

REFINITIV

DELTA REPORT

10-Q

SMBC - SOUTHERN MISSOURI BANCORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 2220

█ CHANGES 425

█ DELETIONS 1226

█ ADDITIONS 569

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-23406

Southern Missouri Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Missouri (State or jurisdiction of incorporation)	43-1665523 (IRS employer id. no.)
2991 Oak Grove Road Poplar Bluff, MO (Address of principal executive offices)	63901 (Zip code)

(573) 778-1800

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common	SMBC	NASDAQ Global Market

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted 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 such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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

Yes No

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

Class	Outstanding at May 9, 2023 November 6, 2023
Common Stock, Par Value \$.01	11,330,712 11,336,462 shares

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SOUTHERN MISSOURI BANCORP, INC.
FORM 10-Q

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PART I: Item 1: Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, SEPTEMBER 30, 2023 AND JUNE 30, 2022

(dollars in thousands)	March 31, 2023		June 30, 2022		September 30, 2023		June 30, 2023	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Assets								
Cash and cash equivalents	\$ 114,540	\$ 86,792	\$ 88,193	\$ 53,979				
Interest-bearing time deposits	1,251	4,768	987	1,242				
Available for sale securities	429,798	235,394	405,198	417,554				
Stock in FHLB of Des Moines	7,855	5,893	10,900	11,540				
Stock in Federal Reserve Bank of St. Louis	8,491	5,790	9,060	9,061				
Loans receivable, net of ACL of \$45,685 and \$33,192 at March 31, 2023 and June 30, 2022, respectively	3,434,519	2,686,198						
Loans receivable, net of ACL of \$49,122 and \$47,820 at September 30, 2023 and June 30, 2023, respectively			3,650,557	3,571,078				
Accrued interest receivable	16,372	11,052	23,642	18,871				
Premises and equipment, net	92,343	71,347	94,717	92,397				
Bank owned life insurance – cash surrender value	71,202	48,705	72,144	71,684				
Goodwill	50,657	27,288	50,727	50,773				
Other intangible assets, net	31,144	8,175	29,390	30,472				
Prepaid expenses and other assets	34,494	23,380	34,518	31,560				
Total assets	\$ 4,292,666	\$ 3,214,782	\$ 4,470,033	\$ 4,360,211				
Liabilities and Stockholders' Equity								
Deposits	\$ 3,755,193	\$ 2,815,075	\$ 3,841,126	\$ 3,725,540				
Advances from FHLB	45,002	37,957	114,026	133,514				
Accounts payable and other liabilities	29,011	17,122	30,733	27,271				
Accrued interest payable	3,721	801	7,101	4,723				
Subordinated debt	23,092	23,055	23,118	23,105				
Total liabilities	3,856,019	2,894,010	4,016,104	3,914,153				

Commitments and contingencies				
Common stock, \$.01 par value; 25,000,000 shares authorized; 11,919,337 and 9,815,736 shares issued at March 31, 2023 and June 30, 2022, respectively	119	98		
Common stock, \$.01 par value; 25,000,000 shares authorized; 11,925,087 and 11,919,087 shares issued at September 30, 2023 and June 30, 2023, respectively			119	119
Additional paid-in capital	218,182	119,162	218,593	218,260
Retained earnings	257,539	240,115	281,491	270,720
Treasury stock of 588,625 shares at March 31, 2023 and June 30, 2022, at cost	(21,116)	(21,116)		
Treasury stock of 588,625 shares at September 30, 2023 and June 30, 2023, at cost			(21,116)	(21,116)
Accumulated other comprehensive loss	(18,077)	(17,487)	(25,158)	(21,925)
Total stockholders' equity	436,647	320,772	453,929	446,058
Total liabilities and stockholders' equity	\$ 4,292,666	\$ 3,214,782	\$ 4,470,033	\$ 4,360,211

See Notes to Condensed Consolidated Financial Statements

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SOUTHERN MISSOURI BANCORP, INC
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE- AND NINE- MONTH THREE-MONTH PERIODS ENDED MARCH 31, SEPTEMBER 30, 2023 AND 2022 (Unaudited)

(dollars in thousands except per share data)	Three months ended		Nine months ended		Three months ended	
	March 31, 2023	2022	March 31, 2023	2022	September 30, 2023	2022
<u>Interest Income</u>						
Loans	\$ 43,115	\$ 27,060	\$ 113,288	\$ 81,614	\$ 52,974	\$ 33,180
Investment securities	2,076	524	3,519	1,608	1,713	665
Mortgage-backed securities	1,652	646	3,654	1,833	3,371	990
Other interest-earning assets	1,443	109	1,672	239	49	162
Total interest income	48,286	28,339	122,133	85,294	58,107	34,997
<u>Interest Expense</u>						
Deposits	13,705	2,871	28,061	8,426	20,440	5,761
Securities sold under agreements to repurchase	213	—	213	—		
Advances from FHLB	206	167	2,300	613	1,838	438
Subordinated debt	395	187	1,033	447	435	290
Total interest expense	14,519	3,225	31,607	9,486	22,713	6,489
Net Interest Income	33,767	25,114	90,526	75,808	35,394	28,508
Provision for Credit Losses	10,072	1,552	16,266	1,247	900	5,056
Net Interest Income After Provision for Credit Losses	23,695	23,562	74,260	74,561	34,494	23,452
<u>Noninterest Income</u>						

Deposit account charges and related fees	2,089	1,560	5,578	4,743	1,791	1,777
Bank card interchange income	1,374	1,025	3,471	2,952	1,345	1,018
Loan late charges	161	135	402	414	113	122
Loan servicing fees	265	170	834	504	231	312
Other loan fees	465	606	1,959	1,556	357	882
Net realized gains on sale of loans	132	204	550	934	213	292
Earnings on bank owned life insurance	368	291	1,006	854	458	318
Other income	1,430	913	3,454	2,746	1,345	793
Total noninterest income	6,284	4,904	17,254	14,703	5,853	5,514
Noninterest Expense						
Compensation and benefits	14,188	9,223	33,733	25,745	12,649	9,752
Occupancy and equipment, net	3,024	2,399	7,914	6,710	3,515	2,447
Data processing expense	2,505	1,935	5,380	4,501	2,308	1,445
Telecommunications expense	449	308	1,127	946	531	331
Deposit insurance premiums	231	178	710	536	550	215
Legal and professional fees	2,324	341	3,587	931	416	411
Advertising	409	312	1,074	917	465	449
Postage and office supplies	331	202	779	582	302	213
Intangible amortization	812	363	1,615	1,040		
Intangibles amortization					1,018	402
Foreclosed property expenses/losses	280	115	275	449	(8)	(41)
Other operating expense	2,439	1,381	5,356	3,692	1,963	1,296
Total noninterest expense	26,992	16,757	61,550	46,049	23,709	16,920
Income Before Income Taxes	2,987	11,709	29,964	43,215	16,638	12,046
Income Taxes	578	2,358	6,288	9,133	3,487	2,443
Net Income	\$ 2,409	\$ 9,351	\$ 23,676	\$ 34,082	\$13,151	\$ 9,603
Basic earnings per share	\$ 0.22	\$ 1.03	\$ 2.42	\$ 3.81	\$ 1.16	\$ 1.04
Diluted earnings per share	\$ 0.22	\$ 1.03	\$ 2.41	\$ 3.80	\$ 1.16	\$ 1.04
Dividends paid	\$ 0.21	\$ 0.20	\$ 0.63	\$ 0.60	\$ 0.21	\$ 0.21

See Notes to Condensed Consolidated Financial Statements

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SOUTHERN MISSOURI BANCORP, INC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE- AND NINE- MONTH THREE-MONTH PERIODS ENDED MARCH 31, SEPTEMBER 30, 2023 AND 2022 (Unaudited)

(dollars in thousands)	Three months ended		Nine months ended		Three months ended	
	March 31,		March 31,		September 30,	
	2023	2022	2023	2022	2023	2022
Net Income	\$ 2,409	\$ 9,351	\$ 23,676	\$ 34,082	\$13,151	\$ 9,603
Other comprehensive income (loss):						

Unrealized gains (losses) on securities available-for-sale	901	(9,579)	(756)	(12,014)	
Tax benefit (expense)	(198)	2,108	166	2,643	
Total other comprehensive income (loss)	703	(7,471)	(590)	(9,371)	
Other comprehensive loss:					
Unrealized losses on securities available-for-sale				(4,146)	(2,680)
Tax benefit				913	589
Total other comprehensive loss				(3,233)	(2,091)
Comprehensive Income	\$ 3,112	\$ 1,880	\$ 23,086	\$ 24,711	\$ 9,918 \$ 7,512

See Notes to Condensed Consolidated Financial Statements

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SOUTHERN MISSOURI BANCORP, INC
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE- AND NINE- MONTH THREE-MONTH PERIODS ENDED MARCH 31, SEPTEMBER 30, 2023 AND 2022 (Unaudited)

(dollars in thousands)	For the three-and nine- month period ended March 31, 2023						For the three-month period ended September 30, 2023					
	Additional		Accumulated Other		Total		Additional		Accumulated Other		Total	
	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Comprehensive Income (Loss)	Stockholders' Equity	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Comprehensive Loss	Stockholders' Equity
BALANCE AS OF DECEMBER 31, 2022	\$ 98	\$119,271	\$257,506	\$(21,116)	\$ (18,780)	\$ 336,979						
BALANCE AS OF JUNE 30, 2023							\$ 119	\$218,260	\$270,720	\$(21,116)	\$ (21,925)	
Net Income			2,409			2,409				13,151		
Change in unrealized loss on available for sale securities					703	703						(3,233)
Dividends paid on common stock (\$.21 per share)			(2,376)			(2,376)				(2,380)		
Stock option expense		68				68			333			
Stock grant expense		584				584						
Common stock issued	21	98,259				98,280						
BALANCE AS OF MARCH 31, 2023	\$ 119	\$218,182	\$257,539	\$(21,116)	\$ (18,077)	\$ 436,647						
BALANCE AS OF SEPTEMBER 30, 2023							\$ 119	\$218,593	\$281,491	\$(21,116)	\$ (25,158)	
BALANCE AS OF JUNE 30, 2022	\$ 98	\$119,162	\$240,115	\$(21,116)	\$ (17,487)	\$ 320,772						
Net Income			23,676			23,676						
Change in unrealized loss on available for sale securities					(590)	(590)						
Dividends paid on common stock (\$.63 per share)			(6,252)			(6,252)						
Stock option expense		177				177						
Stock grant expense		584				584						

Common stock issued	21	98,259			98,280						
BALANCE AS OF MARCH 31, 2023	\$ 119	\$218,182	\$257,539	\$(21,116)	\$ (18,077)	\$ 436,647					
For the three- and nine- month period ended March 31, 2022											
(dollars in thousands)											
Additional Common Stock Paid-In Capital Retained Earnings Treasury Stock Comprehensive Income (Loss) Stockholders' Equity											
For the three-month period ended September											
Common Stock Paid-In Capital Retained Earnings Treasury Stock											
BALANCE AS OF DECEMBER 31, 2021	\$ 94	\$ 95,675	\$221,312	\$(16,452)	\$ 982	\$ 301,611					
BALANCE AS OF JUNE 30, 2022							\$ 98	\$119,162	\$240,115	\$(21,116)	\$
Net Income			9,351			9,351				9,603	
Change in unrealized loss on available for sale securities					(7,471)	(7,471)					
Dividends paid on common stock (\$.20 per share)			(1,778)			(1,778)					
Dividends paid on common stock (\$.21 per share)										(1,938)	
Stock option expense		44				44			54		
Stock grant expense		515				515					
Common stock issued	4	22,881				22,885					
BALANCE AS OF MARCH 31, 2022	\$ 98	\$119,115	\$228,885	\$(16,452)	\$ (6,489)	\$ 325,157					
BALANCE AS OF SEPTEMBER 30, 2022							\$ 98	\$119,216	\$247,780	\$(21,116)	\$
BALANCE AS OF JUNE 30, 2021	\$ 94	\$ 95,585	\$200,140	\$(15,278)	\$ 2,882	\$ 283,423					
Net Income			34,082			34,082					
Change in unrealized loss on available for sale securities					(9,371)	(9,371)					
Dividends paid on common stock (\$.60 per share)			(5,337)			(5,337)					
Stock option expense		117				117					
Stock grant expense		532				532					
Common stock issued	4	22,881				22,885					
Treasury stock purchased			(1,174)			(1,174)					
BALANCE AS OF MARCH 31, 2022	\$ 98	\$119,115	\$228,885	\$(16,452)	\$ (6,489)	\$ 325,157					

See Notes to Condensed Consolidated Financial Statements

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SOUTHERN MISSOURI BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE- MONTH THREE-MONTH PERIODS ENDED MARCH 31, SEPTEMBER 30, 2023 AND 2022 (Unaudited)
Nine months ended
March 31,
(dollars in thousands)
2023
2022
Cash Flows From Operating Activities:
Net Income
\$ 23,676
\$ 34,082

Items not requiring (providing) cash:		
Depreciation	3,429	3,307
(Gain) loss on disposal of fixed assets	(317)	3
Stock option and stock grant expense	761	649
Loss on sale/write-down of REO	140	392
Amortization of intangible assets	1,615	1,040
Accretion of purchase accounting adjustments	(2,166)	(1,036)
Increase in cash surrender value of bank owned life insurance (BOLI)	(1,006)	(854)
Provision (benefit) for credit losses	16,266	1,247
Net amortization of premiums and discounts on securities	646	855
Originations of loans held for sale	(14,673)	(38,454)
Proceeds from sales of loans held for sale	14,723	38,164
Gain on sales of loans held for sale	(550)	(934)
Changes in:		
Accrued interest receivable	(2,901)	252
Prepaid expenses and other assets	(815)	2,311
Accounts payable and other liabilities	136	3,910
Deferred income taxes	(1,981)	1,019
Accrued interest payable	2,383	(79)
Net cash provided by operating activities	39,366	45,874
Cash flows from investing activities:		
Net increase in loans	(311,095)	(174,600)
Net change in interest-bearing deposits	1,244	(1,488)
Proceeds from maturities of available for sale securities	27,987	33,863
Proceeds from sales of available for sale securities	136,714	—
Net (purchases) redemptions of Federal Home Loan Bank stock	(788)	502
Net purchases of Federal Reserve Bank of St. Louis stock	(2,701)	(4)
Purchases of available-for-sale securities	(131,827)	(66,168)
Purchases of long-term investment	(165)	(133)
Purchases of premises and equipment	(4,225)	(4,365)
Net cash received in acquisition	210,704	48,768
Investments in state & federal tax credits	(4,423)	(9,786)
Proceeds from sale of fixed assets	3,464	928
Proceeds from sale of foreclosed assets	1,122	471
Proceeds from BOLI claim	270	—
Net cash used in investing activities	(73,719)	(172,012)
Cash flows from financing activities:		
Net (decrease) increase in demand deposits and savings accounts	(104,729)	303,499
Net increase (decrease) in certificates of deposits	193,749	(21,571)
Net decrease in securities sold under agreements to repurchase	(27,629)	—
Proceeds from Federal Home Loan Bank advances	1,579,630	—
Repayments of Federal Home Loan Bank advances	(1,572,668)	(24,287)
Purchase of treasury stock	—	(1,174)
Dividends paid on common stock	(6,252)	(5,337)
Net cash provided by financing activities	62,101	251,130
Increase in cash and cash equivalents	27,748	124,992
Cash and cash equivalents at beginning of period	86,792	123,592
Cash and cash equivalents at end of period	\$ 114,540	\$ 248,584
Supplemental disclosures of cash flow information:		
Noncash investing and financing activities:		
Conversion of loans to foreclosed real estate	\$ 1,073	\$ 127
Conversion of loans to repossessed assets	58	14
Right of use assets obtained in exchange for lease obligations: Operating Leases	82	109

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The Company purchased all of the Citizens Bancshares Company on January 20, 2023.

In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$	1,017,837	\$	—
Less: common stock issued		98,280		—
Cash paid		32,522		—
Liabilities assumed		887,035		—

The Company purchased all of the Fortune Financial Corporation on February 25, 2022.

In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$	—	\$	267,913
Less: common stock issued		—		22,885
Cash received		—		12,663
Liabilities assumed		—		232,365

The Company assumed the liabilities and purchased associated assets of the First National Bank -Cairo branch on December 15, 2021.

In conjunction with the acquisitions, liabilities were assumed as follows:

Fair value of assets acquired	\$	—	\$	1,707
Cash paid for the capital stock		—		27,151
Liabilities assumed		—		28,859

Cash paid during the period for:

Interest (net of interest credited)	\$	3,717	\$	1,487
Income taxes		4,062		262

(dollars in thousands)	Three months ended	
	September 30,	
	2023	2022
<u>Cash Flows From Operating Activities:</u>		
Net Income	\$ 13,151	\$ 9,603
Items not requiring (providing) cash:		
Depreciation	1,439	1,148
Loss on disposal of fixed assets	1	—
Stock option and stock grant expense	333	54
Loss (gain) on sale/write-down of REO	17	(33)
Amortization of intangible assets	1,018	402
Accretion of purchase accounting adjustments	(1,641)	(456)
Increase in cash surrender value of bank owned life insurance (BOLI)	(458)	(318)
Provision for credit losses	900	5,056

Net (accretion) amortization of premiums and discounts on securities	(101)	248
Originations of loans held for sale	(5,614)	(7,803)
Proceeds from sales of loans held for sale	5,571	7,065
Gain on sales of loans held for sale	(213)	(292)
Changes in:		
Accrued interest receivable	(4,771)	(2,818)
Prepaid expenses and other assets	395	(5,507)
Accounts payable and other liabilities	1,800	334
Deferred income taxes	—	6
Accrued interest payable	2,378	371
Net cash provided by operating activities	14,205	7,060
<u>Cash flows from investing activities:</u>		
Net increase in loans	(80,558)	(255,749)
Net change in interest-bearing deposits	248	496
Proceeds from maturities of available for sale securities	9,525	6,023
Net redemptions (purchases) of Federal Home Loan Bank stock	640	(7,592)
Net redemptions (purchases) of Federal Reserve Bank of St. Louis stock	1	(15)
Purchases of available-for-sale securities	(1,214)	(6,447)
Purchases of long-term investment	(40)	—
Purchases of premises and equipment	(1,427)	(397)
Investments in state & federal tax credits	(865)	(3,860)
Proceeds from sale of foreclosed assets	10	395
Net cash used in investing activities	(73,680)	(267,146)
<u>Cash flows from financing activities:</u>		
Net (decrease) increase in demand deposits and savings accounts	(98,627)	17,291
Net increase in certificates of deposits	214,209	18,672
Proceeds from Federal Home Loan Bank advances	271,000	542,650
Repayments of Federal Home Loan Bank advances	(290,513)	(355,663)
Dividends paid on common stock	(2,380)	(1,938)
Net cash provided by financing activities	93,689	221,012
Increase (decrease) in cash and cash equivalents	34,214	(39,074)
Cash and cash equivalents at beginning of period	53,979	86,792
Cash and cash equivalents at end of period	\$ 88,193	\$ 47,718
<u>Supplemental disclosures of cash flow information:</u>		
<u>Noncash investing and financing activities:</u>		
Conversion of loans to foreclosed real estate	\$ 1,375	\$ 127
Conversion of loans to repossessed assets	77	26
Right of use assets obtained in exchange for lease obligations: Operating Leases	2,333	95
<u>Cash paid during the period for:</u>		
Interest (net of interest credited)	\$ 2,380	\$ 719
Income taxes	539	1,126

See Notes to Condensed Consolidated Financial Statements

SOUTHERN MISSOURI BANCORP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all material adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The condensed consolidated balance sheet of the Company as of **June 30, 2022** **June 30, 2023**, has been derived from the audited consolidated balance sheet of the Company as of that date. Operating results for the three- and nine- month periods **three-month period** ended **March 31, 2023** **September 30, 2023**, are not necessarily indicative of the results that may be expected for the entire fiscal year. For additional information, refer to the audited consolidated financial statements included in the Company's **June 30, 2022** **June 30, 2023** Form 10-K, which was filed with the SEC.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 2: Organization and Summary of Significant Accounting Policies

Organization. Southern Missouri Bancorp, Inc., a Missouri corporation (**the Company**) (**the Company**) was organized in 1994 and is the parent company of Southern Bank (**the Bank**) (**the Bank**). Substantially all of the Company's consolidated revenues are derived from the operations of the Bank, and the Bank represents substantially all of the Company's consolidated assets and liabilities. SB Real Estate Investments, LLC is a wholly-owned subsidiary of the Bank formed to hold Southern Bank Real Estate Investments, LLC. Southern Bank Real Estate Investments, LLC is a real estate investment trust (REIT) which is controlled by SB Real Estate Investments, LLC, and has other preferred shareholders in order to meet the requirements to be a REIT. At **March 31, 2023** **September 30, 2023**, assets of the REIT were approximately **\$1.3 billion** **\$1.4 billion**, and consisted primarily of real estate loan participations acquired from the Bank.

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

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

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

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, estimated fair values of purchased loans, and certain other assumptions and judgmental factors relating to investment securities.

Cash and Cash Equivalents. For purposes of reporting cash flows, cash and cash equivalents includes cash, due from depository institutions and interest-bearing deposits in other depository institutions with original maturities of three months or less. Interest-bearing deposits in other depository institutions were **\$55.0 million** **\$30.6 million** and **\$47.3 million** **\$3.8 million** at **March 31, 2023** **September 30, 2023** and **June 30, 2022** **June 30, 2023**, respectively. The deposits are held in various commercial banks with a total of **\$2.2 million** **\$2.5 million** and **\$5.8 million** **\$1.3 million** exceeding the FDIC's deposit insurance limits at **March 31, 2023** **September 30, 2023** and **June 30, 2022** **June 30, 2023**, respectively, as well as at the Federal Reserve and the Federal Home Loan Banks of Des Moines and Chicago.

Interest-bearing Time Deposits. Interest bearing **time** deposits in banks mature within **seven** **three** years and are carried at cost.

Available for Sale Securities. Available for sale securities ("AFS"), which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses, net of tax, are reported in accumulated other comprehensive loss, a component of stockholders' equity. All securities have been classified as available for sale.

Premiums and discounts on debt securities are amortized or accreted as adjustments to income over the estimated life of the security using the level yield method. Realized gains or losses on the sale of securities is based on the specific identification method. The fair value of securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The Company does not invest in collateralized mortgage obligations that are considered high risk.

For AFS securities with fair value less than amortized cost that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income (loss). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections, and is recorded to the Allowance for Credit Losses ("ACL"), by a charge to provision for credit losses. Accrued interest receivable is excluded from the estimate of credit losses. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends to sell an impaired AFS security, or, if it is more likely than not the Company will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount would be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in this situation.

The Company evaluates impaired AFS securities at the individual level on a quarterly basis, and considers factors including, but not limited to: the extent to which the fair value of the security is less than the amortized cost basis; adverse conditions specifically related to the security, an industry, or geographic area; the payment structure of the security and likelihood of the issuer to be able to make payments that may increase in the future; failure of the issuer to make scheduled interest or principal payments; any changes to the rating of the security by a rating agency; and the ability and intent to hold the security until maturity. A qualitative determination as to whether any portion of the impairment is attributable to credit risk is acceptable. There were no credit related factors underlying unrealized losses on AFS securities at **March 31, 2023** **September 30, 2023**, or **June 30, 2022** **June 30, 2023**.

Changes in the ACL are recorded as expense. Losses are charged against the ACL when management believes the uncollectability of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

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Federal Reserve Bank and Federal Home Loan Bank Stock. The Bank is a member of the Federal Reserve and the Federal Home Loan Bank ("FHLB") systems. Capital stock of the Federal Reserve and the FHLB is a required investment of the Bank based upon a predetermined formula and is carried at cost.

Loans. Loans are generally stated at unpaid principal balances, less the ACL, any net deferred loan origination fees, and unamortized premiums or discounts on purchased loans.

Interest on loans is accrued based upon the principal amount outstanding. The accrual of interest on loans is discontinued when, in management's judgment, the collectability of interest or principal in the normal course of business is doubtful. The Company complies with regulatory guidance which indicates that loans should be placed in nonaccrual status when 90 days past due, unless the loan is both well-secured and in the process of collection. A loan that is "in the process of collection" may be subject to legal action or, in appropriate circumstances, through other collection efforts reasonably expected to result in repayment or restoration to current status in the near future. A loan is considered delinquent when a payment has not been made by the contractual due date. Interest income previously accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Cash receipts on a nonaccrual loan are applied to principal and interest in accordance with its contractual terms unless full payment of principal is not expected, in which case cash receipts, whether designated as principal or interest, are applied as a reduction of the carrying value of the loan. A nonaccrual loan is generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured, and a consistent record of performance has been demonstrated.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans, and is established through a provision for credit losses ("PCL") charged to current earnings. The ACL is increased by the provision for credit losses on loans charged to expense and reduced by loans charged off, net of recoveries. Loans are charged off in the period deemed uncollectible, based on management's analysis of expected cash flows (for non-collateral dependent loans) or collateral value (for collateral-dependent loans). Subsequent recoveries of loans previously charged off, if any, are credited to the allowance when received.

Management estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Adjustments may be made to historical loss information for differences identified in current loan-specific risk characteristics, such as differences in underwriting standards or terms; lending review systems; experience, ability, or depth of lending management and staff; portfolio growth and mix; delinquency levels and trends; as well as for changes in environmental conditions, such as changes in economic activity or employment, agricultural economic conditions, property values, or other relevant factors. The Company generally incorporates a reasonable and supportable forecast period of four quarters, and a four-quarter, straight-line reversion period to return to long-term historical averages.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist. For loans that do not share general risk characteristics with the collectively evaluated pools, the Company estimates credit losses on an individual loan basis, and these loans are excluded from the collectively evaluated pools. An ACL for an individually evaluated loan is recorded when the amortized cost basis of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value, less estimated costs to sell, of the collateral for certain collateral dependent loans. For the collectively evaluated pools, the Company segments the loan portfolio primarily by loan purpose and collateral into 24 pools, which are homogeneous groups of loans that possess similar loss potential characteristics. The Company primarily utilizes the discounted cash flow ("DCF") methodology for measurement of the required ACL. For a limited number of pools with a relatively small balance of unpaid principal balance, the Company utilizes the remaining life method. The DCF model implements probability of default ("PD") and loss given default ("LGD") calculations at the instrument level. PD and LGD are determined based on statistical analysis and correlation of historical losses with various economic factors over time. In general, the Company's losses have not correlated well with economic factors, and the Company has utilized peer data where more appropriate. The Company defines a default to include an event of charge off, an adverse (substandard or worse) internal credit rating, becoming delinquent 90 days or more, or being

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placed on nonaccrual status. A PD/LGD estimate is applied to a projected model of the loan's cashflow, including principal and interest payments, with consideration for prepayment speeds, principal curtailments, and recovery lag.

Loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial ACL is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial ACL is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to non-credit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

Off-Balance Sheet Credit Exposures. Off-balance sheet credit instruments include commitments to make loans, and commercial letters of credit, issued to meet customer financing needs. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The ACL on off-balance sheet credit exposures is estimated by loan pool on a quarterly basis under the current CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur and is included in other liabilities on the Company's consolidated balance sheets. The Company records an ACL on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable.

Foreclosed Real Estate. Real estate acquired by foreclosure or by deed in lieu of foreclosure is initially recorded at fair value less estimated selling costs, establishing a new cost basis. **Costs** Any costs for development and improvement of the property **that are warranted** are capitalized.

Valuations are periodically performed by management, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its estimated fair value, less estimated selling costs.

Loans to facilitate the sale of real estate acquired in foreclosure are discounted if made at less than market rates. Discounts are amortized over the fixed interest period of each loan using the interest method.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation and include expenditures for major betterments and renewals. Maintenance, repairs, and minor renewals are expensed as incurred. When property is retired or sold, the retired asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss taken into income. The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets.

Depreciation is computed by use of straight-line and accelerated methods over the estimated useful lives of the assets. Estimated lives are generally seven to forty years for premises, three to seven years for equipment, and three years for software.

Bank Owned Life Insurance. Bank owned life insurance policies are reflected in the condensed consolidated balance sheets at the estimated cash surrender value. Changes in the cash surrender value of these policies, as well as a portion of the insurance proceeds received, are recorded in noninterest income in the condensed consolidated statements of income.

Goodwill. The Company's goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. As of **June 30, 2022** **June 30, 2023**, there was no impairment indicated, based on a qualitative assessment of goodwill, which considered: the market value of the Company's common stock; concentrations of credit; profitability; nonperforming assets; capital levels; and results of recent regulatory examinations. **The Company believes there** **There** was no impairment of goodwill at **March 31, 2023** **September 30, 2023**.

Intangible Assets. The Company's intangible assets at **March 31, 2023** **September 30, 2023** included gross core deposit intangibles of \$39.1 million with **\$13.1 million** **\$15.0 million** accumulated amortization, gross other identifiable intangibles of **\$6.4 million** with accumulated amortization of **\$4.0 million**, and mortgage and SBA servicing rights of **\$2.9 million**. At June 30, 2023, the Company's intangible assets included gross core deposit intangibles of **\$39.1 million** with **\$14.0 million** accumulated amortization, gross other identifiable intangibles of **\$6.4 million** with accumulated amortization of **\$3.9 million**, and mortgage and SBA servicing rights of **\$2.6 million**. At June 30, 2022, the Company's intangible assets included gross core deposit intangibles of **\$17.0 million** with **\$11.5 million** accumulated amortization, gross other identifiable intangibles of **\$3.8 million** with accumulated amortization of **\$3.8 million**, and mortgage and SBA servicing rights of **\$2.7 million** **\$2.9 million**. The Company's core deposit and other intangible assets are being amortized using the straight line method, in accordance with ASC 350, over periods ranging from five to ten years, with amortization expense expected to be approximately **\$1.0 million** **\$3.1 million** in the remainder of fiscal 2023, **\$4.1 million** in fiscal 2024, **\$3.5 million** in fiscal 2025, **\$3.0 million** in fiscal 2026, **\$2.7 million** in fiscal 2027, **\$2.7 million** in fiscal 2028, and **\$14.2 million** **\$11.5 million** thereafter. As of **June 30, 2022** **June 30, 2023**, there was no impairment indicated, and **the Company believes** there was no impairment of other intangible assets at **March 31, 2023** **September 30, 2023**.

