GREAT SOUTHERN BANCORP INC
Form 10-K
March 11, 2013

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

FORM 10-K

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

For the fiscal year ended December 31, 2012

Commission File Number 0-18082

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

Maryland (State or other jurisdiction of incorporation or organization)	43-1524856 (IRS Employer Identification Number)
1451 E. Battlefield, Springfield, Missouri (Address of Principal Executive Offices)	65804 (Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

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

required to submit and post such files).
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [ ]
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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Smaller reporting company [ ]

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

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on June 30, 2012, computed by reference to the closing price of such shares on that date, was $281,039,235. At March 7, 2013, 13,611,674 shares of the Registrant's common stock were outstanding.

TABLE OF CONTENTS

		Page
ITEM 1.	BUSINESS	1
Great Southern Bancorp, Inc.		1
Great Southern Bank		1
Forward-Looking Statements		2
Internet Website		2
Market Areas		3
Lending Activities		4
Loan Portfolio Composition		5
	Environmental Issues	19
	Residential Real Estate Lending	19
	Commercial Real Estate and Construction Lending	20
	Other Commercial Lending	21
	Consumer Lending	22
Originations, Purchases, Sales and Servicing of Loans		23
Loan Delinquencies and Defaults		24
Classified Assets		27
Non-Performing Assets		27
Restructured Troubled Debt		29
Allowances for Losses on Loans and Foreclosed Assets		29
Investment Activities		31
Sources of Funds		36
Subsidiaries		41
Competition		42
Employees		44
Government Supervision and Regulation		44
Federal and State Taxation		49
ITEM 1A.	RISK FACTORS	50
ITEM 1B.	UNRESOLVED STAFF COMMENTS	61
ITEM 2.	PROPERTIES.	61
ITEM 3.	LEGAL PROCEEDINGS.	61
ITEM 4.	MINE SAFETY DISCLOSURES.	62
ITEM 4A.	EXECUTIVE OFFICERS OF THE REGISTRANT.	62
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	63
ITEM 6.	SELECTED CONSOLIDATED FINANCIAL DATA	64
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	67
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	98
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	102

ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	198
ITEM 9A.	CONTROLS AND PROCEDURES.	198
ITEM 9B.	OTHER INFORMATION.	199
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.	200
ITEM 11.	EXECUTIVE COMPENSATION.	200
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	200
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.	200
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES.	201
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.	202
SIGNATURES		
INDEX TO EXHIBITS		

PART I

ITEM 1. BUSINESS.

THE COMPANY

Great Southern Bancorp, Inc.

Great Southern Bancorp, Inc. ("Bancorp" or "Company") is a bank holding company and a financial holding company and parent of Great Southern Bank ("Great Southern" or the "Bank"). Bancorp was incorporated under the laws of the State of Delaware in July 1989 as a unitary savings and loan holding company. After receiving the approval of the Federal Reserve Bank of St. Louis (the "Federal Reserve Board" or "FRB"), the Company became a one-bank holding company on June 30, 1998, upon the conversion of Great Southern to a Missouri-chartered trust company. In 2004, Bancorp was re-incorporated under the laws of the State of Maryland.

As a Maryland corporation, the Company is authorized to engage in any activity that is permitted by the Maryland General Corporation Law and is not prohibited by law or regulatory policy. The Company currently conducts its business as a financial holding company. Through the financial holding company structure, it is possible to expand the size and scope of the financial services offered by the Company beyond those offered by the Bank. The financial holding company structure provides the Company with greater flexibility than the Bank has to diversify its business activities, through existing or newly formed subsidiaries, or through acquisitions of or mergers with other financial institutions as well as other companies. At December 31, 2012, Bancorp's consolidated assets were $3.96 billion, consolidated net loans were $2.32 billion, consolidated deposits were $3.15 billion and consolidated total stockholders' equity was $370 million. For details about the Company's assets, revenues and profits for each of the last five fiscal years, see Item 6. "Selected Consolidated Financial Data." The assets of the Company consist primarily of the stock of Great Southern, available-for-sale securities, minority interests in a local trust company and a merchant banking company and cash.

Through the Bank and subsidiaries of the Bank, the Company has historically offered insurance, travel, investment and related services, which are discussed further below. The travel and investment services divisions were sold on November 30, 2012. The activities of the Company are funded by retained earnings and through dividends from Great Southern. Activities of the Company may also be funded through borrowings from third parties, sales of additional securities or through income generated by other activities of the Company. The Company expects to finance its future activities in a similar manner.

The executive offices of the Company are located at 1451 East Battlefield, Springfield, Missouri 65804, and its telephone number at that address is (417) 887-4400.

