

GREAT SOUTHERN BANCORP INC  
Form 10-K  
March 09, 2012

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, 2011

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 [ ]

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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 ☒      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 ☒

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on June 30, 2011, computed by reference to the closing price of such shares on that date, was \$192,585,174. At March 7, 2012, 13,495,782 shares of the Registrant's common stock were outstanding.

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## 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 or mergers of other financial institutions as well as other companies. At December 31, 2011, Bancorp's consolidated assets were \$3.79 billion, consolidated net loans were \$2.12 billion, consolidated deposits were \$2.96 billion and consolidated total stockholders' equity was \$325 million. For details about the Company's assets, revenues and profits for each of the last three 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 offers insurance, travel, investment and related services, which are discussed further below. 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 104 banking centers located in southern and central Missouri; the Kansas City, Missouri area; the St. Louis, Missouri area; eastern Kansas; northwestern Arkansas; eastern Nebraska 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 with the completion of another FDIC-assisted transaction. 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. Prior to the FDIC-assisted transactions, TeamBank, N.A. was subject to a Consent Order by the Office of the Comptroller of Currency and Vantus Bank was subject to a Cease and Desist Order from the Office of the Thrift Supervision, both to resolve capital deficiencies and other matters. 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. Prior to the FDIC-assisted transaction, Sun Security Bank was subject to an Order to Cease and Desist by the FDIC to resolve capital deficiencies and other matters. 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. The acquisition added 27 new banking centers in central and southern Missouri. The loss sharing agreements related to the 2009 FDIC-assisted transactions and the 2011 FDIC-assisted transaction 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 5 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, 2011, the Bank had total assets of \$3.78 billion, net loans of \$2.12 billion, deposits of \$2.98 billion and stockholders' equity of \$333 million, or 8.8% 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 filings 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 transaction involving Sun Security Bank, 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 Sun Security Bank 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 new 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 the Bank 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](http://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](http://www.sec.gov).

## Market Areas

During 2009, Great Southern significantly expanded its geographic footprint by adding operations in three contiguous states - Iowa, Kansas and Nebraska - to its previous primary market areas of southwestern, western and central Missouri. The Company's expansion was primarily due to two FDIC-assisted transactions in 2009 which increased the Company's banking center network from 39 to 72 banking centers. In 2010, the Company added three de novo full-service banking centers: one in Rogers, Ark., one in Forsyth, Mo., and one in Des Peres, Mo., a suburb of St. Louis. During 2011, the Company again expanded due to an FDIC-assisted transaction which added 27 locations in Missouri to our banking center network. In 2011, the Company also added two de novo full-service banking centers: one in Clayton, Mo. and one in Affton, Mo. At the end of 2011, the Company operated 104 full-service banking centers serving more than 166,000 customer households in five states.

Great Southern's largest concentration of loans and deposits is in the Springfield, Mo. area. The Company's growth in 2009 provided greater diversification of its loan and deposit portfolios. 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 and the Sioux City and Des Moines, Iowa, markets. Loans and deposits are also generated in banking centers in rural markets in Missouri, Iowa, Kansas and Nebraska.

As of December 31, 2011, the Company's total loan portfolio balance, excluding loans covered by FDIC loss sharing agreements, was \$1.8 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 (\$479 million, 27%); St. Louis (\$360 million, 20%); Branson (\$164 million, 9%); Kansas City (\$130 million, 7%); Northwest Arkansas (\$78 million, 4%); other Missouri regions (\$194 million, 11%), and other states and regions (\$396 million, 22%). The Company's net book balance of its portfolio of loans covered by FDIC loss sharing agreements was \$396 million as of December 31, 2011. The FDIC loss sharing agreements, which were a part of two FDIC-assisted transactions completed in 2009 and one FDIC-assisted transaction completed in 2011, 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 5 of the accompanying audited financial statements. Geographically, the total loan portfolio covered by FDIC loss sharing agreements related to TeamBank and Vantus Bank consists of loans collateralized by property (real estate and other assets) located in the following regions (including loan balance and percentage of total loans): Iowa (\$104 million, 33%); Kansas City (\$86 million, 28%); Kansas (\$18 million, 6%); other Missouri regions (\$20 million, 6%), and other regions (\$85 million, 27%).

According to the February 29, 2012, Federal Reserve Beige Book, general economic activity in the Company's geographic footprint expanded modestly from the Federal Reserve's prior report on January 11, 2012. Loan demand remained generally sluggish according to reports from the Federal Reserve Districts that govern the Company's geographic footprint. Residential real estate markets remained generally weak across all Districts. Commercial construction was described as slow, but commercial real estate activity increased slightly in many markets. Home sales generally decreased from the last reporting period, but the Kansas City region had a slight uptick in sales.

Unemployment in each of Great Southern's major market areas was below the national unemployment rate of 8.5% (as of December 2011), except for the Branson metropolitan statistical area, which was above the national rate at 9.7%.

#### 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, 2011, the balance of participation loans purchased and held in the portfolio, excluding those covered by loss sharing agreements, was \$12.6 million, or 0.7% of the total loan portfolio. All of these participation loans were performing at December 31, 2011.

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 problems selling these loans in the secondary market. 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 and commercial construction loans. Since the early 1990s, this area of lending has been an increasing percentage of the loan portfolio. At December 31, 2011, commercial real estate and commercial construction loans accounted for approximately 31% and 7%, respectively, of the total portfolio, excluding those commercial real estate and commercial construction loans covered by loss sharing agreements. Of the portfolio of loans covered by loss sharing agreements, commercial real estate and commercial construction loans (net of fair value discounts) accounted for approximately 7% and 2%, respectively, of the total portfolio at December 31, 2011.

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, 2011 and 2010, loans secured by second liens on residential properties were \$50.9 million, or 2.2%, and \$53.5 million, or 2.7%, respectively, of our total loan portfolio. 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, underwriting standards can only be waived when doing so is not in violation of regulations or statutes and when approval from the loan committee and/or chief lending officer 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, 2011, this limit was approximately \$89.0 million. See "Government Supervision and Regulation." At December 31, 2011, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2011, the Bank's largest relationship for purposes of this limit totaled \$38.9 million. All loans included in this relationship were current at December 31, 2011, except one loan totaling \$1.4 million which was past due over 90 days and was included in non-performing loans. 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 the approval of an officer, a regional manager or a loan committee member for total credit relationships of \$250,000 or less. Such total credit relationships over \$250,000 require the approval of the loan committee or the special assets committee.