Income Taxes. The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties, if any, on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries, the Bank and SB Real Estate Investments, LLC, with a tax year ended June 30. Southern Bank Real Estate Investments, LLC files a separate REIT return for federal tax purposes, and also files state income tax returns with a tax year ended December 31.

Incentive Plans. The Company accounts for its Equity Incentive Plan (EIP), and Omnibus Incentive Plan (OIP) in accordance with ASC 718, "Share-Based Payment." Compensation expense is based on the market price of the Company's stock on the date the shares are granted and is recorded over the vesting period. The difference between the grant-date fair value and the fair value on the date the shares are considered earned represents a tax benefit to the Company that is recorded as an adjustment to income tax expense.

Outside Non-Employee Directors' Retirement. The Bank entered into directors' retirement agreements beginning in April 1994 for non-employee directors and continued to do so for new non-employee directors joining the Bank's board through December 2014. These directors' retirement agreements provide that each participating non-employee director (participant) shall receive, upon termination of service on the Board on or after age 60, other than termination for cause, a benefit in equal annual installments over a five year period. The benefit will be based upon the product of the participant's vesting percentage and the total Board fees paid to the participant during the calendar year preceding termination of service on the Board. The vesting percentage shall be determined based upon the participant's years of service on the Board.

In the event that the participant dies before collecting any or all of the benefits, the Bank shall pay the participant's beneficiary. Benefits shall not be payable to anyone other than the beneficiary, and shall terminate on the death of the beneficiary.

Stock Options. Compensation cost is measured based on the grant-date fair value of the equity instruments issued, and recognized over the vesting period during which an employee provides service in exchange for the award.

Earnings Per Share. Basic earnings per share available to common stockholders is computed using the weighted-average number of common shares outstanding. Diluted earnings per share available to common stockholders includes the effect of all weighted-average dilutive potential common shares (stock options and restricted stock grants) outstanding during each period.

Comprehensive Income. Comprehensive income consists of net income and other comprehensive income (loss), loss, net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) depreciation on available-for-sale securities, unrealized appreciation (depreciation) depreciation on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income, and changes in the funded status of defined benefit pension plans.

Transfers Between Fair Value Hierarchy Levels. Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Wealth Management Assets and Fees. Assets managed in fiduciary or investment management accounts by the Company are not included in the consolidated balance sheets since such items are not assets of the Company or its subsidiaries. Fees from fiduciary or investment management activities are recorded on a cash basis over the period in which the service is provided. Fees are generally a function of the market value of assets managed and administered, the volume of transactions, and fees for other services rendered, as set forth in the agreement between the customer and the Company. This revenue recognition involves the use of estimates and assumptions, including components that are calculated based on asset valuations and transaction volumes. Any out-of-pocket expenses or services not typically covered by the fee schedule for fiduciary activities are charged directly to the account on a gross basis as revenue is incurred. The Southern Wealth Management division, which is a division of the Bank, held fiduciary assets totaling \$96.8 million and \$102.0 million as of September 30, 2023 and June 30, 2023, respectively, and investment management assets totaling \$444.9 million and \$464.2 million as of September 30, 2023 and June 30, 2023, respectively.

New Accounting Pronouncements:

In March 2020, the CARES Act was signed into law, creating a forbearance program for federally backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the National Emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to troubled debt restructurings (TDR) for a limited period of time to account for the effects of COVID-19. The Company elected to not apply ASC Subtopic 310-40 for loans eligible under the CARES Act, based on the modification's (1) relation to COVID-19, (2) execution for a loan that was not more than 30-days past due as of December 31, 2019, and (3) execution between March 1, 2020, and the earlier of the date that falls 60 days following the termination of the declared National Emergency, or December 31, 2020. The 2021 Consolidated Appropriations Act, signed into law in December 2020, extended the window during which loans could have been modified without classification as TDRs under ASC Subtopic 310-40, to the earlier of January 1, 2022, or 60 days following the termination of the declared National Emergency.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)," to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. LIBOR and other interbank offered rates are widely used benchmarks or reference rates in the United States and globally. Trillions of dollars in loans, derivatives, and other financial contracts reference LIBOR, the benchmark interest rate banks use to make short-term loans to each other. With global capital markets expected to move away from LIBOR and other interbank offered rates and move toward rates that are more observable or transaction based and less susceptible to manipulation, the FASB launched a broad project in late 2018 to address potential accounting challenges expected to arise from the transition. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period.

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Originally, an entity could apply this ASU as of the beginning of an interim period that includes the March 12, 2020 issuance date of the ASU, through December 31, 2022. With the issuance of ASU 2022-06 - Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, the sunset date for adoption of ASU 2020-04 was extended from December 31, 2022 to December 31, 2024. The Company expects to adopt the practical expedients included in this ASU in 2023 as it transitions its loans and other financial instruments to another reference rate. The adoption of ASU 2020-04 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2021, the FASB has published ASU 2021-01, "Reference Rate Reform. (Topic 848)". ASU 2021-01 clarifies clarified that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends amended the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. An entity may elect to apply the amendments in this update on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final update, up to the date that financial statements are available to be issued. If an entity elects to apply any of the amendments in this update for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date the entity applies the election. Originally, the amendments in this update did not apply to contract modifications made after December 31, 2022, new hedging relationships entered

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into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022 except for hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship (including periods after December 31, 2022). With the issuance of ASU 2022-06 Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, the sunset date for adoption of ASU 2021-01 was extended from December 31, 2022 to December 31, 2024. The Company expects to adopt is evaluating the practical expedients included in impact of this ASU in 2023 as but does not expect it transitions its loans and other financial instruments to another reference rate, and is not expected to have a material impact on the consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 eliminates the accounting guidance for TDRs in ASC 310-40, "Receivables – Troubled Debt Restructurings by Creditors" for entities that have adopted the CECL model introduced by ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2022-02 also requires that public business entities disclose current-period gross charge offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, "Financial Instruments – Credit Losses – Measured at Amortized Cost." ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, for entities that have adopted the amendments in ASU 2016-13, and is not expected to have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU 2023-02, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." This ASU permits reporting entities to elect to account for tax equity investments, regardless of the tax credit program for which the income tax credits are received, using the proportional amortization method if

certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense. A reporting entity makes an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments. This ASU also requires specific disclosures of investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. The ASU is effective for fiscal years beginning after December 15, 2023. The Company does not expect adoption of ASU 2023-02 is not expected to have a material impact on the its consolidated financial statements.

On July 1, 2023, the Company adopted ASU No. 2022-02, "Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 eliminates the accounting guidance for TDRs in ASC 310-40, "Receivables – Troubled Debt Restructurings by Creditors" for entities that have adopted the CECL model introduced by ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2022-02 also requires that public business entities disclose current-period gross charge offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, "Financial Instruments – Credit Losses – Measured at Amortized Cost." The adoption of this update did not have a material impact on the Company's consolidated financial statements.

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Note 3: Available for Sale Securities

The amortized cost, gross unrealized gains, gross unrealized losses, ACL, and approximate fair value of securities available for sale consisted of the following:

(dollars in thousands)	September 30, 2023				
	Gross		Allowance		Estimated
	Amortized	Unrealized	Unrealized	for	Fair
	Cost	Gains	Losses	Credit Losses	Value
Debt and equity securities:					
Obligations of states and political subdivisions	\$ 44,905	\$ 2	\$ (3,710)	\$ —	\$ 41,197
Corporate obligations	35,740	36	(2,640)	—	33,136
Asset backed securities	66,764	1,332	(454)	—	67,642
Other securities	2,662	28	(48)	—	2,642
Total debt and equity securities	150,071	1,398	(6,852)	—	144,617
 Mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs):					
Residential MBS issued by governmental sponsored enterprises (GSEs)	95,058	240	(8,905)	—	86,393
Commercial MBS issued by GSEs	61,188	—	(8,123)	—	53,065
CMOs issued by GSEs	131,090	—	(9,967)	—	121,123
Total MBS and CMOs	287,336	240	(26,995)	—	260,581
Total AFS securities	\$ 437,407	\$ 1,638	\$ (33,847)	\$ —	\$ 405,198
June 30, 2023					
	Gross	Gross	Allowance	Estimated	

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	for Credit Losses	Fair Value
Debt and equity securities:					
Obligations of states and political subdivisions	\$ 45,285	\$ 20	\$ (2,737)	\$ —	\$ 42,568
Corporate obligations	35,700	19	(3,181)	—	32,538
Asset backed securities	67,897	1,274	(545)	—	68,626
Other securities	3,587	39	(56)	—	3,570
Total debt and equity securities	152,469	1,352	(6,519)	—	147,302
Mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs):					
Residential MBS issued by governmental sponsored enterprises (GSEs)	97,612	122	(7,610)	—	90,124
Commercial MBS issued by GSEs	60,333	11	(6,959)	—	53,385
CMOs issued by GSEs	135,202	9	(8,468)	—	126,743
Total MBS and CMOs	293,147	142	(23,037)	—	270,252
Total AFS securities	\$ 445,616	\$ 1,494	\$ (29,556)	\$ —	\$ 417,554

The amortized cost and estimated fair value of investment and mortgage-backed securities, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

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[Note 3: Available for Sale Securities](#)

The amortized cost, gross unrealized gains, gross unrealized losses, ACL, and approximate fair value of securities available for sale consisted of the following:

(dollars in thousands)	March 31, 2023				
	Amortized Cost	Gross Gains	Gross Losses	Allowance for Credit Losses	Estimated Fair Value
Debt and equity securities:					
U.S. government-sponsored enterprises (GSEs)	\$ 8,476	\$ 265	\$ —	\$ —	\$ 8,741
Obligations of states and political subdivisions	45,740	43	(2,377)	—	43,406
Corporate obligations	36,644	68	(2,416)	—	34,296
Asset backed securities	59,592	850	(95)	—	60,347
Other securities	3,600	46	(60)	—	3,586
Total debt and equity securities	154,052	1,272	(4,948)	—	150,376
Mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs):					
Residential MBS issued by governmental sponsored enterprises (GSEs)	100,054	738	(7,440)	—	93,352

Commercial MBS issued by GSEs	60,485	83	(5,747)	—	54,821
CMOs issued by GSEs	138,512	8	(7,271)	—	131,249
Total MBS and CMOs	299,051	829	(20,458)	—	279,422
Total AFS securities	\$ 453,103	\$ 2,101	\$ (25,406)	\$ —	\$ 429,798

(dollars in thousands)	June 30, 2022				
	Gross		Allowance		Estimated Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	for Credit Losses	
Debt and equity securities:					
Obligations of states and political subdivisions	\$ 47,383	\$ 77	\$ (2,981)	\$ —	\$ 44,479
Corporate obligations	20,818	32	(963)	—	19,887
Other securities	486	—	(43)	—	443
Total debt and equity securities	<u>68,687</u>	<u>109</u>	<u>(3,987)</u>	<u>—</u>	<u>64,809</u>
Mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs):					
Residential MBS issued by governmental sponsored enterprises (GSEs)	76,345	—	(7,177)	—	69,168
Commercial MBS issued by GSEs	51,435	—	(5,705)	—	45,730
CMOs issued by GSEs	61,293	—	(5,606)	—	55,687
Total MBS and CMOs	<u>189,073</u>	<u>—</u>	<u>(18,488)</u>	<u>—</u>	<u>170,585</u>
Total AFS securities	<u>\$ 257,760</u>	<u>\$ 109</u>	<u>\$ (22,475)</u>	<u>\$ —</u>	<u>\$ 235,394</u>

The amortized cost and estimated fair value of investment and mortgage-backed securities, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

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(dollars in thousands)	March 31, 2023		September 30, 2023	
	Amortized		Estimated	
	Cost	Fair Value	Cost	Fair Value
Within one year				
After one year but less than five years	29,339	28,156	27,412	26,235
After five years but less than ten years	64,436	61,923	56,993	53,581
After ten years	57,050	57,081	63,201	62,342
Total investment securities	<u>154,052</u>	<u>150,376</u>	<u>150,071</u>	<u>144,617</u>
MBS and CMOs	<u>299,051</u>	<u>279,422</u>	<u>287,336</u>	<u>260,581</u>
Total AFS securities	<u>\$ 453,103</u>	<u>\$ 429,798</u>	<u>\$ 437,407</u>	<u>\$ 405,198</u>

The carrying value of investment and mortgage-backed securities pledged as collateral to secure public deposits amounted to \$243.6 million \$261.0 million and \$253.9 million at March 31, 2023 September 30, 2023 and June 30, 2023, and \$198.3 million at June 30, 2022, respectively. The securities pledged consist of marketable securities, including \$99.1 million \$140.9 million and \$126.3 million \$129.2

million of Mortgage-backed Securities, \$111.5 million \$91.8 million and \$27.3 million \$94.8 million of Collateralized Mortgage Obligations, \$24.4 million \$25.2 million and \$42.3 million \$26.5 million of State and Political Subdivisions Obligations, and \$8.6 million \$3.1 million and \$2.4 million \$3.4 million of other securities Other Securities at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023, respectively.

The following tables show the Company's investments' 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 for which an ACL has not been recorded at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023:

(dollars in thousands)	March 31, 2023						September 30, 2023					
	Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total	
	Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Obligations of state and political subdivisions	\$ 9,413	\$ 98	\$ 26,218	\$ 2,279	\$ 35,631	\$ 2,377	\$ 9,443	\$ 236	\$ 30,959	\$ 3,474	\$ 40,402	\$ 3,710
Corporate obligations	18,451	750	13,760	1,666	32,211	2,416	14,235	724	16,015	1,916	30,250	2,640
Asset backed securities	7,013	95	—	—	7,013	95	18,683	180	705	274	19,388	454
Other securities	1,962	19	354	41	2,316	60	—	—	1,546	48	1,546	48
MBS and CMOs	109,361	1,528	135,113	18,930	244,474	20,458	85,241	2,146	146,151	24,849	231,392	26,995
Total AFS securities	\$146,200	\$ 2,490	\$175,445	\$22,916	\$321,645	\$25,406	\$127,602	\$ 3,286	\$195,376	\$30,561	\$322,978	\$33,847

(dollars in thousands)	June 30, 2022						June 30, 2023					
	Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total	
	Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Obligations of state and political subdivisions	\$ 31,985	\$ 2,639	\$ 1,600	\$ 342	\$ 33,585	\$ 2,981	\$ 11,574	\$ 184	\$ 26,763	\$ 2,553	\$ 38,337	\$ 2,737
Corporate obligations	10,944	420	6,911	543	17,855	963	14,709	1,074	13,821	2,107	28,530	3,181
Asset backed securities							22,628	263	698	282	23,326	545
Other securities	418	43	—	—	418	43	1,970	11	350	45	2,320	56
MBS and CMOs	137,590	12,482	29,834	6,006	167,424	18,488	87,354	1,525	145,673	21,512	233,027	23,037
Total AFS securities	\$180,937	\$15,584	\$38,345	\$ 6,891	\$219,282	\$22,475	\$138,235	\$ 3,057	\$187,305	\$26,499	\$325,540	\$29,556

Obligations of state and political subdivisions. The unrealized losses on the Company's investments in obligations of state and political subdivisions include 2223 individual securities which have been in an unrealized loss position for less than 12 months and 5164 individual securities which have been in an unrealized loss position for more than 12 months. The securities are performing and are of high credit quality. The unrealized losses were caused by increases in market interest rates since purchase or acquisition. Because the Company does not intend to sell these securities and it is likely that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.

Corporate and other Obligations. The unrealized losses on the Company's investments in corporate obligations include 13 individual securities which have been in an unrealized loss position for less than 12 months and **ten 14** individual securities which have been in an unrealized loss position for more than 12 months. The securities are performing and are **of high credit quality. The unrealized losses were caused by increases in market interest rates since purchase or acquisition.**

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Because the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.

At March 31, 2023, corporate obligations included two pooled trust preferred securities with an estimated fair value of \$770,000 and unrealized losses of \$209,000 in a continuous unrealized loss position for twelve months or more. These unrealized losses were primarily due to the long-term nature of the pooled trust preferred securities, a reduced demand for these securities, and concerns regarding the issuers of the underlying trust preferred securities.

A cash flow analysis performed as of March 31, 2023, for these two securities indicated it is probable the Company will receive all contracted principal and related interest projected. The cash flow analysis used in making this determination was based on anticipated default, recovery, and prepayment rates, and the resulting cash flows were discounted based on the yield spread anticipated at the time the securities were purchased. Because the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.

Other securities. The unrealized losses on the Company's investments in other securities includes ten individual securities which has been in an unrealized loss position for less than 12 months and two individual securities which have been in an unrealized loss position for more than 12 months. The securities are performing and are **of high credit quality. The unrealized loss was losses were caused by increases in market interest rates since purchase or acquisition. Because the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.**

Asset-Backed securities. The unrealized losses on the Company's investments in asset-backed securities includes six individual securities which has been in an unrealized loss position for less than 12 months and two individual securities which have been in an unrealized loss position for more than 12 months. The securities are performing and are **of high credit quality. The unrealized loss was caused by variations in market interest rates since purchase or acquisition. Because the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.**

MBS and CMOs. As of **March 31, 2023 September 30, 2023**, the unrealized losses on the Company's investments in MBS and CMOs include **33 25** individual securities which have been in an unrealized loss position for less than 12 months, and **113 124** individual securities which have been in an unrealized loss position for 12 months or more. The securities are performing and are **of high credit quality. The unrealized losses were caused by increases in market interest rates since purchase or acquisition. Because the Company does not intend to sell these securities and it is likely that the Company will not be required to sell these securities prior to recovery of their amortized cost basis, which may be maturity, the Company has not recorded an ACL on these securities.**

The Company does not believe that any individual unrealized loss as of **March 31, 2023 September 30, 2023**, is the result of a credit loss. However, the Company could be required to recognize an ACL in future periods with respect to its available for sale investment securities portfolio.

Credit losses recognized on investments. There were no credit losses recognized in income and other losses or recorded in other comprehensive **income (loss) loss** for the **three- and nine- month three-month** periods ended **March 31, 2023 September 30, 2023** and 2022.

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Note 4: [Loans and Allowance for Credit Losses](#)

Classes of loans are summarized as follows:

(dollars in thousands)	March 31, 2023	June 30, 2022	September 30, 2023	June 30, 2023
Real Estate Loans:				
Residential	\$ 1,120,970	\$ 904,160	\$ 1,134,604	\$ 1,133,417
Construction	517,967	258,072	565,525	550,052
Commercial	1,460,314	1,146,673	1,564,147	1,562,379
Consumer loans	125,483	92,996	135,263	133,515
Commercial loans	560,979	441,598	633,055	599,030
	3,785,713	2,843,499	4,032,594	3,978,393
Loans in process	(305,193)	(123,656)	(332,633)	(359,196)
Deferred loan fees, net	(316)	(453)	(282)	(299)
Allowance for credit losses	(45,685)	(33,192)	(49,122)	(47,820)
Total loans	\$ 3,434,519	\$ 2,686,198	\$ 3,650,557	\$ 3,571,078

The Company's lending activities consist of origination of loans secured by mortgages on one- to four-family residences and commercial and agricultural real estate, construction loans on residential and commercial properties, commercial and agricultural business loans and consumer loans. At **March 31, 2023** **September 30, 2023**, the Bank had purchased participations in **77** **83** loans totaling **\$104.7 million** **\$162.7 million**, as compared to **31** **86** loans totaling **\$70.0 million** **\$155.6 million** at **June 30, 2022** **June 30, 2023**.

Residential Mortgage Lending. The Company actively originates loans for the acquisition or refinance of one- to four-family residences. This category includes both fixed-rate and adjustable-rate mortgage ("ARM") loans amortizing over periods of up to 30 years, and the properties securing such loans may be owner-occupied or non-owner-occupied. Single-family residential loans do not generally exceed 90% of the lower of the appraised value or purchase price of the secured property. Substantially all of the one- to four-family residential mortgage originations in the Company's portfolio are

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located within the Company's primary lending area. General risks related to one- to four-family residential lending include stability of borrower income and collateral values.

The Company also originates loans secured by multi-family residential properties that are often located outside the Company's primary lending area but made to borrowers who operate within our primary **lending market** area. The majority of the multi-family residential loans that are originated by the Company are amortized over periods generally up to 25 years, with balloon maturities typically up to ten years. Both fixed and adjustable interest rates are offered and it is typical for the Company to include an interest rate "floor" and "ceiling" in the loan agreement. Generally, multi-family residential loans do not exceed 85% of the lower of the appraised value or purchase price of the secured property. General risks related to multi-family residential lending include rental demand and supply, rental rates, and vacancies, as well as collateral values and borrower leverage.

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Commercial Real Estate Lending. The Company actively originates loans secured by owner- and non-owner-occupied commercial real estate including farmland, single- and multi-tenant retail properties, restaurants, hotels, land (improved and unimproved), nursing homes and other healthcare facilities, warehouses and distribution centers, convenience stores, automobile dealerships and other automotive-related services, and other businesses. These properties are typically owned and operated by borrowers headquartered within the Company's primary lending area, however, the property may be located outside our primary lending area. Risks to owner-occupied commercial real estate lending generally include the continued profitable operation of the borrower's enterprise, as well as general collateral values, and may be heightened by unique, specific uses of the property serving as collateral. Non-owner-occupied commercial real estate lending risks include tenant demand and performance, lease rates, and vacancies, as well as collateral values and borrower leverage. These factors may be influenced by general economic conditions in the region, or in the United States generally. Risks to lending on farmland include unique factors such as commodity prices, yields, input costs, and weather, as well as farmland values.

Most commercial real estate loans originated by the Company generally are based on amortization schedules of up to 25 years with monthly principal and interest payments. Generally, the interest rate received on these loans is fixed for a maturity ~~is for~~ up to ten 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 seven years. The Company typically includes an interest rate "floor" in the loan agreement. 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.

Construction Lending. The Company originates real estate loans secured by property or land that is under construction or development. Construction loans originated by the Company are generally to finance the construction of owner occupied residential real estate, or to finance speculative construction of residential real estate, land development, or owner-operated or non-owner occupied commercial real estate. During construction, these loans typically require monthly interest-only payments, with single-family residential construction loans having maturities ranging from six to twelve months, while multi-family ~~and/or~~ commercial construction loans typically mature in 12 to 36 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 25 years on commercial real estate. Construction and development lending risks generally include successful timely and on-budget completion of the project, followed by the sale of the property in the case of land development or non-owner-occupied real estate, or the long-term occupancy of the property by the builder in the case of owner-occupied construction. Changes in real estate values or other economic conditions may impact the ability of a borrower to sell property developed for that purpose.

While the Company typically utilizes relatively short maturity periods to closely monitor the inherent risks associated with construction loans for these loans, weather conditions, change orders, availability of materials and/or labor, and other factors may contribute to the lengthening of a project, thus necessitating the need to renew the construction loan at the balloon maturity. Such extensions are typically executed in incremental ~~three month~~three-month periods to facilitate project completion. The Company's average term of construction loans is approximately 12 months. During construction, loans typically require monthly interest-only payments which may allow the Company an opportunity to monitor for early signs of financial difficulty should the borrower fail to make a required monthly payment. Additionally, during the construction phase, the Company typically performs interim inspections which further ~~allow~~provide the Company ~~an~~ opportunity to assess risk. At ~~March 31, 2023~~September 30, 2023, construction loans outstanding included ~~79~~51 loans, totaling ~~\$68.5 million~~, \$40.1

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million, for which a modification had been agreed to. At June 30, 2022 June 30, 2023, construction loans outstanding included 5753 loans, totaling \$13.8 million \$33.4 million, for which a modification had been agreed to. In general, these modifications were solely for the purpose of extending the maturity date due to conditions described above, pursuant to the Company's normal underwriting and monitoring procedures. As these modifications were not executed due to financial difficulty on the part of the borrower, they were not accounted for as **troubled debt restructurings (TDRs)**. **modifications to borrowers experiencing financial difficulty.**

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Consumer Lending. The Company offers a variety of secured consumer loans, including home equity, direct and indirect automobile loans, second mortgages, mobile home loans and loans secured by deposits. The Company originates substantially all of its consumer loans in its primary lending area. Usually, consumer loans are originated with fixed rates for terms of up to 66 months, 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.

Home equity lines of credit (HELOCs) are secured with a deed of trust and are issued up to 100% 90% of the appraised or assessed value of the property securing the line of credit, less the outstanding balance on the first mortgage and are typically issued for a term of ten years. Interest rates on the HELOCs are generally adjustable. Interest rates are based upon the loan-to-value ratio of the property with better rates given to borrowers with more equity. Risks related to HELOC lending generally include the stability of borrower income and collateral values.

Automobile loans originated by the Company include both direct loans and a smaller amount of loans originated by auto dealers. The Company generally pays a negotiated fee back to the dealer for indirect loans. Typically, automobile loans are made for terms of up to 66 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. Risks to automobile and other consumer lending generally include the stability of borrower income and borrower willingness to repay.

Commercial Business Lending. The Company'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, including agricultural production and equipment loans. The Company offers both fixed and adjustable rate commercial business loans. 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. Commercial lending risk is primarily driven by the borrower's successful generation of cash flow from their business enterprise sufficient to service debt, and may be influenced by factors specific to the borrower and industry, or by general economic conditions in the region or in the United States generally. Agricultural production or equipment lending includes unique additional risk factors such as commodity prices, yields, input costs, and weather, as well as farm equipment values.

Allowance for Credit Losses. The PCL for the three- and nine- month periods three-month period ended March 31, 2023 September 30, 2023, was \$10.1 million and \$16.3 million, respectively, \$900,000 compared to \$1.6 million and \$1.2 million \$5.1 million in the same period of the prior fiscal year. The ACL required for PCD loans acquired in current period PCL was the Citizens merger was \$1.1 million, and was funded through purchase accounting adjustments, while result of a \$1.6 million provision attributable to the ACL required for non-PCD loans acquired loan balances outstanding, partially offset by a recovery of \$670,000 in the Citizens merger was \$5.2 million, and was funded through a charge provision attributable to PCL. Additionally, the allowance for off-balance sheet credit exposures exposures. The Company's assessment of the economic outlook at September 30, 2023, was increased by \$1.8 million due little changed as compared to the Citizens merger and funded through a charge to PCL. Exclusive assessment as of the charges required as a result of the Citizens merger, the Company would have recorded a PCL of approximately \$3.1 million and \$9.3 million for the three- and nine-month periods ended March 31, 2023, of which \$2.0 million and \$6.6 million, respectively, are attributable to the required ACL for loan balances outstanding, while \$1.1 million and \$2.7 million, respectively, are attributable to the required allowance for off-balance sheet credit exposures, for the three- and nine-month periods. Exclusive of provisioning required by the Citizens merger, increased provisioning for loan balances outstanding June 30, 2023. Qualitative adjustments in the three-month period is attributable primarily to qualitative adjustments to modeled results Company's ACL model were slightly decreased based on levels and trends a reduced pace of industry past due loans, and loan growth. The Company increased ACL estimates for adjustments related to classified hotel loans that have been slow to recover from the COVID-19 pandemic and modestly decreased the unguaranteed portion ACL attributable to other individually identified loans. As a percentage of a small pool average loans outstanding, the Company recorded net charge offs of SBA loans exhibiting signs of credit stress, while increased provisioning for loan balances outstanding in 0.03% (annualized) during the nine-month current period, is attributable primarily to loan growth and qualitative adjustments to modeled results based on up slightly from the pace of growth same period of the Company's loan portfolio, exclusive of acquisitions or government-

guaranteed loans, relative to overall economic growth. Increased prior fiscal year. Decreased provisioning for off-balance sheet credit exposures is attributable primarily to changes in the level and mix of outstanding credit commitments. The Company has estimated its expected credit losses as of **March 31, 2023** **September 30, 2023**, under ASC 326-20, and management believes the ACL as of that date is adequate based on that estimate. As a percentage of average loans outstanding, the Company recorded net charge offs of 0.02% (annualized) during the nine months ended March 31, 2023, as compared to less than one basis point (annualized) during the same period of the prior fiscal year. Specifically, management considered the following primary items in its estimate of the ACL:

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- economic conditions and projections as provided by Moody's Analytics, including baseline and downside scenarios, were utilized in the Company's estimate at **March 31, 2023** **September 30, 2023**. Economic factors considered in the projections included national and state levels of unemployment, and national and state rates of inflation-adjusted growth in the gross domestic product. Economic conditions are considered to be a moderate and stable risk factor, relative to **June 30, 2022** **June 30, 2023**;

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- the pace of growth of the Company's loan portfolio, exclusive of acquisitions or government guaranteed loans, relative to overall economic growth. This measure is considered to be a moderate and **increasing** **decreasing** risk factor, relative to **June 30, 2022** **June 30, 2023**;
- levels and trends for loan delinquencies nationally and in the region. This measure as reported remains relatively **stable**, and the **level of uncertainty about loan delinquencies is considered to be diminishing**, **stable**. This is considered to be a moderate and stable risk factor, relative to **June 30, 2022** **June 30, 2023**;
- exposure to the hotel industry, in particular, metropolitan area hotels which were negatively impacted by activity restrictions and a lack of business or convention-related travel. **Although covid restrictions have been lifted and travel has increased, some hotels have not fully recovered**. This is considered to be an elevated and **stable** **increasing** risk factor, relative to **June 30, 2022** **June 30, 2023**.

PCD Loans. In connection with the acquisition of Citizens Bancshares, Co. ("Citizens") on January 20, 2023, and Fortune Financial Corporation ("Fortune") on February 25, 2022, the Company acquired loans both with and without evidence of credit quality deterioration since origination. Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution's previously recorded allowance for loan and lease losses. Acquired loans are accounted for under ASC 326, Financial Instruments – Credit Losses.

