GREAT SOUTHERN BANCORP INC
Form 10-Q
May 08, 2015

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland	43-1524856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1451 E. Battlefield, Springfield, Missouri	65804
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes/X/ No / /

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

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

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

Yes / / No /X/

The number of shares outstanding of each of the registrant's classes of common stock: 13,791,766 shares of common stock, par value $.01, outstanding at May 6, 2015.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

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

	MARCH 31, 2015 (Unaudited)	DECEMBER 31, 2014
ASSETS		
Cash	$ 108,092	$ 109,052
Interest-bearing deposits in other financial institutions	169,977	109,595
Cash and cash equivalents	278,069	218,647
Available-for-sale securities	344,084	365,506
Held-to-maturity securities (fair value $502 – March 2015; $499 - December 2014)	450	450
Mortgage loans held for sale	14,521	14,579
Loans receivable, net of allowance for loan losses of $39,071 – March 2015; $38,435 - December 2014	3,120,897	3,038,848
FDIC indemnification asset	37,799	44,334
Interest receivable	11,357	11,219
Prepaid expenses and other assets	69,682	60,452
Other real estate owned, net	46,165	45,838
Premises and equipment, net	124,296	124,841
Goodwill and other intangible assets	7,070	7,508
Investment in Federal Home Loan Bank stock	8,566	16,893
Current and deferred income taxes	3,971	2,219
Total Assets	$ 4,066,927	$ 3,951,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 3,259,438	$ 2,990,840
Federal Home Loan Bank advances	92,618	271,641
Securities sold under reverse repurchase agreements with customers	218,191	168,993
Short-term borrowings	1,313	42,451
Subordinated debentures issued to capital trusts	30,929	30,929
Accrued interest payable	982	1,067
Advances from borrowers for taxes and insurance	6,159	4,929
Accounts payable and accrued expenses	28,434	20,739
Total Liabilities	3,638,064	3,531,589
Stockholders' Equity:		
Capital stock		
Serial preferred stock – $.01 par value; authorized 1,000,000 shares; issued and outstanding March 2015 and December 2014 - 57,943 shares, $1,000 liquidation amount	57,943	57,943
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding March 2015 – 13,773,576 shares;		

December 2014 - 13,754,806 shares	138	138
Additional paid-in capital	22,657	22,345
Retained earnings	341,283	332,283
Accumulated other comprehensive income	6,842	7,036
Total Stockholders' Equity	428,863	419,745
Total Liabilities and Stockholders' Equity	$ 4,066,927	$ 3,951,334

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
	(Unaudited)	
INTEREST INCOME		
Loans	$45,949	$39,308
Investment securities and other	1,957	2,986
TOTAL INTEREST INCOME	47,906	42,294
INTEREST EXPENSE		
Deposits	3,162	2,660
Federal Home Loan Bank advances	447	975
Short-term borrowings and repurchase agreements	21	557
Subordinated debentures issued to capital trusts	151	136
TOTAL INTEREST EXPENSE	3,781	4,328
NET INTEREST INCOME	44,125	37,966
PROVISION FOR LOAN LOSSES	1,300	1,691
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	42,825	36,275
NON-INTEREST INCOME		
Commissions	281	281
Service charges and ATM fees	4,644	4,168
Net realized gains on sales of loans	940	549
Net realized gains on sales of available-for-sale securities	—	73
Late charges and fees on loans	349	314
Loss on derivative interest rate products	(92)	(103)
Accretion (amortization) of income/expense related to business acquisitions	(6,895)	(6,388)
Other income	717	2,030
TOTAL NON-INTEREST INCOME	(56)	924
NON-INTEREST EXPENSE		
Salaries and employee benefits	14,577	13,017
Net occupancy and equipment expense	6,054	5,403
Postage	888	793
Insurance	979	926
Advertising	432	731
Office supplies and printing	338	290
Telephone	765	736
Legal, audit and other professional fees	624	934
Expense on foreclosed assets	385	850
Partnership tax credit investment amortization	420	453
Other operating expenses	1,780	1,761
TOTAL NON-INTEREST EXPENSE	27,242	25,894
INCOME BEFORE INCOME TAXES	15,527	11,305