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 Missouri and northern Arkansas which account for 66% of the total loan portfolio, with the largest concentration of its lending activity being in southwestern and central Missouri which account for 33% of the total loan portfolio. As a result of the acquisitions in 2009, the Bank has lending activity in Iowa, Kansas and Nebraska, as well. At December 31, 2011, loans in these states comprised 8%, 9% and 2%, respectively, of the total loan portfolio. In addition, the Bank has made loans, secured primarily by commercial real estate, in other states, primarily Oklahoma, Texas and Colorado. At December 31, 2011, 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. 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 former TeamBank, Vantus Bank and Sun Security Bank 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, 2011			2010			2009			2008			2007		
	Amount	%		Amount	%		Amount	%		Amount	%		Amount	%	
(Dollars In Thousands)															
Real Estate Loans:															
One- to four- family(2)	\$266,694	14.0	%	\$257,261	15.1	%	\$248,892	14.1	%	\$226,796	12.4	%	\$191,970	9.1	%
Other residential	243,743	12.8		207,059	12.2		185,757	10.5		127,122	7.0		87,177	4.1	
Commercial(1)	699,607	36.7		599,025	35.2		633,373	35.9		536,963	29.4		532,797	25.1	
Residential construction:															
One- to four- family	78,900	4.1		106,128	6.2		147,367	8.3		230,862	12.6		318,131	15.1	
Other residential	27,826	1.5		10,000	0.6		22,012	1.3		64,903	3.6		83,720	4.0	
Commercial construction	166,749	8.8		163,214	9.6		187,663	10.7		309,200	16.9		517,208	24.1	
Total real estate loans	1,483,519	77.9		1,342,687	78.9		1,425,064	80.8		1,495,846	81.9		1,731,003	82.1	
Other Loans:															
Consumer loans:															
Guaranteed student loans	---	---		---	---		10,808	0.6		7,066	0.4		3,342	0.2	
Automobile, boat, etc.	135,480	7.1		124,441	7.3		126,227	7.2		132,344	7.2		112,984	5.4	
Home equity and improvement	47,395	2.5		47,534	2.8		47,954	2.7		50,672	2.8		44,287	2.1	
Other	1,147	0.1		1,184	0.1		1,330	0.1		1,315	0.1		4,161	0.2	
Total consumer loans	184,022	9.7		173,159	10.2		186,319	10.6		191,397	10.5		164,774	7.9	
Other commercial loans	236,384	12.4		185,880	10.9		151,278	8.6		139,592	7.6		207,059	9.9	
Total other loans	420,406	22.1		359,039	21.1		337,597	19.2		330,989	18.1		371,833	17.1	
Total loans	1,903,925	100.0	%	1,701,726	100.0	%	1,762,661	100.0	%	1,826,835	100.0	%	2,102,836	100.0	%



Less:					
Loans in process	103,424	63,108	54,729	73,855	254,562
Deferred fees and discounts	2,726	2,541	2,161	2,126	2,704
Allowance for loan losses	41,232	41,487	40,101	29,163	25,459
Total legacy loans receivable, net	\$1,756,543	\$1,594,590	\$1,665,670	\$1,721,691	\$1,820,111

(1) Total commercial real estate loans included industrial revenue bonds of \$59.8 million, \$64.6 million, \$61.0 million, \$59.4 million and \$61.2 million at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(2) Includes loans held for sale.

## Former TeamBank, N.A. Loan Portfolio Composition:

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

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

## Former Vantus Bank Loan Portfolio Composition:

	2011		December 31, 2010				2009		
	Amount	%	Amount	%			Amount	%	
(Dollars In Thousands)									
Real Estate Loans:									
Residential									
One- to four- family	\$33,030	26.9	%	\$45,932	28.7	%	\$64,430	28.5	%
Other residential									
(multi-family)	17,012	13.8		16,866	10.5		19,241	8.5	
Commercial(1)	39,413	32.0		53,189	33.2		71,963	31.9	
Construction	3,471	2.8		7,298	4.6		10,550	4.7	
Total real estate loans	92,926	75.4		123,285	77.0		166,184	73.6	
Other Loans:									
Consumer loans:									
Student loans	505	0.4		1,276	0.8		1,063	0.5	
Home equity and									
improvement	5,668	4.6		5,933	3.7		9,353	4.1	
Other	18,951	15.4		25,348	15.8		35,030	15.5	
Total consumer									
loans	25,124	20.4		32,557	20.3		45,446	20.1	
Other commercial									
loans	4,986	4.1		4,321	2.7		14,320	6.3	
Total other loans	30,110	24.5		36,878	23.0		59,766	26.4	
Total loans	\$123,036	100.0	%	\$160,163	100.0	%	\$225,950	100.0	%

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

## Former Sun Security Bank Loan Portfolio Composition:

	December 31, 2011	
	Amount	%
Real Estate Loans:		
Residential		
One- to four- family	\$ 52,491	36.3 %
Other residential		
(multi-family)	2,897	2.0
Commercial(1)	45,183	31.3
Construction	24,645	17.0
Total real estate loans	125,216	86.6
Other Loans:		
Consumer loans:		
Student loans	---	---
Home equity and		
improvement	---	---
Other	3,438	2.4
Total consumer loans	3,438	2.4
Other commercial loans	15,972	11.0
Total other loans	19,410	13.4
Total loans	\$ 144,626	100.0 %

(1) Total commercial real estate loans included industrial revenue bonds of \$2.1 million, at December 31, 2011.

Through December 31, 2011, gross loan balances (due from the borrower) related to TeamBank were reduced approximately \$271.5 million since the transaction date because of \$192.4 million of repayments by the borrower, \$13.6 million of transfers to foreclosed assets and \$65.5 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Vantus Bank were reduced approximately \$182.3 million since the transaction date because of \$153.1 million of repayments by the borrower, \$4.1 million of transfers to foreclosed assets and \$25.1 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Sun Security Bank were reduced approximately \$23.0 million since the transaction date because of \$19.6 million of repayments by the borrower and \$3.4 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, 2011, related to TeamBank and Vantus Bank portfolios, have been better than our expectations. As a result, cash flows expected to be received from the TeamBank and Vantus Bank acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield which are discussed in Note 5 of the accompanying audited financial statements.



