

Southern Missouri Bancorp: how fast should it use its buyback authority?

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A flexible authorization

Southern Missouri Bancorp closed its fiscal year on June 30 with a new repurchase authorization already in place. Approved by the Board on January 20, the program allowed the company to buy up to 550,000 shares, which management described as approximately 5% of shares outstanding. It could buy in the open market or through privately negotiated transactions, subject to availability and general market conditions. The authorization did not require management to purchase any shares. [S1, pp.58-59; S3]

By June 30, 103,508 shares had been purchased under the new authorization at an average \$65.17, leaving 446,492 shares available under that authorization. Those figures did not show how management would use the program in fiscal 2027. The public filings did not disclose a future purchase pace, internal price threshold, or capital-allocation hurdle. [S1, pp.58-59]

The Board had authorized repurchases before. A separate 445,000-share program announced in 2021 was completed during fiscal 2026. The company reported that it repurchased 317,000 shares for \$18.6 million across fiscal 2026 at an average \$58.59. That total included activity under both authorizations. Management also noted that the all-program average price was 124% of tangible book value per share at June 30. Tangible book value was a reported accounting reference, not an estimate of the stock's intrinsic value. [S1, pp.58-59; S2, pp.2, 7]

For this exercise, assume you advise Southern Missouri's executive management on a policy for any additional repurchases during FY2027. The authorization remains in force. Recommend how management should pace or condition its use, and what evidence should trigger a pause or review. The question is not whether to approve the program again.

Growth claims, and a funding question

Southern Missouri Bancorp is the parent company of Southern Bank, a community bank headquartered in Poplar Bluff, Missouri. At June 30, the company reported 67 banking offices. During fiscal 2026 it opened two locations in the St. Louis market. Management said another location in Overland Park, Kansas, was planned for early FY2027. Its annual report described a healthy loan pipeline across regions, prudent underwriting, and new business deposit accounts intended to support relationship-based operating deposits. [S1, company description; S2, pp.3-4]

The balance sheet showed substantial lending growth. Net loans rose \$287.9 million, or 7.1%, over fiscal 2026; deposits increased \$126.5 million, or 3.0%. Management said it redeployed lower-earning assets to loans and faced strong competition for deposits. Cash equivalents and time deposits fell \$102.1 million to \$91.0 million, a 52.9% decline. Federal Home Loan Bank advances rose \$26.4 million to \$130.4 million. These figures raise a funding and resilience question, but they do not establish that a share repurchase would displace a specific loan or a planned branch. [S1, financial condition, pp.61-63; S2, p.3; S4, lines 81-87, 177]

Credit conditions add a counterweight to a simple growth story. At year-end, nonperforming assets were \$33.5 million, or 0.64% of total assets, compared with \$23.7 million and 0.47% a year earlier. The allowance for credit losses was \$54.9 million, equal to 1.25% of gross loans; net charge-offs were 0.18% of average loans for fiscal 2026. The company attributed part of the reserve increase to loan growth, its annual allowance-model update, and ongoing pressure in agricultural loans. Those measures describe reported credit experience at June 30, not an October forecast. [S1, pp.62-63; S4, lines 123-129]

At June 30, Southern Bank reported common equity Tier 1 capital of 12.12%, total risk-based capital of 13.37%, and a Tier 1 leverage ratio of 10.45%. The company said the Bank was “well capitalized” under prompt corrective action standards. The holding company’s ratios were different. The Bank’s regulatory classification is relevant to its starting position; it does not, on its own, establish excess capital at the parent, available cash for distributions, or how the balance sheet would perform under stress. [S1, p.69 and Note 12]

The company’s capital menu

Management did not present the new authorization as a response to a failed investment opportunity. In its annual report, the company described three broad uses of capital: organic growth in traditional banking and other financial services; mergers and acquisitions aligned with its strategy and market presence; and shareholder returns through repurchases and dividends. It said it would assess opportunities as they arise. That is a strategic menu, not a FY2027 budget or ranked list. The company did not identify a live acquisition target or publish expected returns for the Overland Park location, loan pipeline, or technology projects. [S2, p.3]

The company’s own outlook also keeps both sides of the decision visible. Management said competition for deposits had been consistently strong, while competition for loans was mixed. It wanted to deepen full-service relationships and improve deposit mix. It also reported ongoing investment in wealth, trust and advisory services, insurance and financial technology. The financial statements do not show the marginal return or funding cost for each possible initiative. [S2, pp.2-4]

Possible pacing policies

The following policies are constructed for discussion; Southern Missouri has not announced them.