PROVISION FOR INCOME TAXES	3,874	2,487
NET INCOME	11,653	8,818
Preferred stock dividends	145	145
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$11,508	$8,673

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	THREE MONTHS ENDED MARCH 31,	
	2015	2014
BASIC EARNINGS PER COMMON SHARE	$0.84	$0.63
DILUTED EARNINGS PER COMMON SHARE	$0.83	$0.63
DIVIDENDS DECLARED PER COMMON SHARE	$0.20	$0.20

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
	(Unaudited)	
Net Income	$11,653	$8,818
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $(52) and $1,533, for 2015 and 2014, respectively	(98)	2,847
Reclassification adjustment for gains included in net income, net of taxes (credit) of $0 and $(26), for 2015 and 2014, respectively	—	(47)
Change in fair value of cash flow hedge, net of taxes (credit) of $(53) and $(23), for 2015 and 2014, respectively	(96)	(42)
Comprehensive Income	$11,459	$11,576

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$11,653	$8,818
Proceeds from sales of loans held for sale	34,150	21,220
Originations of loans held for sale	(36,462)	(13,389)
Items not requiring (providing) cash:		
Depreciation	2,306	2,089
Amortization of other assets	858	760
Compensation expense for stock option grants	131	136
Provision for loan losses	1,300	1,691
Net gains on loan sales	(940)	(549)
Net gains on sale of available-for-sale investment securities	—	(73)
Net (gains) losses on sale of premises and equipment	(6)	5
(Gain) loss on sale of foreclosed assets	(131)	123
Amortization of deferred income, premiums, discounts and fair value adjustments	1,364	6,421
Loss on derivative interest rate products	92	103
Deferred income taxes	231	(1,266)
Changes in:		
Interest receivable	(138)	895
Prepaid expenses and other assets	(4,494)	(2,168)
Accounts payable and accrued expenses	6,496	(388)
Income taxes refundable/payable	(1,878)	86
Net cash provided by operating activities	14,532	24,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(55,991)	(54,050)
Purchase of loans	(26,475)	(20,298)
Cash received from acquisitions	—	80,028
Cash received from FDIC loss sharing reimbursements	501	1,111
Purchase of premises and equipment	(1,796)	(1,602)
Proceeds from sale of premises and equipment	41	85
Proceeds from sale of foreclosed assets	3,189	6,218
Capitalized costs on foreclosed assets	(8)	(7)
Proceeds from sales of available-for-sale investment securities	—	1,280
Proceeds from maturing investment securities	110	110
Proceeds from called investment securities	4,345	1,760
Principal reductions on mortgage-backed securities	16,088	27,057
Purchase of available-for-sale securities	—	(4,083)
Redemption of Federal Home Loan Bank stock	8,327	489
Net cash provided by (used in) investing activities	(51,669)	38,098
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in certificates of deposit	138,008	(39,884)
Net increase in checking and savings deposits	130,745	154,279

Proceeds from Federal Home Loan Bank advances	2,073,000	—
Repayments of Federal Home Loan Bank advances	(2,252,016)	(282)
Net increase (decrease) in short-term borrowings	8,060	(6,723)
Advances from borrowers for taxes and insurance	1,230	2,753
Dividends paid	(2,896)	(2,606)
Stock options exercised	428	308
Net cash provided by financing activities	96,559	107,845
INCREASE IN CASH AND CASH EQUIVALENTS	59,422	170,457
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	218,647	227,925
CASH AND CASH EQUIVALENTS, END OF PERIOD	$278,069	$398,382

See Notes to Consolidated Financial Statements

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

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial condition, results of operations and cash flows of the Company for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three months ended March 31, 2015 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, 2014, has been derived from the audited consolidated statement of financial condition of the Company as of that date. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2014 filed with the Securities and Exchange Commission.