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 and Sun Security Bank 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, 2011		2010		2009		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(Dollars In Thousands)										
Fixed-Rate Loans:										
Real Estate Loans										
One- to four- family	\$ 127,736	6.7	% \$ 109,703	6.5	% \$ 92,164	5.2	% \$ 71,990	3.9	% \$ 48,790	2.3
Other residential	129,505	6.8	118,727	7.0	79,152	4.5	44,436	2.4	34,798	1.7
Commercial	321,226	16.9	255,678	15.0	211,862	12.0	185,631	10.2	158,223	7.5
Residential construction:										
One- to four- family	28,177	1.4	27,168	1.6	26,547	1.5	22,054	1.2	17,872	0.8
Other residential	1,078	0.1	2,450	0.1	2,693	0.2	7,977	0.5	4,040	0.2
Commercial construction	88,671	4.7	76,383	4.5	29,941	1.7	22,897	1.3	12,483	0.6
Total real estate loans	696,393	36.6	590,109	34.7	442,359	25.1	354,985	19.5	276,206	13.3
Consumer	137,045	7.2	126,636	7.4	139,812	7.9	142,848	7.8	123,232	5.9
Other commercial	100,107	5.2	74,206	4.4	43,271	2.5	27,653	1.5	33,903	1.6
Total fixed-rate loans	933,545	49.0	790,951	46.5	625,442	35.5	525,486	28.8	433,341	20.8
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four- family	138,958	7.3	147,558	8.7	156,728	8.9	154,806	8.5	143,180	6.8
Other residential	114,238	6.0	88,332	5.2	106,605	6.1	82,686	4.6	52,379	2.5
Commercial	378,381	19.9	343,347	20.2	421,511	23.9	351,332	19.2	374,574	17.5
Residential construction:										
	50,723	2.6	78,960	4.6	121,312	6.9	208,808	11.4	300,259	14.0

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One- to four-family										
Other residential	26,748	1.4	7,550	0.4	19,319	1.1	56,926	3.1	79,680	3.8
Commercial construction	78,078	4.1	86,831	5.1	157,229	8.9	286,303	15.6	504,725	24.0
Total real estate loans	787,126	41.3	752,578	44.2	982,704	55.8	1,140,861	62.4	1,454,797	69.8
Consumer	46,977	2.5	46,523	2.7	46,508	2.6	48,549	2.7	41,542	2.0
Other commercial	136,277	7.2	111,674	6.6	108,007	6.1	111,939	6.1	173,156	8.2
Total adjustable-rate loans	970,380	51.0	910,775	53.5	1,137,219	64.5	1,301,349	71.2	1,669,495	79.0
Total Loans	1,903,925	100.0%	1,701,726	100.0%	1,762,661	100.0%	1,826,835	100.0%	2,102,836	100.0%
Less:										
Loans in process	103,424		63,108		54,729		73,855		254,562	
Deferred fees and discounts	2,726		2,541		2,161		2,126		2,704	
Allowance for loan losses	41,232		41,487		40,101		29,163		25,459	
Total legacy loans										
receivable, net	\$1,756,543		\$1,594,590		\$1,665,670		\$1,721,691		\$1,820,111	

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

	2011			December 31, 2010			2009		
	Amount	%		Amount	%		Amount	%	
(Dollars In Thousands)									
Fixed-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	\$7,739	4.7	%	\$11,943	5.4	%	\$20,449	6.3	%
Other residential	5,288	3.2		5,330	2.4		5,955	1.8	
Commercial	53,344	32.1		52,018	23.5		65,801	20.1	
Construction	14,631	8.8		26,992	12.2		41,305	12.6	
Total real estate loans	81,002	48.8		96,283	43.5		133,510	40.8	
Consumer loans	444	0.3		1,021	0.5		2,450	0.8	
Other commercial loans	4,897	2.9		9,751	4.4		16,028	4.9	
Total fixed-rate loans	86,343	52.0		107,055	48.4		151,988	46.5	
Adjustable-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	17,380	10.5		20,702	9.3		23,466	7.2	
Other residential	998	0.6		1,617	0.7		2,126	0.7	
Commercial	36,011	21.7		49,088	22.2		64,414	19.7	
Construction	13,951	8.4		28,602	12.9		65,615	20.1	
Total real estate loans	68,340	41.2		100,009	45.1		155,621	47.7	
Consumer loans	5,722	3.4		6,716	3.0		7,606	2.3	
Other commercial loans	5,598	3.4		7,699	3.5		11,553	3.5	
Total adjustable-rate loans	79,660	48.0		114,424	51.6		174,780	53.5	
Total loans	166,003	100.0	%	221,479	100.0	%	326,768	100.0	%
Less:									
Loans in process	1,719			2,190			---		
Fair value discounts	35,409			74,656			126,994		
Total loans receivable, net	\$ 128,875			\$ 144,633			\$ 199,774		





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

	2011			December 31, 2010			2009		
	Amount	%		Amount	%		Amount	%	
	(Dollars In Thousands)								
Fixed-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	\$22,134	14.8	%	\$35,384	17.0	%	\$47,653	16.4	%
Other residential	6,477	4.3		6,885	3.3		9,086	3.1	
Commercial	22,744	15.2		33,505	16.1		47,845	16.4	
Construction	581	0.4		3,204	1.5		8,658	3.0	
Total real estate									
loans	51,936	34.7		78,978	37.9		113,242	38.9	
Consumer loans	21,083	14.1		29,093	2.4		38,459	13.2	
Other commercial									
loans	3,454	2.3		5,089	14.0		7,218	2.5	
Total fixed-rate									
loans	76,473	51.1		113,160	54.3		158,919	54.6	
Adjustable-Rate Loans:									
Real Estate Loans									
Residential									
One- to four- family	15,876	10.6		19,109	9.2		25,419	8.7	
Other residential	12,133	8.1		12,183	5.9		12,568	4.3	
Commercial	25,808	17.3		35,770	17.2		49,896	17.2	
Construction	4,031	2.7		7,655	3.7		9,145	3.2	
Total real estate									
loans	57,848	38.7		74,717	36.0		97,028	33.4	
Consumer loans	8,639	5.8		10,866	5.2		14,950	5.1	
Other commercial									
loans	6,510	4.4		9,420	4.5		20,039	6.9	
Total adjustable-rate									
loans	72,997	48.9		95,003	45.7		132,017	45.4	
Total loans									
	149,470	100.0	%	208,163	100.0	%	290,936	100.0	%
Less:									
Loans in process	255			83			---		
Fair value discounts	26,179			47,917			64,986		
	\$ 123,036			\$ 160,163			\$ 225,950		