Great Southern Bank

Great Southern was formed as a Missouri-chartered mutual savings and loan association in 1923, and, in 1989, converted to a Missouri-chartered stock savings and loan association. In 1994, Great Southern changed to a federal savings bank charter and then, on June 30, 1998, changed to a Missouri-chartered trust company (the equivalent of a commercial bank charter). Headquartered in Springfield, Missouri, Great Southern offers a broad range of banking services through its 107 banking centers located in southern and central Missouri; the Kansas City, Missouri area; the St. Louis, Missouri area; eastern Kansas; northwestern Arkansas; eastern Nebraska, the Minneapolis, Minnesota area and western and central Iowa. The size and complexity of the Bank's operations increased substantially in 2009 with the completion of two Federal Deposit Insurance Corporation ("FDIC")-assisted transactions, and again in 2011 and 2012 with the completion of another FDIC-assisted transaction in each year. In 2009, the Bank entered into two separate purchase and assumption agreements including loss sharing with the FDIC to assume all of the deposits (excluding brokered deposits) and certain liabilities and acquire certain assets of TeamBank, N.A. and Vantus Bank. The two FDIC-assisted transactions involving TeamBank N.A. and Vantus Bank consisted of assets with a fair value of approximately $628.2 million (approximately 17.3% of the Company's total assets at acquisition) and $294.2 million (approximately 8.8% of the Company's total assets at acquisition), respectively, and liabilities with a fair value of $610.2 million (approximately 16.8% of the Company's total assets at acquisition) and $440.0 million (approximately 13.2% of the Company's total assets at acquisition), respectively. They also resulted in gains of $43.9 million and $45.9 million, respectively, which were included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2009. Prior to these acquisitions, the Company operated banking centers in Missouri with loan production offices in Arkansas and Kansas. These acquisitions added 31 new banking centers and expanded our footprint to cover five states – Iowa, Kansas, Missouri, Arkansas and Nebraska. In 2011, the Bank entered into a purchase and assumption agreement including loss sharing with the FDIC to assume all of the deposits and certain liabilities and acquire certain assets of Sun Security Bank. The FDIC-assisted transaction involving Sun Security Bank consisted of assets with a fair value of approximately $248.9 million (approximately 8.1% of the Company's total assets at acquisition) and liabilities with a fair value of $345.8 million (approximately 10.1% of the Company's total assets at acquisition). It also resulted in a gain of $16.5 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2011. In 2012, the Bank entered into a purchase and assumption agreement including loss sharing with the FDIC to assume all of the deposits and certain liabilities of Inter Savings Bank, FSB ("InterBank"). The FDIC-assisted transaction involving InterBank consisted of assets with a fair value of approximately $364.2 million (approximately 9.4% of the Company's total assets at acquisition) and liabilities with a fair value of approximately $458.7 million (approximately $11.9% of the Company's total assets at acquisition). It also resulted in a gain of $31.3 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2012. The acquisition added four new banking centers in the Minneapolis metropolitan area.

The loss sharing agreements related to the FDIC-assisted transactions added to the complexity of our operations by creating the need for new employees and processes to ensure compliance with the loss sharing agreements and the collection of problem assets acquired. See Note 4 included in Item 8. "Financial Statements and Supplementary Information" for a more detailed discussion of these FDIC-assisted transactions and the loss sharing agreements. At December 31, 2012, the Bank had total assets of $3.95 billion, net loans of $2.32 billion, deposits of $3.18 billion and stockholders' equity of $375.3 million, or 9.5% of total assets. Its deposits are insured by the Deposit Insurance Fund ("DIF") to the maximum levels permitted by the FDIC.

Great Southern is principally engaged in the business of originating residential and commercial real estate loans, construction loans, other commercial loans and consumer loans and funding these loans by attracting deposits from the general public, originating brokered deposits and borrowings from the Federal Home Loan Bank of Des Moines (the "FHLBank") and others.

For many years, Great Southern has followed a strategy of emphasizing loan origination through residential, commercial and consumer lending activities in its market areas. The goal of this strategy is to be one of the leading providers of financial services in its market areas, while simultaneously diversifying assets and reducing interest rate risk by originating and holding adjustable-rate loans and fixed-rate loans, primarily with terms of five years or less, in its portfolio and by selling longer-term fixed-rate single-family mortgage loans in the secondary market. The Bank continues to place primary emphasis on residential mortgage and other real estate lending while also expanding and increasing its originations of commercial business and consumer loans.

The corporate office of the Bank is located at 1451 East Battlefield, Springfield, Missouri 65804 and its telephone number at that address is (417) 887-4400.

Forward-Looking Statements

When used in this Annual Report and in other documents filed or furnished by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) expected cost savings, synergies and other benefits from the Company's merger and acquisition activities, including but not limited to the recently completed FDIC-assisted transactions involving Sun Security Bank and InterBank, might not be realized within the anticipated time frames or at all, the possibility that the amount of the gain the Company ultimately recognizes from the InterBank transaction will be materially different from the preliminary gain recorded, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (ii) changes in economic conditions, either nationally or in the Company's market areas; (iii) fluctuations in interest rates; (iv) 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; (v) the possibility of other-than-temporary impairments of securities held in the Company's securities portfolio; (vi) the Company's ability to access cost-effective funding; (vii) fluctuations in real estate values and both residential and commercial real estate market conditions; (viii) demand for loans and deposits in the Company's market areas; (ix) legislative or regulatory changes that adversely affect the Company's business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations, and the overdraft protection regulations and customers' responses thereto; (x) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xi) results of examinations of the Company and Great Southern by their regulators, including the possibility that the regulators may, among other things, require the Company to increase its allowance for loan losses or to write-down assets; (xii) the uncertainties arising from the Company's participation in the Small Business Lending Fund ("SBLF"), including uncertainties concerning the potential future redemption by us of the U.S. Treasury's preferred stock investment under the program, including the timing of, regulatory approvals for, and conditions placed upon, any such redemption; (xiii) costs and effects of litigation, including settlements and judgments; and (xiv) competition. The Company wishes to advise readers that the factors listed above and other risks described from time to time in the company's filings with the SEC could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Company does not undertake-and specifically declines any obligation- to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Internet Website