The fair value of acquired loans recorded at the time of acquisition is based upon several factors, including the timing and payment of expected cash flows, as adjusted for estimated credit losses and prepayments, and then discounting these cash flows using comparable market rates. The resulting fair value adjustment is recorded in the form of a premium or discount to the unpaid principal balance of the respective loans. As it relates to acquired loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination ("PCD"), the net premium or net discount is adjusted to reflect the Company's allowance for credit losses recorded for PCD loans at the time of acquisition, and the remaining fair value adjustment is accreted or amortized into interest income over the remaining life of the

respective loans. As it relates to loans not classified as PCD ("non-PCD") loans, the credit loss and yield components of their fair value adjustment are aggregated, and the resulting net premium or net discount is accreted or amortized into interest income over the remaining life of the respective loans. The Company records an ACL for non-PCD loans at the time of acquisition through provision expense, and therefore, no further adjustments are made to the net premium or net discount for non-PCD loans.

Loans that the Company acquired from Citizens and Fortune, that at the time of acquisition had more-than-insignificant deterioration of credit quality since origination, are classified as PCD loans and presented in the tables below at acquisition carrying value:

(dollars in thousands)	<u>January 20, 2023</u>
PCD Loans - Citizens	
Purchase price of PCD loans at acquisition	\$ 27,481
Allowance for credit losses at acquisition	(1,121)
Fair value of PCD loans at acquisition	<u>\$ 26,360</u>

(dollars in thousands)	<u>February 25, 2022</u>
PCD Loans - Fortune	
Purchase price of PCD loans at acquisition	\$ 15,055
Allowance for credit losses at acquisition	(120)
Fair value of PCD loans at acquisition	<u>\$ 14,935</u>

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The following tables present the balance in the ACL based on portfolio segment as of **March 31, 2023** **September 30, 2023** and 2022, and activity in the ACL for the **three- and nine- month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	At period end and for the nine months ended March 31, 2023						At period end and for the three months ended September 30, 2023					
	Residential			Commercial			Residential			Commercial		
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total
Allowance for credit losses:												
Balance, beginning of period	\$ 8,908	\$ 2,220	\$ 16,838	\$ 710	\$ 4,516	\$ 33,192	\$ 15,641	\$ 2,664	\$ 22,838	\$ 909	\$ 5,768	\$ 47,820
Initial ACL on PCD loans	96	12	628	164	221	1,121						
Provision charged to expense	4,462	1,406	1,324	283	4,325	11,800						

Provision (benefit) charged to expense							(663)	303	2,166	(12)	(224)	1,570
Losses charged off	(2)	—	(245)	(189)	(17)	(453)	(132)	(111)	—	(88)	(4)	(335)
Recoveries	1	—	—	18	6	25	—	—	18	46	3	67
Balance, end of period	13,465	\$ 3,638	\$ 18,545	\$ 986	\$ 9,051	\$ 45,685	14,846	\$ 2,856	\$ 25,022	\$ 855	\$ 5,543	\$ 49,122
	\$						\$					

(dollars in thousands)	At period end and for the three months ended March 31, 2023						
	Residential		Construction		Commercial		
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	
Allowance for loan losses:							
Balance, beginning of period	\$ 12,499	\$ 2,754	\$ 16,806	\$ 761	\$ 4,663	\$ 37,483	
Initial ACL on PCD loans	96	12	628	164	221	1,121	
Provision (benefit) charged to expense	870	872	1,111	165	4,167	7,185	
Losses charged off	—	—	—	(113)	—	(113)	
Recoveries	—	—	—	9	—	9	
Balance, end of period	\$ 13,465	\$ 3,638	\$ 18,545	\$ 986	\$ 9,051	\$ 45,685	

(dollars in thousands)	At period end and for the nine months ended March 31, 2022						
	Residential		Construction		Commercial		
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	
Allowance for credit losses:							
Balance, beginning of period	\$ 11,192	\$ 2,170	\$ 14,535	\$ 916	\$ 4,409	\$ 33,222	
Initial ACL on PCD loans	23	4	52	—	41	120	
Provision (benefit) charged to expense	30	(187)	963	(93)	(340)	373	
Losses charged off	(62)	—	—	(57)	(17)	(136)	
Recoveries	3	—	—	57	2	62	
Balance, end of period	\$ 11,186	\$ 1,987	\$ 15,550	\$ 823	\$ 4,095	\$ 33,641	

(dollars in thousands)	At period end and for the three months ended March 31, 2022						At period end and for the three months ended September 30, 2022						
	Residential		Construction		Commercial		Residential		Construction		Commercial		
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	
Allowance for credit losses:													
Balance, beginning of period	\$ 10,757	\$ 2,126	\$ 14,727	\$ 830	\$ 4,089	\$ 32,529	\$ 8,908	\$ 2,220	\$ 16,838	\$ 710	\$ 4,516	\$ 33,192	
Initial ACL on PCD loans	23	4	52	—	41	120							
Provision (benefit) charged to expense	434	(143)	771	19	(29)	1,052	3,030	283	1,048	12	(123)	4,250	
Losses charged off	(30)	—	—	(32)	(6)	(68)	(2)	—	—	(35)	—	(37)	
Recoveries	2	—	—	6	—	8	1	—	—	6	6	13	

Balance, end of period	11,186	\$ 1,987	\$ 15,550	\$ 823	\$ 4,095	\$33,641	11,937	\$ 2,503	\$ 17,886	\$ 693	\$ 4,399	\$37,418

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The following tables present the balance in the allowance for off-balance sheet credit exposure based on portfolio segment as of **March 31, 2023**, **September 30, 2023** and 2022, and activity in the allowance for the **three- and nine- month** **three-month** periods ended **March 31, 2023**, **September 30, 2023** and 2022:

(dollars in thousands)	At period end and for the nine months ended March 31, 2023					
	Residential		Construction		Commercial	
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total
Allowance for off-balance sheet credit exposure:						
Balance, beginning of period	\$ 58	\$ 2,178	\$ 421	\$ 61	\$ 640	\$ 3,358
Provision (benefit) charged to expense	47	3,400	(80)	41	1,058	4,466
Balance, end of period	<u>\$ 105</u>	<u>\$ 5,578</u>	<u>\$ 341</u>	<u>\$ 102</u>	<u>\$ 1,698</u>	<u>\$ 7,824</u>

(dollars in thousands)	At period end and for the three months ended March 31, 2023						At period end and for the three months ended September 30, 2023						At period end and for the three months ended March 31, 2023						
	Residential			Construction			Commercial			Residential			Construction			Commercial			
	Real Estate	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total
Allowance for off-balance sheet credit exposure:																			
Balance, beginning of period	\$ 70	\$ 3,629	\$ 480	\$ 56	\$ 702	\$ 4,937		\$ 71	\$ 4,809	\$ 475	\$ 73	\$ 860	\$ 6,288						
Provision (benefit) charged to expense	35	1,949	(139)	46	996	2,887		7	(616)	(10)	(2)	(49)	(670)						
Balance, end of period	<u>\$ 105</u>	<u>\$ 5,578</u>	<u>\$ 341</u>	<u>\$ 102</u>	<u>\$ 1,698</u>	<u>\$ 7,824</u>		<u>\$ 78</u>	<u>\$ 4,193</u>	<u>\$ 465</u>	<u>\$ 71</u>	<u>\$ 811</u>	<u>\$ 5,618</u>						

(dollars in thousands)	At period end and for the nine months ended March 31, 2022					
	Residential		Construction		Commercial	
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total
Allowance for off-balance sheet credit exposure:						

Balance, beginning of period	\$ 37	\$ 502	\$ 188	\$ 218	\$ 860	\$ 1,805
Provision (benefit) charged to expense	46	1,221	147	(144)	(396)	874
Balance, end of period	<u>\$ 83</u>	<u>\$ 1,723</u>	<u>\$ 335</u>	<u>\$ 74</u>	<u>\$ 464</u>	<u>\$ 2,679</u>

(dollars in thousands)	At period end and for the three months ended March 31, 2022						At period end and for the three months ended September 30, 2022					
	Residential		Construction		Commercial		Residential		Construction		Commercial	
	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total	Real Estate	Real Estate	Real Estate	Consumer	Commercial	Total
Allowance for off-balance sheet credit exposure:												
Balance, beginning of period	\$ 34	\$ 1,673	\$ 170	\$ 58	\$ 244	\$ 2,179	\$ 58	\$ 2,178	\$ 421	\$ 61	\$ 640	\$ 3,358
Provision (benefit) charged to expense	49	50	165	16	220	500	135	719	107	—	(155)	806
Balance, end of period	<u>\$ 83</u>	<u>\$ 1,723</u>	<u>\$ 335</u>	<u>\$ 74</u>	<u>\$ 464</u>	<u>\$ 2,679</u>	<u>\$ 193</u>	<u>\$ 2,897</u>	<u>\$ 528</u>	<u>\$ 61</u>	<u>\$ 485</u>	<u>\$ 4,164</u>

The current fiscal year-to-date gross charge-offs by loan class and year of origination is presented in the following table:

(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving loans	Total
Real Estate Loans:								
Residential	\$ —	\$ —	\$ —	\$ 97	\$ —	\$ 35	\$ —	\$ 132
Construction	—	—	—	111	—	—	—	111
Commercial	—	—	—	—	—	—	—	—
Consumer loans	6	41	26	10	—	5	—	88
Commercial loans	—	4	—	—	—	—	—	4
Total current-period gross charge-offs	<u>\$ 6</u>	<u>\$ 45</u>	<u>\$ 26</u>	<u>\$ 218</u>	<u>\$ —</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ 335</u>

Credit Quality Indicators. The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on all loans at origination, and is updated on a quarterly basis for loans risk rated Watch, Special Mention, Substandard, or Doubtful. In addition, lending relationships of \$3 million or more, exclusive of any consumer or owner-occupied residential loan, are subject to an annual credit analysis which is prepared by the loan administration department and presented to a loan committee with appropriate lending authority. A sample of lending relationships in excess of \$1 million (exclusive of single-family residential real estate loans) are subject to an independent loan review annually, in order to verify risk ratings. The Company uses the following definitions for risk ratings:

Watch – Loans classified as watch exhibit weaknesses that require more than usual monitoring. Issues may include deteriorating financial condition, payments made after due date but within 30 days, adverse industry conditions or management problems.

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Special Mention – Loans classified as special mention exhibit signs of further deterioration but still generally make payments within 30 days. This is a transitional rating and loans should typically not be rated Special Mention for more than 12 months.

Substandard – Loans classified as substandard possess weaknesses that jeopardize the ultimate collection of the principal and interest outstanding. These loans exhibit continued financial losses, ongoing delinquency, overall poor

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financial condition, and insufficient collateral. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses of substandard loans, and have deteriorated to the level that there is a high probability of substantial loss.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be *Pass* rated loans.

A periodic review of selected credits (based on loan size and type) is conducted to identify loans with heightened risk or probable losses and to assign risk grades. The primary responsibility for this review rests with loan administration personnel. This review is supplemented with periodic examinations of both selected credits and the credit review process by the Company's internal audit function and applicable regulatory agencies. The information from these reviews assists management in the timely identification of problems and potential problems and provides a basis for deciding whether the credit continues to share similar risk characteristics with collectively evaluated loan pools, or whether credit losses for the loan should be evaluated on an individual loan basis.

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The following table presents the credit risk profile of the Company's loan portfolio (excluding loans in process and deferred loan fees) based on rating category and fiscal year of origination as of **March 31, 2023** **September 30, 2023**. This table includes PCD loans, which are reported according to risk categorization after acquisition based on the Company's standards for such classification:

(dollars in thousands)	Revolving								2024	2023	2022	2021	2020	Prior	
	2023	2022	2021	2020	2019	Prior	loans	Total							
March 31,															
Residential Real Estate															
Pass	\$283,090	\$ 329,020	\$260,233	\$106,337	\$ 26,467	\$100,592	\$ 7,511	\$1,113,250	\$ 54,368	\$ 318,276	\$301,722	\$242,029	\$ 93,759	\$109,337	

Watch	283	1,147	580	2,307	201	27	56	4,601	812	249	567	610	105	221
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	799	724	448	85	—	1,063	—	3,119	—	896	371	369	—	776
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Residential														
Real Estate	\$284,172	\$ 330,891	\$ 261,261	\$ 108,729	\$ 26,668	\$ 101,682	\$ 7,567	\$ 1,120,970	\$ 55,180	\$ 319,421	\$ 302,660	\$ 243,008	\$ 93,864	\$ 110,334
Construction														
Real Estate														
Pass	\$112,913	\$ 68,069	\$ 11,896	\$ 9,193	\$ 94	\$ —	\$ 5,616	\$ 207,781	\$ 22,474	\$ 156,274	\$ 40,269	\$ 12,247	\$ —	\$ —
Watch	155	—	—	3,190	—	—	—	3,345	—	316	—	—	—	—
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	1,280	368	—	—	—	—	—	1,648	—	—	368	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Construction														
Real Estate	\$114,348	\$ 68,437	\$ 11,896	\$ 12,383	\$ 94	\$ —	\$ 5,616	\$ 212,774	\$ 22,474	\$ 156,590	\$ 40,637	\$ 12,247	\$ —	\$ —
Commercial														
Real Estate														
Pass	\$272,653	\$ 480,124	\$ 290,963	\$ 98,101	\$ 86,394	\$ 132,560	\$ 33,128	\$ 1,393,923	\$ 63,507	\$ 416,287	\$ 477,861	\$ 272,320	\$ 85,115	\$ 137,865
Watch	7,251	9,895	165	6,874	—	119	—	24,304	1,267	21,434	4,558	160	4,139	79
Special														
Mention	2,940	—	—	—	—	—	—	2,940	—	2,940	—	—	—	—
Substandard	3,141	29,623	2,438	303	478	1,913	1,251	39,147	3,312	2,961	26,137	2,412	1	1,092
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Commercial														
Real Estate	\$285,985	\$ 519,642	\$ 293,566	\$ 105,278	\$ 86,872	\$ 134,592	\$ 34,379	\$ 1,460,314	\$ 68,086	\$ 443,622	\$ 508,556	\$ 274,892	\$ 89,255	\$ 139,036
Consumer														
Pass	\$ 27,171	\$ 17,498	\$ 6,581	\$ 2,048	\$ 854	\$ 1,510	\$ 68,727	\$ 124,389	\$ 10,134	\$ 30,197	\$ 11,214	\$ 4,640	\$ 1,403	\$ 1,882
Watch	74	596	64	10	—	—	—	744	—	19	—	59	—	—
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	15	4	81	8	—	95	147	350	—	9	50	12	—	39
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Consumer	\$ 27,260	\$ 18,098	\$ 6,726	\$ 2,066	\$ 854	\$ 1,605	\$ 68,874	\$ 125,483	\$ 10,134	\$ 30,225	\$ 11,264	\$ 4,711	\$ 1,403	\$ 1,921
Commercial														
Pass	\$106,504	\$ 87,601	\$ 77,257	\$ 12,466	\$ 9,302	\$ 11,427	\$ 245,911	\$ 550,468	\$ 44,938	\$ 131,924	\$ 73,892	\$ 66,157	\$ 9,773	\$ 15,036
Watch	667	1,876	121	78	6	—	5,107	7,855	1,227	576	337	286	55	20
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	466	798	137	155	192	621	287	2,656	402	524	356	69	148	809
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Commercial	\$107,637	\$ 90,275	\$ 77,515	\$ 12,699	\$ 9,500	\$ 12,048	\$ 251,305	\$ 560,979	\$ 46,567	\$ 133,024	\$ 74,585	\$ 66,512	\$ 9,976	\$ 15,865
Total Loans														

Pass	\$802,331	\$ 982,312	\$646,930	\$228,145	\$123,111	\$246,089	\$360,893	\$3,389,811	\$195,421	\$1,052,958	\$904,958	\$597,393	\$190,050	\$264,120
Watch	8,430	13,514	930	12,459	207	146	5,163	40,849	3,306	22,594	5,462	1,115	4,299	320
Special														
Mention	2,940	—	—	—	—	—	—	—	2,940	—	2,940	—	—	—
Substandard	5,701	31,517	3,104	551	670	3,692	1,685	46,920	3,714	4,390	27,282	2,862	149	2,716
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	\$819,402	\$1,027,343	\$650,964	\$241,155	\$123,988	\$249,927	\$367,741	\$3,480,520	\$202,441	\$1,082,882	\$937,702	\$601,370	\$194,498	\$267,156

At **March 31, 2023** **September 30, 2023**, PCD loans comprised **\$27.3 million** **\$36.4 million** of credits rated "Pass"; **\$25.1 million** **\$11.8 million** rated "Watch"; none rated "Special Mention"; **\$6.7 million** **\$6.8 million** of credits rated "Substandard"; and none rated "Doubtful".

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The following table presents the credit risk profile of the Company's loan portfolio (excluding loans in process and deferred loan fees) based on rating category and fiscal year of origination as of **June 30, 2022** **June 30, 2023**. This table includes PCD loans, which were reported according to risk categorization after acquisition based on the Company's standards for such classification:

(dollars in thousands)	Revolving loans									2023	2022	2021	2020	2019	Prior
	June 30,	2022	2021	2020	2019	2018	Prior	loans	Total	2023	2022	2021	2020	2019	Prior
Residential Real Estate															
Pass	\$ 380,502	\$295,260	\$118,464	\$ 19,383	\$22,143	\$ 58,545	\$ 6,074	\$ 900,371	\$ 328,142	\$312,853	\$252,077	\$103,735	\$ 25,651	\$ 96,035	
Watch	44	242	1,083	56	—	30	—	1,455	1,214	1,136	616	108	198	27	
Special	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	266	918	87	440	18	605	—	2,334	837	316	510	—	—	857	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	\$ 380,812	\$296,420	\$119,634	\$ 19,879	\$22,161	\$ 59,180	\$ 6,074	\$ 904,160	\$ 330,193	\$314,305	\$253,203	\$103,843	\$ 25,849	\$ 96,919	
Construction Real Estate															
Pass	\$ 100,114	\$ 34,082	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 134,416	\$ 124,479	\$ 50,011	\$ 10,946	\$ 3,190	\$ —	\$ —	
Watch	—	—	—	—	—	—	—	—	280	—	—	—	—	—	—
Special	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	330	679	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	\$ 100,114	\$ 34,082	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 134,416	\$ 125,089	\$ 50,690	\$ 10,946	\$ 3,190	\$ —	\$ —	
Commercial Real Estate															

Pass	\$ 487,486	\$ 284,736	\$ 105,893	\$ 71,380	\$ 51,804	\$ 78,115	\$ 23,669	\$ 1,103,083	\$ 462,643	\$ 474,140	\$ 279,921	\$ 89,272	\$ 74,653	\$ 83,871
Watch	4,763	769	1,818	—	668	2,000	548	10,566	8,122	5,382	163	3,879	—	117
Special														
Mention	9,297	—	—	—	—	—	—	—	9,297	2,940	—	—	—	—
Substandard	22,086	481	140	13	22	93	65	22,900	7,690	26,465	2,425	288	473	1,735
Doubtful	827	—	—	—	—	—	—	827	—	—	—	—	—	—
Total														
Commercial														
Real Estate	\$ 524,459	\$ 285,986	\$ 107,851	\$ 71,393	\$ 52,494	\$ 80,208	\$ 24,282	\$ 1,146,673	\$ 481,395	\$ 505,987	\$ 282,509	\$ 93,439	\$ 75,126	\$ 85,723

Consumer														
Pass	\$ 28,519	\$ 10,989	\$ 3,662	\$ 1,524	\$ 916	\$ 676	\$ 46,521	\$ 92,807	\$ 36,003	\$ 14,530	\$ 5,446	\$ 1,692	\$ 717	\$ 1,379
Watch	21	71	—	—	—	—	—	92	71	—	62	—	—	—
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	23	6	4	—	10	31	23	97	33	2	1	—	—	41
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Consumer	\$ 28,563	\$ 11,066	\$ 3,666	\$ 1,524	\$ 926	\$ 707	\$ 46,544	\$ 92,996	\$ 36,107	\$ 14,532	\$ 5,509	\$ 1,692	\$ 717	\$ 1,420

Commercial														
Pass	\$ 111,370	\$ 93,906	\$ 20,795	\$ 10,496	\$ 3,253	\$ 7,612	\$ 190,235	\$ 437,667	\$ 138,500	\$ 83,011	\$ 71,054	\$ 10,723	\$ 6,239	\$ 10,657
Watch	1,319	194	38	6	—	186	1,206	2,949	698	211	91	3	—	—
Special														
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	295	11	—	186	—	167	323	982	860	329	128	184	175	574
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total														
Commercial	\$ 112,984	\$ 94,111	\$ 20,833	\$ 10,688	\$ 3,253	\$ 7,965	\$ 191,764	\$ 441,598	\$ 140,058	\$ 83,551	\$ 71,273	\$ 10,910	\$ 6,414	\$ 11,231

Total Loans														
Pass	\$1,107,991	\$718,973	\$248,814	\$102,783	\$78,116	\$144,948	\$266,719	\$2,668,344	\$1,089,767	\$934,545	\$619,444	\$208,612	\$107,260	\$191,942
Watch	6,147	1,276	2,939	62	668	2,216	1,754	15,062	10,385	6,729	932	3,990	198	144
Special														
Mention	9,297	—	—	—	—	—	—	—	9,297	2,940	—	—	—	—
Substandard	22,670	1,416	231	639	50	896	411	26,313	9,750	27,791	3,064	472	648	3,207
Doubtful	827	—	—	—	—	—	—	827	—	—	—	—	—	—
Total	\$1,146,932	\$721,665	\$251,984	\$103,484	\$78,834	\$148,060	\$268,884	\$2,719,843	\$1,112,842	\$969,065	\$623,440	\$213,074	\$108,106	\$195,293

At **June 30, 2022** **June 30, 2023**, PCD loans comprised **\$23.1 million** **\$37.4 million** of credits rated "Pass"; **\$4.7 million** **\$12.7 million** of credits rated "Watch", none rated "Special Mention", **\$1.1 million** **\$6.3 million** of credits rated "Substandard" and none rated "Doubtful".

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Past-due Loans. The following tables present the Company's loan portfolio aging analysis (excluding loans in process and deferred loan fees) as of **March 31, 2023** **September 30, 2023** and **June 30, 2022** **June 30, 2023**. These tables include PCD loans, which are reported according to aging analysis after acquisition based on the Company's standards for such classification:

(dollars in thousands)	March 31, 2023										September 30, 2023									
	Greater Than										Greater Than									
	30-59 Days		60-89 Days		90 Days		Total		Total Loans		Days Past Due		30-59 Days		60-89 Days		90 Days		Total	
	Past Due		Past Due		Past Due		Past Due		Current		Receivable		and Accruing		Past Due		Past Due		Past Due	
Real Estate Loans:																				
Residential	\$ 2,110	\$ 203	\$ 636	\$ 2,949	\$ 1,118,021	\$ 1,120,970	\$ —	\$ —	\$ 1,221	\$ 120	\$ 501	\$ 1,842	\$ 1,132,762							
Construction	141	368	—	509	212,265	212,774	—	—	160	—	368	528	232,364							
Commercial	281	97	1,675	2,053	1,458,261	1,460,314	—	—	840	14,534	61	15,435	1,548,712							
Consumer loans	536	244	176	956	124,527	125,483	—	—	592	166	165	923	134,340							
Commercial loans	185	96	634	915	560,064	560,979	—	—	7,662	1,413	641	9,716	623,339							
Total loans	\$ 3,253	\$ 1,008	\$ 3,121	\$ 7,382	\$ 3,473,138	\$ 3,480,520	\$ —	\$ —	\$ 10,475	\$ 16,233	\$ 1,736	\$ 28,444	\$ 3,671,517							

(dollars in thousands)	June 30, 2022										June 30, 2023									
	Greater Than										Greater Than									
	30-59 Days		60-89 Days		90 Days		Total		Total Loans		Days Past Due		30-59 Days		60-89 Days		90 Days		Total	
	Past Due		Past Due		Past Due		Past Due		Current		Receivable		and Accruing		Past Due		Past Due		Past Due	
Real Estate Loans:																				
Residential	\$ 1,402	\$ —	\$ 1,064	\$ 2,466	\$ 901,694	\$ 904,160	\$ —	\$ —	\$ 1,984	\$ 401	\$ 483	\$ 2,868	\$ 1,130,549							
Construction	—	—	—	—	134,416	134,416	—	—	443	311	698	1,452	189,404							
Commercial	416	615	288	1,319	1,145,354	1,146,673	—	—	616	1,854	1,580	4,050	1,558,329							
Consumer loans	340	45	57	442	92,554	92,996	—	—	456	124	212	792	132,723							
Commercial loans	274	72	13	359	441,239	441,598	—	—	713	77	789	1,579	597,451							
Total loans	\$ 2,432	\$ 732	\$ 1,422	\$ 4,586	\$ 2,715,257	\$ 2,719,843	\$ —	\$ —	\$ 4,212	\$ 2,767	\$ 3,762	\$ 10,741	\$ 3,608,456							

At **March 31, 2023** **September 30, 2023**, and **June 30, 2023** there was **one no** PCD loan **totaling \$139,000** that was greater than 90 days past due and on nonaccrual, and none at **June 30, 2022**.

Loans that experience insignificant payment delays and payment shortfalls generally are not adversely classified or determined to not share similar risk characteristics with collectively evaluated pools of loans for determination of the ACL estimate. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Significant payment delays or shortfalls may lead to a determination that a loan should be individually evaluated for estimated credit losses.

Collateral Dependent Loans. The following table presents the Company's collateral dependent loans and related ACL at **March 31, 2023** **September 30, 2023**, and **June 30, 2022** **June 30, 2023**:

March 31, 2023				September 30, 2023			
Amortized cost basis of loans determined to be		Amortized cost basis of loans determined to be Related allowance		Amortized cost basis of loans determined to be		Amortized cost basis of loans determined to be Related allowance	

(dollars in thousands)	collateral dependent	for credit losses	collateral dependent	for credit losses
Residential real estate loans				
1- to 4-family residential loans	\$ 841	\$ 170		
Real estate loans				
1- to 4-family residential real estate			\$ 822	\$ 141
Commercial real estate			2,140	316
Total loans	\$ 841	\$ 170	\$ 2,962	\$ 457

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<u>June 30, 2022</u>			
Amortized cost basis of			
loans determined to be			
collateral dependent			
(dollars in thousands)			
Residential real estate loans			
1- to 4-family residential loans	\$ 864	\$ 193	
Total loans	\$ 864	\$ 193	

<u>June 30, 2023</u>			
Amortized cost basis of			
loans determined to be			
collateral dependent			
(dollars in thousands)			
Real estate loans			
1- to 4-family residential	\$ 837	\$ 156	
Construction real estate	642	79	
Commercial real estate	4,897	666	
Total loans	\$ 6,376	\$ 901	

Nonaccrual Loans. The following table presents the Company's amortized cost basis of nonaccrual loans segmented by class of loans at **March 31, 2023** **September 30, 2023**, and **June 30, 2022** **June 30, 2023**. The table excludes performing TDRs, modifications to borrowers experiencing financial difficulty at **September 30, 2023** and excludes performing TDRs at **June 30, 2023**.

(dollars in thousands)	March 31, 2023	June 30, 2022	September 30, 2023	June 30, 2023
Residential real estate	\$ 1,175	\$ 1,647	\$ 949	\$ 934
Construction real estate	368	—	368	698
Commercial real estate	4,741	2,259	3,361	4,564
Consumer loans	183	73	164	256
Commercial loans	930	139	896	1,091
Total loans	\$ 7,397	\$ 4,118	\$ 5,738	\$ 7,543

At **March 31, 2023** **September 30, 2023**, there were no nonaccrual loans individually evaluated for which no ACL was recorded. Interest income recognized on nonaccrual loans in the **three-and nine- month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022, was immaterial.

Modifications to Borrowers Experiencing Financial Difficulty. The Company adopted ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures," effective July 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measurement of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

During the three-month period ended September 30, 2023, there were no modifications made to loans for borrowers experiencing financial difficulty.

Performing loans classified as modifications to borrowers experiencing financial difficulty outstanding at September 30, 2023 are shown in the following table segregated by portfolio segment and type of modification. The percentage of amortized cost of loans that were modified compared to total outstanding loans is also presented below.

	September 30, 2023					Total	
	Principal	Payment	Term		Interest		
			Forgiveness	Delays			
				Modifications			
<i>(dollars in thousands)</i>							
Residential real estate	\$ —	\$ —	\$ 3,397	\$ —	\$ —	0.09 %	
Construction real estate	—	—	—	—	—	— %	
Commercial real estate	—	—	23,838	—	—	0.64 %	
Consumer loans	—	—	—	—	—	— %	
Commercial loans	—	241	1,824	—	—	0.06 %	
Total	\$ —	\$ 241	\$ 29,059	\$ —	\$ —	0.79 %	

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Troubled Debt Restructurings. TDRs are evaluated **Prior to determine** whether they share similar risk characteristics with collectively evaluated loan pools, or must be individually evaluated. These concessions typically result from our loss mitigation activities, and could include reductions in the interest rate, payment extensions, forgiveness **adoption** of principal, forbearance, or other actions. In general, ASU 2022-02, the Company's loans that **have been** **were** subject to classification as TDRs **are** **were** the result of guidance under ASU No. 2011-02, which **indicates** **indicated** 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. Certain TDRs **are** **were** classified as nonperforming at the time of restructuring and typically **are** **were** returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

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During the three- and nine- month periods three-month period ended March 31, 2023 and 2022, certain September 30, 2022, there were no loans modified were classified as TDRs. They are shown, segregated by class, in the tables below.