Total loans receivable,  
net

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

	December 31, 2011		
	Amount		%
Fixed-Rate Loans:			
Real Estate Loans			
Residential			
One- to four- family	\$ 66,635	30.6	%
Other residential	16,790	7.7	
Commercial	57,576	26.5	
Construction	25,191	11.6	
Total real estate loans	166,192	76.4	
Consumer loans	3,690	1.7	
Other commercial loans	20,737	9.5	
Total fixed-rate loans	190,619	87.6	
Adjustable-Rate Loans:			
Real Estate Loans			
Residential			
One- to four- family	4,212	1.9	
Other residential	690	0.3	
Commercial	4,816	2.2	
Construction	9,427	4.4	
Total real estate loans	19,145	8.8	
Consumer loans	---	---	
Other commercial loans	7,785	3.6	
Total adjustable-rate loans	26,930	12.4	
Total loans	217,549	100.0	%
Less:			
Fair value discounts	72,923		
Total loans receivable, net	\$ 144,626		



The following tables present the contractual maturities of loans at December 31, 2011. Amounts shown for TeamBank, Vantus Bank and Sun Security Bank 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 Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	\$ 42,226	\$ 77,468	\$ 147,000	\$ 266,694
Other residential	136,533	74,925	32,285	243,743
Commercial	232,707	353,515	113,385	699,607
Residential construction:				
One- to four- family	59,545	16,238	3,117	78,900
Other residential	5,784	21,339	703	27,826
Commercial construction	108,672	46,669	11,408	166,749
Total real estate loans	585,467	590,154	307,898	1,483,519
Other Loans:				
Consumer loans:				
Automobile	18,734	48,415	68,331	135,480
Home equity and improvement	7,267	14,656	25,472	47,395
Other	1,147	---	---	1,147
Total consumer loans	27,148	63,071	93,803	184,022
Other commercial loans	103,350	74,833	58,201	236,384
Total other loans	130,498	137,904	152,004	420,406
Total legacy loans	\$ 715,965	\$ 728,058	\$ 459,902	\$ 1,903,925

As of December 31, 2011, loans due after December 31, 2012 with fixed interest rates totaled \$658.6 million and loans due after December 31, 2012 with adjustable rates totaled \$529.3 million.

## Former TeamBank N.A. Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
(In Thousands)				
Real Estate Loans:				
Residential				
One- to four- family	\$ 2,655	\$ 3,595	\$ 18,869	\$ 25,119
Other residential	4,870	644	772	6,286
Commercial	41,737	18,001	29,617	89,355
Construction	26,415	402	1,765	28,582
Total real estate loans	75,677	22,642	51,023	149,342
Other Loans:				
Consumer loans:				
Home equity and improvement	6	2,793	2,921	5,720
Other	150	289	7	446
Total consumer loans	156	3,082	2,928	6,166
Other commercial loans	6,341	3,936	218	10,495
Total other loans	6,497	7,018	3,146	16,661
Total loans	\$ 82,174	\$ 29,660	\$ 54,169	\$ 166,003

As of December 31, 2011, loans due after December 31, 2012 with fixed interest rates totaled \$24.3 million and loans due after December 31, 2012 with adjustable rates totaled \$59.5 million.

## Former Vantus Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	\$ 1,369	\$ 13,074	\$ 23,567	\$ 38,010
Other residential	4,681	8,406	5,523	18,610
Commercial	16,269	20,109	12,174	48,552
Construction	4,046	530	36	4,612
Total real estate loans	26,365	42,119	41,300	109,784
Other Loans:				
Consumer loans:				
Student loans	505	---	---	505
Home equity and improvement	75	---	8,385	8,460
Other	404	3,493	16,860	20,757
Total consumer loans	984	3,493	25,245	29,722
Other commercial loans	5,515	3,656	793	9,964
Total other loans	6,499	7,149	26,038	39,686
Total loans	\$ 32,864	\$ 49,268	\$ 67,338	\$ 149,470

As of December 31, 2011, loans due after December 31, 2012 with fixed interest rates totaled \$58.9 million and loans due after December 31, 2012 with adjustable rates totaled \$57.7 million.

## Former Sun Security Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	\$ 28,331	\$ 20,872	\$ 21,644	\$ 70,847
Other residential	15,259	2,221	---	17,480
Commercial	33,843	23,929	4,620	63,392
Construction	28,335	6,175	108	34,618
Total real estate loans	105,768	53,197	26,372	185,337
Other Loans:				
Consumer loans:				
Student loans	---	---	---	---
Home equity and improvement	---	---	---	---
Other	1,858	1,332	500	3,690
	1,858	1,332	500	3,690



Total consumer loans				
Other commercial loans	21,714	6,708	100	28,522
Total other loans	23,572	8,040	600	32,212
Total loans	\$ 129,340	\$ 61,237	\$ 26,972	\$ 217,549

As of December 31, 2011, loans due after December 31, 2012 with fixed interest rates totaled \$74.4 million and loans due after December 31, 2012 with adjustable rates totaled \$13.8 million.

At December 31, 2011, \$46.1 million, or 2.0%, of total loans were secured by junior lien mortgages and \$173,000, or 0.0% of total loans, were interest only residential real estate loans. At December 31, 2010, \$48.2 million, or 2.4%, of total loans, were secured by junior lien mortgages and \$188,000, or 0.0% of total loans, were interest only residential real estate loans. While high loan-to-value ratio mortgage loans are occasionally originated and held, they are typically either considered low risk based on analyses performed or are required to have private mortgage insurance. The Company does not originate or hold option ARM loans or significant amounts of loans with initial teaser rates or subprime loans in its residential real estate portfolio.

To monitor and control risks related to concentrations of credit in the composition of the loan portfolio, management reviews the loan portfolio by loan types, industries and market areas on a monthly basis for credit quality and known and anticipated market conditions. Changes in loan portfolio composition may be made by management based on the performance of each area of business, known and anticipated market conditions, credit demands, the deposit structure of the Bank and the expertise and/or depth of the lending staff. Loan portfolio industry and market areas are monitored regularly for credit quality and trends. Reports detailed by industry and geography are provided to the Board of Directors on a monthly and quarterly basis.

In response to the economic recession that began in 2008, the composition of the Bank's loan portfolio has changed over the past four years. We limited lending on construction and land development loan types to reduce the risk in the portfolio, we continued to originate commercial real estate loans with the goal of at least maintaining the current percentage of these loans in our portfolio and began originating an increased amount of other residential (multi-family) loans.