Bancorp maintains a website at www.greatsouthernbank.com. The information contained on that website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K. Bancorp currently makes available on or through its website Bancorp's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K or amendments to these reports. These materials are also available free of charge (other than a user's regular internet access charges) on the Securities and Exchange Commission's website at www.sec.gov.

Market Areas

During 2012, the Company added a total of five banking centers to its network and began operating in its sixth state – Minnesota. Four banking centers were added in the Minneapolis metropolitan area through the Company’s FDIC-assisted acquisition of Maple-Grove, Minn.-based InterBank. Also, a de novo full-service banking center was opened in O'Fallon, Mo., a community in the St. Louis area. In addition in 2012, the Company replaced four banking centers with new locations - one in Olathe, Kan., two in Springfield, Mo., and one in Greenfield, Mo. - with each providing better service and access for customers. At the end of 2012, the Company operated 107 full-service banking centers serving more than 135,000 households in six states – Missouri, Arkansas, Iowa, Kansas, Minnesota and Nebraska.

Great Southern’s largest concentration of loans and deposits is in the Springfield, Mo., area. In the last several years, the Company’s loan and deposit portfolios have become more diversified because of its participation in four FDIC-assisted acquisitions and some organic growth. The FDIC-assisted acquisitions significantly expanded the Company’s geographic footprint, which prior to 2009 was primarily in southwest and central Missouri, by adding operations in Iowa, Kansas, Minnesota and Nebraska. Besides the Springfield market area, the Company has loan and deposit concentrations in the Kansas City and St. Louis metropolitan markets, the Branson, Mo. area, the northwest Arkansas region, the Sioux City and Des Moines, Iowa, markets and the Minneapolis metropolitan area. Loans and deposits are also generated in banking centers in rural markets in Missouri, Iowa, Kansas and Nebraska.

As of December 31, 2012, the Company’s total loan portfolio balance, excluding loans covered by FDIC loss sharing agreements, was $1.9 billion. Geographically, the loan portfolio consists of loans collateralized by property (real estate and other assets) located in the following regions (including loan balance and percentage of total loans): Springfield ($438 million, 24%); St. Louis ($390 million, 21%); Branson ($141 million, 8%); Kansas City ($137 million, 7%); Northwest Arkansas ($81 million, 4%); other Missouri regions ($203 million, 11%), and other states and regions ($475 million, 25%). The Company’s net book balance of its portfolio of loans covered by FDIC loss sharing agreements was $524 million as of December 31, 2012. The FDIC loss sharing agreements, which were a part of two FDIC-assisted transactions completed in 2009, one FDIC-assisted transaction completed in 2011, and one FDIC-assisted transaction completed in 2012, provide the Company at least 80% protection against losses on the loans in this portfolio. The FDIC loss sharing agreements are subject to limitations on the types of losses covered and the length of time losses are covered and are conditioned upon the Bank complying with its requirements in the agreements with the FDIC. These limitations are described in detail in Note 4 of the accompanying audited financial statements, see Item 8 "Financial Statements and Supplementary Information". Geographically, the total loan portfolio covered by FDIC loss sharing agreements consists of loans collateralized by property (real estate and other assets) located in the following regions (including gross loan balance and percentage of total loans): Minneapolis ($339 million, 50%); St. Louis ($68 million, 10%); Kansas City ($42 million, 6%); Sioux City, Iowa ($36 million, 5%); other Missouri regions ($61 million, 9%), Springfield, Mo. ($4 million, 1%); and other regions ($124 million, 19%).

According to the January 16, 2013, Federal Reserve Beige Book, general economic activity in the Company's geographic footprint expanded rather modestly from the Federal Reserve's prior report on November 28, 2012. The study indicated that many contacts expected that growth in 2013 would match or outperform 2012, but some remained more cautious than others, citing the impact of continued uncertainty over federal fiscal policy on the near-term economic outlook. Loan demand remained generally sluggish according to reports from the Federal Reserve Districts that govern the Company's geographic footprint, but the Kansas City district reported strong demand for both residential and commercial real estate loans. Residential real estate markets showed some improvement across all Districts. Commercial construction was described as improving and commercial real estate activity increased in many markets. Home sales generally increased from the last reporting period. Unemployment in each of Great Southern's major market areas was below the national unemployment rate of 7.9% (as of January 2013), except for the Branson micropolitan statistical area, which was above the national rate at 8.3%.