(dollars in thousands)	For the three-month periods ended			
	March 31, 2023		March 31, 2022	
	Number of modifications	Recorded Investment	Number of modifications	Recorded Investment
Residential real estate	—	\$ —	—	\$ —
Construction real estate	—	—	—	—
Commercial real estate	—	—	—	—
Consumer loans	—	—	—	—
Commercial loans	—	—	1	185
Total	—	\$ —	1	\$ 185

(dollars in thousands)	For the nine-month periods ended			
	March 31, 2023		March 31, 2022	
	Number of modifications	Recorded Investment	Number of modifications	Recorded Investment
Residential real estate	—	\$ —	1	\$ 150
Construction real estate	—	—	—	—
Commercial real estate	—	—	—	—
Consumer loans	—	—	—	—
Commercial loans	—	—	1	185
Total	—	\$ —	2	\$ 335

Performing loans classified as TDRs and outstanding at March 31, 2023, and June 30, 2022 June 30, 2023, segregated by class, are shown in the table below. Nonperforming TDRs are included in the nonaccrual loans table above.

(dollars in thousands)	March 31, 2023		June 30, 2022		June 30, 2023	
	Number of modifications	Recorded Investment	Number of modifications	Recorded Investment	Number of modifications	Recorded Investment
	10	\$ 3,383	11	\$ 3,625	10	\$ 3,438
Residential real estate	10	\$ 3,383	11	\$ 3,625	10	\$ 3,438
Construction real estate	—	—	—	—	—	—
Commercial real estate	6	24,241	8	25,132	6	24,017
Consumer loans	—	—	—	—	—	—
Commercial loans	6	2,735	8	1,849	6	2,310
Total	22	\$ 30,359	27	\$ 30,606	22	\$ 29,765

Residential Real Estate Foreclosures. The Company may obtain physical possession of real estate collateralizing a residential mortgage loan or home equity loan via foreclosure or in-substance repossession. As of March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023, the carrying value of Company had no foreclosed residential real estate properties as a result of obtaining physical possession was \$589,000 and \$580,000, respectively. In addition, as of March 31, 2023 September 30, 2023, and June 30, 2022 June 30, 2023, the Company had residential mortgage loans and home equity loans with a carrying value of \$1.1 million \$667,000 and \$486,000, \$1.5 million, respectively, collateralized by residential real estate property for which formal foreclosure proceedings were in process.

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Note 5: Premises and Equipment

Following is a summary of premises and equipment:

(dollars in thousands)	March 31, 2023	June 30, 2022	September 30, 2023	June 30, 2023
Land	\$ 15,403	\$ 13,532	\$ 15,434	\$ 15,415
Buildings and improvements	78,831	64,730	80,058	79,661
Construction in progress	1,266	142	611	450
Furniture, fixtures, equipment and software	24,953	20,838	26,085	26,404
Automobiles	122	120	122	122
Operating leases ROU asset	6,259	3,849	8,458	6,125
	126,834	103,211	130,768	128,177
Less accumulated depreciation	34,491	31,864	36,051	35,780
	\$ 92,343	\$ 71,347	\$ 94,717	\$ 92,397

Leases. The Company elected certain relief options under ASU 2016-02, Leases (Topic 842), including the option not to recognize right of use asset and lease liabilities that arise from short-term leases (leases with terms of twelve months or less). The Company has 1113 leased properties, which includes banking facilities, administrative offices and ground leases, and numerous office equipment lease agreements in which it is the lessee, with lease terms exceeding twelve months.

All of the Company's leases are classified as operating leases. These operating leases are now included as a ROU asset in the premises and equipment line item on the Company's consolidated balance sheets. The corresponding lease liability is included in the accounts payable and other liabilities line item on the Company's consolidated balance sheets.

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In the February 2022 acquisition of Fortune, the Company assumed a ground lease with an entity that is controlled by a Company insider. This property is in St. Louis County, MO and is in its fourth year of a twenty year term.

ASU 2016-02 also requires certain other accounting elections. The Company elected the short-term lease recognition exemption for all leases that qualify, meaning those with terms under twelve months. ROU assets or lease liabilities are not to be recognized for short-term leases. The calculated amount of the ROU assets and lease liabilities in the table below are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, the ASU requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception over a similar term. The discount rate utilized was 5%. The expected lease terms range from 18 months to 20 years.

Consolidated Balance Sheet	March 31, 2023		June 30, 2022		September 30, 2023		June 30, 2023	
	Operating leases ROU asset	\$ 6,259	Operating leases liability	\$ 3,849	Operating leases ROU asset	\$ 8,458	Operating leases liability	\$ 6,125

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(dollars in thousands)	For the three-month periods ended		For the nine-month periods ended		At or for the three-month periods ended	
	March 31,		March 31,		September 30,	
	2023	2022	2023	2022	2023	2022
Consolidated Statement of Income						
Operating lease costs classified as occupancy and equipment expense (includes short-term lease costs)	\$ 189	\$ 117	\$ 467	\$ 315	\$ 280	\$ 136
Supplemental disclosures of cash flow information						
Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	\$ 148	\$ 92	\$ 354	\$ 261	\$ 187	\$ 103
ROU assets obtained in exchange for operating lease obligations:	\$ —	\$ —	\$ —	\$ —	\$ 2,445	\$ —

At **March 31, 2023** **September 30, 2023**, future expected lease payments for leases with terms exceeding one year were as follows:

(dollars in thousands)	2023	2024	2025	2026	2027	2028	Thereafter	Future lease payments expected
	\$ 236	\$ 712	\$ 656	\$ 604	\$ 587	\$ 882	\$ 7,579	\$ 10,374
								\$ 14,449

The Company leases facilities it owns or portions of facilities it owns to other third parties. The Company has determined that all of these lease agreements, in terms of being the lessor, are classified as operating leases. For the **three- and nine- month** **three-month** periods ended **March 31, 2023**, **September 30, 2023** and **2022**, income recognized from these lessor agreements was **\$39,000** **\$57,000** and **\$171,000**, **\$72,000**, respectively. For the **three- and nine- month** periods ended **March 31, 2022**, income recognized from these lessor agreements was **\$64,000** and **\$208,000**, respectively. Income from lessor agreements was included in net occupancy and equipment expense.

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Note 6: Deposits

Deposits are summarized as follows:

(dollars in thousands)	March 31, 2023	June 30, 2022	September 30, 2023	June 30, 2023
Non-interest bearing accounts	\$ 618,598	\$ 426,929	\$ 583,353	\$ 597,600
NOW accounts	1,430,019	1,171,620	1,231,005	1,328,423
Money market deposit accounts	448,622	303,612	435,387	452,728
Savings accounts	304,663	274,283	313,135	282,753
Certificates	953,291	638,631	1,278,246	1,064,036
Total Deposit Accounts	\$ 3,755,193	\$ 2,815,075	\$ 3,841,126	\$ 3,725,540

Brokered certificates totaled \$97.9 million \$202.7 million at March 31, 2023 September 30, 2023, compared to \$10.8 million \$146.5 million at June 30, 2022 June 30, 2023.

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Note 7: Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

(dollars in thousands except per share data)	Three months ended		Nine months ended		Three months ended	
	March 31, 2023	2022	March 31, 2023	2022	September 30, 2023	2022
Net income	\$ 2,409	\$ 9,351	\$ 23,676	\$ 34,082	\$ 13,151	\$ 9,603
Less: distributed earnings allocated to participating securities	(10)	(8)	(31)	(22)	(10)	(9)
Less: undistributed earnings allocated to participating securities	(8)	(33)	(89)	(118)	(47)	(34)
Net income available to common shareholders	<u>\$ 2,391</u>	<u>\$ 9,310</u>	<u>\$ 23,556</u>	<u>\$ 33,942</u>	<u>\$ 13,094</u>	<u>\$ 9,560</u>
Weighted-average common shares outstanding, including participating securities	10,893,199	9,060,272	9,783,773	8,948,856		

Less: weighted-average participating securities outstanding (restricted shares)	(49,510)	(39,230)	(44,100)	(36,998)		
Denominator for basic earnings per share -						
Weighted-average shares outstanding	10,843,689	9,021,042	9,739,673	8,911,858	11,286,012	9,187,857
Effect of dilutive securities stock options or awards	14,652	23,004	20,459	18,488	11,803	22,610
Denominator for diluted earnings per share	<u>10,858,341</u>	<u>9,044,046</u>	<u>9,760,132</u>	<u>8,930,346</u>	<u>11,297,815</u>	<u>9,210,467</u>
Basic earnings per share available to common stockholders	\$ 0.22	\$ 1.03	\$ 2.42	\$ 3.81	\$ 1.16	\$ 1.04
Diluted earnings per share available to common stockholders	\$ 0.22	\$ 1.03	\$ 2.41	\$ 3.80	\$ 1.16	\$ 1.04

Certain option and restricted stock awards were excluded from the computation of diluted earnings per share because they were anti-dilutive, based on the average market prices of the Company's common stock for these periods. Outstanding options and shares of restricted stock totaling 84,740 63,706 and 66,440 57,250 were excluded from the computation of diluted earnings per share for each of the three- and nine-month periods ended March 31, 2023, while outstanding options September 30, 2023 and shares of restricted stock totaling 14,500 and 22,750 were excluded from the computation of diluted earnings per share for each of the three- and nine- month periods ended March 31, 2022, 2022, respectively.

Note 8: Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. Federal jurisdiction and various states. The Company is no longer subject to federal and state examinations by tax authorities for tax years ending June 30, 2017 June 30, 2019 and before. The Company's Missouri income tax returns for the fiscal years ending June 30, 2016 through 2018 are under audit by the Missouri Department of Revenue. The Company recognized no interest or penalties related to income taxes for the periods presented.

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The Company's income tax provision is comprised of the following components:

(dollars in thousands)	For the three-month periods ended		For the nine-month periods ended		For the three-month periods ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	September 30, 2023	September 30, 2022
Income taxes						
Current	\$ 2,572	\$ 1,852	\$ 8,269	\$ 8,114	\$ 3,487	\$ 2,436
Deferred	(1,994)	506	(1,981)	1,019	—	7
Total income tax provision	\$ 578	\$ 2,358	\$ 6,288	\$ 9,133	\$ 3,487	\$ 2,443

The components of net deferred tax assets (included in other assets on the condensed consolidated balance sheet) are summarized as follows:

(dollars in thousands)	March 31, 2023		June 30, 2022		September 30, 2023		June 30, 2023	
	March 31, 2023	June 30, 2022	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023
Deferred tax assets:								
Provision for losses on loans	\$ 11,560	\$ 7,761	\$ 12,219	\$ 12,101				
Accrued compensation and benefits	881	828	729	974				
NOL carry forwards acquired	846	57	465	709				
Tax credit carry forward	1,035	—						

Low income tax credit carry forward			1,041	1,192
Unrealized loss on other real estate	868	72	869	818
Unrealized loss on available for sale securities	5,087	4,921	7,086	6,174
Total deferred tax assets	20,277	13,639	22,409	21,968
Deferred tax liabilities:				
Purchase accounting adjustments	728	224	2,478	2,348
Depreciation	4,327	1,974	4,100	4,276
FHLB stock dividends	120	120	120	120
Prepaid expenses	545	415	656	728
Other	1,777	181	1,283	1,636
Total deferred tax liabilities	7,497	2,914	8,637	9,108
Net deferred tax asset	\$ 12,780	\$ 10,725	\$ 13,772	\$ 12,860

As of **March 31, 2023** **September 30, 2023**, the Company had approximately **\$3.8 million and \$0.21 million** in federal and state net operating loss carryforwards, respectively, which were acquired in the July 2009 acquisition of Southern Bank of Commerce merger, the February 2014 acquisition of Citizens State Bankshares of Bald Knob, Inc. merger, the April 2020 acquisition of Central Federal Savings and Loan merger, the February 2022 acquisition of Fortune Bank merger, and the January 2023 acquisition of Citizens Bank and Trust. Trust merger. The amount reported is net of the IRC Sec. 382 limitation, or state equivalent, related to utilization of net operating loss carryforwards of acquired corporations. Unless otherwise utilized, the net operating losses will begin to expire in **2027, 2030**.

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A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

(dollars in thousands)	For the three-month periods ended		For the nine-month periods ended		For the three-month periods ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	September 30, 2023	September 30, 2022
Tax at statutory rate	\$ 627	\$ 2,459	\$ 6,292	\$ 9,075	\$ 3,494	\$ 2,530
Increase (reduction) in taxes resulting from:						
Nontaxable municipal income	(54)	(80)	(211)	(273)	(108)	(81)
State tax, net of Federal benefit	(179)	32	—	501	164	13
Cash surrender value of Bank-owned life insurance	(77)	(61)	(211)	(179)	(96)	(67)
Tax credit benefits	(3)	(13)	(7)	(34)	(3)	(2)
Other, net	264	21	425	43	36	50
Actual provision	\$ 578	\$ 2,358	\$ 6,288	\$ 9,133	\$ 3,487	\$ 2,443

For the **three- and nine- month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022, income tax expense at the statutory rate was calculated using a 21% annual effective tax rate (AETR).

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Tax credit benefits are recognized under the deferral method of accounting for investments in tax credits.

Note 9: 401(k) Retirement Plan

The Bank has a 401(k) retirement plan that covers substantially all eligible employees. The Bank made "safe harbor" matching contributions to the Plan of up to 4% of eligible compensation, depending upon the percentage of eligible pay deferred into the plan by the employee, and also made additional, discretionary profit-sharing contributions for fiscal 2022 2023. For fiscal 2023 2024, the Company has maintained the safe harbor matching contribution of up to 4%, and expects to continue to make additional, discretionary profit-sharing contributions. During the three- and nine- month periods three-month period ended March 31, 2023 September 30, 2023, retirement plan expenses recognized for the Plan totaled approximately \$619,000 and \$1.7 million, 711,000 as compared to \$456,000 and \$1.4 \$537,000 million for the same period of the prior fiscal year. Employee deferrals and safe harbor contributions are fully vested. Profit-sharing or other contributions vest over a period of five years.

Note 10: Subordinated Debt

In March 2004, the Company established Southern Missouri Statutory Trust I as a statutory business trust, to issue Floating Rate Capital Securities (the "Trust Preferred Securities"). The securities mature in 2034, became redeemable after five years, and bear interest at a floating rate based on LIBOR. The securities represent undivided beneficial interests in the trust, which was established by the Company for the purpose of issuing the securities. The Trust Preferred Securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended (the "Act") and have not been registered under the Act. The securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Southern Missouri Statutory Trust I used the proceeds from the sale of the Trust Preferred Securities to purchase Junior Subordinated Debentures (the "Debentures") of the Company which have terms identical to the Trust Preferred Securities. At March 31, 2023 September 30, 2023, the current Debentures carried an interest rate was 7.66% of 8.42%. The carrying value balance of the Debentures outstanding was \$7.2 million at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023. The Company used the its net proceeds from the sale of the Debentures for working capital and investment in its subsidiaries.

In connection with its the October 2013 acquisition of Ozarks Legacy Community Financial, Inc. (OLCF), merger, the Company assumed \$3.1 million in floating rate junior subordinated debt securities. The debt securities had been issued in June 2005 by OLCF in connection with the sale of trust preferred securities, bear interest at a floating rate based on LIBOR, are now redeemable at par, and mature in 2035. At March 31, 2023 September 30, 2023, the current rate was 7.32% 8.12%. The carrying value of the debt securities was approximately \$2.7 million \$2.8 million and \$2.7 million at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023, respectively.

In connection with its the August 2014 acquisition of Peoples Service Company, Inc. (PSC), merger, the Company assumed \$6.5 million in floating rate junior subordinated debt securities. The debt securities had been issued in 2005 by PSC's subsidiary bank holding company, Peoples Banking Company, in connection with the sale of trust preferred securities, bear interest at a floating rate based on LIBOR, are now redeemable at par, and mature in 2035. At March 31, 2023 September 30, 2023, the

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current rate was 6.67% 7.47%. The carrying value of the debt securities was approximately \$5.5 million \$5.5 million at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023.

The Company's investment at a face amount of \$505,000 in the three these trusts noted above is included with Prepaid Expenses and Other Assets in the consolidated balance sheets, and is carried at a value of \$463,000 \$465,000 and \$461,000 \$464,000 at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023, respectively.

In connection with its the February 2022 acquisition of Fortune merger, the Company assumed \$7.5 million in fixed-to-floating rate subordinated notes. The notes had been issued in May 2021 by Fortune to a multi-lender group, bear interest through May 2026 at a fixed rate of 4.5%, and will bear interest thereafter at SOFR plus 3.77%. The notes will be redeemable at par beginning in May 2026, and mature in May

2031. The carrying value of the notes was approximately \$7.6 million and \$7.7 million at **March 31, 2023** **September 30, 2023** and **June 30, 2022**, **June 30, 2023**, respectively.

Note 11: [Fair Value Measurements](#)

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use

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of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity that are significant to the fair value of the assets or liabilities

Recurring Measurements. The following table presents the fair value measurements recognized in the accompanying condensed consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at **March 31, 2023** **September 30, 2023** and **June 30, 2022** **June 30, 2023**:

(dollars in thousands)	Fair Value Measurements at March 31, 2023 , Using:				Fair Value Measurements at September 30, 2023 , Using:					
	Quoted Prices in Active Markets for Identical Assets			Significant Other Observable Inputs	Significant Unobservable Inputs	Quoted Prices in Active Markets for Identical Assets			Significant Other Observable Inputs	Significant Unobservable Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)	Fair Value	(Level 1)	(Level 2)	(Level 3)		
U.S. government sponsored enterprises (GSEs)	\$ 8,741	\$ —	\$ 8,741	\$ —						
Obligations of state and political subdivisions	43,406		43,406		\$ 41,197	\$ —	\$ 41,197	\$ —		
Corporate obligations	34,296	—	34,296	—	33,136	—	33,136	—		
Asset backed securities	60,347		60,347		67,642	—	67,642	—		
Other securities	3,586	—	3,586	—	2,642	—	2,642	—		
MBS and CMOs	279,422	—	279,422	—	260,581	—	260,581	—		
Fair Value Measurements at June 30, 2022 , Using:										

(dollars in thousands)	Quoted Prices in			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
	Identical Assets	Observable Inputs	Unobservable Inputs	
Obligations of state and political subdivisions	\$ 44,479	\$ —	\$ 44,479	\$ —
Corporate obligations	19,887	—	19,887	—
Other securities	443	—	443	—

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(dollars in thousands)	170,585			
	Fair Value Measurements at June 30, 2023, Using:			
	Quoted Prices in	Active Markets for	Significant Other	Significant
Identical Assets	Observable Inputs	Unobservable Inputs		
Obligations of state and political subdivisions	\$ 42,568	\$ —	\$ 42,568	\$ —
Corporate obligations	32,538	—	32,538	—
Asset backed securities	68,626	—	68,626	—
Other securities	3,570	—	3,570	—
MBS and CMOs	270,252	—	270,252	—

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-sale Securities. When quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated using pricing models, or quoted prices of securities with similar characteristics. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Nonrecurring Measurements. There were no The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the ASC 820 fair value hierarchy. hierarchy in which the fair value measurements fell at September 30, 2023 and June 30, 2023:

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Fair Value Measurements at September 30, 2023, Using:					
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(dollars in thousands)		(Level 1)	(Level 2)	(Level 3)	
Foreclosed and repossessed assets held for sale	\$ 1,609	\$ —	\$ —	\$ 1,609	

Fair Value Measurements at June 30, 2023, Using:					
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(dollars in thousands)		(Level 1)	(Level 2)	(Level 3)	
Foreclosed and repossessed assets held for sale	\$ 1,472	\$ —	\$ —	\$ 1,472	

The following table presents losses recognized on assets measured on a non-recurring basis for the **nine- month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	For the nine months ended		For the three months ended	
	March 31, 2023	March 31, 2022	September 30, 2023	September 30, 2022
Foreclosed and repossessed assets held for sale	\$ (123)	\$ (435)	\$ —	\$ 34
Total losses on assets measured on a non-recurring basis	\$ (123)	\$ (435)		
Total gains (losses) on assets measured on a non-recurring basis			\$ —	\$ 34

The following is a description of valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified within Level 3 of fair value hierarchy, the process used to develop the reported fair value process is described below.

Foreclosed and Repossessed Assets Held for Sale. Foreclosed and repossessed assets held for sale are valued at the time the loan is foreclosed upon or collateral is repossessed and the asset is transferred to foreclosed or repossessed assets held for sale. The value of the asset is based on third party or internal appraisals, less estimated costs to sell and appropriate discounts, if any. The appraisals are generally discounted based on current and expected market conditions that may impact the sale or value of the asset and management's knowledge and experience with similar assets. Such discounts typically may be significant and result in a Level 3 classification of the inputs for determining fair value of these assets. Foreclosed and repossessed assets held for sale are continually evaluated for additional impairment and are adjusted accordingly if impairment is identified.

Unobservable (Level 3) Inputs. **There were no** The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at **March 31, 2023** or **June 30, 2022** **September 30, 2023** and **June 30, 2023**.

(dollars in thousands)	Fair value at September 30, 2023	Valuation technique	Range		
			Unobservable inputs	of inputs applied	Weighted-average inputs applied
Nonrecurring Measurements					
Foreclosed and repossessed assets	\$ 1,609	Third party appraisal	Marketability discount	0.0 - 5.6 %	1.1 %

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	Fair value at	Valuation	Unobservable	Range	Weighted-average
(dollars in thousands)	June 30, 2023	technique	inputs	of inputs applied	inputs applied
Nonrecurring Measurements					
Foreclosed and repossessed assets	\$ 1,472	Third party appraisal	Marketability discount	14.9 - 14.9 %	14.9 %

Fair Value of Financial Instruments. The following table presents estimated fair values of the Company's financial instruments not reported at fair value and the level within the fair value hierarchy in which the fair value measurements fell at September 30, 2023 and June 30, 2023.

	September 30, 2023				
	Quoted Prices				
	Carrying Amount	Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Inputs (Level 3)	Unobservable
Financial assets					
Cash and cash equivalents	\$ 88,193	\$ 88,193	\$ —	\$ —	—
Interest-bearing time deposits	987	—	987	—	—
Stock in FHLB	10,900	—	10,900	—	—
Stock in Federal Reserve Bank of St. Louis	9,060	—	9,060	—	—
Loans receivable, net	3,650,557	—	—	3,408,166	—
Accrued interest receivable	23,642	—	23,642	—	—
Financial liabilities					
Deposits	3,841,126	2,562,664	—	1,263,342	—
Advances from FHLB	114,026	—	111,439	—	—
Accrued interest payable	7,101	—	7,101	—	—
Subordinated debt	23,118	—	—	20,845	—
Unrecognized financial instruments (net of contract amount)					
Commitments to originate loans	—	—	—	—	—
Letters of credit	—	—	—	—	—
Lines of credit	—	—	—	—	—

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Fair Value of Financial Instruments. The following table presents estimated fair values of the Company's financial instruments not reported at fair value and the level within the fair value hierarchy in which the fair value measurements fell at March 31, 2023 and June 30, 2022.

March 31, 2023						
(dollars in thousands)	Quoted Prices					
	in Active		Significant		Unobservable	
	Carrying Amount	Markets for Identical Assets (Level 1)	Significant Other (Level 2)	Observable Inputs	Inputs (Level 3)	
Financial assets						
Cash and cash equivalents	\$ 114,540	\$ 114,540	\$ —	\$ —	\$ —	
Interest-bearing time deposits	1,251	—	1,251	—	—	
Stock in FHLB	7,855	—	7,855	—	—	
Stock in Federal Reserve Bank of St. Louis	8,491	—	8,491	—	—	
Loans receivable, net	3,434,519	—	—	—	3,272,957	
Accrued interest receivable	16,372	—	16,372	—	—	
Financial liabilities						
Deposits	3,755,193	2,801,811	—	—	941,690	
Advances from FHLB	45,002	—	44,088	—	—	
Accrued interest payable	3,721	—	3,721	—	—	
Subordinated debt	23,092	—	—	—	20,345	
Unrecognized financial instruments (net of contract amount)						
Commitments to originate loans	—	—	—	—	—	
Letters of credit	—	—	—	—	—	
Lines of credit	—	—	—	—	—	

June 30, 2022						
(dollars in thousands)	Quoted Prices					
	in Active		Significant		Unobservable	
	Carrying Amount	Markets for Identical Assets (Level 1)	Significant Other (Level 2)	Observable Inputs	Inputs (Level 3)	
Financial assets						
Cash and cash equivalents	\$ 86,792	\$ 86,792	\$ —	\$ —	\$ —	
Interest-bearing time deposits	4,768	—	4,768	—	—	
Stock in FHLB	5,893	—	5,893	—	—	
Stock in Federal Reserve Bank of St. Louis	5,790	—	5,790	—	—	
Loans receivable, net	2,686,198	—	—	—	2,655,882	
Accrued interest receivable	11,052	—	11,052	—	—	
Financial liabilities						
Deposits	2,815,075	2,176,444	—	—	637,163	
Advances from FHLB	37,957	—	35,916	—	—	
Accrued interest payable	801	—	801	—	—	
Subordinated debt	23,055	—	—	—	22,070	
Unrecognized financial instruments (net of contract amount)						
Commitments to originate loans	—	—	—	—	—	
Letters of credit	—	—	—	—	—	
Lines of credit	—	—	—	—	—	

Note 12: Business Combinations

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(dollars in thousands)	June 30, 2023				
	Quoted Prices				
	in Active		Significant		
	Markets for		Significant	Other	Unobservable
	Carrying		Identical Assets		Inputs
	Amount		(Level 1)		(Level 3)
Financial assets					
Cash and cash equivalents	\$ 53,979	\$ 53,979	\$ —	\$ —	\$ —
Interest-bearing time deposits	1,242	—	1,242	—	—
Stock in FHLB	11,540	—	11,540	—	—
Stock in Federal Reserve Bank of St. Louis	9,061	—	9,061	—	—
Loans receivable, net	3,571,078	—	—	3,393,791	—
Accrued interest receivable	18,871	—	18,871	—	—
Financial liabilities					
Deposits	3,725,540	2,661,479	—	1,053,650	—
Advances from FHLB	133,514	—	131,821	—	—
Accrued interest payable	4,723	—	4,723	—	—
Subordinated debt	23,105	—	—	20,318	—
Unrecognized financial instruments (net of contract amount)					
Commitments to originate loans	—	—	—	—	—
Letters of credit	—	—	—	—	—
Lines of credit	—	—	—	—	—

[Note 12: Business Combinations](#)

On January 20, 2023, the Company completed its acquisition of Citizens Bancshares, Co., Kansas City, Missouri ("Citizens"), and its wholly owned subsidiary, Citizens Bank and Trust Company, in a stock and cash transaction. In late February 2023, the Company merged Citizens Bank and Trust Company with and into Southern Bank, coincident to the data systems conversion. For the three- and nine- month three-month periods ended **March 31, 2023, September 30, 2023 and 2022**, the Company incurred **\$3.3 million \$125,000 and \$4.1 million \$134,000** respectively, of third-party acquisition-related costs, included in noninterest expense in the Company's condensed consolidated statements of income.

Under the acquisition method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired based on their estimated fair values on the date of the acquisition. Based on preliminary valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, the purchase price for the Citizens acquisition is detailed in the following table. If, prior to the end of the one-year measurement period for finalizing the purchase price allocation, information becomes available about facts and circumstances that existed as of the acquisition date, which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

Citizens Bancshares Company
Fair Value of Consideration Transferred
(dollars in thousands)
Cash
\$ 32,522
Common stock, at fair value
98,280
Total consideration
<u>\$ 130,802</u>
Recognized amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	\$	243,225
Investment securities		226,451
Loans		447,388
Premises and equipment		23,430
BOLI		21,733
Identifiable intangible assets		24,645
Miscellaneous other assets		7,596
Deposits		(851,140)
Securities sold under agreements to repurchase		(27,629)
Miscellaneous other liabilities		(8,266)
Total identifiable net assets		<u>107,433</u>
Goodwill	\$	<u>23,369</u>

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Citizens Bancshares Company		
Fair Value of Consideration Transferred		
(dollars in thousands)		
Cash	\$	34,889
Common stock, at fair value		98,280
Total consideration	\$	<u>133,169</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	\$	243,225
Investment securities		226,497
Loans		447,388
Premises and equipment		23,430
BOLI		21,733
Identifiable intangible assets		24,645
Miscellaneous other assets		9,366
Deposits		(851,140)
Securities sold under agreements to repurchase		(27,629)
Miscellaneous other liabilities		(7,784)
Total identifiable net assets		<u>109,731</u>
Goodwill	\$	<u>23,438</u>

Of the total purchase price, \$22.1 million was allocated to core deposit intangible, and will be amortized over ten years on a straight line basis, \$2.5 million \$2.6 million was allocated to the intangible related to the acquired trust intangible and wealth management business line and will be amortized over ten years on a straight line basis, and \$23.4 million was allocated to goodwill. None of the purchase price is deductible. Goodwill is attributable to synergies and economies of scale expected from combining the operations of the Bank and Citizens Bank. To the extent that management revises any of the fair value of the above fair value adjustments as a result of continuing evaluation, the amount of goodwill recorded in the acquisition merger will change.

The Company acquired the \$461.5 million loan portfolio at an estimated fair value discount of \$14.1 million. The excess of expected cash flows above the fair value of the performing portion of loans will be accreted to interest income over the remaining lives of the loans in accordance with ASC 310-30. Loans acquired that were not subject to guidance relating to PCD loans include loans with a fair value of \$419.5 million and gross contractual amounts receivable of \$520.0 million at the date of acquisition. Management identified 48 PCD loans, with a book balance of \$27.5 million, associated with the Citizens acquisition (ASC 310-30).

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The acquired business contributed revenues of \$5.7 million \$6.2 million and earnings of \$1.2 million \$1.7 million for the period from January 20, 2023 July 1, 2023 through March 31, 2023 September 30, 2023. The following unaudited pro forma summaries present consolidated information of the Company as if the business combination had occurred on the first day of each period:

		Pro Forma	
		For the three months ended	
		March 31,	
(dollars in thousands)		2023	2022
Revenue		\$ 43,232	\$ 40,529
Earnings		\$ 4,103	\$ 11,987

		Pro Forma		Pro Forma	
		For the nine months ended		For the three months ended	
		March 31,		September 30,	
(dollars in thousands)		2023	2022	2023	2022
Revenue		\$ 138,709	\$ 121,128	\$ 41,428	\$ 47,513
Earnings		\$ 35,595	\$ 41,265	\$ 13,151	\$ 14,545

The acquired financial institution was merged with and into Southern Bank simultaneously with the acquisition of Fortune. For the three- and nine- month periods ended March 31, 2023, the Company incurred \$0 and \$45,000, respectively, compared to \$1.1 million and \$1.3 million in the same periods of the prior fiscal year, of third-party acquisition-related costs, included in noninterest expense in the Company's condensed consolidated statements of income.