NOTE 2: NATURE OF OPERATIONS AND OPERATING SEGMENTS

The Company operates as a one-bank holding company. The Company's business primarily consists of the operations of Great Southern Bank (the "Bank"), which provides a full range of financial services to customers primarily located in Missouri, Iowa, Kansas, Minnesota, Nebraska and Arkansas. In addition, the Company operates commercial loan production offices in Dallas, Texas and Tulsa, Oklahoma. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.
The Company's banking operation is its only reportable segment. The banking operation is principally engaged in the business of originating residential and commercial real estate loans, construction loans, commercial business loans and consumer loans and funding these loans through attracting deposits from the general public, accepting brokered deposits and borrowing from the Federal Home Loan Bank and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance. Selected information is not presented separately for the Company's reportable segment, as there is no material difference between that information and the corresponding information in the consolidated financial statements.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

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

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 660): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—
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Contracts with Customers (Subtopic 340-40). The guidance in this Update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this Update will be effective for interim and annual periods beginning after December 15, 2016 and early application is not permitted. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The guidance in this Update changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. It also requires enhanced disclosures about repurchase agreements and similar transactions. The accounting changes in this Update are effective for public companies for the first interim or annual period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale is effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required to be presented for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. Early application is not permitted for public companies. The adoption of this Update is not expected to have a material effect on the Company's consolidated financial statements.

NOTE 4: STOCKHOLDERS' EQUITY

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

NOTE 5: EARNINGS PER SHARE

	Three Months Ended March 31,	
	2015	2014
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	13,766	13,684
Net income available to common stockholders	$11,508	$8,673
Per common share amount	$0.84	$0.63
Diluted:		
Average shares outstanding	13,766	13,684
Net effect of dilutive stock options – based on the treasury stock method using average market price	167	71
Diluted shares	13,933	13,755
Net income available to common stockholders	$11,508	$8,673
Per common share amount	$0.83	$0.63

Options to purchase 10,500 and 313,710 shares of common stock were outstanding at March 31, 2015 and 2014, respectively, but were not included in the computation of diluted earnings per common share for the three month periods because the options' exercise prices were greater than the average market prices of the common shares for the three months ended March 31, 2015 and 2014, respectively.

NOTE 6: INVESTMENT SECURITIES

	March 31, 2015					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
	(In Thousands)					
AVAILABLE-FOR-SALE SECURITIES:						
U.S. government agencies	$20,000	$ —	$ 414	$19,586	2.00	%
Mortgage-backed securities	237,505	3,908	422	240,991	1.89	
States and political subdivisions	74,753	5,551	6	80,298	5.72	
Equity securities	847	2,362	—	3,209	—	
	$333,105	$ 11,821	$ 842	$344,084	2.75	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$450	$ 52	$ —	$502	7.37	%

	December 31, 2014					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
	(In Thousands)					
AVAILABLE-FOR-SALE SECURITIES:						
U.S. government agencies	$20,000	$ —	$ 486	$19,514	2.00	%
Mortgage-backed securities	254,294	4,325	821	257,798	1.97	
States and political subdivisions	79,237	5,810	7	85,040	5.76	
Equity securities	847	2,307	—	3,154	—	
	$354,378	$ 12,442	$ 1,314	$365,506	2.82	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$450	$ 49	$ —	$499	7.37	%

The amortized cost and fair value of available-for-sale securities at March 31, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$—	$—
After one through five years	254	269
After five through ten years	3,633	3,869

After ten years	90,866	95,746
Securities not due on a single maturity date	237,505	240,991
Equity securities	847	3,209
	$333,105	$344,084

The held-to-maturity securities at March 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
After one through five years	$450	$502

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at March 31, 2015 and December 31, 2014, respectively, was approximately $72.9 million and $106.0 million, which is approximately 21.2% and 29.0% of the Company's available-for-sale and held-to-maturity investment portfolio, respectively.

Based on an evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary at March 31, 2015.