Policy	How it could work	Benefit	Risk or question
Conditional, opportunistic purchases	Management reviews updated share price, capital, liquidity, funding, credit and pipeline evidence; it may purchase only if its proposed internal tests are satisfied.	Retains flexibility to act when management believes the conditions are favorable.	The price test, buffers and review process are not disclosed; students must propose them without presenting them as company policy.

Policy	How it could work	Benefit	Risk or question
Measured cadence with review gates	Management sets periodic reviews and may execute in small, optional increments, preserving the ability to pause.	Makes the policy observable and revisitable as new information arrives.	A calendar can become an implicit quota; management must not treat it as a purchase obligation.
Hold some or all authority unused	Management preserves the authorization while it refreshes funding, credit and growth information.	Maintains flexibility while uncertainty is high.	Waiting has an opportunity cost if management believes its shares are attractively priced; the public record does not quantify that value.

These approaches can be combined. None requires management to abandon organic investment or M&A. The challenge is to write a policy that can distinguish an attractive discretionary repurchase from a decision that should wait for more evidence.

Exhibit 1. FY2026 financial and funding snapshot

Measure	Reported value	Scope / date
Total assets	\$5.236bn	Consolidated, June 30, 2026
Net loans	\$4.337bn; +\$287.9m / +7.1% year over year	Consolidated, FY26 end / FY26 change
Deposits	\$4.408bn; +\$126.5m / +3.0% year over year	Consolidated, FY26 end / FY26 change
Cash equivalents and time deposits	\$91.0m; down \$102.1m	Consolidated, June 30
FHLB advances	\$130.4m; up \$26.4m	Consolidated, June 30
Nonperforming assets	\$33.5m / 0.64% of assets; prior year \$23.7m / 0.47%	June 30
Allowance for credit losses	\$54.9m / 1.25% of gross loans	June 30
Bank CET1 / total risk-based / Tier 1 leverage	12.12% / 13.37% / 10.45%	Southern Bank, June 30; Bank was well capitalized under PCA

Sources: FY2026 Form 10-K [S1, pp.61-63, 69 and Note 12]; FY2026 annual report [S2, p.3]; Q4/FY26 preliminary release [S4]. Values are dated; the July release was preliminary. Bank regulatory measures are not parent-company ratios.

Exhibit 2. Two repurchase programs

Program	Authorization	Reported activity	What it means
Earlier program	Up to 445,000 shares; announced May 20, 2021	Completed during FY26	Separate, completed authorization
New program	Up to 550,000 shares; approved Jan. 20, 2026; described as approximately 5% of outstanding shares	103,508 shares purchased through June 30 at average \$65.17; 446,492 remained	Optional share-count authority, not a purchase commitment
All programs, FY26	-	317,000 total shares; \$18.6m; average \$58.59	Includes purchases under both plans; not the new plan's activity alone

Sources: [S1, Item 5, pp.58-59]; [S2, pp.2, 7]; [S3]. Management's 124% tangible-book comparison uses the all-program FY26 average and June 30 TBV per share; it is not a fair-value measure.

Assignment

Prepare a brief management recommendation for the first year of FY2027. State whether and how to use the existing authorization; propose a small number of observable conditions for continuing, slowing, pausing or resuming purchases; address the strongest counterargument; and identify what information management should review internally. Separate disclosed facts from proposed thresholds. Do not assume a binding capital ceiling, excess capital, an optimal share price, an imminent acquisition, or a dollar-for-dollar lending trade-off.

Sources

- **S1.** Southern Missouri Bancorp, FY2026 Form 10-K, filed September 11, 2026, accession 0001104659-26-107119. [SEC filing](#).
- **S2.** Southern Missouri Bancorp, 2026 Annual Report, shareholder letter. [SEC PDF](#).
- **S3.** Southern Missouri Bancorp, January 21, 2026 repurchase announcement, Exhibit 99.1 to Form 8-K. [SEC exhibit](#).
- **S4.** Southern Missouri Bancorp, Q4/FY2026 preliminary results, July 22, 2026, Exhibit 99.1 to Form 8-K. [SEC exhibit](#).
- **S5.** Southern Missouri Bancorp, 2026 definitive proxy statement filed September 21, plus SEC filings through October 2 used for cutoff chronology. [DEF 14A index](#); [SEC Form 4 index](#).

This case uses information public by October 2, 2026, end of day Eastern Time. Later events are excluded.