Fortune Financial Corporation
Fair Value of Consideration Transferred
(dollars in thousands)
Cash \$ 12,664
Common stock, at fair value 22,884
Total consideration \$ 35,548
Recognized amounts of identifiable assets acquired and liabilities assumed
Cash and cash equivalents \$ 34,280
Interest bearing time deposits 2,300

Loans	202,053
Premises and equipment	7,690
BOLI	3,720
Identifiable intangible assets	1,602
Miscellaneous other assets	3,512
Deposits	(213,670)
FHLB Advances	(9,681)
Subordinated debt	(7,800)
Miscellaneous other liabilities	(1,214)
Total identifiable net assets	22,792

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Goodwill	\$ 12,756
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Of the total purchase price, \$1.6 million was allocated to core deposit intangible, and will be amortized over seven years on a straight line basis. Additionally, \$12.8 million was allocated to goodwill, and none of the purchase price is deductible. Goodwill is attributable to synergies and economies of scale expected from combining the operations of the Bank and Fortune. To the extent that management revises any of the fair value of the above fair value adjustments as a result of continuing evaluation, the amount of goodwill recorded in the acquisition will change.

The Company acquired the \$204.1 million loan portfolio at an estimated fair value discount of \$2.1 million. The excess of expected cash flows above the fair value of the performing portion of loans will be accreted to interest income over the remaining lives of the loans in accordance with ASC 310-30. Loans acquired that were not subject to guidance relating to PCD loans include loans with a fair value and gross contractual amounts receivable of \$187.0 million and \$211.0 million at the date of acquisition. Management identified 31 PCD loans, with a book balance of \$15.1 million, associated with the Fortune acquisition (ASC 310-30).

On December 15, 2021, the Company completed its acquisition of the Cairo, Illinois, branch of First National Bank, Oldham, South Dakota. The deal resulted in Southern Bank relocating its facility from its prior location to the First National Bank location in Cairo. The Company views the acquisition and updates to the new facility as an expression of its continuing commitment to the Cairo community. For the three- and nine-month periods ended March 31, 2023, the Company incurred no third-party acquisition-related costs, compared to \$26,000 and \$50,000, respectively, in the same periods of the prior fiscal year.

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Based on valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, the purchase price for the Cairo acquisition is detailed in the following table.

First National Bank - Cairo Branch**Fair Value of Consideration Transferred***(dollars in thousands)*

Cash	\$	(26,932)
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	\$	220
Loans		408
Premises and equipment		468
Identifiable intangible assets		168
Miscellaneous other assets		1
Deposits		(28,540)
Miscellaneous other liabilities		(99)
Total identifiable net liabilities		<u>(27,374)</u>
Goodwill	\$	<u>442</u>

Of the total purchase price, \$168,000 was allocated to core deposit intangible, and will be amortized over seven years on a straight line basis. Additionally, \$442,000 was allocated to goodwill, and none of the purchase price is deductible. Goodwill is attributable to synergies and economies of scale expected from combining the operations of the Southern Bank existing facility with the acquired Cairo branch.

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[Table of Contents](#)**PART I: Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations****SOUTHERN MISSOURI BANCORP, INC.****General**

Southern Missouri Bancorp, Inc. (Southern Missouri or Company) is a Missouri corporation and owns all of the outstanding stock of Southern Bank (the Bank). The Company's earnings are primarily dependent on the operations of the Bank. As a result, the following discussion relates primarily to the operations of the Bank. The Bank's deposit accounts are generally insured up to a maximum of \$250,000 by the Deposit Insurance Fund (DIF), which is administered by the Federal Deposit Insurance Corporation (FDIC). At **March 31, 2023** **September 30, 2023**, the Bank operated from its headquarters, 62 full-service branch offices, and **two** **three** limited-service branch offices. The Bank owns the office building and related land in which its headquarters are located, and 58 of its other branch offices. The remaining **six** **seven** branches are either leased or partially owned.

The significant accounting policies followed by Southern Missouri and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments, which are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported, have been included in the accompanying **condensed** consolidated condensed financial statements.

The condensed consolidated balance sheet of the Company as of **June 30, 2022** **June 30, 2023**, has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been

condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission.

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes. The following discussion reviews the Company's condensed consolidated financial condition at **March 31, 2023** **September 30, 2023**, and results of operations for the **three-and nine- month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022.

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 may 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 intentions of management and are not guarantees of future performance. The important factors we discuss below, as well as other factors discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and identified in this filing and 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:

- potential adverse impacts to the remaining effects of the COVID-19 pandemic on general economic conditions, either nationally or in the Company's local market areas, other markets where the Company has and lending relationships, or other aspects of the Company's business operations or financial markets, generally, resulting from the continuing COVID-19 pandemic and any governmental or societal responses thereto; areas;

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- expected cost savings, synergies and other benefits from our merger and acquisition activities, including our ongoing and recently completed acquisitions, might not be realized within the anticipated time frames, to the extent anticipated, or at all, and costs or difficulties relating to integration matters, including but not limited to

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customer and employee retention and labor shortages, might be greater than expected; expected and goodwill impairment charges might be incurred;

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations, including unemployment levels and labor shortages; operations;
- fluctuations in interest rates and inflation, including the effects of a potential recession whether caused by Federal Reserve actions or otherwise or slowed economic growth caused by changes in oil prices or supply chain disruptions;
- monetary and fiscal policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the U.S. Government and other governmental initiatives affecting the financial services industry;

- the impact of bank failures or adverse developments at other banks and related negative press about the banking industry in general on investor and depositor sentiment;
- 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 and maintain sufficient liquidity;
- 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;
- fluctuations in real estate values and both residential and commercial real estate markets, as well as agricultural business conditions;
- demand for loans and ~~deposits in our market area~~; deposits;
- legislative or regulatory changes that adversely affect our business;
- ~~the transition from LIBOR to new interest rate benchmarks; natural disasters, war, terrorist activities or civil unrest and their effects on economic and business environments in which the Company operates;~~
- changes in accounting principles, policies, or guidelines;
- results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require ~~us~~ to an increase in our reserve for loan losses or ~~to a~~ write-down of assets;
- the impact of technological changes; and
- our success at managing the risks involved in the foregoing.

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.

Critical Accounting Policies

Accounting principles generally accepted in the United States of America are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of the Company must use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a

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complete discussion of the Company's significant accounting policies, see "Notes to the Consolidated Financial Statements" in the Company's ~~2022~~ 2023 Annual Report on Form ~~10-k~~ 10-K. Certain policies are considered critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the financial statements. Management has reviewed the application of these policies with the Audit Committee of the Company's Board of Directors. For a discussion of applying critical accounting policies, see "Critical Accounting Policies and Estimates" beginning on page ~~62~~ 64 in the Company's ~~2022~~ 2023 Annual Report.

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COVID-19 Pandemic Response

During the global pandemic that took center stage during the past three years, the Company continued to serve our communities and our customers. The Company continues to actively monitor and respond to any remaining effects of the COVID-19 pandemic.

General operating conditions. From the initial onset of the pandemic in March, 2020, the Company worked to increase our telework capabilities, and we had as many as 10-15% of our team members working remotely during the height of the pandemic either on a regular or rotating basis. The Company chose not to extend beyond March 31, 2021, the additional leave provisions (over and above the Company's standard paid time off policy) provided for under the Families First Coronavirus Response Act (the FFCRA) or the CARES Act. The operations of the Company's internal controls have not been significantly impacted by changes in our work environment.

SBA Paycheck Protection Program Lending. In the first and second rounds of funding made available through the Small Business Administration's Paycheck Protection Program (PPP), the Company originated just over 3,200 loans totaling \$197.2 million through the program's expiration on May 31, 2021. The Company has made substantial progress in processing and receiving approval from the SBA for applications by borrowers for forgiveness, and as of March 31, 2023, total PPP loans outstanding were reduced to \$642,000.

Deferrals and modifications. In the months following the onset of the pandemic, the Company adhered to regulatory guidance encouraging financial institutions to work with borrowers affected by the pandemic to defer or temporarily modify payment arrangements. Under the CARES Act and subsequent legislation, in instances where the borrower was otherwise current and performing prior to the pandemic, the Company was permitted the option of temporarily suspending certain requirements under U.S. GAAP related to troubled debt restructurings (TDRs). As of June 30, 2020, the Company had provided such relief for approximately 900 loans totaling \$380.2 million. As of June 30, 2021, the number of such modifications was reduced to six loans with balances totaling \$23.9 million. At its January 1, 2022 expiration, the CARES Act was not further extended; therefore, the provisions to temporarily suspend certain requirements under U.S. GAAP as related to TDRs were no longer available. For more information regarding these deferrals and modifications, see discussion included in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations (specifically: Financial Condition, Allowance for Credit Losses).

Executive Summary

Our results of operations depend primarily on our net interest margin, which is directly impacted by the interest rate environment. The net interest margin represents interest income earned on interest-earning assets (primarily real estate loans, commercial and agricultural loans, and the investment portfolio), less interest expense paid on interest-bearing liabilities (primarily interest-bearing transaction accounts, certificates of deposit, savings and money market deposit accounts, and borrowed funds), as a percentage of average interest-earning assets. Net interest margin is directly impacted by the spread between long-term interest rates and short-term interest rates, as our interest-earning assets, particularly those with initial terms to maturity or repricing greater than one year, generally price off longer term rates while our interest-bearing liabilities generally price off shorter term interest rates. This difference in longer term and shorter term interest rates is often referred to as the steepness of the yield curve. A steep yield curve – in which the difference in interest rates between short term and long term periods is relatively large – could be beneficial to our net interest income, as the interest rate spread between our interest-earning assets and interest-bearing liabilities would be larger. Conversely, a flat or flattening yield curve, in which the difference in rates between short term and long term periods is relatively small or shrinking, or an inverted yield curve, in which short term rates exceed long term rates, could have an adverse impact on our net interest income, as our interest rate spread could decrease.

Our results of operations may also be affected significantly by general and local economic and competitive conditions, particularly those with respect to changes in market interest rates, government policies and actions of regulatory authorities.

During the first **nine** **three** months of fiscal **2023**, **2024**, total assets increased by **\$1.1 billion** **\$109.8 million**. The increase was primarily attributable to an increase in loans, net of the **Citizens** merger, and in total reflected increases in net loans receivable, available-for-sale securities, intangible assets, and other assets. Cash equivalents and time deposits increased allowance for credit losses (ACL), partially offset by a **combined \$24.2 million**; decrease in AFS securities. AFS securities

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increased **\$194.4 million** decreased **\$12.4 million**; and loans, net of the ACL, increased **\$748.3 million** **\$79.5 million**. Liabilities increased **\$962 million** **\$102.0 million**, including an increase in as deposits of **\$940.2 million**, increased **\$115.6 million** and advances from the Federal Home

Loan Bank (FHLB) increased \$7.0 million decreased \$19.5 million. Equity increased \$115.9 million \$7.9 million, attributable primarily to \$98.3 million in equity issued to Citizens shareholders, as well as earnings retained after cash dividends paid, partially offset by a slight \$3.3 million increase in accumulated other comprehensive loss as the market value of the Company's investments declined due to increases in market interest rates. For more information, see "Comparison of Financial Condition at September 30, 2023 and June 30, 2023."

Net income for the first nine three months of fiscal 2023 2024 was \$23.7 million \$13.2 million, a decrease an increase of \$10.4 million \$3.5 million, or 30.5% 36.9% as compared to the same period of the prior fiscal year. Compared to the year-ago period, the Company's decrease increase in net income was attributable to increases an increase in net interest income and a decrease in provision for credit losses, and noninterest expense, partially offset by increases in net interest income noninterest expense and noninterest income, and a decrease in provision for income taxes. Diluted net income was \$2.41 \$1.16 per common share for the first nine three months of fiscal 2023, 2024, as compared to \$3.80 \$1.04 per common share for the same period of the prior fiscal year. For the first nine three months of fiscal 2023, 2024, as compared to the same period of the prior fiscal year, net interest income increased \$14.7 million \$6.9 million, or 19.4% 24.2%; provision for credit losses ("PCL") increased from \$1.2 million to \$16.3 million PCL decreased \$4.2 million, or 82.2%; noninterest income increased \$2.6 million, \$339,000, or 17.4% 6.1%; noninterest expense increased \$15.5 million \$6.8 million, or 33.7% 40.1%; and provision for income tax decreased \$2.8 million increased \$1.0 million, or 31.2% 42.7%. For more information see "Results of Operations."

Interest rates during the first nine three months of fiscal 2023 2024 remained volatile and moved higher, while the yield curve further remained inverted, with shorter-term obligations yielding more than longer-term obligations. While During the quarter, however, the curve's inversion began to reverse somewhat, due to the yield increases on the long end of the curve. The Federal Reserve's Open Market Committee (FOMC) has raised short-term rates significantly since March 2022, and market expectations for economic growth stability over the next several years have has become pessimistic more optimistic. At March 31, 2023 September 30, 2023, as compared to June 30, 2022 June 30, 2023, the yield on three-month treasuries increased from 1.72% to 4.85%; the yield on two-year treasuries increased from 2.92% 4.90% to 4.06% 5.05%; the yield on five-year five-

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year treasuries increased from 3.01% 4.16% to 3.60% 4.62%; the yield on ten-year treasuries increased from 2.98% 3.84% to 3.48% 4.58%; and the yield on 30-year treasuries increased from 3.14% 3.86% to 3.67% 4.71%.

As compared to the first nine three months of the prior fiscal year, our average yield on earning assets increased by 54 117 basis points, primarily attributable to increases in the market interest rates at which earning assets were originated, acquired, or renewed, as well as a shift in the earning asset mix to loans receivable from cash and cash equivalents from year-ago levels. Our average cost of interest-bearing liabilities increased by 94 171 basis points, as the Company increased offering rates on nonmaturity accounts and maturing time deposits to maintain grow funding in a more competitive environment. Brokered Special deposit rates and some brokered CD funding was utilized to reduce the Company's overnight borrowing position resulting from deposit growth outpacing loan growth, outpacing deposit growth, but the average balance of FHLB advances were was higher for the current period and contributed to the increased cost of interest-bearing liabilities. Higher market rates reflected the policy of the FOMC, which has increased overnight funding rates and began a "quantitative tightening" program to reverse some of the excess additional reserves placed into the financial system since March 2020. (See "Results of Operations: Comparison of the nine-month three-month periods ended March 31, 2023 September 30, 2023 and 2022 – Net Interest Income".) The rapid increase in the level of short-term market interest rates, along with the magnitude of the yield curve inversion is concerning, as our cost of funds could increase has increased at a faster pace than our asset yields over yields. This trend could continue in the near term.

As PPP loan forgiveness declined, term, but the Company's accretion of interest income from deferred origination fees recent increase in yields on these loans was reduced to \$44,000 for the first nine months long end of the fiscal year, which impacted net interest margin by less than one basis point, compared to \$3.2 million in the same period a year ago, which impacted net interest margin by 13 basis points. curve could benefit yields for newly-originated or renewed assets.

The Company's net income is also affected by the level of its noninterest income and noninterest expenses. Noninterest income generally consists primarily of deposit account service charges, bank card interchange income, loan-related fees, earnings on bank-owned life insurance, gains on sales of loans, and other general operating income. Noninterest expenses consist primarily of compensation and employee benefits, occupancy-related expenses, deposit insurance assessments, professional fees, advertising, postage and office expenses, insurance, the amortization of intangible assets, and other general operating expenses.

The Company's noninterest income for the **nine-month** **three-month** period ended **March 31, 2023** **September 30, 2023**, was **\$17.3 million** **\$5.9 million**, an increase **\$2.6 million**, of **\$339,000**, or **17.4%** **6.1%**, as compared to the same period of the prior fiscal year. In the current period, increases in **deposit**

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account service charges, bank card interchange income, other loan fees, loan servicing fees, earnings on bank owned life insurance, and other income the addition of trust and wealth management services from the Citizens merger were partially offset by a decrease decreases in gains realized on the sale of residential real estate loans originated for that purpose. The increase in purpose, loan servicing fees, and other income was attributable loan fees. Interchange revenue has increased as compared to a gain on the sale of fixed assets of \$317,000 as the Company sold previously acquired properties not currently being utilized as banking facilities, trust management services income, and the sale of the guaranty portion of newly originated government-guaranteed loans. These increases were partially offset by the inclusion in the year ago period due to the increased customer base as a result of a non-recurring benefit of \$278,000 recognized on the Company's exit Citizens merger. Fee income from a renewable energy tax credit partnership. Origination the origination of residential real estate loans for sale on the secondary market was down **65.1%** **52%** as compared to the year ago period, as both refinancing and purchase activity declined due to the increase in market interest rates, resulting in a decrease to both gains on sale of these loans and recognition of new mortgage servicing rights, partially offset by income from the servicing and gain on sale of the guaranty portion of government-guaranteed loans, rights.

Noninterest expense for the **nine-month** **three-month** period ended **March 31, 2023** **September 30, 2023**, was **\$61.6 million** **\$23.7 million**, an increase of **\$15.5 million** **\$6.8 million**, or **33.7%** **40.1%**, as compared to the same period of the prior fiscal year. In the current quarter, this increase was attributable primarily to increases in compensation and benefits, legal and professional data processing fees, occupancy expenses, data processing other noninterest expenses, amortization of core deposit intangibles, and intangible amortization. The increase in compensation and benefits as compared to the prior year period was primarily due to increased headcount resulting from the Citizen merger, an increase in legacy employee headcount, as well as annual merit increases. Occupancy expenses increased primarily due to facilities added through the Citizens merger, and other equipment purchases. Other noninterest expenses increased primarily due to expenses related to the increase in FDIC deposit insurance premiums and other noninterest expenses, and was partially offset by decreases electronic banking expenses. Intangible amortization also increased due to the Citizen merger adding an additional \$616,000 in foreclosed property expenses, intangible amortization expense. Charges related to merger and acquisition activities totaled **\$4.1** **\$134,000** in the current fiscal year, period, reflected in data processing, and legal and professional fees. In the year ago period, fourth quarter of 2023, the linked quarter, similar charges totaled **\$1.3 million** **\$829,000**.

We expect, over time, to continue to grow our assets through the origination and occasional purchase of loans, and purchases of investment securities. The primary funding for this asset growth is expected to come from retail deposits, brokered funding, and short- and long-term FHLB borrowings. We have grown and intend to continue to grow deposits by offering desirable deposit products for our current customers and by attracting new depository relationships. We will also continue to explore strategic expansion opportunities in market areas that we believe will be attractive to our business model.

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Comparison of Financial Condition at March 31, 2023 September 30, 2023 and June 30, 2022 June 30, 2023

The Company experienced balance sheet growth in the first **nine** three months of fiscal **2023**, 2024, with total assets of **\$4.3 billion** **\$4.5 billion** at **March 31, 2023** **September 30, 2023**, reflecting an increase of **\$1.1 billion** **\$109.8 million**, or **33.5%** **2.5%**, as compared to **June 30, 2022** **June 30, 2023**. Growth was attributable in large part to the Citizens merger and in total primarily reflected an increase in cash and cash equivalents, available-for-sale securities, net loans receivable and intangible assets, cash and cash equivalents.

Cash equivalents and time deposits were a combined **\$115.8 million** **\$89.2 million** at **March 31, 2023** **September 30, 2023**, an increase of **\$24.2 million** **\$34.0 million**, or **26.5%** **61.5%**, as compared to **June 30, 2022** **June 30, 2023**. The increase was primarily a result of the Citizens acquisition, partially offset by loan growth. AFS securities were **\$429.8 million** **\$405.2 million** at **March 31, 2023** **September 30, 2023**, up **\$194.4 million** down **\$12.4 million**, or **82.6%** **3.0%**, as compared to **June 30, 2022** **June 30, 2023**, primarily as a result of the Citizens acquisition, attributable to normal principal repayments.

Loans, net of the allowance for credit losses ("ACL"), were **\$3.4 billion** **\$3.7 billion** at **March 31, 2023** **September 30, 2023**, an increase of **\$748 million** increasing by **\$79.5 million**, or **27.9%** **2.2%**, as compared to **June 30, 2022** **June 30, 2023**. Gross loans increased by **\$760.8 million**, while the ACL attributable to outstanding loan balances increased **\$12.5 million**, or **37.6%**, as compared to June 30, 2022. An increase of **\$447.4 million** in loan balances was attributable to the Citizens acquisition with the rest attributable to legacy. The Company noted growth in residential and commercial real estate loans, drawn construction loan balances, commercial loans, and a modest contribution from consumer commercial loans. Residential real estate loan balances increased primarily due to growth in multi-family loans. Commercial real estate balances increased primarily from an increase in loans secured by nonresidential structures, along with little changed as growth in loans secured by farmland, single family residences were offset by a decline in land only loans. loans secured by multifamily property. Commercial construction loan balances increased due to increases as the Company experienced seasonal draws on agriculture lines and modest growth in drawn balances, with nonowner-occupied nonresidential real estate and multi-family residential real estate representing the majority of the increase in drawn balances. The increase in commercial loans was attributable to commercial and industrial loans, partially offset by decreases in agricultural loans. Total remaining PPP balances at March 31, 2023, were \$642,000, while unrecognized deferred fee income on these loans was immaterial.

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Loans anticipated to fund in the next 90 days totaled **\$164.4 million** **\$158.2 million** at **March 31, 2023** **September 30, 2023**, as compared to **\$235.0 million** **\$134.8 million** at **June 30, 2022** **June 30, 2023**, and **\$181.9 million** **\$229.6 million** at **March 31, 2022** **September 30, 2022**.

The Bank's concentration in non-owner occupied commercial real estate was approximately **\$1.5 billion**, or **334%** of regulatory capital, as defined, at March 31, 2023, as compared to **299%** one year ago, representing **42%** of total loans at March 31, 2023. Multi-family residential real estate totaled **\$395.0 million**, or **11.3%** of total loans, hotels/motels totaled **\$123.9 million**, or **3.5%** of total loans, and retail stand-alone and strip centers totaled **\$173.5 million**, or **5.0%** of total loans, and represent the most common collateral types within the non-owner occupied commercial real estate portfolio. The multi-family residential real estate portfolio commonly includes loans collateralized by properties currently in the low-income housing tax credit (LIHTC) program or having exited the program. Hotels/motels and retail stand-alone segments include primarily franchised businesses, and the strip centers can be defined as non-mall shopping centers with a variety of tenants. Office property types totaled **\$33.5 million**, or **0.96%** of total loans at March 31, 2023, and are comprised, in general, of smaller spaces with diverse tenants. The Company continues to monitor this concentration and the individual segments closely.

Deposits were \$3.8 billion at **March 31, 2023** **September 30, 2023**, an increase of **\$940.2 million** **\$115.6 million**, or **33.4%** **3.1%**, as compared to **June 30, 2022** **June 30, 2023**. The deposit portfolio saw **fiscal year-to-date** increases in certificates of deposit **interest-bearing transaction** and savings accounts, **money market deposit accounts**, as customer willingness to move balances into time deposits continued to increase in the higher rate environment, and **noninterest bearing transaction accounts**, primarily as a result of depositors responded to special rates offered during the **Citizens merger**. Public unit balances totaled **\$636.6 million** **\$544.9 million** at **March 31, 2023** **September 30, 2023**, a decrease of **\$33.7 million** compared to June 30, 2023. Brokered deposits totaled **\$223.0 million** at September 30, 2023, an increase of **\$163.4 million** **\$63.3 million** compared to June 30, 2022, and as compared to **\$524.0 million** at December 31, 2022 **June 30, 2023**. The average loan-to-deposit ratio for the **third first** quarter of fiscal **2023** **2024** was **91.2%** **96.3%**, as compared to **91.3%** **97.1%** for the **same period of the prior** fiscal year. Uninsured deposits, excluding public unit funds which are collateralized, were estimated at 14% of total deposits as of March 31, 2023. In addition to the \$250,000 of insurance available to depositors through the FDIC, Southern Bank also provides its customers an opportunity to obtain FDIC insurance on balances up to \$150 million per depositor through the Insured Cash Sweep ("ICS") program offered by IntraFi Network, LLC. **linked quarter**.

FHLB advances were **\$45.0 million** **\$114.0 million** at **March 31, 2023** **September 30, 2023**, an increase of **\$7.0 million**, or 18.6%, as compared to **June 30, 2022**, and a decrease of **\$16.5 million** **\$19.5 million**, or 14.6%, from **December 31, 2022** **June 30, 2023**, the **linked quarter**, as the Company utilized **cash acquired in the Citizens merger** deposit growth to **partially fund loan growth**. There were **no repay all** **FHLB** overnight borrowings or short-term repo balances at **March 31, 2023**, outstanding as of the prior fiscal year end.

The Company's stockholders' equity was **\$436.6 million** **\$453.9 million** at **March 31, 2023** **September 30, 2023**, an increase of **\$115.9 million** **\$7.9 million**, or **36.1%** **1.8%**, as compared to **June 30, 2022** **June 30, 2023**. The increase was attributable primarily to **\$98.3 million** in **equity issued to Citizens shareholders**, as well as **earnings retained after cash dividends paid**, partially offset by a **slight modest** increase in accumulated other comprehensive losses ("AOCL") as the market value of the Company's investments declined due to increases in market interest rates. The AOCL increased from **\$17.5 million** **\$21.9 million** at **June 30, 2022** **June 30, 2023**, to **\$18.1 million** **\$25.2 million** at **March 31, 2023** **September 30, 2023**. The Company does not hold any securities classified as held-to-maturity.

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[Average Balance Sheet, Interest, and Average Yields and Rates for the Three- and Nine- Month Three-Month Periods Ended](#)

[March 31, September 30, 2023 and 2022](#)

The **table** below presents certain information regarding our financial condition and net interest income for the **three- and nine-month** **three-month** periods ended **March 31, 2023** **September 30, 2023** and 2022. The table presents the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. Yields on tax-exempt obligations were not computed on a tax equivalent basis.

(dollars in thousands)	Three-month period ended											
	March 31, 2023			March 31, 2022			September 30, 2023			September 30, 2022		
	Average Balance	Interest and Dividends	Yield/ Cost (%)	Average Balance	Interest and Dividends	Yield/ Cost (%)	Average Balance	Interest and Dividends	Yield/ Cost (%)	Average Balance	Interest and Dividends	Yield/ Cost (%)
Interest-earning assets:												
Mortgage loans												
(1)	\$2,738,256	\$ 33,740	4.93	\$2,010,318	\$ 22,094	4.40	\$2,937,949	\$ 39,690	5.40	\$2,281,661	\$ 26,116	4.58
Other loans (1)	596,641	9,375	6.29	451,048	4,966	4.40	707,199	13,284	7.51	542,625	7,064	5.21
Total net loans	3,334,897	43,115	5.17	2,461,366	27,060	4.40	3,645,148	52,974	5.81	2,824,286	33,180	4.70
Mortgage-backed securities	294,029	1,652	2.25	149,527	646	1.73	290,113	3,371	4.65	188,645	990	2.10

Investment securities (2)	129,755	2,076	6.40	77,416	524	2.71	172,631	1,713	3.97	83,746	665	3.18
Other interest-earning assets	129,977	1,443	4.55	199,754	109	0.22	5,479	49	3.57	28,192	162	2.29
TOTAL INTEREST-EARNING ASSETS	\$4,158,789	\$ 48,286		\$3,076,612	\$ 28,339		\$4,398,218	\$ 58,107		\$3,313,453	\$ 34,997	
Interest-bearing liabilities:												
Savings accounts	\$ 332,890	\$ 517	0.62	\$ 263,192	\$ 171	0.26	\$ 287,666	\$ 668	0.93	\$ 268,586	\$ 307	0.46
NOW accounts	1,416,933	5,605	1.58	1,137,278	1,288	0.45	1,238,006	5,924	3.64	1,185,648	2,806	0.95
Money market accounts	394,996	2,191	2.22	281,949	213	0.30	457,442	3,399	2.97	327,417	1,098	1.34
Certificates of deposit	901,344	5,392	1.58	591,868	1,199	0.81	1,149,087	10,449	1.91	652,284	1,550	0.95
TOTAL INTEREST-BEARING DEPOSITS	3,046,163	13,705	1.80	2,274,287	2,871	0.50	3,132,201	20,440	2.61	2,433,935	5,761	0.95
Borrowings:												
Securities sold under agreements to repurchase	16,592	213	5.13	—	—	—						
FHLB advances	35,645	206	2.31	39,114	167	1.71	167,836	1,838	4.38	83,265	438	2.10
Junior subordinated debt	23,086	395	6.84	19,170	187	3.90	23,111	435	7.52	23,061	290	5.02
TOTAL INTEREST-BEARING LIABILITIES	3,121,486	14,519	1.86	2,332,571	3,225	0.55	3,323,148	22,713	2.73	2,540,261	6,489	1.02
Noninterest-bearing demand deposits	608,782	—		421,898	—		600,202	—		432,959	—	
Other liabilities	15,718	—		8,345	—		24,555	—		13,283	—	
TOTAL LIABILITIES	3,745,986	14,519		2,762,814	3,225		3,947,905	22,713		2,986,503	6,489	
Stockholders' equity	412,803	—		313,798	—		450,313	—		326,950	—	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$4,158,789	\$ 14,519		\$3,076,612	\$ 3,225		\$4,398,218	\$ 22,713		\$3,313,453	\$ 6,489	
Net interest income		\$ 33,767			\$ 25,114			\$ 35,394			\$ 28,508	
Interest rate spread (4)			3.11 %			3.37 %			2.92 %			3.46 %

Net interest margin					
(5)	3.48 %	3.48 %		3.44 %	3.65 %
Ratio of average interest-earning assets to average interest-bearing liabilities	124.48 %	123.81 %	123.78 %	123.01 %	

(1) Calculated net of deferred loan fees, loan discounts and loans-in-process. Non-accrual loans are not included in average loans.
 (2) Includes FHLB and Federal Reserve Bank of St. Louis membership stock and related cash dividends.
 (3) Includes average balances for fixed assets and BOLI of **\$78.4 million** **\$92.2 million** and **\$65.6 million** **\$71.8 million**, respectively, for the three-month period ended **March 31, 2023** **September 30, 2023**, as compared to **\$67.6 million** **\$70.7 million** and **\$45.8 million** **\$48.8 million**, respectively, for the same period of the prior fiscal year.
 (4) Interest rate spread represents the difference between the average rate on interest-earning assets and the average cost of interest-bearing liabilities.
 (5) Net interest margin represents annualized net interest income divided by average interest-earning assets.