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2015 and December 31, 2014:

	March 31, 2015					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. government agencies	$—	$ —	$20,000	$ (414)	$20,000	$ (414)
Mortgage-backed securities	2,869	(13)	49,093	(409)	51,962	(422)
State and political subdivisions	—	—	921	(6)	921	(6)
	$2,869	$ (13)	$70,014	$ (829)	$72,883	$ (842)

	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. government agencies	$—	$ —	$20,000	$ (486)	$20,000	$ (486)
Mortgage-backed securities	40,042	(328)	45,056	(493)	85,098	(821)
State and political subdivisions	—	—	925	(7)	925	(7)
	$40,042	$ (328)	$65,981	$ (986)	$106,023	$ (1,314)

Gross gains of $-0- and $75,000 and gross losses of $-0- and $2,000 resulting from sales of available-for-sale securities were realized for the three months ended March 31, 2015 and 2014, respectively. Gains and losses on sales of securities are determined on the specific-identification method.

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

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

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

During the three months ended March 31, 2015, no securities were determined to have impairment that was other than temporary.

Credit Losses Recognized on Investments. There were no debt securities that have experienced fair value deterioration due to credit losses, as well as due to other market factors, but are not otherwise other-than-temporarily impaired.

Amounts Reclassified Out of Accumulated Other Comprehensive Income. Amounts reclassified from accumulated other comprehensive income and the affected line items in the statements of income during the three months ended March 31, 2015 and 2014, were as follows:

	Amounts Reclassified from Other Comprehensive Income Three Months Ended March 31, (In Thousands)		Affected Line Item in the Statements of Income
	2015	2014	
Unrealized gains (losses) on available-for-sale securities	$ —	$ 73	Net realized gains on available-for-sale securities (Total reclassified amount before tax)
Income Taxes	—	(26)	Provision for income taxes
Total reclassifications out of accumulated other comprehensive income	$ —	$ 47	

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES

	March 31, 2015	December 31, 2014
	(In Thousands)	
One- to four-family residential construction	$37,199	$40,361
Subdivision construction	35,453	28,593
Land development	47,721	52,096
Commercial construction	445,781	392,929
Owner occupied one- to four-family residential	94,280	87,549
Non-owner occupied one- to four-family residential	145,301	143,051
Commercial real estate	965,973	945,876
Other residential	395,630	392,414
Commercial business	366,819	354,012
Industrial revenue bonds	41,198	41,061
Consumer auto	348,335	323,353
Consumer other	76,328	78,029
Home equity lines of credit	68,106	66,272
Acquired FDIC-covered loans, net of discounts	275,010	286,608
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	46,705	49,945
Acquired non-covered loans, net of discounts	116,433	121,982
	3,506,272	3,404,131
Undisbursed portion of loans in process	(343,194)	(323,572)
Allowance for loan losses	(39,071)	(38,435)
Deferred loan fees and gains, net	(3,110)	(3,276)
	$3,120,897	$3,038,848
Weighted average interest rate	4.64%	4.66%

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Classes of loans by aging were as follows:

March 31, 2015	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$—	$—	$—	$—	$37,199	$37,199	$ —
Subdivision construction	—	—	56	56	35,397	35,453	—
Land development	3,398	11	—	3,409	44,312	47,721	—
Commercial construction	—	—	—	—	445,781	445,781	—
Owner occupied one- to four-family residential	1,032	41	827	1,900	92,380	94,280	90
Non-owner occupied one- to four-family residential	149	—	312	461	144,840	145,301	—
Commercial real estate	915	—	3,134	4,049	961,924	965,973	—
Other residential	2,876	—	—	2,876	392,754	395,630	—
Commercial business	373	—	305	678	366,141	366,819	—
Industrial revenue bonds	—	—	—	—	41,198	41,198	—
Consumer auto	1,581	122	350	2,053	346,282	348,335	—
Consumer other	975	219	764	1,958	74,370	76,328	430
Home equity lines of credit	224	29	327	580	67,526	68,106	—
Acquired FDIC-covered loans, net of discounts	7,107	625	13,165	20,897	254,113	275,010	78
Acquired loans no longer covered by loss sharing agreements, net of discounts	359	—	236	595	46,110	46,705	—
Acquired non-covered loans, net of discounts	1,311	230	9,281	10,822	105,611	116,433	—
	20,300	1,277	28,757	50,334	3,455,938	3,506,272	598
Less FDIC-supported loans, and acquired non-covered loans, net of discounts	8,777	855	22,682	32,314	405,834	438,148	78
Total	$11,523	$422	$6,075	$18,020	$3,050,104	$3,068,124	$ 520