Lending Activities

General

From its beginnings in 1923 through the early 1980s, Great Southern primarily made long-term, fixed-rate residential real estate loans that it retained in its loan portfolio. Beginning in the early 1980s, Great Southern increased its efforts to originate short-term and adjustable-rate loans. Beginning in the mid-1980s, Great Southern increased its efforts to originate commercial real estate and other residential loans, primarily with adjustable rates or shorter-term fixed rates. In addition, some competitor banking organizations merged with larger institutions and changed their business practices or moved operations away from the Springfield, Mo. area, and others consolidated operations from the Springfield, Mo. area to larger cities. This provided Great Southern expanded opportunities in residential and commercial real estate lending as well as in the origination of commercial business and consumer loans, primarily in indirect automobile lending.

In addition to origination of these loans, the Bank has expanded and enlarged its relationships with smaller banks to purchase participations (at par, generally with no servicing costs) in loans the smaller banks originate but are unable to retain in their portfolios due to capital limitations. The Bank uses the same underwriting guidelines in evaluating these participations as it does in its direct loan originations. At December 31, 2012, the balance of participation loans purchased and held in the portfolio, excluding those covered by loss sharing agreements, was $15.8 million, or 0.8% of the total loan portfolio. All of these participation loans were performing at December 31, 2012.

One of the principal historical lending activities of Great Southern is the origination of fixed and adjustable-rate conventional residential real estate loans to enable borrowers to purchase or refinance owner-occupied homes. Great Southern originates a variety of conventional, residential real estate mortgage loans, principally in compliance with Freddie Mac and Fannie Mae standards for resale in the secondary market. Great Southern promptly sells most of the fixed-rate residential mortgage loans that it originates. To date, Great Southern has not experienced difficulties selling these loans in the secondary market and has had minimal requests for repurchase. Depending on market conditions, the ongoing servicing of these loans is at times retained by Great Southern, but generally servicing is released to the purchaser of the loan. Great Southern retains substantially all of the adjustable-rate mortgage loans that it originates in its portfolio.

Another principal lending activity of Great Southern is the origination of commercial real estate, multi-family and commercial construction loans. Since the early 1990s, commercial real estate, multi-family and commercial construction loans have represented the largest percentage of the loan portfolio. Since the economic recession beginning in 2008, the commercial real estate and multi-family portfolios have exhibited slow growth while commercial construction lending has declined significantly. At December 31, 2012, commercial real estate, multi-family and commercial construction loans accounted for approximately 29%, 11% and 8%, respectively, of the total portfolio, excluding those commercial real estate, multi-family and commercial construction loans covered by loss sharing agreements. Of the portfolio of loans covered by loss sharing agreements, commercial real estate loans (net of fair value discounts) accounted for approximately 5% of the total portfolio at December 31, 2012.

In addition, Great Southern in recent years has increased its emphasis on the origination of other commercial loans, home equity loans and consumer loans, and is also an issuer of letters of credit. Letters of credit are contingent obligations and are not included in the Bank's loan portfolio. See "-- Other Commercial Lending," "- Classified Assets," and "Loan Delinquencies and Defaults" below.

The percentage of collateral value Great Southern will loan on real estate and other property varies based on factors including, but not limited to, the type of property and its location and the borrower's credit history. As a general rule, Great Southern will loan up to 95% of the appraised value on single-family properties and up to 90% on two- to four-family residential property. Typically, private mortgage insurance is required for loan amounts above the 80% level. At December 31, 2012 and 2011, loans secured by second liens on residential properties were $195.9 million, or 7.7%, and $50.9 million, or 2.2%, respectively, of our total loan portfolio. A large portion of this increase is attributable to loans acquired in the InterBank transaction. For commercial real estate and other residential real property loans, Great Southern may loan up to 85% of the appraised value. The origination of loans secured by other property is considered and determined on an individual basis by management with the assistance of any industry guides and other information which may be available. Collateral values are reappraised or reassessed as loans are renewed or when significant events indicating potential impairment occur. On a quarterly basis, management reviews impaired loans to determine whether updated appraisals or reassessments are necessary based on loan performance, collateral type and guarantor support. While it is not specifically required by our policy, we seek to obtain cross-collateralization of loans to a borrower when it is available and it is most frequently done on commercial loans.

Loan applications are approved at various levels of authority, depending on the type, amount and loan-to-value ratio of the loan. Loan commitments of more than $750,000 (or loans exceeding the Freddie Mac loan limit in the case of fixed-rate, one- to four-family residential loans for resale) must be approved by Great Southern's loan committee. The loan committee is comprised of the Chief Executive Officer of the Bank, the Chief Lending Officer of the Bank (chairman of the committee), and other senior officers of the