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(dollars in thousands)	Nine- month period ended			Nine- month period ended		
	March 31, 2023			March 31, 2022		
	Average Balance	Interest and Dividends	Yield/ Cost (%)	Average Balance	Interest and Dividends	Yield/ Cost (%)
Interest-earning assets:						
Mortgage loans (1)	\$ 2,486,600	\$ 88,679	4.76	\$ 1,881,354	\$ 66,383	4.70
Other loans (1)	564,178	24,609	5.82	463,846	15,231	4.38
Total net loans	3,050,778	113,288	4.95	2,345,200	81,614	4.64
Mortgage-backed securities	223,304	3,654	2.18	141,756	1,833	1.72
Investment securities (2)	100,441	3,519	4.67	77,232	1,608	2.78
Other interest-earning assets	53,398	1,672	4.17	136,632	239	0.25
TOTAL INTEREST- EARNING ASSETS (1)	3,427,921	122,133	4.75	2,700,820	85,294	4.21
Other noninterest-earning assets (3)	213,767	—	—	177,644	—	—
TOTAL ASSETS	\$ 3,641,688	\$ 122,133		\$ 2,878,464	\$ 85,294	
Interest-bearing liabilities:						
Savings accounts	\$ 285,276	\$ 1,190	0.56	\$ 246,459	\$ 476	0.26
NOW accounts	1,253,592	12,094	1.29	1,031,130	3,606	0.47
Money market accounts	357,777	5,018	1.87	265,109	573	0.29
Certificates of deposit	751,418	9,759	1.73	567,925	3,771	0.89
TOTAL INTEREST- BEARING DEPOSITS	2,648,063	28,061	1.41	2,110,623	8,426	0.53
Borrowings:						
Securities sold under agreements to repurchase	5,531	213	5.13	—	—	—
FHLB advances	101,669	2,300	3.02	44,278	613	1.84
Junior subordinated debt	23,074	1,033	5.97	16,569	447	3.60
TOTAL INTEREST- BEARING LIABILITIES	2,778,337	31,607	1.52	2,171,470	9,486	0.58
Noninterest-bearing demand deposits	493,618	—	—	397,718	—	—

Other liabilities	13,389	—	9,521	—
TOTAL LIABILITIES	3,285,344	31,607	2,578,709	9,486
Stockholders' equity	356,344	—	299,755	—
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,641,688	\$ 31,607	\$ 2,878,464	\$ 9,486
Net interest income	\$ 90,526	—	\$ 75,808	—
Interest rate spread (4)	—	3.32 %	—	3.63 %
Net interest margin (5)	—	3.52 %	—	3.74 %
Ratio of average interest-earning assets to average interest-bearing liabilities	123.38 %	—	124.38 %	—

(1) Calculated net of deferred loan fees, loan discounts and loans-in-process. Non-accrual loans are not included in average loans.

(2) Includes FHLB and Federal Reserve Bank of St. Louis membership stock and related cash dividends.

(3) Includes average balances for fixed assets and BOLI of \$73.1 million and \$54.5 million, respectively, for the nine-month period ended March 31, 2023, as compared to \$66.0 million and \$44.6 million, respectively, for the same period of the prior fiscal year.

(4) Interest rate spread represents the difference between the average rate on interest-earning assets and the average cost of interest-bearing liabilities.

(5) Net interest margin represents annualized net interest income divided by average interest-earning assets.

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Rate/Volume Analysis

The following tables set forth the effects of changing rates and volumes on the Company's net interest income for the three- and nine- month periods three-month period ended **March 31, 2023** September 30, 2023, compared to the three- and nine- month periods three-month period ended **March 31, 2022** September 30, 2022. Information is provided with respect to (i) effects on interest income and expense attributable to changes in volume (changes in volume multiplied by the prior rate), (ii) effects on interest income and expense attributable to change in rate (changes in rate multiplied by prior volume), and (iii) changes in rate/volume (change in rate multiplied by change in volume).

Three-month period ended March 31, 2023						
Compared to three-month period ended March 31, 2022						
(dollars in thousands)	Increase (Decrease) Due to					
	Rate/					
	Rate	Volume	Volume	Net		
Interest-earning assets:						
Loans receivable (1)	\$ 4,762	\$ 9,603	\$ 1,690	\$ 16,055		
Mortgage-backed securities	194	625	187	1,006		
Investment securities (2)	715	354	483	1,552		
Other interest-earning deposits	2,161	(40)	(787)	1,334		
Total net change in income on interest-earning assets	7,832	10,542	1,573	19,947		
Interest-bearing liabilities:						
Deposits	7,141	1,074	2,619	10,834		
Securities sold under agreements to repurchase	—	—	213	213		
FHLB advances	141	38	29	208		
Subordinated debt	59	(15)	(5)	39		
Total net change in expense on interest-bearing liabilities	7,341	1,097	2,856	11,294		
Net change in net interest income	\$ 491	\$ 9,445	\$ (1,283)	\$ 8,653		

(1) Does not include interest on loans placed on nonaccrual status.
 (2) Does not include dividends earned on equity securities.

(dollars in thousands)	Nine Months Ended March 31, 2023				Three-month period ended September 30, 2023			
	Compared to nine-month period ended March 31, 2022				Compared to three-month period ended September 30, 2022			
	Increase (Decrease) Due to				Increase (Decrease) Due to			
	Rate	Volume	Volume	Net	Rate	Volume	Volume	Net
Interest-earning assets:								
Loans receivable (1)	\$ 5,712	\$ 24,651	\$ 1,311	\$ 31,674	\$ 7,865	\$ 9,644	\$ 2,285	\$ 19,794
Mortgage-backed securities	487	1,054	280	1,821	1,202	533	646	2,381
Investment securities (2)	1,098	483	330	1,911	165	707	176	1,048
Other interest-earning deposits	4,038	(146)	(2,459)	1,433	90	(130)	(73)	(113)
Total net change in income on interest-earning assets	11,335	26,042	(538)	36,839	9,322	10,754	3,034	23,110
Interest-bearing liabilities:								
Deposits	13,643	2,272	3,720	19,635	8,900	1,762	4,017	14,679
Securities sold under agreements to repurchase	—	—	213	213				
FHLB advances	389	794	504	1,687	474	445	481	1,400
Subordinated debt	294	176	116	586	144	1	—	145
Total net change in expense on interest-bearing liabilities	14,326	3,242	4,553	22,121	9,518	2,208	4,498	16,224
Net change in net interest income	\$ (2,991)	\$ 22,800	\$ (5,091)	\$ 14,718	\$ (196)	\$ 8,546	\$ (1,464)	\$ 6,886

(1) Does not include interest on loans placed on nonaccrual status.
 (2) Does not include dividends earned on equity securities.

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Results of Operations – Comparison of the three-month periods ended **March 31, 2023** **September 30, 2023** and 2022

General. Net income for the **three-month period ended March 31, 2023** first three months of fiscal 2024 was \$13.2 million, was \$2.4 million, a **decrease** **an increase** of \$6.9 million \$3.5 million, or **74.2%** **36.9%**, as compared to the same period of the prior fiscal year. The **decrease** **increase** was attributable primarily to merger-related charges including noninterest expense of \$3.3 million and provision for credit losses on the acquired loan portfolio and off-balance sheet credit exposures totaling \$7.0 million. Inclusive of these non-recurring charges, the **decline** **an increase** in net interest income was the result of increases and a decrease in noninterest expense and the provision for credit losses, partially offset by increases in net interest income noninterest expense and noninterest income, and a decrease in provision for income taxes.

For the three-month period ended **March 31, 2023** **September 30, 2023**, basic and fully-diluted net income per share available to common shareholders was \$0.22 \$1.16 under both measures, as compared to \$1.03 \$1.04 under both measures for the same period of the prior fiscal year, which represented **decreases** **increases** of \$0.81, \$0.12, or **78.6%** **11.5%** under both measures. Our annualized return on average assets for the three-month period ended **March 31, 2023** **September 30, 2023**, was **0.23%** **1.20%**, as compared to **1.22%** **1.16%** for the same period of the prior fiscal year. Our return on average common stockholders' equity for the three-month period ended **March 31, 2023** **September 30, 2023**, was **2.3%** **11.7%**, as compared to **11.9%** **11.7%** in the same period of the prior fiscal year.

Net Interest Income. Net interest income for the three-month period ended **March 31, 2023** **September 30, 2023**, was **\$33.8 million** **\$35.4 million**, an increase of **\$8.7 million** **\$6.9 million**, or **34.5%** **24.2%**, as compared to the same period of the prior fiscal year. The increase was attributable to a **34.5%** **31.6%** increase in the average balance of interest-earning assets in the current three-month period, as compared to the same period a year ago, with no change partially offset by a 21 basis point decrease in net interest margin. As PPP loan forgiveness declined, the Company's accretion of interest income margin from deferred origination fees on these loans was reduced **3.65%** to **\$3,000** in the current quarter, which had no impact on net interest margin, as compared to **\$180,000** in the same quarter a year ago, which added two basis points to the net interest margin in that period. Future accretion of deferred origination fees on PPP loans will be immaterial **3.44%**.

Loan discount accretion and deposit premium amortization related to the Company's **August 2014 acquisition of Peoples Bank of the Ozarks**, the **June 2017 acquisition of Capaha Bank**, the **February 2018 acquisition of Southern Missouri Bank of Marshfield**, the **November 2018 acquisition of First Commercial Bank**, the **May 2020 acquisition of Central Federal Savings & Loan Association**, the **February 2022 merger of Fortune Bank**, and the **January 2023 acquisition of Citizens Bank & Trust** resulted in **\$1.4 million** **\$1.7 million** in net interest income for the three-month period ended **March 31, 2023**, **September 30**.

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2023, as compared to **\$446,000** **\$520,000** in net interest income for the same period a year ago. Combined, this component of net interest income contributed **14** **16** basis points to net interest margin in the three-month period ended **March 31, 2023** **September 30, 2023**, as compared to a **six**-basis **seven** basis point contribution for the same period of the prior fiscal **year**, **year**, and as compared to a **16** basis point contribution in the linked quarter ended **June 30, 2023**, when net interest margin was **3.60%**.

For the three-month period ended **March 31, 2023** **September 30, 2023**, our net interest rate spread, the difference between interest bearing assets and liabilities, was **3.11%** **2.92%**, as compared to **3.37%** **3.46%** in the year-ago period. The decrease in net interest rate spread, compared to the same period a year ago, resulted from a **131** **171** basis point increase in the average cost of interest-bearing liabilities, offset by a **105** compared to only an increase of **117** basis point increase points in the average yield on interest-earning assets. **assets**.

Interest Income. Total interest income for the three-month period ended **March 31, 2023** **September 30, 2023**, was **\$48.3 million** **\$58.1 million**, an increase of **\$19.9 million** **\$23.1 million**, or **70.4%** **66%**, as compared to the same period of the prior fiscal year. The increase was attributed to a **34.5%** **31.6%** increase in the average balance of assets and by a **105** **117** basis point increase in the average yield earned on interest-earning assets, as compared to the same period of the prior fiscal year. Increased average interest-earning balances were attributable primarily to growth in the loan portfolio, mortgage-backed securities and other investment securities, partially offset by decreases in other interest-earning assets, including cash and cash equivalents. The increase in interest-earning asset yield was attributable primarily to an increase in market interest rates.

Interest Expense. Total interest expense for the three-month period ended **March 31, 2023**, was **\$14.5 million**, an increase of **\$11.3 million**, or **350.2%**, as compared to the same period of the prior fiscal year. The increase was attributable to a **131** basis point increase in the average cost of interest-bearing liabilities, combined with a **33.8%** increase in the average balance of interest-bearing liabilities. The increase in the average cost of interest-bearing liabilities was attributable primarily to the increased rates paid on certificates of deposit, nonmaturity deposit accounts, and FHLB advances, while the increased average balance was attributable primarily to growth in interest-bearing nonmaturity deposit accounts and certificates of deposit.

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Provision for Credit Losses. The PCL for the three-month period ended March 31, 2023, was a charge of \$10.1 million, as compared to \$1.6 million in the same period of the prior fiscal year. The ACL required for PCD loans acquired in the Citizens merger was \$1.1 million, and was funded through purchase accounting adjustments, while the ACL required for non-PCD loans acquired in the Citizens merger was \$5.2 million, and was funded through a charge to PCL. Additionally, the allowance for off-balance sheet credit exposures was increased by \$1.8 million due to the Citizens merger, and funded through a charge to PCL. Exclusive of the charges required as a result of the Citizens merger, the Company would have recorded a PCL of approximately \$3.0 million, of which \$1.9 million was attributable to the ACL for outstanding loans, while \$1.1 million was attributable to the allowance for off-balance sheet credit exposures. The Company's assessment of the economic outlook at March 31, 2023, was little changed as compared to the assessment as of June 30, 2022, but improved modestly as compared to the assessment as of December 31, 2022. The Company modestly increased qualitative adjustments attributable to levels and trends of industry past due loans, a consideration in the Company's ACL model. Additionally, the Company modestly increased adjustments related to classified hotel loans that have been slow to recover from the COVID-19 pandemic and the unguaranteed portion of a small pool of SBA loans exhibiting signs of credit stress. As a percentage of average loans outstanding, the Company recorded net charge offs of 0.01% (annualized) during the current period, unchanged from the same period of the prior fiscal year. (See "Critical Accounting Policies", "Allowance for Credit Loss Activity" and "Nonperforming Assets").

Noninterest Income. Noninterest income for the three-month period ended March 31, 2023, was \$6.3 million, an increase of \$1.4 million, or 28.1%, as compared to the same period of the prior fiscal year. In the current quarter, the increase in noninterest income was higher in general due to the inclusion of results from the Citizens operation beginning January 20, 2023, and was attributable to higher deposit account service charges, bank card interchange income, insurance commissions, trust management services income, gains on the sale of the guaranty portion of newly originated government-guaranteed loans, and other income, and was partially offset by a decrease in other loan fees and gains realized on the sale of residential real estate loans originated for that purpose. Origination of residential real estate loans for sale on the secondary market was down 65.1% as compared to the year ago period, as both refinancing and purchase activity declined due to the increase in market interest rates, resulting in a decrease to both gains on sale of these loans and recognition of new mortgage servicing rights, partially offset by income resulting from the servicing of and gain on sale of the guaranty portion of newly originated government-guaranteed loans.

Noninterest Expense. Noninterest expense for the three-month period ended March 31, 2023, was \$27.0 million, an increase of \$10.2 million, or 61.1%, as compared to the same period of the prior fiscal year. In the current quarter, noninterest expense was higher in general due to charges directly related to merger and acquisition activities, which totaled \$3.3 million in the current period, as well as ongoing operating costs of the larger organization beginning January 20, 2023. In total, the increase was attributable primarily to increases in compensation and benefits, legal and professional fees, occupancy expenses, data processing expenses, charges related to foreclosed property, and other noninterest expenses. Direct charges related to merger and acquisition activity were reflected primarily in legal and professional fees, data processing fees (including contract termination and data conversion fees), marketing activities, and other miscellaneous merger operating expenses. In the year ago period, similar charges totaled \$1.1 million. The increase in compensation and benefits as compared to the prior year period was primarily due to increased headcount resulting from the Citizen merger, and a trend increase in legacy employee headcount, as well as annual merit increases which, for most team members, took effect in January 2023. Occupancy expenses increased primarily due to facilities added through the Citizens merger, and other equipment purchases. Other noninterest expenses increased due to miscellaneous merger-related expenses, expenses related to loan originations, deposit operations, and employee travel and training.

Income Taxes. The income tax provision for the three-month period ended March 31, 2023, was \$578,000, a decrease of \$1.8 million, or 75.5% as compared to the same period of the prior fiscal year, primarily due to a reduction of net income before income taxes.

Results of Operations – Comparison of the nine-month periods ended March 31, 2023 and 2022

General. Net income for the nine-month period ended March 31, 2023, was \$23.7 million, a decrease of \$10.4 million, or 30.5%, as compared to the same period of the prior fiscal year. The decrease was attributable to increases in PCL and noninterest expense, partially offset by increases in net interest income and noninterest income, and a decrease in provision for income taxes.

For the nine-month period ended March 31, 2023, basic and fully-diluted net income per share available to common shareholders was \$2.42 and 2.41, respectively, as compared to \$3.81 and \$3.80, respectively for the same period of the prior fiscal year, which represented decreases of \$1.39, or 36.6% under both measures. Our annualized return on average assets for the nine-month period ended March 31, 2023, was 0.87%, as compared to 1.58% for the same period of the prior fiscal year. Our return on average common stockholders' equity for the nine-month period ended March 31, 2023, was 8.9%, as compared to 15.2% in the same period of the prior fiscal year.

Net Interest Income. Net interest income for the nine-month period ended March 31, 2023, was \$90.5 million, an increase of \$14.7 million, or 19.4%, as compared to the same period of the prior fiscal year. The increase was attributable to a 43.2% increase in the average balance of interest-earning assets, partially offset by a decrease in the net interest margin to 3.52%, as compared to 3.74% in the same period a year ago. As PPP loan forgiveness declined, the Company's accretion of interest income from deferred origination fees on these loans was reduced to \$44,000 in the nine-month period, which impacted net interest margin by less than one basis point, as compared to \$3.2 million in the same period a year ago, which added 16 basis points to the net interest margin in that period. Future accretion of deferred origination fees on PPP loans will be immaterial.

Loan discount accretion and deposit premium amortization related to the Company's August 2014 acquisition of Peoples Bank of the Ozarks, the June 2017 acquisition of Capaha Bank, the February 2018 acquisition of Southern Missouri Bank of Marshfield, the November 2018 acquisition of First Commercial Bank, the May 2020 acquisition of Central Federal Savings & Loan Association, the February 2022 merger of Fortune, and the January 2023 merger of Citizens with the Company resulted in \$2.4 million in net interest income for the nine-month period ended March 31, 2023, as compared to \$1.2 million in net interest income for the same period a year ago. Combined, this component of net interest income contributed four basis points to net interest margin in the nine-month period ended March 31, 2023, as compared to a six basis point contribution for the same period of the prior fiscal year.

For the nine-month period ended March 31, 2023 our net interest rate spread was 3.32%, as compared to 3.63% in the year-ago period. The decrease in net interest rate spread, compared to the same period a year ago, resulted from a 94 basis point increase in the average cost of interest-bearing liabilities, partially offset by a 54 basis point increase in the average yield on interest-earning assets.

Interest Income. Total interest income for the nine-month period ended March 31, 2023, was \$122.1 million, an increase of \$36.8 million, or 43.2%, as compared to the same period of the prior fiscal year. The increase was attributed to a 26.5% increase in the average balance of assets, combined with an increase of 54 basis points in the average yield earned on interest-earning assets, as compared to the same period of the prior fiscal year. Increased average interest-earning balances were attributable primarily to growth in the loan portfolio, mortgage-backed securities, and other investment securities, partially offset by decreases in other interest-earning assets. The increase in interest-earning asset yield was attributable primarily to increased an increase in market interest rates, loans originated or renewed at higher market yields, adjustable-rate loans which re-priced at higher rates, and a shift in the composition of the Company's other interest-earning asset balances, partially offset by the reduced impact of accretion of deferred origination fees on PPP loans. rates.

Interest Expense. Total interest expense for the nine-month three-month period ended March 31, 2023 September 30, 2023, was \$31.6 million \$22.7 million, an increase of \$22.1 million \$16.2 million, or 233.2% 250%, as compared to the same period of the prior fiscal year. The increase was attributable to a 94.171 basis point increase in the average cost of interest-bearing liabilities, combined with a 25.5% 30.8% increase in the average balance of interest-bearing liabilities. The increase in the average cost of interest-bearing liabilities was attributable primarily to the increased rates paid on certificates of deposit, nonmaturity deposit accounts, and FHLB advances, while the increased average balance was attributable primarily to growth in interest-bearing nonmaturity deposit accounts, certificates of deposit, and FHLB advances.

Provision for Credit Losses. The PCL for was \$900,000 in the nine-month three-month period ended March 31, 2023, was a charge of \$16.3 million September 30, 2023, as compared to \$1.2 million a PCL of \$5.1 million in the same period of the prior fiscal year. The increased level current period PCL was the result of provisioning was driven mostly a \$1.6 million provision attributable to the ACL for loan balances outstanding, partially offset by loan growth a recovery of \$670,000 in provision attributable to the fiscal year-to-date, qualitative adjustments to modeled results based on the pace of growth of the Company's loan portfolio, exclusive of acquisitions or government-guaranteed loans, relative to overall economic growth, and required "Day 1" ACL on the acquired loans and allowance for off-balance sheet credit exposures exposures. The Company's assessment of the economic outlook at September 30, 2023, was little changed as compared to the assessment as of June 30, 2023. Qualitative adjustments in the Company's ACL model were slightly decreased based on a reduced pace of loan growth. The Company increased adjustments related to classified hotel loans that have been slow to recover from the Citizens merger. COVID-19 pandemic and modestly decreased the ACL attributable to other individually identified loans. As a percentage of average loans outstanding, the Company recorded net charge offs of approximately one basis point 0.03% (annualized) during both the current period, and up slightly from the same period of the prior fiscal year. (See "Critical Accounting Policies", "Allowance for Credit Loss Activity" and "Nonperforming Assets").

Noninterest Income. Noninterest income for the nine-month three-month period ended March 31, 2023 September 30, 2023, was \$17.3 million \$5.9 million, an increase of \$2.6 million, \$339,000, or 17.3% 6.1%, as compared to the same period of the prior fiscal year. In the current period, increases in deposit account service charges, bank card interchange income, other loan fees, loan servicing fees, earnings on bank owned life insurance, and other income the addition of trust and wealth management services from the Citizens merger were partially offset by a decrease decreases in gains realized on the sale of residential real estate loans originated for that purpose. The increase in purpose, loan servicing fees, and other income was attributable loan fees. Interchange revenue has increased as compared to a gain on the sale of fixed assets of \$317,000 as the Company sold previously acquired properties not currently being utilized as banking facilities, trust management services income, and the sale of the guaranty portion of newly originated government-guaranteed loans. These increases were partially offset by the inclusion in the year ago period due to the increased customer base as a result of a non-recurring benefit of \$278,000 recognized on the Company's exit Citizens merger. Fee income from a renewable energy tax credit partnership. Origination the origination of residential real estate loans for sale on the secondary market was down 65.1% 52% as compared to the year ago period, as both refinancing and purchase activity declined due to the increase in market interest rates, resulting in a decrease to both gains on sale of these loans and recognition of new mortgage servicing rights, partially offset by income from the servicing and gain on sale of the guaranty portion of government-guaranteed loans. rights.

Noninterest Expense. Noninterest expense for the nine-month three-month period ended March 31, 2023 September 30, 2023, was \$61.6 million \$23.7 million, an increase of \$15.5 million \$6.8 million, or 33.7% 40.1%, as compared to the same period of the prior fiscal year. In the current quarter, this increase in noninterest expense was attributable primarily to increases in compensation and benefits, legal and professional data processing fees, occupancy expenses, data processing expenses, amortization of core deposit intangibles, deposit insurance premiums, and other noninterest expenses, and were partially offset by decreases in foreclosed property expenses. intangible amortization expense. Charges related attributable to merger and acquisition activities activity totaled \$4.1 million \$134,000, as compared to \$169,000 in the current period, reflected primarily in legal and professional fees, data processing fees (including contract termination and data conversion fees), marketing activities and other miscellaneous merger operating costs. In the same quarter a year ago, period, similar charges totaled \$1.3 million. and as compared to \$829,000 in the fourth quarter of fiscal 2023, the linked quarter. The increase in compensation and benefits as compared to the

prior year period was primarily due to increased headcount resulting from the Citizens Citizen merger, and a trend increase in legacy employee headcount, and increased salaries and wages over the prior year, as well as annual merit increases. Occupancy expenses increased primarily due to facilities added through the Citizens merger, and other equipment purchases. Other noninterest expenses increased primarily due to increases in miscellaneous merger-related expenses, expenses related to loan originations, the increase in FDIC deposit insurance premiums and employee travel and training, electronic banking expenses. Intangible amortization also increased due to the Citizen merger adding an additional \$616,000 in intangible amortization expense.

Income Taxes. The income tax provision for the ~~nine-month~~three-month period ended ~~March 31, 2023~~September 30, 2023, was ~~\$6.3 million~~\$3.5 million, a ~~decrease~~ an increase of ~~\$2.8 million, or 31.2%~~42.7%, as compared to the same period of the prior fiscal year, primarily due ~~primarily~~ to reduced pre-tax income, the increase of net income before income taxes. The effective tax rate ~~declined to 20.1%~~was 21.0% as compared to ~~21.1%~~20.3% in the same quarter of the prior fiscal year.

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Allowance for Credit Loss Activity

The Company regularly reviews its ACL and makes adjustments to its balance based on management's estimate of (1) the total expected losses included in the Company's financial assets held at amortized cost, which is limited to the Company's loan portfolio, and (2) any credit deterioration in the Company's available-for-sale securities as of the balance sheet date. The Company holds no securities classified as held-to-maturity.

Although the Company maintains its ACL at a level that it considers sufficient to provide for losses, there can be no assurance that future losses will not exceed internal estimates. In addition, the amount of the ACL is subject to review by regulatory agencies, which can order the Company to record additional allowances. The required ACL has been estimated based upon the guidelines in ASC Topic 326, Financial Instruments – Credit Losses.

The estimate involves consideration of quantitative and qualitative factors relevant to the loans as segmented by the Company, and is based on an evaluation, at the reporting date, of historical loss experience, coupled with qualitative adjustments to address current economic conditions and credit quality, and reasonable and supportable forecasts. Specific qualitative factors considered include, but may not be limited to:

- Changes in lending policies and/or loan review system
- National, regional, and local economic trends and/or conditions
- Changes and/or trends in the nature, volume, or terms of the loan portfolio
- Experience, ability, and depth of lending management and staff
- Levels and/or trends of delinquent, non-accrual, problem assets, or charge offs and recoveries
- Concentrations of credit
- Changes in collateral values
- Agricultural economic conditions
- Risks from regulatory, legal, or competitive factors

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The following table summarizes changes in the ACL over the three- and nine- month periods ended March 31, 2023 September 30, 2023 and 2022:

(dollars in thousands)	For the three months ended		For the nine months ended		For the three months ended	
	March 31,		March 31,		September 30,	
	2023	2022	2023	2022	2023	2022
Balance, beginning of period	\$ 37,483	\$ 32,529	\$ 33,192	\$ 33,222	\$ 47,820	\$ 33,192
Initial ACL on PCD loans	1,121	120	1,121	120		
Loans charged off:						
Residential real estate	—	(30)	(2)	(62)	(132)	(2)
Construction	—	—	—	—	(111)	—
Commercial business	—	(6)	(17)	(17)	(4)	—
Commercial real estate	—	—	(245)	—	—	—
Consumer	(113)	(32)	(189)	(57)	(88)	(35)
Gross charged off loans	(113)	(68)	(453)	(136)	(335)	(37)
Recoveries of loans previously charged off:						
Residential real estate	—	2	1	3	—	1
Construction	—	—	—	—	—	—
Commercial business	—	—	—	2	3	6
Commercial real estate	—	—	6	—	18	—
Consumer	9	6	18	57	46	6
Gross recoveries of charged off loans	9	8	25	62	67	13
Net charge offs	(104)	(60)	(428)	(74)	(268)	(24)
Provision charged to expense	7,185	1,052	11,800	373	1,570	4,250
Balance, end of period	\$ 45,685	\$ 33,641	\$ 45,685	\$ 33,641	\$ 49,122	\$ 37,418

Our ACL at March 31, 2023 September 30, 2023, totaled \$45.7 million \$49.1 million, representing 1.31% 1.33% of gross loans and 618% 856% of nonperforming loans, as compared to an ACL of \$33.2 million \$47.8 million, representing 1.22% 1.32% of gross loans and 806% 625% of nonperforming loans, at June 30, 2022 June 30, 2023. The increase in our ACL required for PCD relative to gross loans acquired was attributable primarily to adjustments related to classified hotel loans that have been slow to recover from the COVID-19 pandemic as well as growth in drawn construction loan balances and commercial loans. This was partially offset by a modest decrease to other individually identified loans as well as a decrease in qualitative adjustments based on a reduced pace of loan growth. For the Citizens merger was \$1.1 million three-month period ended September 30, 2023, and was funded through purchase accounting adjustments, while the ACL required for non-PCD loans acquired in the Citizens merger was \$5.2 million, increased by \$1.3 million and was funded through a charge to PCL. Additionally, the allowance for off-balance sheet credit

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exposures was increased/decreased by \$1.8 million due to the Citizens merger, and funded through a charge to PCL. Exclusive of the charges required as a result of the Citizens merger, the Company would have recorded \$670,000, reflecting a PCL of approximately \$3.0 million, \$900,000 and net charge offs of which \$1.9 million was attributable to the ACL for outstanding loans, while \$1.1 million was attributable to the allowance for off-balance sheet credit exposures. \$268,000.