	December 31, 2014						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$—	$—	$—	$—	$40,361	$40,361	$ —
Subdivision construction	109	—	—	109	28,484	28,593	—
Land development	110	—	255	365	51,731	52,096	—
Commercial construction	—	—	—	—	392,929	392,929	—
Owner occupied one- to four-family residential	2,037	441	1,029	3,507	84,042	87,549	170
Non-owner occupied one- to four-family residential	583	—	296	879	142,172	143,051	—
Commercial real estate	6,887	—	4,699	11,586	934,290	945,876	187
Other residential	—	—	—	—	392,414	392,414	—
Commercial business	59	—	411	470	353,542	354,012	—
Industrial revenue bonds	—	—	—	—	41,061	41,061	—
Consumer auto	1,801	244	316	2,361	320,992	323,353	—
Consumer other	1,301	260	801	2,362	75,667	78,029	397
Home equity lines of credit	89	—	340	429	65,843	66,272	22
Acquired FDIC-covered loans, net of discounts	6,236	1,062	16,419	23,717	262,891	286,608	194
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	754	46	243	1,043	48,902	49,945	—
Acquired non-covered loans, net of discounts	2,638	640	11,248	14,526	107,456	121,982	—
	22,604	2,693	36,057	61,354	3,342,777	3,404,131	970
Less FDIC-supported loans, and acquired non-covered loans, net of discounts	9,628	1,748	27,910	39,286	419,249	458,535	194
Total	$12,976	$945	$8,147	$22,068	$2,923,528	$2,945,596	$ 776

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

	March 31, 2015	December 31, 2014
	(In Thousands)	
One- to four-family residential construction	$—	$ —

Subdivision construction	56	—
Land development	—	255
Commercial construction	—	—
Owner occupied one- to four-family residential	737	859
Non-owner occupied one- to four-family residential	312	296
Commercial real estate	3,134	4,512
Other residential	—	—
Commercial business	305	411
Industrial revenue bonds	—	—
Consumer auto	350	316
Consumer other	334	404
Home equity lines of credit	327	318
Total	$5,555	$ 7,371

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2015. Also presented is the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2015:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for loan losses							
Balance January 1, 2015	$3,455	$2,941	$19,773	$3,562	$3,679	$5,025	$38,435
Provision (benefit) charged to expense	556	(140)	385	(113)	467	145	1,300
Losses charged off	(140)	(3)	(2)	(197)	(224)	(1,147)	(1,713)
Recoveries	114	11	60	104	23	737	1,049
Balance March 31, 2015	$3,985	$2,809	$20,216	$3,356	$3,945	$4,760	$39,071
Ending balance:							
Individually evaluated for impairment	$707	$—	$2,271	$1,414	$686	$221	$5,299
Collectively evaluated for impairment	$3,068	$2,768	$16,547	$1,704	$3,228	$4,235	$31,550
Loans acquired and accounted for under ASC 310-30	$210	$41	$1,398	$238	$31	$304	$2,222
Loans							
Individually evaluated for impairment	$10,937	$9,768	$26,644	$7,387	$2,270	$1,408	$58,414
Collectively evaluated for impairment	$301,296	$385,862	$939,329	$486,115	$405,747	$491,361	$3,009,710
Loans acquired and accounted for under ASC 310-30	$225,253	$45,989	$100,087	$2,132	$16,572	$48,115	$438,148

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2014:

One- to Four-Family Residential and	Other	Commercial	Commercial	Commercial

	Construction	Residential	Real Estate	Construction	Business	Consumer	Total
	(In Thousands)						
Allowance for loan losses							
Balance January 1, 2014	$6,235	$ 2,678	$ 16,939	$ 4,464	$ 6,451	$ 3,349	$40,116
Provision (benefit) charged to expense	(548)	(687)	1,641	2,582	(2,307)	1,010	1,691
Losses charged off	(1,192)	—	(381)	(35)	(1,949)	(1,020)	(4,577)
Recoveries	143	7	244	60	146	445	1,045
Balance March 31, 2014	$4,638	$ 1,998	$ 18,443	$ 7,071	$ 2,341	$ 3,784	$38,275