Bank involved in lending activities. All loans, regardless of size or type, are required to conform to certain minimum underwriting standards to assure portfolio quality. These standards and procedures include, but are not limited to, an analysis of the borrower's financial condition, collateral, repayment ability, verification of liquid assets and credit history as required by loan type. It has been, and continues to be, our practice to verify information from potential borrowers regarding assets, income or payment ability and credit ratings as applicable and as required by the authority approving the loan. Underwriting standards also include loan-to-value ratios which vary depending on collateral type, debt service coverage ratios or debt payment to income ratios, where applicable, credit histories, use of guaranties and other recommended terms relating to equity requirements, amortization, and maturity. Generally, deviations from approved underwriting standards can only be waived when doing so is not in violation of regulations or statutes and when appropriate lending authority is obtained. The loan committee reviews all new loan originations in excess of lender approval authorities. For loans originated and held, most lenders have approval authorities of $250,000 or below while nine senior lenders have approval authority of varying amounts up to $1 million. Lender approval authorities are also subject to loans-to-one borrower limits of $500,000 or below for most lenders and of varying amounts up to $3 million for nine senior lenders. These standards, as well as our collateral requirements, have not significantly changed in recent years. However, the Bank has changed the composition of its loan portfolio in response to economic conditions to reduce risk using strategies such as limiting lending on construction and land development loan types.

In general, state banking laws restrict loans to a single borrower and related entities to no more than 25% of a bank's unimpaired capital and unimpaired surplus, plus an additional 10% if the loan is collateralized by certain readily marketable collateral. (Real estate is not included in the definition of "readily marketable collateral.") As computed on the basis of the Bank's unimpaired capital and surplus at December 31, 2012, this limit was approximately $98.6 million. See "Government Supervision and Regulation." At December 31, 2012, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2012, the Bank's largest relationship for purposes of this limit totaled $34.4 million. All loans included in this relationship were current at December 31, 2012. Our policy does not set a loans-to-one borrower limit that is below the legal limits described; however, we do recognize the need to limit credit risk to any one borrower or group of related borrowers upon consideration of various risk factors. Extensions of credit to borrowers whose past due loans were charged-off or whose loans are classified as substandard require appropriate lending approval for total credit relationships of $250,000 or less or Loan Committee or Special Assets Committee approval on total credit relationships over $250,000.

Although Great Southern is permitted under applicable regulations to originate or purchase loans and loan participations secured by real estate located in any part of the United States, the Bank has historically concentrated its lending efforts in the Missouri and northern Arkansas markets, with its largest concentration of total loans in the Springield MSA, which accounts for 24% of total loans; the Branson MSA, which accounts for 8% of total loans, the St. Louis MSA, which accounts for 25% of total loans, and the northwestern Arkansas MSA, which accounts for 5% of total loans. As a result of the acquisitions in 2009, 2011 and 2012, the Bank has diversified its loan portfolio with additional loans in Iowa, Kansas, Nebraska and Minnesota, with its largest concentrations in Sioux City MSA, which accounts for 3% of the loan portfolio, the Des Moines MSA, which accounts for 2% of the loan portfolio, the Kansas City MSA, which account for 10% of the loan portfolio, and the Minneapolis-St. Paul MSA, which accounts for 18% of the loan portfolio. In addition, the Bank has made loans, secured primarily by commercial real estate, in other states, primarily Texas, Colorado and Oklahoma. At December 31, 2012, loans in these states comprised 3%, 3% and 2%, respectively, of the total loan portfolio.

Loan Portfolio Composition

The following tables set forth information concerning the composition of the Bank's loan portfolio in dollar amounts and in percentages (before deductions for loans in process, deferred fees and discounts and allowance for loan losses) as of the dates indicated. The tables are based on information prepared in accordance with generally accepted accounting principles and are qualified by reference to the Company's Consolidated Financial Statements and the notes thereto contained in Item 8 of this report.

During the year ended December 31, 2009, the Bank acquired loans through two FDIC-assisted transactions involving TeamBank, N.A., a full service commercial bank headquartered in Paola, Kansas, and Vantus Bank, a full service thrift headquartered in Sioux City, Iowa. During the year ended December 31, 2011, the Bank acquired loans through an FDIC-assisted transaction involving Sun Security Bank, a full service commercial bank headquartered in Ellington, Missouri. During the year ended December 31, 2012, the Bank acquired loans through an FDIC-assisted transaction involving Inter Savings Bank (InterBank), a full service commercial bank headquartered in Maple Grove, Minnesota. The loans acquired are covered by loss sharing agreements between the FDIC and the Bank which afford the Bank at least 80% protection from potential principal losses. Because of these loss sharing agreements, the composition of the loans acquired from the former TeamBank, Vantus Bank, Sun Security Bank and InterBank loans is shown below in tables separate from the legacy Great Southern portfolio. These loans were initially recorded at their fair value at the acquisition date and are recorded by the Company at their discounted value.