The Company has PCL was based on the estimated its required ACL, reflecting management's estimate of the current expected credit losses as of March 31, 2023 in the Company's loan portfolio at September 30, 2023, under ASC 326-20, and management believes the ACL as of that date is adequate based on that estimate. There remains, however, significant uncertainty as the Federal Reserve tightens monetary policy to

address inflation risks. Management continues to closely monitor borrowers in the hotel industry that were slow to recover from the COVID-19 pandemic.

For the nine-month period ended March 31, 2023, the ACL increased by \$12.5 million and the allowance for off-balance sheet credit exposures increased by \$4.5 million, reflecting the \$1.1 million addition to the ACL for PCD loans acquired in the Citizens merger, a PCL of \$16.3 million, and net charge offs of \$428,000.

At **March 31, 2023** **September 30, 2023**, the Bank also had accrued within other liabilities an allowance for off-balance sheet credit exposures of **\$7.8 million** **\$5.6 million**, as compared to **\$3.3 million** **\$6.3 million** at **June 30, 2022** **June 30, 2023**. The **increase** **decrease** reflects the component of the PCL attributable to off-balance sheet credit exposures noted above. This amount is maintained as a separate liability account to cover estimated credit losses associated with off-balance sheet credit instruments such as off-balance sheet loan commitments, standby letters of credit, and guarantees. The **\$4.5 million increase** **\$670,000 decrease** in the estimated allowance for off-balance sheet credit exposures was primarily the result of **an increase** **a decrease** in the amount of unfunded commitments (unused lines of credit) available and expected to be **utilized** for loans originated by the legacy branches as well as unfunded commitments acquired with the Citizens merger, **utilized**.

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The following table sets forth the sum of the amounts of the ACL attributable to individual loans within each category, or the loan categories in general, and the percentage of the ACL that is attributable to each category, as of the reporting date. The table also reflects the percentage of loans in each category to the total loan portfolio, as of the reporting date.

	% of		% of		% of		% of	
	ACL as of	total	ACL as of	total	ACL as of	total	ACL as of	total
	March 31, 2023	ACL	June 30, 2022	ACL	September 30, 2023	ACL	June 30, 2023	ACL
Real Estate Loans:								
Residential	\$ 13,465	29.5 %	\$ 8,908	26.8 %	\$ 14,846	30.2 %	\$ 15,641	32.7 %
Construction	3,638	8.0 %	2,220	6.7 %	2,856	5.8 %	2,664	5.6 %
Commercial	18,545	40.6 %	16,838	50.7 %	25,022	50.9 %	22,838	47.8 %
Consumer loans	986	2.1 %	710	2.2 %	855	1.8 %	909	1.8 %
Commercial loans	9,051	19.8 %	4,516	13.6 %	5,543	11.3 %	5,768	12.1 %
	\$ 45,685	100.0 %	\$ 33,192	100.0 %	\$ 49,122	100.0 %	\$ 47,820	100.0 %

For loans that do not exhibit similar risk characteristics, the Company evaluates the loan on an individual basis. Loans that are classified with an adverse internal credit rating or identified as **TDRs** **modifications to borrowers experiencing financial difficulty** are most commonly considered for individual evaluation. The ACL for individually evaluated loans may be estimated based on the fair value of the underlying collateral, or based on the present value of expected cash flows.

At **March 31, 2023** **September 30, 2023**, the Company had loans of **\$46.9 million** **\$42.5 million**, or **1.35%** **1.15%** of total loans, adversely classified (**\$46.9** **42.5 million** classified "substandard"; none classified "doubtful"), as compared to loans of **\$27.1 million** **\$46.3 million**, or **1.00%** **1.28%** of total loans, adversely classified (**\$26.3 million** classified "substandard"; **\$827,000** classified "doubtful") at June 30, 2022, and **\$37.6 million**, or **1.25%** of total loans, adversely classified (**\$37.6** **46.3 million** classified "substandard"; none classified "doubtful") at December 31, 2022. The increase as compared to June 30, 2022 **June 30, 2023**, was primarily related to **\$6.1 million** acquired via the Citizens merger, the migration from the special mention category to substandard and **\$27.7 million**, or **0.93%** of one **\$9.0 million** relationship, and was offset by the resolution of **\$5.8 million** in legacy **total loans**, adversely classified **loans**, (**\$27.7 million** classified "substandard"; none classified "doubtful") at **September 30, 2022**. Classified loans were generally comprised of loans secured by commercial and residential real estate, and other commercial purpose collateral. All loans were classified due to concerns as to the borrowers' ability to continue to generate sufficient cash flows to service the debt. Of our classified loans, the Company had ceased recognition of interest on loans with a carrying value of **\$9.5**

million \$5.7 million at March 31, 2023 September 30, 2023. As reported in Note 4 to the condensed consolidated financial statements, the Company's

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total past due loans increased from \$4.6 million \$10.7 million at June 30, 2022 June 30, 2023, to \$7.4 million \$28.4 million at March 31, 2023 September 30, 2023. Of this increase, 96% relates to a single borrower group relationship with notes that are past maturity and non-renewed due to a dispute among the partnership preventing timely renewal. The relationship is not criticized or classified, and the guarantor has substantial liquidity as well as net worth. Due to these items, no loss to the Bank is expected to occur. Total past due loans were \$8.9 million \$6.3 million at December 31, 2022 September 30, 2022. The increase See Note 4 – "Loans and Allowance for Credit Losses – Past Due Loans" in past due loans as compared the Notes to June 30, 2022, was primarily attributable to \$2.7 million in non-owner occupied nonresidential real estate acquired with the Citizens merger. Of total delinquent loans, the majority are classified as non-accrual and appropriate collection efforts are being actively monitored. [Consolidated Financial Statements](#).

Nonperforming Assets

The ratio of nonperforming assets to total assets and nonperforming loans to net loans receivable is another measure of asset quality. Nonperforming assets of the Company include nonaccruing loans, accruing loans delinquent/past maturity

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90 days or more, and assets which have been acquired as a result of foreclosure or deed-in-lieu of foreclosure. The table below summarizes changes in the Company's level of nonperforming assets over selected time periods:

	March 31, 2023	June 30, 2022	March 31, 2022	September 30, 2023	June 30, 2023	September 30, 2022
Nonaccruing loans:						
Residential real estate	\$ 1,175	\$ 1,647	\$ 1,255	\$ 949	\$ 934	\$ 1,222
Construction	368	—	—	368	698	—
Commercial real estate	4,741	2,259	2,373	3,361	4,564	1,901
Consumer	183	73	9	164	256	86
Commercial business	930	139	245	896	1,091	389
Total	7,397	4,118	3,882	5,738	7,543	3,598
Loans 90 days past due accruing interest:						
Residential real estate	—	—	—	—	109	301
Construction	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—
Consumer	—	—	—	—	—	—

Commercial business	—	—	—	—	—	—
Total	—	—	—	—	109	301
Total nonperforming loans	7,397	4,118	3,882	5,738	7,652	3,899
Nonperforming investments	—	—	—	—	—	—
Foreclosed assets held for sale:	—	—	—	—	—	—
Real estate owned	5,258	2,180	3,199	4,981	3,606	1,830
Other nonperforming assets	25	11	—	83	32	—
Total nonperforming assets	\$ 12,680	\$ 6,309	\$ 7,081	\$ 10,802	\$ 11,290	\$ 5,729

The Bank adopted ASU No. 2022-02 in fiscal 2024, which eliminates the accounting guidance for troubled debt restructurings (TDRs), while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. At **March 31, 2023** **September 30, 2023**, TDRs modifications to borrowers experiencing financial difficulty totaled **\$31.1 million** **\$30.0 million**, of which **\$733,000** **\$722,000** was considered nonperforming and included in the nonaccrual loan total above. The remaining **\$30.4 million** **\$29.3 million** in TDRs modified loans 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** On the basis of guidance under ASU No. 2022-02, **in** general, these loans were subject to classification as TDRs modifications due to term extensions given to borrowers experiencing financial difficulty at **March 31, 2023** **September 30, 2023**. At **June 30, 2023**, on the basis of guidance under ASU No. 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, 2022**, TDRs these modifications totaled **\$31.4 million** **\$30.5 million**, of which **\$807,000** **\$727,000** was considered nonperforming and included in the nonaccrual loan total above. The remaining **\$30.6 million** **\$29.8 million** in TDRs modifications at **June 30, 2022** **June 30, 2023**, had complied with the modified terms for a reasonable period of time and were therefore considered by the Company to be accrual status loans.

At **March 31, 2023** **September 30, 2023**, nonperforming assets totaled **\$12.7 million** **\$10.8 million**, as compared to **\$6.3 million** **\$11.3 million** at **June 30, 2022** **June 30, 2023**, and **\$7.1 million** **\$5.7 million** at **March 31, 2022** **September 30, 2022**. The **increase** **reduction** in nonperforming assets as compared to **June 30, 2022** since **June 30, 2023**, was attributable primarily to **\$1.8 million** a **decrease** of **\$1.9 million** in nonperforming loans, and **\$2.7 million** partially offset by a net increase of **\$1.4 million** in other real estate owned obtained via the Citizens merger, a net increase of **\$355,000** in legacy other real estate owned, and an increase of **\$1.5 million** in legacy nonperforming loans owned.

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Liquidity Resources

The term "liquidity" refers to our ability to generate adequate amounts of cash to fund loan originations, loans purchases, deposit withdrawals and operating expenses. Our primary sources of funds include deposit growth, FHLB advances, brokered deposits, amortization and prepayment of loan principal and interest, investment maturities and sales, and funds provided by our operations. While the scheduled loan repayments and maturing investments are relatively predictable, deposit flows, FHLB advance redemptions, and loan and security prepayment rates are significantly influenced by factors outside of the Bank's control, including interest rates, general and local economic conditions and competition in

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the marketplace. The Bank relies on FHLB advances and brokered deposits as additional sources for funding cash or liquidity needs.

The Company uses its liquid resources principally to satisfy its ongoing cash requirements, which include funding loan commitments, funding maturing certificates of deposit and deposit withdrawals, maintaining liquidity, funding maturing or called FHLB advances, purchasing investments, and meeting operating expenses.

At **March 31, 2023** **September 30, 2023**, the Company had outstanding commitments and approvals to extend credit of approximately **\$1.1 billion** **\$1.0 billion** (including **\$723.2 million** **\$720.4 million** in unused lines of credit) in mortgage and non-mortgage loans. These commitments and approvals are expected to be funded through existing cash balances, cash flow from normal operations and, if needed, advances from the FHLB or the Federal Reserve Bank of St. Louis' primary credit facility ("Discount Window") Reserve's discount window, and the new Bank Term Funding Program ("BTFP"). At **March 31, 2023** **September 30, 2023**, the Bank had pledged **\$1.0 billion** **\$1.1 billion** of its single-family residential and commercial real estate loan portfolios to the FHLB for available credit of approximately **\$606.6 million** **\$675.5 million**, of which **\$45.2 million** **\$114.2 million** was advanced, while **an additional \$373,000** **\$451,000** was encumbered in relation to by residential real estate loans sold onto the secondary market through the FHLB, and **\$29.5 million** **\$305,000** was utilized as collateral for the issuance of letters of credit to secure public unit deposits. The Bank has the ability to pledge several other loan portfolios, including, for example, its multi-family or commercial and home equity loans, which could provide additional collateral for additional borrowings. In total, FHLB borrowings are generally limited to 45% of bank assets, or approximately **\$1.5 billion** **\$1.9 billion**, subject to available collateral. Also, at **March 31, 2023** **September 30, 2023**, the Bank had pledged a total of **\$297.9 million** **\$380.9 million** in loans secured by farmland and agricultural production loans to the Federal Reserve, providing access to **\$237.5 million** **\$313.5 million** in primary credit borrowings from the Federal Reserve's discount window, none of which was advanced at **March 31, 2023** **September 30, 2023**. Of our AFS securities carrying value of **\$429.8 million** **\$405.2 million**, investment and mortgage-backed securities pledged as collateral to secure public deposits totaled **\$243.6 million** **\$261.0 million** at **March 31, 2023** **September 30, 2023**. Management believes its liquid resources will be sufficient to meet the Company's liquidity needs.

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Regulatory Capital

The Company and Bank are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Furthermore, the Company's and Bank's regulators could require adjustments to regulatory capital not reflected in the condensed consolidated financial statements.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier 1 capital (as defined), and common equity Tier 1 capital (as defined) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average total assets (as defined). Additionally, to make distributions or discretionary bonus payments, the Company and Bank must maintain a capital conservation buffer of 2.5% of risk-weighted assets. Management believes, as of **March 31, 2023** **September 30, 2023** and **June 30, 2022** **June 30, 2023**, that the Company and the Bank met all capital adequacy requirements to which they are subject.

Effective January 1, 2020, depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a tier 1 leverage ratio of greater than 9 percent, are considered qualifying community banking organizations and are eligible to opt into an alternative, simplified regulatory capital framework, which utilizes a newly-

defined "Community Bank Leverage Ratio" (CBLR). The CBLR framework is an optional framework that is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9 percent are considered to have satisfied the risk-based and leverage capital requirements in the agencies' generally applicable capital rule. In April 2020, the federal bank regulatory agencies announced the issuance of two interim final rules to provide temporary relief to community banking organizations, and adopted the final rule with no changes in October 2020. Under the rules, the CBLR requirement was a minimum of 8.0% for the remainder of calendar year 2020, was 8.5% for calendar year 2021, and 9.0% thereafter. The Company and the Bank have not made an election to utilize the CBLR framework, but will continue to monitor the available option, and could do so in the future.

In August 2020, the Federal banking agencies adopted a final rule updating a December 2018 rule regarding the impact on regulatory capital of adoption of the CECL standard. The rule allows institutions that adopted the CECL standard in 2020 a five-year transition period to recognize the estimated impact of adoption on regulatory capital. The Company and the Bank elected to exercise the option to recognize the impact of adoption over the five-year period.

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As of **March 31, 2023** **September 30, 2023**, the most recent notification from the Federal banking agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

The tables below summarize the Company's and Bank's actual and required regulatory capital at the dates indicated:

As of March 31, 2023	To Be Well Capitalized						To Be Well Capitalized					
	For Capital			Under Prompt Corrective			For Capital			Under Prompt Corrective		
	Actual	Adequacy Purposes	Action Provisions	Actual	Adequacy Purposes	Action Provisions	Actual	Adequacy Purposes	Action Provisions	Actual	Adequacy Purposes	Action Provisions
As of September 30, 2023 (dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk- Weighted Assets)												
Consolidated	\$459,771	12.22 %	\$300,924	8.00 %	n/a	n/a	\$493,094	12.67 %	\$311,385	8.00 %	n/a	n/a
Southern Bank	442,021	11.87 %	297,954	8.00 %	372,443	10.00 %	464,798	12.06 %	308,392	8.00 %	385,491	10.00 %
Tier 1 Capital (to Risk- Weighted Assets)												
Consolidated	413,432	10.99 %	225,693	6.00 %	n/a	n/a	436,767	11.22 %	233,539	6.00 %	n/a	n/a
Southern Bank	395,685	10.62 %	223,466	6.00 %	297,954	8.00 %	416,590	10.81 %	231,294	6.00 %	308,392	8.00 %

Tier I Capital (to Average Assets)		To Be Well Capitalized						To Be Well Capitalized					
		For Capital Adequacy Purposes			Under Prompt Corrective Action Provisions			For Capital Adequacy Purposes			Under Prompt Corrective Action Provisions		
As of June 30, 2022		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(dollars in thousands)</i>													
Total Capital (to Risk- Weighted Assets)	Consolidated	\$370,013	13.42 %	\$220,558	8.00 %	n/a	n/a	\$481,236	12.52 %	\$307,528	8.00 %	n/a	n/a
Southern Bank	Consolidated	352,169	12.90 %	218,397	8.00 %	272,996	10.00 %	454,699	11.77 %	308,932	8.00 %	386,166	10.00 %
Tier I Capital (to Risk- Weighted Assets)	Consolidated	335,316	12.16 %	165,418	6.00 %	n/a	n/a	426,644	11.10 %	230,646	6.00 %	n/a	n/a
Southern Bank	Consolidated	325,183	11.91 %	163,797	6.00 %	218,397	8.00 %	407,764	10.56 %	231,699	6.00 %	308,932	8.00 %
Tier I Capital (to Average Assets)	Consolidated	335,316	10.41 %	128,822	4.00 %	n/a	n/a	426,644	9.95 %	171,470	4.00 %	n/a	n/a
Southern Bank	Consolidated	325,183	10.22 %	127,333	4.00 %	159,167	5.00 %	407,764	9.54 %	170,942	4.00 %	193,083	5.00 %
Common Equity Tier I Capital (to Risk- Weighted Assets)	Consolidated	319,971	11.61 %	124,064	4.50 %	n/a	n/a	411,196	10.70 %	172,985	4.50 %	n/a	n/a
Southern Bank	Consolidated	325,183	11.91 %	122,848	4.50 %	177,447	6.50 %	407,764	10.56 %	173,774	4.50 %	251,008	6.50 %

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PART I: Item 3: Quantitative and Qualitative Disclosures About Market Risk

SOUTHERN MISSOURI BANCORP, INC.

Asset and Liability Management and Market Risk

The goal of the Company's asset/liability management strategy is to manage the interest rate sensitivity of both interest-earning assets and interest-bearing liabilities in order to maximize net interest income without exposing the Bank to an excessive level of interest rate risk. The Company employs various strategies intended to manage the potential effect that changing interest rates may have on future operating results. The primary asset/liability management strategy has been to focus on matching the anticipated re-pricing intervals of interest-earning assets and interest-bearing liabilities. At times, however, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the Company may determine to increase its interest rate risk position somewhat in order to maintain its net interest margin.

In an effort to manage the interest rate risk resulting from fixed rate lending, the Bank has utilized longer term FHLB advances (with maturities up to ten years), subject to early redemptions and fixed terms. Other elements of the Company's current asset/liability strategy include (i) increasing originations of commercial business, commercial real estate, agricultural operating lines, and agricultural real estate loans, which typically provide higher yields and shorter repricing periods, but inherently increase credit risk; (ii) actively soliciting less rate-sensitive deposits, including aggressive use of the Company's "rewards checking" product, and (iii) offering competitively-priced money market accounts and CDs with maturities of up to five years. The degree to which each segment of the strategy is achieved will affect profitability and exposure to interest rate risk.

The Company continues to originate long-term, fixed-rate residential loans. During the first **nine** **three** months of fiscal year **2023**, **2024**, fixed rate **1- to 1- to 4**-family residential loan production totaled **\$97.2 million** **\$36.4 million** (of which **\$12.7 million** **\$5.6 million** was originated for sale into the secondary market), as compared to **\$204.0 million** **\$45.1 million** during the same period of the prior fiscal year (of which **\$38.9 million** **\$7.8 million** was originated for sale into the secondary market). At **March 31, 2023** **September 30, 2023**, the fixed rate residential loan portfolio was **\$592.5 million** **\$599.6 million** with a weighted average maturity of **194** **186** months, as compared to **\$464.8 million** **\$510.9 million** at **March 31, 2022** **September 30, 2022**, with a weighted average maturity of **190** **196** months. The Company originated **\$32.1 million** **\$20.4 million** in adjustable-rate 1- to 4-family residential loans during the **nine-month** **three-month** period ended **March 31, 2023** **September 30, 2023**, as compared to **\$8.0 million** **\$10.1 million** during the same period of the prior fiscal year. The Company originated **\$477.9 million** **\$60.8 million** in fixed rate commercial and commercial real estate loans during the **nine-month** **three-month** period ended **March 31, 2023** **September 30, 2023**, as compared to **\$421.9 million** **\$286.8 million** during the same period of the prior fiscal year. The Company also originated **\$119.4 million** **\$21.3 million** in adjustable rate commercial and commercial real estate loans during the **nine-month** **three-month** period ended **March 31, 2023** **September 30, 2023**, as compared to **\$46.2 million** **\$27.4 million** during the same period of the prior fiscal year. At **March 31, 2023** **September 30, 2023**, adjustable-rate home equity lines of credit increased to **\$65.9 million** **\$67.0 million**, as compared to **\$41.7 million** **\$48.6 million** at **March 31, 2022** **September 30, 2022**. At **March 31, 2023** **September 30, 2023**, all fixed rate loans with remaining maturities in excess of 10 years totaled **\$383.8 million** **\$370.4 million**, or **11.2%** **10.1%** of net loans receivable, as compared to **\$302.4 million** **\$340.5 million**, or **11.7%** **11.6%** of net loans receivable at **March 31, 2022** **September 30, 2022**. At **March 31, 2023** **September 30, 2023**, the Company's investment portfolio had a weighted-average life of **6.1** **5.2** years, compared to **4.9** **5.6** years at **March 31, 2022** **September 30, 2022**, while the effective duration of the portfolio declined to **2.6** **2.7** at **March 31, 2023** **September 30, 2023**, as compared to **3.8** **3.6** at **March 31, 2022** **September 30, 2022**. Management continues to focus on customer retention, customer satisfaction, and offering new products to customers in order to increase the Company's amount of less rate-sensitive deposit accounts.

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Interest Rate Sensitivity Analysis

The following table sets forth as of **March 31, 2023** **September 30, 2023**, management's estimates of the projected changes in net portfolio value ("NPV") in the event of 100, 200, and 300 basis point ("bp") instantaneous, permanent, and parallel increases, and 100, 200, and 300 basis point instantaneous, permanent, and parallel decreases in market interest rates. Dollar amounts are expressed in thousands.

March 31, 2023										
September 30, 2023					September 30, 2023					
Change in Rates	Net Portfolio			NPV as Percentage of		Net Portfolio			NPV as Percentage of	
	Value	Change	% Change	NPV Ratio	Change	Value	Change	% Change	NPV Ratio	Change
	(Dollars in thousands)			(%)(basis points)		(Dollars in thousands)			(%)(basis points)	
+300 bp	\$284,065	\$(101,097)	(26)	7.36	(193)	\$241,513	\$(101,733)	(30)	6.11	(198)
+200 bp	321,356	(63,805)	(17)	8.13	(116)	275,832	(67,414)	(20)	6.82	(127)
+100 bp	347,429	(37,733)	(10)	8.60	(69)	312,184	(31,062)	(9)	7.54	(55)
0 bp	385,162	—	—	9.29	—	343,246	—	—	8.09	—
-100 bp	423,069	37,908	10	9.96	67	387,546	44,300	13	8.90	81
-200 bp	475,209	90,048	23	10.98	169	425,358	82,112	24	9.57	148
-300 bp	517,484	132,323	34	11.77	248	445,940	102,694	30	9.87	178

June 30, 2022										
June 30, 2023					June 30, 2023					
Change in Rates	Net Portfolio			NPV as Percentage of		Net Portfolio			NPV as Percentage of	
	Value	Change	% Change	NPV Ratio	Change	Value	Change	% Change	NPV Ratio	Change
	(Dollars in thousands)			(%)(basis points)		(Dollars in thousands)			(%)(basis points)	
+300 bp	\$189,624	\$(129,048)	(40)	6.50	(345)	\$259,599	\$(114,765)	(31)	6.66	(226)
+200 bp	231,603	(87,069)	(27)	7.70	(225)	296,514	(77,850)	(21)	7.43	(149)
+100 bp	286,614	(32,058)	(10)	9.20	(75)	334,226	(40,138)	(11)	8.17	(75)
0 bp	318,672	—	—	9.95	—	374,364	—	—	8.92	—
-100 bp	350,857	32,185	10	10.66	71	426,243	51,879	14	9.91	99
-200 bp	442,479	123,807	39	13.06	311	480,345	105,981	28	10.95	203
-300 bp	523,486	204,814	64	15.09	514	518,672	144,307	39	11.64	272

Computations of prospective effects of hypothetical interest rate changes are based on an internally generated model using actual maturity and repricing schedules for the Bank's loans and deposits, and are based on numerous assumptions, including relative levels of market interest rates, loan repayments and deposit run-offs, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the Bank may undertake in response to changes in interest rates.

Management cannot **accurately** predict future interest rates or their effect on the Bank's net present value ("NPV") in the future. Certain shortcomings are inherent in the method of analysis presented in the computation of NPV. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in differing degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have an initial fixed rate period typically from one to seven years and over the remaining life of the asset changes in the interest rate are restricted. In addition, the proportion of adjustable-rate loans in the Bank's portfolios could decrease in future periods due to refinancing activity if market interest rates remain steady in the future. Further, in the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed in the table. Finally, the ability of many borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase.

The Company's growth strategy has included origination of fixed-rate loans, as discussed under "Asset and Liability Management and Market Risk," above. **Through December 31, 2022, This fixed rate loan portfolio and the behavior of fixed-rate borrowers in a higher interest rate**

environment in fiscal 2023 and in the first quarter of fiscal 2024 has pressured our NPV. The Company's sensitivity, which has increased over recent periods, was partially offset by Citizens merger in the third quarter of fiscal 2023, as the acquired balance sheet included a higher percentage of rate sensitive assets, as well as continued new loan originations at higher market interest rates. The Company continues to manage its balance sheet to maximize earnings through interest rate cycles, while maintaining safe and sound risk management practices. Over time, the Company reported an increase in interest rate sensitivity, as it booked above-trend loan growth in anticipation of the liquidity and interest rate risk position of the balance sheet it would acquire in the Citizens merger. With the completion of the merger, as of March 31, 2023, the Company's interest rate sensitivity has declined somewhat as compared to June 30, 2022, as reflected in the tables above. As compared to the prior fiscal year, the Company's interest rate sensitivity has increased somewhat, as the rapid

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worked to limit its exposure to rising rates by increasing the share of funding on its balance sheet obtained through lower cost non-maturity transaction accounts and significant increase in market interest rates retail time deposits, and above-trend loan growth prior to the Citizens merger has been partially offset with the benefit of Citizens' asset-sensitive balance sheet by limiting short-term FHLB borrowings.

The Bank's board of directors is responsible for reviewing the Bank's asset and liability policies. The Bank's Asset/Liability Committee meets monthly to review interest rate risk and trends, as well as liquidity and capital ratios and requirements. The Bank's management is responsible for administering the policies and determinations of the board of directors with respect to the Bank's asset and liability goals and strategies.

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PART I: Item 4: Controls and Procedures

SOUTHERN MISSOURI BANCORP, INC.

An evaluation of Southern Missouri's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended, (the "Act")) as of **March 31, 2023** **September 30, 2023** was carried out under the supervision and with the participation of our Chief Executive Officer, our Chief Administrative Officer, our Chief Financial Officer, and several other members of our senior management. Our Chief Executive Officer, our Chief Administrative Officer, and our Chief Financial Officer concluded that, as of **March 31, 2023** **September 30, 2023**, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is (i) accumulated and communicated to management (including our Chief Executive Officer, our Chief Administrative Officer and our Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Act) that occurred during the quarter ended **March 31, 2023** **September 30, 2023**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company does not expect that its disclosures and procedures will prevent all errors and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control

procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

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PART II: Other Information

SOUTHERN MISSOURI BANCORP, INC.

Item 1: Legal Proceedings

In the opinion of management, the Company is not a party to any pending claims or lawsuits that are expected to have a material effect on the Company's financial condition or operations. Periodically, there have been various claims and lawsuits involving the Company mainly as a defendant, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Bank's business. Aside from such pending claims and lawsuits, which are incident to the conduct of the Company's ordinary business, the Company is not a party to any material pending legal proceedings that would have a material effect on the financial condition or operations of the Company.

Item 1a: Risk Factors

Except for the risk factor set forth below, there have been no material changes to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended June 30, 2022, 2023.

Recent negative events in the financial services industry, primarily involving regional banks, have caused general uncertainty and concern regarding the adequacy of liquidity of the financial services industry. While the Company relies on a number of funding sources to meet potential liquidity needs, our business strategies are largely based on access to funding from customer deposits and supplemental funding provided by wholesale or other secondary liquidity sources. Deposit levels may be affected by various industry factors, including interest rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, conditions in the financial services industry specifically and general economic conditions that impact the amount of liquidity in the economy and savings levels, and also by factors that impact customers' perception of our financial condition, capital and liquidity levels. This uncertainty may drive deposit outflows, increased borrowing and funding costs, and increased competition for liquidity, any of which could have a material adverse impact on our financial performance or financial condition. Despite the challenges, our focus remains on the fundamentals that have served us well during our 135-year history.

Item 2: Unregistered Sales of Equity Securities, and Use of Proceeds, Issuer Purchases of Equity Securities

On May 20, 2021, the Company announced its intention to repurchase up to 445,000 shares of its common stock, or approximately 5.0% of its 8.9 million then-outstanding common shares. The shares will be purchased at prevailing market prices in the open market or in privately negotiated transactions, subject to availability and general market conditions. Repurchased shares will be held as treasury shares to be used for general corporate purposes.

The following table summarizes the Company's stock repurchase activity for each month during the three months ended March 31, 2023 September 30, 2023.

Total # of Shares			
Total # of Shares Purchased	Average Price Paid Per Share	Purchased as Part of a Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased (1)

01/07/23 - 01/31/23 period	—	\$	—	—	306,375
02/08/23 - 02/28/23 period	—	—	—	—	306,375
03/09/23 - 03/31/23 period	—	—	—	—	306,375

(1) Represents the remaining shares available for purchase as of the last calendar day of the month shown.

