRs at June 30, 2012, on the basis of guidance under ASU 2011-02, which indicates that the Company may not consider the borrower's effective borrowing rate on the old debt immediately before the restructuring in determining whether a concession has been granted. At June 30, 2008 through 2011, the Company had no restructured loans within the meaning of ASC Topic 310.

Real Estate Owned. Real estate properties acquired through foreclosure or by deed in lieu of foreclosure are recorded at the lower of cost or fair value, less estimated disposition costs. If fair value at the date of foreclosure is lower than the balance of the related loan, the difference will be charged-off to the allowance for loan losses at the time of transfer. Management periodically updates real estate valuations and if the value declines, a specific provision for losses on such property is established by a charge to operations. At June 30, 2012, the Company's balance of real estate owned totaled $1.4 million and included $466,000 residential and $960,000 nonresidential properties.

Asset Classification. Applicable regulations require that each insured institution review and classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, regulatory examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets must have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. When an insured institution classifies problem assets as loss, it charges off the balance of the assets. Assets which do not currently expose the Bank to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses, may be designated as special mention. The Bank's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the FRB and the Missouri Division of Finance, which can order the establishment of additional loss allowances.

On the basis of management's review of the assets of the Company, at June 30, 2012, classified assets totaled $12.2 million, or 1.65% of total assets as compared $11.6 million, or 1.69% of total assets at June 30, 2011. Of the amount classified as of June 30, 2012, $12.2 million was considered substandard, while $0 was considered doubtful. At June 30, 2012, significant classified assets included one loan relationship with outstanding classified balances of $2.9 million, secured by commercial and agricultural real estate, and another loan relationship with outstanding classified balances of $1.7 million, secured by commercial real estate and equipment, both classified due to concerns regarding the borrower's ability to generate sufficient cash flows to service the debt. All of the Company's investments in pooled trust preferred securities, with a book value of $1.6 million, were classified, also due to concerns about the ability of the pools to continue to generate sufficient cash flows to service the debt. Three of these securities, with a book value of $1.1 million (included in the total of $1.6 million, above) have deferred interest payments as of June 30, 2012. In addition to these trust preferred securities, one loan with an outstanding balance of approximately $800,000 was greater than 90 days past due at June 30, 2012; all other material classified assets were performing in accordance with terms at June 30, 2012.

Other Loans of Concern. In addition to the non-performing assets discussed above, there was also an aggregate of $7.1 million in loans, consisting primarily of a $5.2 million loan to a bank holding company, with respect to which management has doubts as to the ability of the borrowers to continue to comply with present loan repayment terms, which may ultimately result in the classification of such assets. The loan continued to perform according to terms as of June 30, 2012, but was identified as another loan of concern due to concerns regarding the borrower’s ability to continue to generate sufficient cash flows to service the debt. At June 30, 2009, this loan was classified as “substandard” and was upgraded during fiscal 2010 based on actions taken by the borrower.

Allowance for Loan Losses. The Bank's allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in the loan portfolio and changes in the nature and volume of loan activity, including those loans which are being specifically monitored. Such evaluation, which includes a review of loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate provision for loan losses. These provisions for loan losses are charged against earnings in the year they are established. The Bank had an allowance for loan losses at June 30, 2012, of $7.5 million, which represented 189% of nonperforming assets as compared to an allowance of $6.4 million, which represented 271% of nonperforming assets at June 30, 2011.

At June 30, 2012, the Bank also had an allowance for credit losses on off-balance sheet credit exposures of $473,000, as compared to $557,000 at June 30, 2011. This amount is maintained as a separate liability account to cover estimated potential credit losses associated with off-balance sheet credit instruments such as off-balance sheet loan commitments, standby letters of credit, and guarantees.

Although management believes that it uses the best information available to determine the allowance, unforeseen market conditions could result in adjustments and net earnings could be significantly affected if circumstances differ substantially from assumptions used in making the final determination. Future additions to the allowance will likely be the result of periodic loan, property and collateral reviews and thus cannot be predicted with certainty in advance.

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The following table sets forth an analysis of the Bank's allowance for loan losses for the periods indicated. Where specific loan loss reserves have been established, any difference between the loss reserve and the amount of loss realized has been charged or credited to current income.