Legacy Great Southern Loan Portfolio Composition:

	December 31,									
	2012		2011		2010		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
One- to four-family(1)	$256,146	12.7 %	$266,694	14.0 %	$257,261	15.1 %	$248,892	14.1 %	$226,796	12.
Other residential	267,518	13.2	243,743	12.8	207,059	12.2	185,757	10.5	127,122	7.0
Commercial(2)	736,139	36.4	699,607	36.7	599,025	35.2	633,373	35.9	536,963	29.
Residential construction:										
One- to four-family	52,249	2.5	78,900	4.1	106,128	6.2	147,367	8.3	230,862	12.
Other residential	27,556	1.4	27,826	1.5	10,000	0.6	22,012	1.3	64,903	3.6
Commercial construction	198,145	9.8	166,749	8.8	163,214	9.6	187,663	10.7	309,200	16.
Total real estate loans	1,537,753	76.0	1,483,519	77.9	1,342,687	78.9	1,425,064	80.8	1,495,846	81.
Other Loans:										
Consumer loans:										
Guaranteed student loans	-	-	-	-	-	-	10,808	0.6	7,066	0.4
Automobile, boat, etc.	164,748	8.1	135,480	7.1	124,441	7.3	126,227	7.2	132,344	7.2
Home equity and improvement	54,317	2.7	47,395	2.5	47,534	2.8	47,954	2.7	50,672	2.8
Other	1,585	0.1	1,147	0.1	1,184	0.1	1,330	0.1	1,315	0.1
Total consumer loans	220,650	10.9	184,022	9.7	173,159	10.2	186,319	10.6	191,397	10.
Other commercial loans	264,631	13.1	236,384	12.4	185,880	10.9	151,278	8.6	139,592	7.6
Total other loans	485,281	24.0	420,406	22.1	359,039	21.1	337,597	19.2	330,989	18.
Total loans	2,023,034	100.0%	1,903,925	100.0%	1,701,726	100.0%	1,762,661	100.0%	1,826,835	10(

Less:					
Loans in process	157,574	103,424	63,108	54,729	73,855
Deferred fees and discounts	2,192	2,726	2,541	2,161	2,126
Allowance for loan losses	40,649	41,232	41,487	40,101	29,163
Total legacy loans receivable, net	$1,822,619	$1,756,543	$1,594,590	$1,665,670	$1,721,691

(1) Includes loans held for sale.
(2) Total commercial real estate loans included industrial revenue bonds of $13.8 million, $59.8 million, $64.6 million, $61.0 million and $59.4 million at December 31, 2012, 2011, 2010, 2009 and 2008, respectively.

6

Former TeamBank, N.A. Loan Portfolio Composition:

	December 31,							
	2012		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)							
Real Estate Loans:								
Residential								
One- to four-family	$19,610	22.6 %	$21,944	17.0 %	$25,646	17.8 %	$35,146	17.6 %
Other residential (multi-family)	4,520	5.2	5,968	4.6	6,412	4.4	7,992	4.0
Commercial(1)	41,471	47.8	73,209	56.8	75,515	52.2	93,942	47.0
Construction	12,670	14.7	14,544	11.3	19,708	13.6	32,043	16.1
Total real estate loans	78,271	90.3	115,665	89.7	127,281	88.0	169,123	84.7
Other Loans:								
Consumer loans:								
Home equity and improvement	4,989	5.8	4,964	3.9	5,608	3.9	6,511	3.2
Other	159	0.1	420	0.3	850	0.6	2,521	1.3
Total consumer loans	5,148	5.9	5,384	4.2	6,458	4.5	9,032	4.5
Other commercial loans	3,243	3.8	7,826	6.1	10,894	7.5	21,619	10.8
Total other loans	8,391	9.7	13,210	10.3	17,352	12.0	30,651	15.3
Total loans	$86,662	100.0 %	$128,875	100.0 %	$144,633	100.0 %	$199,774	100.0 %

(1) Total commercial real estate loans included industrial revenue bonds of $2.3 million, $2.5 million, $3.0 million and $2.5 million at December 31, 2012, 2011, 2010 and 2009, respectively.

Former Vantus Bank Loan Portfolio Composition:

	December 31,							
	2012		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)							
Real Estate Loans:								
Residential								
One- to four-family	$26,160	24.7 %	$33,030	26.9 %	$45,932	28.7 %	$64,430	28.5 %
Other residential (multi-family)	15,434	14.6	17,012	13.8	16,866	10.5	19,241	8.5
Commercial(1)	35,431	33.5	39,413	32.0	53,189	33.2	71,963	31.9
Construction	1,552	1.5	3,471	2.8	7,298	4.6	10,550	4.7
Total real estate loans	78,577	74.3	92,926	75.5	123,285	77.0	166,184	73.6
Other Loans:								
Consumer loans:								
Student loans	512	0.5	505	0.4	1,276	0.8	1,063	0.5
Home equity and improvement	7,270	6.9	5,668	4.6	5,933	3.7	9,353	4.1
Other	14,434	13.6	18,951	15.4	25,348	15.8	35,030	15.5
Total consumer loans	22,216	21.0	25,124	20.4	32,557	20.3	45,446	20.1
Other commercial loans	4,967	4.7	4,986	4.1	4,321	2.7	14,320	6.3
Total other loans	27,183	25.7	30,110	24.5	36,878	23.0	59,766	26.4
Total loans	$105,760	100.0 %	$123,036	100.0 %	$160,163	100.0 %	$225,950	100.0 %

(1) Total commercial real estate loans included industrial revenue bonds of $2.0 million, $3.0 million, $5.7 million and $9.0 million at December 31, 2012, 2011, 2010 and 2009, respectively.