#### Environmental Issues

Loans secured by real property, whether commercial, residential or other, may have a material, negative effect on the financial position and results of operations of the lender if the collateral is environmentally contaminated. The result can be, but is not necessarily limited to, liability for the cost of cleaning up the contamination imposed on the lender by certain federal and state laws, a reduction in the borrower's ability to pay because of the liability imposed upon it for any clean up costs, a reduction in the value of the collateral because of the presence of contamination or a subordination of security interests in the collateral to a super priority lien securing the cleanup costs by certain state laws.

Management is aware of the risk that the Bank may be negatively affected by environmentally contaminated collateral and attempts to control this risk through commercially reasonable methods, consistent with guidelines arising from applicable government or regulatory rules and regulations, and to a more limited extent, publications of the lending industry. Management currently is unaware (without, in many circumstances, specific inquiry or investigation of existing collateral, some of which was accepted as collateral before risk controlling measures were implemented) of any environmental contamination of real property securing loans in the Bank's portfolio that would subject the Bank to any material risk. No assurance can be made, however, that the Bank will not be adversely affected by environmental contamination.

#### Residential Real Estate Lending

At December 31, 2011 and 2010, loans secured by residential real estate, excluding that which is under construction and excluding those covered by loss sharing agreements, totaled \$510 million and \$464 million, respectively, and represented approximately 22.2% and 23.1%, respectively, of the Bank's total loan portfolio. At December 31, 2011 and 2010, loans (net of fair value discounts) secured by residential real estate and covered by loss sharing agreements totaled \$133 million and \$95 million, respectively, and represented approximately 5.8% and 4.7%, respectively, of the Bank's total loan portfolio. The Bank's one- to four-family residential real estate loan portfolio increased significantly since 2007 as interest rates were falling and the Bank originated and retained more adjustable-rate loans. Overall, mortgage rates were very low throughout 2010 and 2011. Since 2007, other residential real estate loan balances continued to increase as there was less competition to finance these projects by non-bank entities.

The Bank currently is originating one- to four-family adjustable-rate residential mortgage loans primarily with one-year adjustment periods. Rate adjustments on loans originated prior to July 2001 are based upon changes in prevailing rates for one-year U.S. Treasury securities. Rate adjustments on loans originated since July 2001 are based upon changes in the average of interbank offered rates for twelve month U.S. Dollar-denominated deposits in the London Market (LIBOR) or changes in prevailing rates for one-year U.S. Treasury securities. Rate adjustments are generally limited to 2% maximum annually as well as a maximum aggregate adjustment over the life of the loan. Accordingly, the interest rates on these loans typically may not be as rate sensitive as is the Bank's cost of funds. Generally, the Bank's adjustable-rate mortgage loans are not convertible into fixed-rate loans, do not permit negative amortization of principal and carry no prepayment penalty. The Bank also currently is originating other residential (multi-family)

mortgage loans with interest rates that are generally either adjustable with changes to the prime rate of interest or fixed for short periods of time (three to five years).

The Bank's portfolio of adjustable-rate mortgage loans also includes a number of loans with different adjustment periods, without limitations on periodic rate increases and rate increases over the life of the loans, or which are tied to other short-term market indices. These loans were originated prior to the industry standardization of adjustable-rate loans. Since the adjustable-rate mortgage loans currently held in the Bank's portfolio have not been subject to an interest rate environment which causes them to adjust to the maximum, these loans entail unquantifiable risks resulting from potential increased payment obligations on the borrower as a result of upward repricing. Many of these loans experienced upward interest rate adjustments in 2006 and 2007; however, the indices used by Great Southern for these types of loans have decreased since 2008. Compared to fixed-rate mortgage loans, these loans are subject to increased risk of delinquency or default if a higher, fully-indexed rate of interest subsequently comes into effect in replacement of a lower rate currently in effect. Prior to 2008, the Bank did not experience a significant increase in delinquencies in adjustable-rate mortgage loans due to a relatively low interest rate environment and favorable economic conditions. However, since 2008, delinquencies on mortgage loans increased.

In underwriting one- to four-family residential real estate loans, Great Southern evaluates the borrower's ability to make monthly payments and the value of the property securing the loan. It is the policy of Great Southern that generally all one- to four-family residential loans in excess of 80% of the appraised value of the property be insured by a private mortgage insurance company approved by Great Southern for the amount of the loan in excess of 80% of the appraised value. In addition, Great Southern requires borrowers to obtain title and fire and casualty insurance in an amount not less than the amount of the loan. Real estate loans originated by the Bank generally contain a "due on sale" clause allowing the Bank to declare the unpaid principal balance due and payable upon the sale of the property securing the loan. The Bank may enforce these due on sale clauses to the extent permitted by law.

#### Commercial Real Estate and Construction Lending

Commercial real estate lending has been a significant part of Great Southern's business activities since the mid-1980s. Great Southern does commercial real estate lending in order to increase the yield on, and the proportion of interest rate sensitive loans in, its portfolio. At December 31, 2007, commercial real estate loans and commercial construction loans each made up about one fourth of the total loan portfolio. The economic recession that began in 2008 resulted in reduced activity in the market caused by the downturn in the economy and reduced real estate values. In response, Great Southern began limiting commercial construction lending to reduce the risk in the portfolio and began originating an increased amount of commercial real estate loans. Since December 31, 2007, the commercial construction loan portfolio has decreased significantly and overall, commercial real estate loans have trended upward. In 2010, commercial real estate loans decreased somewhat from the previous year but this was primarily the result of commercial construction projects being completed and the loans transferring to permanent status in the commercial real estate category in 2009. The increase in commercial real estate loans in 2011 was primarily due to financing loans which had been previously financed by other lenders rather than overall economic improvement. Excluding loans covered by loss sharing agreements, over the last three years, commercial real estate loans made up approximately 35-36% of the total loan portfolio while commercial construction loans were less than 11%. Great Southern expects to continue to limit lending on commercial construction loans in 2012 and to generally maintain the current percentage of commercial real estate loans in its total loan portfolio subject to commercial real estate and other market conditions and to applicable regulatory restrictions. See "Government Supervision and Regulation" below.