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The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2014:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for loan losses							
Individually evaluated for impairment	$829	$—	$ 1,751	$ 1,507	$ 823	$232	$5,142
Collectively evaluated for impairment	$2,532	$2,923	$ 16,671	$ 1,905	$ 2,805	$4,321	$31,157
Loans acquired and accounted for under ASC 310-30	$94	$18	$ 1,351	$ 150	$ 51	$472	$2,136
Loans							
Individually evaluated for impairment	$11,488	$9,804	$ 28,641	$ 7,601	$ 2,725	$1,480	$61,739
Collectively evaluated for impairment	$288,066	$382,610	$ 917,235	$ 437,424	$ 392,348	$466,174	$2,883,857
Loans acquired and accounted for under ASC 310-30	$234,158	$48,470	$ 107,278	$ 1,937	$ 17,789	$48,903	$458,535

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

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

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

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

	At or for the Three Months Ended March 31, 2015				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)				
One- to four-family residential construction	$853	$853	$ —	$ 971	$ 16
Subdivision construction	4,434	4,487	280	4,482	51
Land development	7,387	7,395	1,414	7,510	67
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,841	4,093	353	3,984	61
Non-owner occupied one- to four-family residential	1,809	2,021	74	1,785	11
Commercial real estate	26,644	27,979	2,271	26,636	201
Other residential	9,768	9,768	—	9,780	111
Commercial business	2,270	2,345	686	2,469	113
Industrial revenue bonds	—	—	—	—	—
Consumer auto	446	501	67	425	10
Consumer other	546	693	82	582	11
Home equity lines of credit	416	440	72	406	9
Total	$58,414	$60,575	$ 5,299	$ 59,030	$ 661

	At or for the Year Ended December 31, 2014				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)				
One- to four-family residential construction	$1,312	$1,312	$ —	$ 173	$ 76
Subdivision construction	4,540	4,540	344	2,593	226
Land development	7,601	8,044	1,507	9,691	292
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,747	4,094	407	4,808	212
Non-owner occupied one- to four-family residential	1,889	2,113	78	4,010	94
Commercial real estate	28,641	30,781	1,751	29,808	1,253
Other residential	9,804	9,804	—	10,469	407
Commercial business	2,725	2,750	823	2,579	158
Industrial revenue bonds	—	—	—	2,644	—

Consumer auto	420	507	63	219	37
Consumer other	629	765	94	676	71
Home equity lines of credit	431	476	75	461	25
Total	$61,739	$65,186	$ 5,142	$ 68,131	$ 2,851

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

At March 31, 2015, $20.5 million of impaired loans had specific valuation allowances totaling $5.3 million. At December 31, 2014, $20.0 million of impaired loans had specific valuation allowances totaling $5.1 million.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. Troubled debt restructurings are loans that are modified by granting concessions to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. The types of concessions made are factored into the estimation of the allowance for loan losses for troubled debt restructurings primarily using a discounted cash flows or collateral adequacy approach.

The following tables present newly restructured loans during the three months ended March 31, 2015 by type of modification:

	Three Months Ended March 31, 2015			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
One -to four- family residential	$—	$127	$ —	$ 127
	$—	$127	$ —	$ 127

At March 31, 2015, the Company had $46.9 million of loans that were modified in troubled debt restructurings and impaired, as follows: $8.0 million of construction and land development loans, $13.7 million of single family and multi-family residential mortgage loans, $23.2 million of commercial real estate loans, $1.6 million of commercial business loans and $278,000 of consumer loans. Of the total troubled debt restructurings at March 31, 2015, $44.4 million were accruing interest and $17.5 million were classified as substandard using the Company's internal grading system, which is described below. The Company had no troubled debt restructurings which were modified in the previous 12 months and subsequently defaulted during the three months ended March 31, 2015. When loans modified as troubled debt restructuring have subsequent payment defaults, the defaults are factored into the determination of the allowance for loan losses to ensure specific valuation allowances reflect amounts considered uncollectible. At December 31, 2014, the Company had $47.6 million of loans that were modified in troubled debt restructurings and impaired, as follows: $8.3 million of construction and land development loans, $13.8 million of single family and multi-family residential mortgage loans, $23.3 million of commercial real estate loans, $1.9 million of commercial business loans and $324,000 of consumer loans. Of the total troubled debt restructurings at December 31, 2014, $39.2 million were accruing interest and $18.3 million were classified as substandard using the Company's internal grading system.