Former Sun Security Bank Loan Portfolio Composition:

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Real Estate Loans:				
Residential				
One- to four- family	$55,422	43.5 %	$52,491	36.3 %
Other residential (multi-family)	6,615	5.2	2,897	2.0
Commercial(1)	45,267	35.5	45,183	31.3
Construction	4,471	3.5	24,645	17.0
Total real estate loans	111,775	87.7	125,216	86.6
Other Loans:				
Consumer loans:				
Student loans	---	---	---	---
Home equity and improvement	1,291	1.0	---	---
Other	904	0.7	3,438	2.4
Total consumer loans	2,195	1.7	3,438	2.4
Other commercial loans	13,448	10.6	15,972	11.0
Total other loans	15,643	12.3	19,410	13.4
Total loans	$127,418	100.0 %	$144,626	100.0 %

(1) Total commercial real estate loans included industrial revenue bonds of $373,000 and $574,000, at December 31, 2012 and 2011, respectively.

Former InterBank Loan Portfolio Composition:

	December 31, 2012	
	Amount	%
Real Estate Loans:		
Residential		
One- to four- family	$215,768	60.5 %
Other residential (multi-family)	45,879	12.9
Commercial(1)	33,202	9.3
Construction	134	0.0
Total real estate loans	294,983	82.7
Other Loans:		
Consumer loans:		
Student loans	---	---
Home equity and improvement	61,752	17.3
Other	41	0.0

Total consumer loans	61,793	17.3	
Other commercial loans	70	0.0	
Total other loans	61,863	17.3	
Total loans	$356,846	100.0	%

(1) Total commercial real estate loans included industrial revenue bonds of $0, at December 31, 2012.

9

Through December 31, 2012, gross loan balances (due from the borrower) related to TeamBank were reduced approximately $349.5 million since the transaction date because of $215.9 million of principal repayments, $59.0 million of transfers to foreclosed assets and $74.6 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Vantus Bank were reduced approximately $227.6 million since the transaction date because of $185.9 million of principal repayments, $15.0 million of transfers to foreclosed assets and $26.7 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Sun Security Bank were reduced approximately $107.5 million since the transaction date because of $69.0 million of principal repayments, $18.0 million of transfers to foreclosed assets and $20.5 million of charge-offs to customer loan balances. Gross loan balances (due from the borrower) related to InterBank were reduced approximately $36.4 million since the transaction date because of $26.7 million of principal repayments and $9.7 million of charge-offs to customer loan balances. Based upon the collectability analyses performed during the acquisitions, we expected certain levels of foreclosures and charge-offs and actual results through December 31, 2012, related to TeamBank, Vantus Bank, Sun Security Bank and InterBank portfolios, have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield which are discussed in Note 4 of the accompanying audited financial statements, which are included in Item 8 of this Report.

The following tables show the fixed- and adjustable-rate composition of the Bank's loan portfolio at the dates indicated. Amounts shown for TeamBank, Vantus Bank, Sun Security Bank and InterBank represent unpaid principal balances, before fair value discounts. The tables are based on information prepared in accordance with generally accepted accounting principles.

Legacy Great Southern Loan Portfolio Composition by Fixed- and Adjustable-Rates:

	December 31,									
	2012		2011		2010		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$103,442	5.1 %	$127,736	6.7 %	$109,703	6.5 %	$92,164	5.2 %	$71,990	3.9
Other residential	146,661	7.2	129,505	6.8	118,727	7.0	79,152	4.5	44,436	2.4
Commercial	330,196	16.3	321,226	16.9	255,678	15.0	211,862	12.0	185,631	10
Residential construction:										
One- to four-family	18,024	0.9	28,177	1.4	27,168	1.6	26,547	1.5	22,054	1.2
Other residential	7,716	0.4	1,078	0.1	2,450	0.1	2,693	0.2	7,977	0.5
Commercial construction	126,756	6.3	88,671	4.7	76,383	4.5	29,941	1.7	22,897	1.3
Total real estate loans	732,795	36.2	696,393	36.6	590,109	34.7	442,359	25.1	354,985	19
Consumer	166,520	8.2	137,045	7.2	126,636	7.4	139,812	7.9	142,848	7.8
Other commercial	131,523	6.5	100,107	5.2	74,206	4.4	43,271	2.5	27,653	1.5
Total fixed-rate loans	1,030,838	50.9	933,545	49.0	790,951	46.5	625,442	35.5	525,486	28
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	152,704	7.5	138,958	7.3	147,558	8.7	156,728	8.9	154,806	8.5
Other residential	120,857	6.0	114,238	6.0	88,332	5.2	106,605	6.1	82,686	4.6
Commercial	405,943	20.1	378,381	19.9	343,347	20.2	421,511	23.9	351,332	19
Residential construction:										
	34,225	1.7	50,723	2.6	78,960	4.6	121,312	6.9	208,808	11