At December 31, 2011 and 2010, loans secured by commercial real estate, excluding that which is under construction and excluding loans covered under loss sharing agreements, totaled \$700 million and \$599 million, respectively, or

approximately 30.5% and 29.9%, respectively, of the Bank's total loan portfolio. At December 31, 2011 and 2010, loans (net of fair value discounts) secured by commercial real estate and covered by loss sharing agreements totaled \$158 million and \$129 million, respectively, and represented approximately 6.9% and 6.4%, respectively, of the Bank's total loan portfolio. In addition, at December 31, 2011 and 2010, construction loans, excluding loans covered under loss sharing agreements, secured by projects under construction and the land on which the projects are located aggregated \$273 million and \$279 million, respectively, or 11.9% and 13.9%, respectively, of the Bank's total loan portfolio. At December 31, 2011 and 2010, construction loans (net of fair value discounts) covered by loss sharing agreements totaled \$45 million and \$27 million, respectively, and represented approximately 1.9% and 1.3%, respectively, of the Bank's total loan portfolio. The majority of the Bank's commercial real estate loans have been originated with adjustable rates of interest, most of which are tied to the Bank's prime rate. Substantially all of these loans were originated with loan commitments which did not exceed 80% of the appraised value of the properties securing the loans.

The Bank's construction loans generally have a term of eighteen months or less. The construction loan agreements for one- to four-family projects generally provide that principal reductions are required as individual condominium units or single-family houses are built and sold to a third party. This insures that the remaining loan balance, as a proportion to the value of the remaining security, does not increase, assuming that the value of the remaining security does not decrease. Loan proceeds are disbursed in increments as construction progresses. Generally, the amount of each disbursement is based on the construction cost estimate of an independent architect, engineer or qualified fee inspector who inspects the project in connection with each disbursement request. Normally, Great

Southern's commercial real estate and other residential construction loans are made either as the initial stage of a combination loan (i.e., with a commitment from the Bank to provide permanent financing upon completion of the project) or with a commitment from a third party to provide permanent financing.

The Bank's commercial real estate, construction and other residential loan portfolios consist of loans with diverse collateral types. The following table sets forth loans that were secured by certain types of collateral at December 31, 2011, excluding loans covered by loss sharing agreements. These collateral types represent the five highest percentage concentrations of commercial real estate, construction and other residential loan types in the loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio (Dollars In Thousands)	Non-Performing Loans at December 31, 2011	
Apartments	\$248,684	13.1	%	\$211
Motels/Hotels	\$143,293	7.5	%	\$1,623
Health Care Facilities	\$122,136	6.4	%	\$1,072
Retail (Varied Projects)	\$110,048	5.8	%	\$1,623
Office/Warehouse Facilities	\$100,147	5.3	%	\$389

Commercial real estate lending and construction lending generally affords the Bank an opportunity to receive interest at rates higher than those obtainable from residential mortgage lending and to receive higher origination and other loan fees. In addition, commercial real estate loans and construction loans are generally made with adjustable rates of interest or, if made on a fixed-rate basis, for relatively short terms. Nevertheless, commercial real estate lending entails significant additional risks as compared with residential mortgage lending. Commercial real estate loans typically involve large loan balances to single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by commercial properties is typically dependent on the successful operation of the related real estate project and thus may be subject, to a greater extent, to adverse conditions in the real estate market or in the economy generally.

Construction loans also involve additional risks attributable to the fact that loan funds are advanced upon the security of the project under construction, which is of uncertain value prior to the completion of construction. Moreover, because of the uncertainties inherent in estimating construction costs, delays arising from labor problems, material shortages, and other unpredictable contingencies, it is relatively difficult to evaluate accurately the total loan funds required to complete a project, and the related loan-to-value ratios. See also the discussion under the headings "- Classified Assets" and "- Loan Delinquencies and Defaults" below.

#### Other Commercial Lending

At December 31, 2011 and 2010, Great Southern had \$236 million and \$186 million, respectively, in other commercial loans outstanding, excluding loans covered by loss sharing agreements, or 10.3% and 9.3%, respectively, of the Bank's total loan portfolio. At December 31, 2011 and 2010, other commercial loans (net of fair value discounts) covered by loss sharing agreements totaled \$29 million and \$15 million, respectively, and represented approximately 1.3% and 0.8%, respectively, of the Bank's total loan portfolio. Great Southern's other commercial lending activities encompass loans with a variety of purposes and security, including loans to finance accounts receivable, inventory and equipment.

Great Southern expects to continue to originate loans in this category subject to market conditions and applicable regulatory restrictions. See "Government Supervision and Regulation" below.

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

The Bank's management recognizes the generally increased risks associated with other commercial lending. Great Southern's commercial lending policy emphasizes complete credit file documentation and analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of the industry conditions affecting the borrower. Review of the borrower's past, present and future cash flows is also an important aspect of Great Southern's credit analysis. In addition, the Bank generally obtains personal guarantees from the borrowers on these types of loans. Historically, the majority of Great

Southern's commercial loans have been to borrowers in southwestern and central Missouri. With the acquisitions in 2009, geographic concentrations for commercial loans expanded to include the greater Kansas City, Mo. area and western and central Iowa. Great Southern has continued its commercial lending in all of these geographic areas.

As part of its commercial lending activities, Great Southern issues letters of credit and receives fees averaging approximately 1% of the amount of the letter of credit per year. At December 31, 2011, Great Southern had 106 letters of credit outstanding in the aggregate amount of \$21.3 million. Approximately 43% of the aggregate amount of these letters of credit was secured, including one \$3.3 million letter of credit secured by real estate which was issued to enhance the issuance of housing revenue refunding bonds and was current.

### Consumer Lending

Great Southern management views consumer lending as an important component of its business strategy. Specifically, consumer loans generally have short terms to maturity, thus reducing Great Southern's exposure to changes in interest rates, and carry higher rates of interest than do residential mortgage loans. In addition, Great Southern believes that the offering of consumer loan products helps to expand and create stronger ties to its existing customer base.

Great Southern offers a variety of secured consumer loans, including automobile loans, boat loans, home equity loans and loans secured by savings deposits. In addition, Great Southern also offers home improvement loans, guaranteed student loans and unsecured consumer loans. Consumer loans, excluding those covered by loss sharing agreements, totaled \$184 million and \$173 million at December 31, 2011 and 2010, respectively, or 8.0% and 8.6%, respectively, of the Bank's total loan portfolio. At December 31, 2011 and 2010, consumer loans (net of fair value discounts) covered by loss sharing agreements totaled \$34 million and \$39 million, respectively, and represented approximately 1.5% and 1.9%, respectively, of the Bank's total loan portfolio.