During the three months ended March 31, 2015, loans designated as troubled debt restructurings totaling $767,000 met the criteria for placement back on accrual status. The $767,000 consisted of $711,000 of residential mortgage loans, $29,000 of commercial business loans, $21,000 of consumer loans and $6,000 of construction and land development loans. The criteria is generally a minimum of six months of payment performance under original or modified terms.

The Company reviews the credit quality of its loan portfolio using an internal grading system that classifies loans as "Satisfactory," "Watch," "Special Mention," "Substandard" and "Doubtful." Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if certain deficiencies are not corrected. Doubtful loans are those having all the weaknesses inherent to those classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Special mention loans possess potential weaknesses that deserve management's close attention but do not expose the Bank to a degree of risk that warrants substandard classification. Loans classified as watch are being monitored because of indications of potential weaknesses or deficiencies that may require future classification as special mention or substandard. Loans not meeting any of the criteria previously described are considered satisfactory. The FDIC-covered loans are evaluated using this internal grading system. These loans are accounted for in pools and are currently substantially covered through loss sharing agreements with the FDIC. Minimal adverse classification in the loan pools was identified as of March 31, 2015 and December 31, 2014, respectively. The acquired non-covered loans are also evaluated using this internal grading system. These loans are accounted for in pools and minimal adverse classification in the loan pools was identified as of March 31, 2015. See Note 8 for further discussion of the acquired loan pools and loss sharing agreements.

The Company evaluates the loan risk internal grading system definitions and allowance for loan loss methodology on an ongoing basis. In the fourth quarter of 2014, the Company began using a three-year average of historical losses for the general component of the allowance for loan loss calculation. The Company had previously used a five-year average. For interim periods, the Company uses three full years plus the interim period's annualized average losses for the general component of the allowance for loan loss calculation. The Company believes that the three-year average provides a better representation of the current risks in the loan portfolio. This change was made after consultation with our regulators and other third-party consultants, as well as a review of the practices used by the Company's peers. This change did not materially affect the level of the allowance for loan losses. The general component of the allowance for loan losses is affected by several factors, including, but not limited to, average historical losses, the average life of the loan, the current composition of the loan portfolio, current and expected economic conditions, collateral values and internal risk ratings. Management considers all these factors in determining the adequacy of its allowance for loan losses. No other significant changes were made to the loan risk grading system definitions and allowance for loan loss methodology during the past year.

The loan grading system is presented by loan class below:

	March 31, 2015					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$36,345	$—	$ —	$ 854	$ —	$37,199
Subdivision construction	31,234	20	—	4,199	—	35,453
Land development	36,864	5,000	—	5,857	—	47,721
Commercial construction	445,781	—	—	—	—	445,781
Owner occupied one- to four-family residential	91,910	601	—	1,769	—	94,280
Non-owner occupied one- to four-family residential	143,667	437	—	1,197	—	145,301
Commercial real estate	923,330	31,991	—	10,652	—	965,973
Other residential	384,066	9,608	—	1,956	—	395,630
Commercial business	365,215	229	—	1,375	—	366,819
Industrial revenue bonds	40,579	619	—	—	—	41,198
Consumer auto	347,954	—	—	381	—	348,335
Consumer other	75,883	—	—	445	—	76,328
Home equity lines of credit	67,690	—	—	416	—	68,106
Acquired FDIC-covered loans, net of discounts	274,470	—	—	540	—	275,010
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	45,651	—	—	1,054	—	46,705
Acquired non-covered loans, net of discounts	116,301	—	—	132	—	116,433
Total	$3,426,940	$48,505	$ —	$ 30,827	$ —	$3,506,272

	December 31, 2014					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$39,049	$ —	$ —	$ 1,312	$ —	$40,361
Subdivision construction	24,269	21	—	4,303	—	28,593