Item 3: Defaults upon Senior Securities

Not applicable

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Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

a. None

b. None

c. **Trading Plans.** During the quarter ended September 30, 2023, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement," or "non-rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

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Item 6: Exhibits

Exhibit Number	Document
3.1(i)	Articles of Incorporation of the Registrant (filed as an exhibit to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1999 and incorporated herein by reference)
3.1(i)A	Amendment to Articles of Incorporation of Southern Missouri increasing the authorized capital stock of Southern Missouri (filed as an exhibit to Southern Missouri's Current Report on Form 8-K filed on November 21, 2016 and incorporated herein by reference)
3.1(i)B	Amendment to Articles of Incorporation of Southern Missouri increasing the authorized capital stock of Southern Missouri (filed as an exhibit to Southern Missouri's Current Report on Form 8-K filed on November 8, 2018 and incorporated herein by reference)
3.1(ii)	Certificate of Designation for the Registrant's Senior Non-Cumulative Perpetual Preferred Stock, Series A (filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 26, 2011 and incorporated herein by reference)
3.2	Bylaws of the Registrant (filed as an exhibit to the Registrant's Current Report on Form 8-K filed on December 6, 2007 and incorporated herein by reference)

4	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2020 and incorporated herein by reference).
10	Material Contracts:
1.	Registrant's 2017 Omnibus Incentive Plan (attached to the Registrant's definitive proxy statement filed on September 26, 2017, and incorporated herein by reference).
2.	2008 Equity Incentive Plan (attached to the Registrant's definitive proxy statement filed on September 19, 2008 and incorporated herein by reference).
3.	2003 Stock Option and Incentive Plan (attached to the Registrant's definitive proxy statement filed on September 17, 2003 and incorporated herein by reference).
4.	1994 Stock Option and Incentive Plan (attached to the Registrant's definitive proxy statement filed on October 21, 1994 and incorporated herein by reference)
5.	Management Recognition and Development Plan (attached to the Registrant's definitive proxy statement filed on October 21, 1994 and incorporated herein by reference)
6.	Employment Agreements <ul style="list-style-type: none"> (i) Employment Agreement with Greg A. Steffens (filed as an exhibit to the Registrant's Annual Report on Form 10-KSB for the year ended June 30, 2019 and incorporated herein by reference). (ii) Amended and Restated Employment Agreement with Greg A. Steffens (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, and incorporated herein by reference).
7.	Director's Retirement Agreements <ul style="list-style-type: none"> (i) Director's Retirement Agreement with Sammy A. Schalk (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2000 and incorporated herein by reference). (ii) Director's Retirement Agreement with L. Douglas Bagby (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2000 and incorporated herein by reference). (iii) Director's Retirement Agreement with Rebecca McLane Brooks (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference). (iv) Director's Retirement Agreement with Charles R. Love (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference). (v) Director's Retirement Agreement with Charles R. Moffitt (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference). (vi) Director's Retirement Agreement with Dennis C. Robison (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 and incorporated herein by reference). (vii) Director's Retirement Agreement with David J. Tooley (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 and incorporated herein by reference).

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(viii)	Director's Retirement Agreement with Todd E. Hensley (filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2014 and incorporated herein by reference).
8.	Tax Sharing Agreement (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and incorporated herein by reference).
9.	Change-in-Control Agreements <ul style="list-style-type: none"> (i) Change-in-control Agreement with Kimberly A. Capps (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference). (ii) Change-in -Control Agreement with Matthew Funke (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference). (iii) Change-in-control Agreement with Lora L. Daves (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference).

(iv) [Change-in-control Agreement with Justin G. Cox \(filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference\).](#)

(v) (iv) [Change-in-control Agreement with Rick A. Windes \(filed as an exhibit to the Registrant's Current Report on Form 8-K for the event on March 25, 2022 and incorporated herein by reference\).](#)

(vi) (v) [Change-in -Control Agreement with Mark Hecker \(filed as an exhibit to the Registrant's Current Report on Form 8-K for the event on April 20, 2021 and incorporated herein by reference\).](#)

(vii) (vi) [Change-in -Control Agreement with Brett Dorton \(filed as an exhibit to the Registrant's Current Report on Form 8-K for the event on March 25, 2022 and incorporated herein by reference\).](#)

(viii) [Amended and Restated Change-in-Control Agreement with Martin Weishaar](#)

(ix) (vii) [Change-in-Control Agreement with Lance Gruenke Gruenke \(filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and incorporated herein by reference\).](#)

10. [Named Executive Officer Salary and Bonus Arrangements for 2022 2023 \(filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended June 30, 2022 June 30, 2023 and incorporated herein by reference\).](#)

11. [Director Fee Arrangements for 2022 2023.\(filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended June 30, 2022 June 30, 2023 and incorporated herein by reference\).](#)

14 [Code of Conduct and Ethics \(filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2016 and incorporated herein by reference\).](#)

21 [Subsidiaries of the Registrant \(filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended June 30, 2022 June 30, 2023 and incorporated herein by reference\).](#)

31.1 [Rule 13a-14\(a\) Certification of Chief Executive Officer](#)

31.2 [Rule 13a-14\(a\) Certification of Chief Administrative Officer](#)

31.3 [Rule 13a-14\(a\) Certification of Chief Financial Officer](#)

32 [Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002 \(18 U.S.C. Section 1350\).](#)

101 Includes the following financial and related information from Southern Missouri Bancorp, Inc.'s Quarterly Report on Form 10-Q as of and for the quarter ended March 31, 2023 September 30, 2023, formatted in Inline Extensible Business Reporting Language (iXBRL): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Income, (3) the Consolidated Statements of Comprehensive Income, (4) the Consolidated Statements of Changes in Stockholders' Equity, (5) the Consolidated Statements of Cash Flows, and (6) Notes to Consolidated Financial Statements.

104 The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN MISSOURI BANCORP, INC.

Registrant

Date: May 10, 2023 November 9, 2023

/s/ Greg A. Steffens

Greg A. Steffens

Chairman & Chief Executive Officer

(Principal Executive Officer)

Date: **May 10, 2023** **November 9, 2023**

/s/ Matthew T. Funke

Matthew T. Funke
President & Chief Administrative Officer
(Principal Financial Officer)

Date: **May 10, 2023** **November 9, 2023**

/s/ Lora L. Daves Stefan Chkautovich

Lora L. Daves Stefan Chkautovich
Executive Vice President & Chief Financial Officer
(Principal Accounting Officer)

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Exhibit 10.9(ix)

SOUTHERN BANK
SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") dated as of February 21, 2023 is between Southern Bank, a Missouri state chartered trust company with banking powers (the "Bank" or the "Employer"), and Lance Greunke (the "Executive").

WHEREAS, the Executive is presently employed as Chief Risk Officer of the Bank;

WHEREAS, the Employer desires to be ensured of the Executive's continued active participation in the business of the Employer;

WHEREAS, in order to induce the Executive to remain in the employ of the Employer and in consideration of the Executive's agreeing to remain in the employ of the Employer, the parties desire to specify the severance benefits which shall be due to the Executive in the event that his/her employment with the Employer is terminated under specified circumstances; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) Cause. Termination of the Executive's employment for "Cause" shall mean termination because of personal dishonesty, incompetence, wilful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, wilful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, wilful conduct which is materially detrimental (monetarily or otherwise) to the Employer or material breach of any provision of this Agreement.

(b) Change in Control. "Change in Control" shall mean a change in the ownership of the Corporation or the Bank, a change in the effective control of the Corporation or the Bank or a change in the ownership of a substantial portion of the assets of the Corporation or the Bank, in each case as provided under Section 409A of the Code and the regulations thereunder.

(c) Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) Corporation. "Corporation" shall mean Southern Missouri Bancorp, Inc., the holding company for the Bank, or any successor thereto.

(e) Date of Termination. "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in such Notice of Termination.

(f) Disability. "Disability" shall mean the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be

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Exhibit 10.9(ix)

expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank.

(g) Good Reason. "Good Reason" means the occurrence of any of the following events: (i) any material breach of this Agreement by the Employer, (ii) a material diminution in the Executive's base compensation, (iii) a material diminution in the Executive's authority, duties or responsibilities, (iv) a material diminution in the authority, duties or responsibilities of the supervisor to whom the Executive is required to report, or (v) a change of more than thirty (30) miles in the geographic location at which the Executive performs his services as of the date of this Agreement; provided, however, that prior to any termination of employment for Good Reason, the Executive must first provide written notice to the Employer within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Employer shall thereafter have the right to remedy the condition within thirty (30) days of the date the Employer received the written notice from the Executive. If the Employer remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Employer does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a Notice of Termination for Good Reason at any time within sixty (60) days following the expiration of such cure period.

(h) Notice of Termination. Any purported termination of the Executive's employment by the Employer for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by a written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the Employer's termination of the Executive's employment for Cause, which shall be effective immediately; and (iv) is given in the manner specified in Section 8 hereof.

(i) Retirement. "Retirement" shall mean voluntary termination by the Executive in accordance with the Employer's retirement policies, including early retirement, generally applicable to the Employer's salaried employees.

2. Term of Agreement.

Subject to the terms hereof, the term of this Agreement shall commence on the date hereof and terminate on December 31, 2023. Beginning on December 31, 2023 and on each December 31st thereafter, the term of this Agreement shall be extended for a period of one additional year, unless either the Employer or the Executive has given notice to the other party hereto in writing at least 60 days prior to such annual renewal date that the term of this Agreement shall not be extended further; *provided, however*, notwithstanding the foregoing to the contrary, if a Change in Control occurs during the term of this Agreement, then the remaining term of this Agreement shall be automatically extended until the one-year anniversary of the completion of the Change in Control. If any party gives timely notice that the

term will not be extended as of any such December 31st, then this Agreement shall terminate at the conclusion of its remaining term. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

3. Benefits Upon Termination in Connection with or Following a Change in Control.

(a) If the Executive's employment is terminated by the Employer in connection with or within one year following a Change in Control by (i) the Employer other than for Cause, Disability, Retirement or as a result of Executive's death or (ii) the Executive for Good Reason, then the Employer shall, subject to the provisions of Section 3(b) and Section 4 hereof, if applicable:

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Exhibit 10.9(ix)

(1) pay to the Executive, in a lump sum within five (5) business days following the Date of Termination, a cash severance amount equal to one times the Executive's "base amount" as defined in Section 280G of the Code;

(2) maintain and provide for a period ending at the earlier of (i) the one year anniversary of the Date of Termination or (ii) the date of the Executive's full-time employment by another employer (provided that the Executive is entitled under the terms of such employment to benefits substantially similar to those described in this subparagraph (2)), at no cost to the Executive, the continued participation of the Executive (including his dependents who are covered by the Bank as of the Date of Termination) in all group insurance, life insurance, health, dental, vision and accident insurance, and disability insurance plans offered by the Employer in which the Executive and his covered dependents were participating immediately prior to the Date of Termination, in each case subject to clauses (3) and (4) of this Section 3(a);

(3) in the event that the continued participation of the Executive and his covered dependents in any group insurance plan as provided in clause (2) of this Section 3(a) is barred or would trigger the payment of an excise tax under Section 4980D of the Code, or during the period set forth in Section 3(a)(2) any such group insurance plan is discontinued, then the Bank shall at its election either (i) arrange to provide the Executive and his covered dependents with alternative benefits substantially similar to those which the Executive and his covered dependents were entitled to receive under such group insurance plans immediately prior to the Date of Termination, provided that the alternative benefits do not trigger the payment of an excise tax under Section 4980D of the Code, or (ii) pay to the Executive within 10 business days following the Date of Termination (or within 10 business days following the discontinuation of the benefits if later) a lump sum cash amount equal to the projected cost to the Bank of providing continued coverage to the Executive and his covered dependents until the one year anniversary of the Date of Termination, with the projected cost to be based on the costs being incurred immediately prior to the Date of Termination (or the discontinuation of the benefits if later), as increased by 15% on each scheduled renewal date; and

(4) any insurance premiums payable by the Bank pursuant to subsections (2) or (3) of this Section 3(a) shall be payable at such times and in such amounts (except that the Employer shall also pay any employee portion of the premiums) as if the Executive was still an employee of the Bank (or its successor), subject to any increases in such amounts imposed by the insurance company or COBRA, and the amount of insurance premiums required to be paid by the Bank in any taxable year shall not affect the amount of insurance premiums required to be paid by the Bank in any other taxable year.

(b) The Bank's obligation to pay severance and provide insurance benefits under Section 3(a) above is expressly conditioned upon the Executive executing and not revoking a general release to be provided to him by the Bank, which would release any and all claims, charges and complaints which the Executive may have against the Bank, its affiliates, assigns and successors, as well as the directors, officers and employees of such entities, in connection with the Executive's employment and the termination of such employment. Notwithstanding any other provision contained in this Agreement, in the event the time period that the Executive has to consider the terms of such general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then no cash payments shall be made under Section 3(a) until the succeeding calendar year.

4. Limitation of Benefits under Certain Circumstances. If the payments and benefits pursuant to Section 3 hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employer and the Corporation or their successors, would constitute a "parachute payment" under Section 280G of the Code, then the payments and benefits payable by the Employer pursuant to Section 3 hereof shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits payable by the Employer under Section 3 being non-deductible to the Employer pursuant to Section 280G of the Code and subject to the excise

tax imposed under Section 4999 of the Code. If the payments and benefits under Section 3 are required to be reduced, the cash severance shall be reduced first, followed by a reduction in the insurance benefits. The determination of any reduction in the payments and benefits to be made pursuant to Section 3 shall be based upon the opinion of independent tax counsel selected by the Employer and paid by the Employer. Such counsel shall promptly prepare the foregoing opinion, but in no event later than thirty (30) days from the Date of Termination, and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained in this Section 4 shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 4, or a reduction in the payments and benefits specified in Section 3 below zero.

5. Mitigation; Exclusivity of Benefits.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise, except as set forth in Section 3(a)(2)(ii) above.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employer pursuant to employee benefit plans of the Employer or otherwise.

6. Withholding. All payments required to be made by the Employer hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Employer may reasonably determine should be withheld pursuant to any applicable law or regulation.

7. Assignability. The Employer may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Employer may hereafter merge or consolidate or to which the Employer may transfer all or substantially all of its assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employer hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

8. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Employer: President and Chief Executive Officer
Southern Bank
2991 Oak Grove Road
Poplar Bluff, Missouri 63901

To the Executive: Lance Greunke

At the address last appearing on the personnel records of the Employer

9. Non-Solicitation Provisions. The Executive agrees that during the term of this Agreement and for the **one**year period immediately following the Date of Termination (the "Non-Solicitation Period"), the Executive will not (i) solicit or induce, or cause others to solicit or induce, any employee of the Bank or any of its affiliates or subsidiaries to leave the employment of such entities, or (ii) solicit (whether by mail, telephone, personal meeting or any other means, excluding general solicitations of the public that are not based in whole or in part on any list of

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Exhibit 10.9(ix)

customers of the Bank or any of its affiliates or subsidiaries) any customer of the Bank or any of its affiliates or subsidiaries to transact business with any other entity which is engaged in any line of business conducted by the Bank or any of its affiliates or subsidiaries during the Non-Solicitation Period (including but not limited to entities which lend money and take deposits), or to reduce or refrain from doing any business with the Bank or its affiliates or subsidiaries, or interfere with or damage (or attempt to interfere with or damage) any relationship between the Bank or its affiliates or subsidiaries and any such customers. All references in this Section 9 to the Bank or any of its affiliates or subsidiaries shall include any successors of such entities.

10. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Employer to sign on its behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In addition, notwithstanding anything in this Agreement to the contrary, the Employer may amend in good faith any terms of this Agreement, including retroactively, in order to comply with Section 409A of the Code.

11. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of Missouri.

12. Nature of Obligations.

(a) Nothing contained herein shall be deemed to create other than a terminable at will employment relationship between the Employer and the Executive, and the Employer may terminate the Executive's employment at any time, subject to providing any payments specified herein in accordance with the terms hereof.

(b) Nothing contained herein shall create or require the Employer to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employer hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employer.

13. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

15. Changes in Statutes or Regulations. If any statutory or regulatory provision referenced herein is subsequently changed or re-numbered, or is replaced by a separate provision, then the references in this Agreement to such statutory or regulatory provision shall be deemed to be a reference to such section as amended, re-numbered or replaced.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together will constitute one and the same instrument.

17. Regulatory Prohibition. Notwithstanding any other provision of this Agreement to the contrary, any renewal of this Agreement and any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act (12 U.S.C. §1828(k)) and the regulations promulgated thereunder, including 12 C.F.R. Part 359. In the event of the Executive's termination of employment with the Bank for Cause, all employment relationships and managerial duties with the Bank shall immediately cease regardless of whether the Executive is in the employ of the Corporation following such

termination. Furthermore, following such termination for Cause, the Executive will not, directly or indirectly, influence or participate in the affairs or the operations of the Bank.

18. Payment of Costs and Legal Fees and Reinstatement of Benefits. In the event any dispute or controversy arising under or in connection with the Executive's termination is resolved in favor of the Executive, whether by judgment, arbitration or settlement, the Executive shall be entitled to the payment of (a) all legal fees incurred by the Executive in resolving such dispute or controversy, and (b) any back-pay, including base salary, bonuses and any other cash compensation, fringe benefits and any compensation and benefits due to the Executive under this Agreement.

19. Entire Agreement. This Agreement embodies the entire agreement between the Employer and the Executive with respect to the matters agreed to herein. All prior agreements, if any, between the Employer and the Executive with respect to the matters agreed to herein are hereby superseded and shall have no force or effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Attest: **SOUTHERN BANK**

By: /s/ Lorna Brannum /s/ Matthew Funke

Name: Lorna Brannum

Title: Secretary/President and Chief Executive Officer

EXECUTIVE

By: /s/ Lance Greunke

Name: Lance Greunke

SOUTHERN BANK
AMENDED AND RESTATED SEVERANCE AGREEMENT

This Amended and Restated Severance Agreement (the "Agreement") dated as of February 21, 2023 is between Southern Bank, a Missouri state chartered trust company with banking powers (the "Bank" or the "Employer"), and Martin Weishaar (the "Executive").

WHEREAS, the Executive is presently employed as Chief Legal Officer of the Bank;

WHEREAS, the Employer desires to be ensured of the Executive's continued active participation in the business of the Employer;

WHEREAS, the Employer and the Executive previously entered into a severance agreement dated April 20, 2021, (the "Prior Agreement");

WHEREAS, the parties desire to revise the calculation of the severance benefits which shall be due to the Executive in the event that his employment with the Employer is terminated under specified circumstances; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) **Cash Compensation.** "Cash Compensation" shall mean the highest annual base salary rate paid to the Executive during his employment by the Bank, plus the higher of (i) the Executive's annual cash bonus for services rendered during the Employer's fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, or (ii) the Executive's target or potential bonus (generally 25% of salary unless otherwise specified) for the Employer's fiscal year in which the Date of Termination occurs.

(b) **Cause.** Termination of the Executive's employment for "Cause" shall mean termination because of personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, willful conduct which is materially detrimental (monetarily or otherwise) to the Employer or material breach of any provision of this Agreement.

(c) **Change in Control.** "Change in Control" shall mean a change in the ownership of the Corporation or the Bank, a change in the effective control of the Corporation or the Bank or a change in the ownership of a substantial portion of the assets of the Corporation or the Bank, in each case as provided

under Section 409A of the Code and the regulations thereunder.

(d) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) **Corporation.** "Corporation" shall mean Southern Missouri Bancorp, Inc., the holding company for the Bank, or any successor thereto.

(f) **Date of Termination.** "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in such Notice of Termination.

(g) **Disability.** "Disability" shall mean the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank.

(h) **Good Reason.** "Good Reason" means the occurrence of any of the following events: (i) any material breach of this Agreement by the Employer, (ii) a material diminution in the Executive's base compensation, (iii) a material diminution in the Executive's authority, duties or responsibilities, (iv) a material diminution in the authority, duties or responsibilities of the supervisor to whom the Executive is required to report, or (v) a change of more than thirty (30) miles in the geographic location at which the Executive performs his services as of the date of this Agreement; provided, however, that prior to any termination of employment for Good Reason, the Executive must first provide written notice to the Employer within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Employer shall thereafter have the right to remedy the condition within thirty (30) days of the date the Employer received the written notice from the Executive. If the Employer remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Employer does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a Notice of Termination for Good Reason at any time within sixty (60) days following the expiration of such cure period.

(i) **Notice of Termination.** Any purported termination of the Executive's employment by the Employer for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by a written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the Employer's termination of the Executive's employment for Cause, which shall be effective immediately; and (iv) is given in the manner specified in Section 8 hereof.

(j) **Retirement.** "Retirement" shall mean voluntary termination by the Executive in accordance with the Employer's retirement policies, including early retirement, generally applicable to the Employer's salaried employees.

2. Term of Agreement.

Subject to the terms hereof, the term of this Agreement shall commence on the date hereof and terminate on December 31, 2023. Beginning on December 31, 2023 and on each December 31st thereafter, the term of this Agreement shall be extended for a period of one additional year, unless either the Employer or the Executive has given notice to the other party hereto in writing at least 60 days prior to such annual renewal date that the term of this Agreement shall not be extended further; provided, however, notwithstanding the foregoing to the contrary, if a Change in Control occurs during the term of this Agreement, then the remaining term of this Agreement shall be automatically extended until the one-year anniversary of the completion of the Change in Control. If any party gives timely notice that the term will not be extended as of any such December 31st, then this Agreement shall terminate at the conclusion of its remaining term. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

3. Benefits Upon Termination in Connection with or Following a Change in Control.

(a) If the Executive's employment is terminated by the Employer in connection with or within one year following a Change in Control by (i) the Employer other than for Cause, Disability, Retirement or as a result of Executive's death or (ii) the Executive for Good Reason, then the Employer shall, subject to the provisions of Section 3(b) and Section 4 hereof, if applicable:

(1) pay to the Executive, in a lump sum within five (5) business days following the Date of Termination, a cash severance amount equal to **one and one half** times the Executive's Cash Compensation;

(2) maintain and provide for a period ending at the earlier of (i) the **18 month** anniversary of the Date of Termination or (ii) the date of the Executive's full-time employment by another employer (provided that the Executive is entitled under the terms of such employment to benefits substantially similar to those described in this subparagraph (2)), at no premium cost to the Executive, the continued participation of the Executive (including his dependents who are covered by the Bank as of the Date of Termination) in all group insurance, life insurance, health, dental, vision and accident insurance, and disability insurance plans offered by the Employer in which the Executive and his covered dependents were participating immediately prior to the Date of Termination, in each case subject to clauses (3) and (4) of this Section 3(a);

(3) in the event that the continued participation of the Executive and his covered dependents in any group insurance plan as provided in clause (2) of this Section 3(a) is barred or would trigger the payment of an excise tax under Section 4980D of the Code, or during the period set forth in Section 3(a)(2) any such group insurance plan is discontinued, then the Bank shall at its election either (i) arrange to provide the Executive and his covered dependents with alternative benefits substantially similar to those which the Executive and his covered dependents were entitled to receive under such group insurance plans immediately prior to the Date of Termination, provided that the alternative benefits do not

trigger the payment of an excise tax under Section 4980D of the Code, or (ii) pay to the Executive within 10 business days following the Date of Termination (or within 10 business days following the discontinuation of the benefits if later) a lump sum cash amount equal to the projected cost to the Bank of providing continued coverage to the Executive and his covered dependents until the **18 month** anniversary of the Date of Termination, with the projected cost to be based on the costs being incurred immediately prior to the Date of Termination (or the discontinuation of the benefits if later), as increased by 15% on each scheduled renewal date; and

(4) any insurance premiums payable by the Bank pursuant to subsections (2) or (3) of this Section 3(a) shall be payable at such times and in such amounts (except that the Employer shall also pay any employee portion of the premiums) as if the Executive was still an employee of the Bank (or its successor), subject to any increases in such amounts imposed by the insurance company or COBRA, and the amount of insurance premiums required to be paid by the

Bank in any taxable year shall not affect the amount of insurance premiums required to be paid by the Bank in any other taxable year.

(b) The Bank's obligation to pay severance and provide insurance benefits under Section 3(a) above is expressly conditioned upon the Executive executing and not revoking a general release to be provided to him by the Bank, which would release any and all claims, charges and complaints which the Executive may have against the Bank, its affiliates, assigns and successors, as well as the directors, officers and employees of such entities, in connection with the Executive's employment and the termination of such employment. Notwithstanding any other provision contained in this Agreement, in the event the time period that the Executive has to consider the terms of such general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then no cash payments shall be made under Section 3(a) until the succeeding calendar year.

4. Limitation of Benefits under Certain Circumstances. If the payments and benefits pursuant to Section 3 hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employer and the Corporation or their successors, would constitute a "parachute payment" under Section 280G of the Code, then the payments and benefits payable by the Employer pursuant to Section 3 hereof shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits payable by the Employer under Section 3 being non-deductible to the Employer pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. If the payments and benefits under Section 3 are required to be reduced, the cash severance shall be reduced first, followed by a reduction in the insurance benefits. The determination of any reduction in the payments and benefits to be made pursuant to Section 3 shall be based upon the opinion of independent tax counsel selected by the Employer and paid by the Employer. Such counsel shall promptly prepare the foregoing opinion, but in no event later than thirty (30) days from the Date of Termination, and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained in this Section 4 shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 4, or a reduction in the payments and benefits specified in Section 3 below zero.

5. Mitigation; Exclusivity of Benefits.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any

compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise, except as set forth in Section 3(a)(2)(ii) above.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employer pursuant to employee benefit plans of the Employer or otherwise.

6. Withholding. All payments required to be made by the Employer hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Employer may reasonably determine should be withheld pursuant to any applicable law or regulation.

7. Assignability. The Employer may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Employer may hereafter merge or consolidate or to which the Employer may transfer all or substantially all of its assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employer hereunder as fully as if it had

been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

8. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Employer:President and Chief Executive Officer
Southern Bank
2991 Oak Grove Road
Poplar Bluff, Missouri 63901

To the Executive:Martin Weishaar
At the address last appearing on the
personnel records of the Employer

9. Non-Solicitation Provisions. The Executive agrees that during the term of this Agreement and for the **18 month** period immediately following the Date of Termination (the "Non-Solicitation Period"), the Executive will not (i) solicit or induce, or cause others to solicit or induce, any employee of the Bank or any of its affiliates or subsidiaries to leave the employment of such entities, or (ii) solicit (whether by mail, telephone, personal meeting or any other means, excluding general solicitations of the public that are not based in whole or in part on any list of customers of the Bank or any of its affiliates or subsidiaries) any customer of the Bank or any of its affiliates or subsidiaries to transact business with any other entity which is engaged in any line of business conducted by the Bank or any of its affiliates or subsidiaries during the Non-Solicitation Period (including but not limited to entities which lend money and take deposits), or to reduce or refrain from doing any business with the Bank or its affiliates or subsidiaries, or interfere with or damage (or attempt to interfere with or damage) any relationship between the Bank or its affiliates or subsidiaries and any such customers. All references in this Section 9 to the Bank or any of its affiliates or subsidiaries shall include any successors of such entities.

10. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Employer to sign on its behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In addition, notwithstanding anything in this Agreement to the contrary, the Employer may amend in good faith any terms of this Agreement, including retroactively, in order to comply with Section 409A of the Code.

11. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of Missouri.

12. Nature of Obligations.

(a) Nothing contained herein shall be deemed to create other than a terminable at will employment relationship between the Employer and the Executive, and the Employer may terminate the Executive's employment at any time, subject to providing any payments specified herein in accordance with the terms hereof.

(b) Nothing contained herein shall create or require the Employer to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employer hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employer.

13. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

15. Changes in Statutes or Regulations. If any statutory or regulatory provision referenced herein is subsequently changed or re-numbered, or is replaced by a separate provision, then the references in this Agreement to such statutory or regulatory provision shall be deemed to be a reference to such section as amended, re-numbered or replaced.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together will constitute one and the same instrument.

17. Regulatory Prohibition. Notwithstanding any other provision of this Agreement to the contrary, any renewal of this Agreement and any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the

Federal Deposit Insurance Act (12 U.S.C. §1828(k)) and the regulations promulgated thereunder, including 12 C.F.R. Part 359. In the event of the Executive's termination of employment with the Bank for Cause, all employment relationships and managerial duties with the Bank shall immediately cease regardless of whether the Executive is in the employ of the Corporation following such termination. Furthermore, following such termination for Cause, the Executive will not, directly or indirectly, influence or participate in the affairs or the operations of the Bank.

18. Payment of Costs and Legal Fees and Reinstatement of Benefits. In the event any dispute or controversy arising under or in connection with the Executive's termination is resolved in favor of the Executive, whether by judgment, arbitration or settlement, the Executive shall be entitled to the payment of (a) all legal fees incurred by the Executive in resolving such dispute or controversy, and (b) any back-pay, including base salary, bonuses and any other cash compensation, fringe benefits and any compensation and benefits due to the Executive under this Agreement.

19. Entire Agreement. This Agreement embodies the entire agreement between the Employer and the Executive with respect to the matters agreed to herein. All prior agreements between the Employer and the Executive with respect to the matters agreed to herein, including the Prior Agreement, are hereby superseded and shall have no force or effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Attest: **SOUTHERN BANK**

By: /s/ Lorna Brannum /s/ Matthew Funke

Name: Lorna Brannum By: Matthew Funke

Title: Secretary Its: President and Chief Executive Officer

EXECUTIVE

By: /s/ Martin Weishaar

Name: Martin Weishaar

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Exhibit 31.1

CERTIFICATION

I, Greg A. Steffens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Missouri Bancorp, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2023** November 9, 2023

By: /s/ Greg A. Steffens

Greg A. Steffens
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Matthew T. Funke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Missouri Bancorp, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2023** November 9, 2023

By: /s/ Matthew T. Funke

Matthew T. Funke

Exhibit 31.3

CERTIFICATION

I, **Lora L. Daves**, **Stefan Chkautovich**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Missouri Bancorp, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2023** **November 9, 2023**

By: **/s/ Lora L. Daves Stefan Chkautovich**

Lora L. Daves Stefan Chkautovich

Executive Vice President and Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in their capacity as an officer of Southern Missouri Bancorp, Inc. (the "Company") that the quarterly report of the Company on Form 10-Q for the quarter ended **March 31, 2023** **September 30, 2023** fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: **May 10, 2023** **November 9, 2023**

By: /s/ Greg A. Steffens

Greg A. Steffens
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: **May 10, 2023** **November 9, 2023**

By: /s/ Matthew T. Funke

Matthew T. Funke
President and Chief Administrative Officer
(Principal Financial Officer)

Date: **May 10, 2023** **November 9, 2023**

By: /s/ Lora L. Daves Stefan Chkautovich

Lora L. Daves Stefan Chkautovich
Executive Vice President & Chief Financial Officer
(Principal Accounting Officer)

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