The underwriting standards employed by the Bank for consumer loans include a determination of the applicant's payment history on other debts and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is of primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Beginning in 1998, the Bank implemented indirect lending relationships, primarily with automobile dealerships. Through these dealer relationships, the dealer completes the application with the consumer and then submits it to the Bank for credit approval. While the Bank's initial concentrated effort was on automobiles, the program has evolved for use with other tangible products where financing of the product is provided through the seller, including boats and manufactured homes. At December 31, 2011 and 2010, the Bank had \$158.3 million and \$150.7 million, respectively, of indirect auto, boat, modular home and recreational vehicle loans in its portfolio, including loans totaling \$22.8 million and \$24.5 million, respectively, which are covered by loss sharing agreements.

The Company acquired student loans through the Vantus Bank FDIC-assisted transaction totaling \$1.9 million at the acquisition date of September 4, 2009, of which \$842,000 were guaranteed by Iowa Student Loans. At December 31, 2011 and 2010, the balance of these student loans was \$505,000 and \$1.3 million, respectively, none of which was guaranteed. The student loans are administered by Iowa Student Loan Liquidity Corporation.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciable assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are



dependent on the borrower's continuing financial strength, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state consumer bankruptcy and insolvency laws, may limit the amount which can be recovered on these loans. These loans may also give rise to claims and defenses by a consumer loan borrower against an assignee of these loans such as the Bank, and a borrower may be able to assert against the assignee claims and defenses which it has against the seller of the underlying collateral.

#### Originations, Purchases, Sales and Servicing of Loans

The Bank originates loans through internal loan production personnel located in the Bank's main and branch offices, as well as loan production offices. Walk-in customers and referrals from existing customers of the Company are also important sources of loan originations.

Great Southern may also purchase whole loans and participation interests in loans (generally without recourse, except in cases of breach of representation, warranty or covenant) from other banks, thrift institutions and life insurance companies (originators). The

purchase transaction is governed by a participation agreement entered into by the originator and participant (Great Southern) containing guidelines as to ownership, control and servicing rights, among others. The originator may retain all rights with respect to enforcement, collection and administration of the loan. This may limit Great Southern's ability to control its credit risk when it purchases participations in these loans. For instance, the terms of participation agreements vary; however, generally Great Southern may not have direct access to the borrower, and the institution administering the loan may have some discretion in the administration of performing loans and the collection of non-performing loans.

Over the years, a number of banks, both locally and regionally, have sought to diversify the risk in their portfolios. In order to take advantage of this situation, Great Southern purchases participations in commercial real estate and commercial construction loans. Great Southern subjects these loans to its normal underwriting standards used for originated loans and rejects any credits that do not meet those guidelines. The originating bank retains the servicing of these loans. Excluding those loans acquired and covered by loss sharing agreements with the FDIC, the Bank purchased \$0- of these loans in the fiscal years ended December 31, 2011 and 2010, respectively. Of the total \$12.6 million of purchased participation loans outstanding at December 31, 2011, \$8.9 million was purchased from one institution, secured by one property located in Texas. None of the loans in this relationship were non-performing at December 31, 2011. At December 31, 2011 and 2010, loans (net of fair value discounts) which were covered by loss sharing agreements with the FDIC included purchased and participation loans of \$50.4 million and \$54.0 million, respectively. These amounts represent the undiscounted balance of these loans.

Excluding portfolios of loans acquired in FDIC-assisted transactions and branch purchases, the Bank has not made any whole loan purchases in the last five years. The Bank's total loan portfolio consisted of purchased whole loans of approximately \$27,000 at December 31, 2011.

From time to time, Great Southern also sells non-residential loan participations generally without recourse to private investors, such as other banks, thrift institutions and life insurance companies (participants). The sales transaction is governed by a participation agreement entered into by the originator (Great Southern) and participant containing guidelines as to ownership, control and servicing rights, among others. Great Southern retains servicing rights for these participations sold. These participations are sold with a provision for repurchase upon breach of representation, warranty or covenant.

Great Southern also sells whole residential real estate loans without recourse to Freddie Mac and Fannie Mae as well as to private investors, such as other banks, thrift institutions, mortgage companies and life insurance companies.

Whole real estate loans are sold with a provision for repurchase upon breach of representation, warranty or covenant. These representations, warranties and covenants include those regarding the compliance of loan originations with all applicable legal requirements, mortgage title insurance policies when applicable, enforceable liens on collateral, collateral type, borrower credit worthiness, private mortgage insurance when required and compliance with all applicable federal regulations. A minimal number of repurchase requests have been received to date based on a breach of representations, warranties and covenants as outlined in the investor contracts. These loans are generally sold for cash in amounts equal to the unpaid principal amount of the loans determined using present value yields to the buyer. The sale amounts generally produce gains to the Bank and allow a margin for servicing income on loans when the servicing is retained by the Bank. However, residential real estate loans sold in recent years have primarily been with Great Southern releasing control of the servicing of the loans.

The Bank sold one- to four-family whole real estate loans and loan participations in aggregate amounts of \$187.8 million, \$175.9 million and \$191.7 million during fiscal 2011, 2010 and 2009, respectively. Sales of whole real estate loans and participations in real estate loans can be beneficial to the Bank since these sales generally generate income at the time of sale, produce future servicing income on loans where servicing is retained, provide funds for additional

lending and other investments, and increase liquidity.

The Bank sold guaranteed student loans in aggregate amounts of \$799,000, \$22.1 million and \$9.3 million during fiscal 2011, 2010 and 2009, respectively. During 2010, the federal government made changes to the student loan program which removed banks from the origination and servicing functions. As a result, the Company was required to sell all of the guaranteed student loans it had remaining prior to December 31, 2010.

Gains, losses and transfer fees on sales of loans and loan participations are recognized at the time of the sale. When real estate loans and loan participations sold have an average contractual interest rate that differs from the agreed upon yield to the purchaser (less the agreed upon servicing fee), resulting gains or losses are recognized in an amount equal to the present value of the differential over the estimated remaining life of the loans. Any resulting discount or premium is accreted or amortized over the same estimated life using a method approximating the level yield interest method. When real estate loans and loan participations are sold with servicing released, as the Bank primarily does, an additional fee is received for the servicing rights. Net gains and transfer fees on sales of loans for fiscal 2011, 2010 and 2009 were \$3.5 million, \$3.8 million and \$2.9 million, respectively. Of these amounts, \$-0-, \$227,000 and \$80,000, respectively, were gains from the sale of guaranteed student loans and \$3.5 million, \$3.5 million and \$2.8 million, respectively, were gains from the sale of fixed-rate residential loans.