One- to four-family										
Other residential	19,840	1.0	26,748	1.4	7,550	0.4	19,319	1.1	56,926	3.1
Commercial construction	71,389	3.5	78,078	4.1	86,831	5.1	157,229	8.9	286,303	15
Total real estate loans	804,958	39.8	787,126	41.3	752,578	44.2	982,704	55.8	1,140,861	62
Consumer	54,130	2.7	46,977	2.5	46,523	2.7	46,508	2.6	48,549	2.7
Other commercial	133,108	6.6	136,277	7.2	111,674	6.6	108,007	6.1	111,939	6.1
Total adjustable-rate loans	992,196	49.1	970,380	51.0	910,775	53.5	1,137,219	64.5	1,301,349	71
Total Loans	2,023,034	100.0%	1,903,925	100.0%	1,701,726	100.0%	1,762,661	100.0%	1,826,835	10
Less:										
Loans in process	157,574		103,424		63,108		54,729		73,855	
Deferred fees and discounts	2,192		2,726		2,541		2,161		2,126	
Allowance for loan losses	40,649		41,232		41,487		40,101		29,163	
Total legacy loans receivable, net	$1,822,619		$1,756,543		$1,594,590		$1,665,670		$1,721,691	

Former TeamBank, N.A. Loan Portfolio Composition by Fixed- and Adjustable-Rates:

	December 31,					
	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)					
Fixed-Rate Loans:						
Real Estate Loans						
Residential						
One- to four- family	$5,420	6.3 %	$7,739	4.7 %	$11,943	5.4 %
Other residential	3,902	4.5	5,288	3.2	5,330	2.4
Commercial	17,125	19.8	53,344	32.1	52,018	23.5
Construction	2,637	3.0	14,631	8.8	26,992	12.2
Total real estate loans	29,084	33.6	81,002	48.8	96,283	43.5
Consumer loans	159	0.2	444	0.3	1,021	0.5
Other commercial loans	1,557	1.8	4,897	2.9	9,751	4.4
Total fixed-rate loans	30,800	35.6	86,343	52.0	107,055	48.4
Adjustable-Rate Loans:						
Real Estate Loans						
Residential						
One- to four- family	14,189	16.4	17,380	10.5	20,702	9.3
Other residential	618	0.7	998	0.6	1,617	0.7
Commercial	24,346	28.1	36,011	21.7	49,088	22.2
Construction	10,034	11.5	13,951	8.4	28,602	12.9
Total real estate loans	49,187	56.7	68,340	41.2	100,009	45.1
Consumer loans	4,989	5.8	5,722	3.4	6,716	3.0
Other commercial loans	1,686	1.9	5,598	3.4	7,699	3.5
Total adjustable-rate loans	55,862	64.4	79,660	48.0	114,424	51.6
Total loans	86,662	100.0 %	166,003	100.0 %	221,479	100.0 %
Less:						
Loans in process	5		1,719		2,190	
Fair value discounts	9,042		35,409		74,656	
Total loans receivable, net	$77,615		$128,875		$144,633	

Former Vantus Bank Loan Portfolio Composition by Fixed- and Adjustable-Rates:

	December 31,								
	2012			2011			2010		
	Amount	%		Amount	%		Amount	%	
	(Dollars In Thousands)								
Fixed-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	$13,111	12.4	%	$22,134	14.8	%	$35,384	17.0	%
Other residential	7,542	7.1		6,477	4.3		6,885	3.3	
Commercial	13,136	12.4		22,744	15.2		33,505	16.1	
Construction	792	0.7		581	0.4		3,204	1.5	
Total real estate loans	34,581	32.6		51,936	34.7		78,978	37.9	
Consumer loans	14,941	14.1		21,083	14.1		29,093	2.4	
Other commercial loans	2,097	2.0		3,454	2.3		5,089	14.0	
Total fixed-rate loans	51,619	48.7		76,473	51.1		113,160	54.3	
Adjustable-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	13,049	12.3		15,876	10.6		19,109	9.2	
Other residential	7,892	7.5		12,133	8.1		12,183	5.9	
Commercial	22,295	21.1		25,808	17.3		35,770	17.2	
Construction	760	0.8		4,031	2.7		7,655	3.7	
Total real estate loans	43,996	41.7		57,848	38.7		74,717	36.0	
Consumer loans	7,275	6.9		8,639	5.8		10,866	5.2	
Other commercial loans	2,870	2.7		6,510	4.4		9,420	4.5	
Total adjustable-rate loans	54,141	51.3		72,997	48.9		95,003	45.7	
Total loans	105,760	100.0	%	149,470	100.0	%	208,163	100.0	%
Less:									
Loans in process	1,851			255			83		
Fair value discounts	8,426			26,179			47,917		
Total loans receivable, net	$95,483			$123,036			$160,163		

Former Sun Security Bank Loan Portfolio Composition by Fixed- and Adjustable-Rates:

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Fixed-Rate Loans:				
Real Estate Loans				
Residential				
One- to four- family	$45,667	35.8 %	$66,635	30.6 %
Other residential	2,491	2.0	16,790	7.7
Commercial	36,759	28.8	57,576	26.5
Construction	2,714	2.2	25,191	11.6
Total real estate loans	87,631	68.8	166,192	76.4
Consumer loans	2,042	1.6	3,690	1.7
Other commercial loans	7,875	6.2	20,737	9.5