	Year Ended June 30, 2012	2011	2010	2009	2008
			(Dollars in thousands)		
Allowance at beginning of period	$6,438	$4,509	$3,993	$3,199	$2,387
Recoveries					
Residential real estate	7	3	8	3	1
Construction real estate	1	25	---	---	---
Commercial real estate	---	1	3	6	---
Commercial business	16	7	5	3	168
Consumer	15	18	5	14	14
Total recoveries	39	54	21	26	183
Charge offs:					
Residential real estate	98	158	153	19	34
Construction real estate	---	158	---	---	---
Commercial real estate	41	60	76	11	---
Commercial business	436	67	118	242	5
Consumer	195	66	83	111	55
Total charge offs	770	509	430	383	94
Net recoveries (charge offs)	(731)	(455)	(409)	(357)	89
Provision for loan losses	1,785	2,385	925	1,151	723
Balance at end of period	$7,492	$6,439	$4,509	$3,993	$3,199
Ratio of allowance to total loans outstanding at the end of the period	1.27%	1.14%	1.06%	1.07%	0.92%
Ratio of net charge offs to average loans outstanding during the period	0.13%	0.09%	0.10%	0.10%	(0.03)%

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated.

	At June 30,									
	2012		2011		2010		2009		2008	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)									
Residential real estate	$1,635	33.05 %	$1,618	34.99 %	$902	36.71 %	$750	40.03 %	$626	42.40 %
Construction	243	6.61	193	5.24	198	6.47	128	6.06	88	3.96
Commercial real estate	2,986	33.04	2,671	32.41	1,605	28.14	1,217	25.02	969	24.37
Consumer	484	4.77	441	5.25	473	6.10	367	5.96	333	6.11
Commercial business	2,144	22.53	1,515	22.11	1,330	22.58	1,038	22.93	952	23.16
Unallocated	---	---	---	---	---	---	493	---	231	---
Total allowance for loan losses	$7,492	100.00 %	$6,438	100.00 %	$4,508	100.00 %	$3,993	100.00 %	$3,199	100.00 %

Investment Activities

General. Under Missouri law, the Bank is permitted to invest in various types of liquid assets, including U.S. Government and State of Missouri obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, banker's acceptances, repurchase agreements, federal funds, commercial paper, investment grade corporate debt securities and obligations of States and their political sub-divisions. Generally, the investment policy of the Company is to invest funds among various categories of investments and repricing characteristics based upon the Bank's need for liquidity, to provide collateral for borrowings and public unit deposits, to help reach financial performance targets and to help maintain asset/liability management objectives.

The Company's investment portfolio is managed in accordance with the Bank's investment policy which was adopted by the Board of Directors of the Bank and is implemented by members of the asset/liability management committee which consists of the President, the CFO, the COO and four outside directors.

Investment purchases and/or sales must be authorized by the appropriate party, depending on the aggregate size of the investment transaction, prior to any investment transaction. The Board of Directors reviews all investment transactions. All investment purchases are identified as available-for-sale ("AFS") at the time of purchase. The Company has not classified any investment securities as held-to-maturity over the last five years. Securities classified as "AFS" must be reported at fair value with unrealized gains and losses recorded as a separate component of stockholders' equity. At June 30, 2012, AFS securities totaled $75.1 million (excluding FHLB and FRB membership stock). For information regarding the amortized cost and market values of the Company's investments, see Note 2 of Notes to the Consolidated Financial Statements contained in Item 8.

As of June 30, 2012, the Company had no derivative instruments and no outstanding hedging activities. Management has reviewed potential uses for derivative instruments and hedging activities, but has no immediate plans to employ these tools.

Debt and Other Securities. At June 30, 2012, the Company's debt and other securities portfolio totaled $55.9 million, or 7.55% of total assets as compared to $38.8 million, or 5.6% of total assets at June 30, 2011. During fiscal 2012, the Bank had $26.0 million in maturities and $51.2 million in security purchases. Of the securities that matured, $25.9 million was called for early redemption. At June 30, 2012, the investment securities portfolio included $18.1 million in U.S. government and government agency bonds, of which the full amount is subject to early redemption at the option of the issuer, and $36.4 million in municipal bonds, of which $31.4 million is subject to early redemption at the option of the issuer. The remaining portfolio consists of $1.4 million in other securities (including $544,000 estimated fair value in pooled trust preferred securities). Based on projected maturities, the weighted average life of the investment securities portfolio at June 30, 2012, was 42 months. Membership stock held in the FHLB of Des Moines, totaling $2.0 million, and the FRB of St. Louis, totaling $1.0 million, was not included in the above totals.