Although most loans currently sold by the Bank are sold with servicing released, the Bank had the servicing rights for approximately \$170.3 million and \$207.5 million at December 31, 2011 and 2010, respectively, of loans owned by others. The servicing of these loans generated fees (net of amortization of the servicing rights) to the Bank for the years ended December 31, 2011, 2010 and 2009, of \$1,000, \$(53,000) and \$203,000, respectively. In 2010, amortization expense exceeded servicing fees earned as servicing was retained on fewer loans that were sold.

In addition to interest earned on loans and loan origination fees, the Bank receives fees for loan commitments, letters of credit, prepayments, modifications, late payments, transfers of loans due to changes of property ownership and other miscellaneous services. The fees vary from time to time, generally depending on the supply of funds and other competitive conditions in the market. Fees from prepayments, commitments, letters of credit and late payments totaled \$808,000, \$906,000 and \$813,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Loan origination fees, net of related costs, are accounted for in accordance with FASB ASC 310-20, Receivables – Nonrefundable Fees and Other Costs. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the level-yield method over the contractual life of the loan. For further discussion of this matter, see Note 1 of the accompanying audited financial statements.

#### Loan Delinquencies and Defaults

When a borrower fails to make a required payment on a loan, the Bank attempts to cause the delinquency to be cured by contacting the borrower. In the case of loans secured by residential real estate, a late notice is sent 15 days after the due date. If the delinquency is not cured by the 30th day, a delinquent notice is sent to the borrower.

Additional written contacts are made with the borrower 45 and 60 days after the due date. If the delinquency continues for a period of 65 days, the Bank usually institutes appropriate action to foreclose on the collateral. The actual time it takes to foreclose on the collateral varies depending on the particular circumstances and the applicable governing law. If foreclosed upon, the property is sold at public auction and may be purchased by the Bank. Delinquent consumer loans are handled in a generally similar manner, except that initial contacts are made when the payment is five days past due and appropriate action may be taken to collect any loan payment that is delinquent for more than 15 days. The Bank's procedures for repossession and sale of consumer collateral are subject to various requirements under the applicable consumer protection laws as well as other applicable laws and the determination by the Bank that it would be beneficial from a cost basis.

Delinquent commercial business loans and loans secured by commercial real estate are initially handled by the loan officer in charge of the loan, who is responsible for contacting the borrower. The President and Senior Lending Officer also work with the commercial loan officers to see that necessary steps are taken to collect delinquent loans. In addition, the Bank has a Problem Loan Committee which meets at least quarterly and reviews all classified assets, as well as other loans which management feels may present possible collection problems. If an acceptable workout of a delinquent commercial loan cannot be agreed upon, the Bank may initiate foreclosure proceedings on any collateral securing the loan. However, in all cases, whether a commercial or other loan, the prevailing circumstances may be such that management may determine it is in the best interest of the Bank not to foreclose on the collateral.

These processes are generally the same for loans covered by loss sharing agreements.



The following tables set forth our loans by aging category:

December 31, 2011										Total Loans
	30-59 Days Past Due		60-89 Days Past Due		Over 90 Days		Total Past Due		Current	Receivable
	#	Amount	#	Amount	#	Amount	#	Amount	Amount	Amount
(Dollars In Thousands)										
One- to four-family residential construction	7	\$2,082	3	\$342	1	\$186	11	\$2,610	\$21,366	\$23,976
Subdivision construction	3	4,014	1	388	11	6,661	15	11,063	50,077	61,140
Land development	—	—	1	4	4	2,655	5	2,659	66,112	68,771
Commercial construction	—	—	—	—	—	—	—	—	119,589	119,589
Owner occupied one- to four-family residential	7	833	—	—	32	3,888	39	4,721	87,273	91,994
Non-owner occupied one- to four-family residential	1	117	—	—	39	3,425	40	3,542	142,239	145,781
Commercial real estate	4	6,323	2	535	9	6,204	15	13,062	626,795	639,857
Other residential	—	—	—	—	—	—	—	—	243,742	243,742
Commercial business	4	426	1	10	11	1,362	15	1,798	234,586	236,384
Industrial revenue bonds	—	—	—	—	1	2,110	1	2,110	57,640	59,750
Consumer auto	80	455	15	56	20	117	115	628	58,740	59,368
Consumer other	491	1,508	15	641	32	715	538	2,864	74,676	77,540
Home equity lines of credit	2	45	3	29	11	174	16	248	46,866	47,114
FDIC-supported loans, net of discounts (TeamBank)	20	2,422	4	862	88	19,215	112	22,499	106,376	128,875
FDIC-supported loans, net of discounts (Vantus Bank)	48	562	11	57	41	5,999	100	6,618	116,418	123,036
FDIC-supported loans, net of discounts	62	5,628	52	6,851	104	40,299	218	52,778	91,848	144,626

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(Sun Security  
Bank)

Less  
FDIC-supported  
loans, net of  
discounts

Total

729	24,415	108	9,775	404	93,010	1,241	127,062	2,144,343	2,271,543
130	8,612	67	7,770	233	65,513	430	81,895	314,642	396,537
599	\$15,803	41	\$2,005	171	\$27,497	811	\$45,305	\$1,829,701	\$1,875,006

December 31, 2010

	30-59 Days Past Due		60-89 Days Past due		Over 90 Days		Total Past Due		Current	Total Loans Receivable
	#	Amount	#	Amount	#	Amount	#	Amount	Amount	Amount
(Dollars In Thousands)										
One- to four-family residential construction	2	\$ 261	—	\$ —	2	\$ 578	4	\$ 839	\$28,263	\$ 29,102
Subdivision construction	7	281	5	1,015	11	1,860	23	3,156	83,493	86,649
Land development	2	2,730	—	—	11	5,668	13	8,398	87,175	95,573
Commercial construction	—	—	—	—	—	—	—	—	68,018	68,018
Owner occupied one- to four-family residential	38	4,856	5	914	19	2,724	62	8,494	89,605	98,099
Non-owner occupied one- to four-family residential	18	2,085	20	2,130	31	2,831	69	7,046	129,938	136,984
Commercial real estate	6	2,749	7	8,546						