At June 30, 2012, the Company owned four pooled trust preferred securities with a fair value of $544,000 and a book value of $1.8 million. The June 30, 2012, cash flow analysis for three of these securities showed it is probable the Company will receive all contracted principal and related interest projected, though interest payments have been deferred on two of the three securities. For the fourth security, an analysis at December 31, 2008, indicated other-than temporary impairment (OTTI), and the Company performed further analysis to determine the portion of the loss that was related to credit conditions of the underlying issuers. The credit loss was calculated by comparing expected discounted cash flows based on performance indicators of the underlying assets in the security to the carrying value of the investment. The discounted cash flow was based on anticipated default and recovery rates, and the resulting projected cash flows were discounted based on the yield anticipated at the time the security was purchased. Based on this analysis, the Company recorded an impairment charge of $375,000 for the credit portion of the unrealized loss for this trust preferred security. This loss established a new, lower amortized cost basis of $125,000 for this security, and reduced non-interest income for the second quarter and fiscal year ended June 30, 2009. Analyses performed quarterly and at fiscal year end in 2012 indicated no further impairment of any securities owned by the Company. See Note 2 of Notes to the Consolidated Financial Statements contained in Item 8.

Mortgage-Backed Securities. At June 30, 2012, MBS totaled $19.3 million, or 2.6%, of total assets as compared to $24.5 million, or 3.6%, of total assets at June 30, 2011. During fiscal 2012, the Bank had maturities and prepayments of $13.2 million and $8.5 million in purchases of MBS. At June 30, 2012, the MBS portfolio included $164,000 in adjustable-rate MBS, $8.2 million in fixed-rate MBS, $7.8 million in fixed rate collateralized mortgage obligations (CMOs), and $3.0 million in floating-rate CMOs, all of which passed the Federal Financial Institutions Examination Council's sensitivity test. Based on recent prepayment rates, the weighted average life of the MBS and CMOs at June 30, 2012, was 24 months. Prepayment rates may cause the anticipated average life of MBS portfolio to extend or shorten based upon actual prepayment rates.

Investment Securities Analysis

The following table sets forth the Company's debt and other securities portfolio, at carrying value, and membership stock, at cost, at the dates indicated.

	At June 30,					
	2012		2011		2010	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
	(Dollars in thousands)					
U.S. government and government agencies	$18,100	30.73 %	$12,976	30.98 %	$12,414	34.64 %
State and political subdivisions	36,381	61.77	24,981	59.65	19,769	55.17
FHLMC preferred stock	---	---	---	---	6	0.02
Other securities	1,393	2.37	834	1.99	442	1.23
FHLB membership stock	2,018	3.43	2,369	5.66	2,622	7.32
FRB membership stock	1,001	1.70	719	1.72	583	1.63
Total	$58,893	100.00 %	$41,879	100.00 %	$35,836	100.00 %

The following table sets forth the maturities and weighted average yields of AFS debt securities in the Company's investment securities portfolio and membership stock at June 30, 2012.

	Available for Sale Securities June 30, 2012			
	Amortized Cost	Fair Value	Tax-Equiv. Wtd.-Avg. Yield	
	(Dollars in thousands)			
U.S. government and government agency securities:				
Due within 1 year	$ ---	$ ---	---	%
Due after 1 year but within 5 years	3,006	3,007	0.45	
Due after 5 years but within 10 years	8,031	8,061	1.21	
Due over 10 years	7,009	7,032	1.42	
Total	18,046	18,100	1.16	%
State and political subdivisions:				
Due within 1 year	215	215	1.91	%
Due after 1 year but within 5 years	2,686	2,699	2.87	
Due after 5 years but within 10 years	11,085	11,669	4.65	
Due over 10 years	20,670	21,798	5.01	
Total	34,656	36,381	4.71	%
Other securities:				
Due within 1 year	---	---	---	%
Due after 1 year but within 5 years	1,096	1,110	5.38	
Due after 5 years but within 10 years	---	---	---	
Due over 10 years	1,551	283	1.14	
Total	2,647	1,393	2.90	%
No stated maturity:				
FHLB membership stock	2,018	2,018	1.97	%
FRB membership stock	1,001	1,001	6.00	
Total	3,019	3,019	3.31	%
Total debt and other securities	$ 58,368	$ 58,893	3.46	%

The following table sets forth certain information at June 30, 2012 regarding the dollar amount of MBS and CMOs at amortized cost due, based on their contractual terms to maturity, but does not include scheduled payments or potential prepayments. MBS and CMOs that have adjustable rates are shown at amortized cost as maturing at their next repricing date.

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	At June 30, 2012 (In thousands)
Amounts due:	
Within 1 year	$ 50
After 1 year through 3 years	334
After 3 years through 5 years	56
After 5 years	18,254
Total	$ 18,694

The following table sets forth the dollar amount of all MBS and CMOs at amortized cost due, based on their contractual terms to maturity, one year after June 30, 2012, which have fixed, floating, or adjustable interest rates.

	At June 30, 2012 (In thousands)
Interest rate terms on amounts due after 1 year:	
Fixed	$ 15,447
Adjustable	3,197
Total	$ 18,644

The following table sets forth certain information with respect to each MBS and CMO security at the dates indicated.

	At June 30,					
	2012		2011		2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
FHLMC certificates	$3,420	$3,666	$4,830	$5,186	$7,317	$7,815
GNMA certificates	79	81	89	91	99	101
FNMA certificates	4,437	4,694	4,633	4,987	7,102	7,613
Collateralized mortgage obligations issued by government agencies	10,758	10,812	13,938	14,272	18,064	18,805
Total	$18,694	$19,253	$23,490	$24,536	$32,582	$34,334

Deposit Activities and Other Sources of Funds

General. The Company's primary sources of funds are deposits, borrowings, payments of principal and interest on loans, MBS and CMOs, interest and principal received on investment securities and other short-term investments, and funds provided from operating results. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general market interest rates and overall economic conditions.

Borrowings, including FHLB advances, have been used at times to provide additional liquidity. Borrowings are used on an overnight or short-term basis to compensate for periodic fluctuations in cash flows, and are used on a longer term basis to fund loan growth and to help manage the Company's sensitivity to fluctuating interest rates.

Deposits. The Bank's depositors are generally residents and entities located in the State of Missouri or Arkansas. Deposits are attracted from within the Bank's market area through the offering of a broad selection of deposit instruments, including demand deposit accounts, negotiable order of withdrawal ("NOW") accounts, money market deposit accounts, saving accounts, certificates of deposit and retirement savings plans. Deposit account terms vary according to the minimum balance required, the time periods the funds may remain on deposit and the interest rate, among other factors. In determining the terms of its deposit accounts, the Bank considers current market interest rates, profitability to the Bank, managing interest rate sensitivity and its customer preferences and concerns. The Bank's Asset/Liability Committee regularly reviews its deposit mix and pricing.

The Bank will periodically promote a particular deposit product as part of the Bank's overall marketing plan. Deposit products have been promoted through various mediums, which include radio and newspaper advertisements, as well as “grassroots” marketing techniques, such as sponsorship of – or activity at – community events. The emphasis of these campaigns is to increase consumer awareness and market share of the Bank.

The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates, and competition. Based on its experience, the Bank believes that its deposits are relatively stable sources of funds. However, the ability of the Bank to attract and maintain certificates of deposit, and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions. The following table depicts the composition of the Bank's deposits at June 30, 2012:

As of June 30, 2012					
Weighted Average Interest Rate	Term	Category	Minimum Amount	Balance (In thousands)	Percentage of Total Deposits
0.00%	None	Non-interest Bearing	$100	$ 54,813	9.37 %
1.50	None	NOW Accounts	100	193,870	33.15
0.55	None	Savings Accounts	100	86,717	14.83
0.63	None	Money Market Deposit Accounts	1,000	18,099	3.09
		Certificates of Deposit			
0.53	Less than 6 months	Fixed Rate/Term	1,000	13,533	2.31
0.61	Less than 6 months	IRA Fixed Rate/Term	1,000	1,327	0.23
1.04	7-12 months	Fixed Rate/Term	1,000	83,186	14.22
1.00	7-12 months	IRA Fixed Rate/Term	1,000	9,610	1.64
1.43	13-24 months	Fixed Rate/Term	1,000	42,684	7.30
1.27	13-24 months	IRA Fixed Rate/Term	1,000	6,434	1.10
1.00	13-24 months	IRA Variable Rate/Fixed Term	1,000	236	0.04
1.98	25-36 months	Fixed Rate/Term	1,000	24,269	4.15
2.08	25-36 months	IRA Fixed Rate/Term	1,000	7,353	1.26
2.99	48 months and more	Fixed Rate/Term	1,000	31,677	5.42
3.03	48 months and more	IRA Fixed Rate/Term	1,000	11,006	1.88
				$ 584,814	100.00 %

The following table indicates the amount of the Bank's jumbo certificates of deposit by time remaining until maturity as of June 30, 2012. Jumbo certificates of deposit require minimum deposits of $100,000 and rates paid on such accounts are generally negotiable.

Maturity Period	Amount (In thousands)	
Three months or less	$	25,310
Over three through six months		21,085
Over six through twelve months		32,766
Over 12 months		38,252
Total	$	117,413

Time Deposits by Rates

The following table sets forth the time deposits in the Bank classified by rates at the dates indicated.

	At June 30,		
	2012	2011	2010
		(In thousands)	
0.00 - 0.99%			