GREAT SOUTHERN BANCORP, INC.
Form 10-K
March 07, 2019

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, 2018

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 No.)
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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	Yes [X]	No [ ]

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 or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]   Accelerated filer [X]   Non-accelerated filer [ ]

Smaller reporting company [ ]Emerging growth company [ ]

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

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, 2018, computed by reference to the closing price of such shares on that date, was $626,952,383. At March 5, 2019, 14,169,682 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, a financial holding company and the 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. 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 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, 2018, Bancorp's consolidated assets were $4.68 billion, consolidated net loans were $3.99 billion, consolidated deposits were $3.73 billion and consolidated total stockholders' equity was $532.0 million. For details about the Company’s assets, revenues and profits for each of the last five fiscal years, see Item 6. “Selected Financial Data.” The assets of the Company consist primarily of the stock of Great Southern and cash.

Through the Bank and subsidiaries of the Bank, the Company also offers insurance 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 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 99 banking centers located in southern and central Missouri; the Kansas City, Missouri area; the St. Louis, Missouri area; eastern Kansas; northwestern Arkansas; the Minneapolis, Minnesota area and eastern, western and central Iowa. At December 31, 2018, the Bank had total assets of $4.67 billion, net loans of $3.99 billion, deposits of $3.78 billion and equity capital of $580.0 million, or 12.4% of total assets. Its deposits are insured by the Deposit Insurance Fund ("DIF") to the maximum levels permitted by the FDIC.

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, 2012 and 2014 with the completion of another FDIC-assisted transaction in each of those years. 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. In these two transactions we acquired assets with a fair value of approximately $499.9 million (approximately 18.8% of the Company's total consolidated assets at acquisition) and $294.2 million (approximately 8.8% of the Company's total consolidated assets at acquisition), respectively, and assumed liabilities with a fair value of $610.2 million (approximately 24.9% of the Company's total consolidated assets at acquisition) and $440.0 million (approximately 13.2% of the Company's total consolidated 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 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, which added locations in southern Missouri and St. Louis. In this transaction we acquired assets with a fair value of approximately $248.9 million (approximately 7.3% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of $345.8

million (approximately 10.1% of the Company's total consolidated 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 and acquire certain assets of Inter Savings Bank, FSB ("InterBank"), which added four locations in the greater Minneapolis, Minnesota area and represented a new market for the Company. In this transaction we acquired assets with a fair value of approximately $364.2 million (approximately 9.4% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of approximately $458.7 million (approximately 11.9% of the Company's total consolidated 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.

In 2014, the Bank entered into a purchase and assumption agreement (without loss sharing) with the FDIC to assume all of the deposits and certain liabilities and acquire certain assets of Valley Bank ("Valley"), which added five locations in the Quad Cities area of eastern Iowa and six locations in central Iowa, primarily in the Des Moines market area. These represented new markets for the Company in eastern Iowa and enhanced our market presence in central Iowa. In this transaction we acquired assets with a fair value of approximately $378.7 million (approximately 10.0% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of approximately $367.9 million (approximately 9.8% of the Company's total consolidated assets at acquisition). It also resulted in a gain of $10.8 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2014.

Also in 2014, the Bank entered into a purchase and assumption agreement to acquire certain assets and depository accounts from Neosho, Mo.-based Boulevard Bank ("Boulevard"), which added one location in the Neosho, Mo. market, where the Company already operated. In this transaction, which was completed in 2014, we acquired assets (primarily cash and cash equivalents) with a fair value of approximately $92.5 million (approximately 2.6% of the Company's total consolidated assets at acquisition) and assumed liabilities (all deposits and related accrued interest) with a fair value of approximately $93.3 million (approximately 2.6% of the Company's total consolidated assets at acquisition). This acquisition resulted in recognition of $790,000 of goodwill.

The Company also opened commercial loan production offices in Dallas, Texas and Tulsa, Oklahoma during 2014. The primary products offered in these offices are commercial real estate, commercial business and commercial construction loans.

In 2015, the Company announced plans to consolidate operations of 16 banking centers into other nearby Great Southern banking center locations. As part of an ongoing performance review of its entire banking center network, Great Southern evaluated each location for a number of criteria, including access and availability of services to affected customers, the proximity of other Great Southern banking centers, profitability and transaction volumes, and market dynamics. Subsequent to this announcement, the Bank entered into separate definitive agreements to sell two of the 16 banking centers, including all of the associated deposits (totaling approximately $20 million), to separate bank purchasers. One of those sale transactions was completed on February 19, 2016 and the other was completed on March 18, 2016. The closing of the remaining 14 facilities, which resulted in the transfer of approximately $127 million in deposits and banking center operations to other Great Southern locations, occurred at the close of business on January 8, 2016.

Also in 2015, the Company announced that it entered into a purchase and assumption agreement to acquire 12 branches, including related loans, and to assume related deposits in the St. Louis, Mo., area from Cincinnati-based Fifth Third Bank. The acquisition was completed at the close of business on January 29, 2016. The deposits assumed totaled approximately $228 million and had a weighted average rate of approximately 0.28%. The loans acquired totaled approximately $159 million and had a weighted average yield of approximately 3.92%.

The loss sharing agreements related to the FDIC-assisted transactions in 2009, 2011 and 2012 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. The loss sharing agreements related to the 2009 and 2011 FDIC-assisted transactions were terminated during 2016. The loss sharing agreements related to the 2012 FDIC-assisted transaction were terminated during 2017. See "Loss Share Agreements" below for additional information regarding the termination of these agreements.

The Company opened a commercial loan production office in Chicago, Illinois during 2017. The primary products offered in this office are commercial real estate, commercial business and commercial construction loans.

In March 2018, the Bank entered into a definitive agreement to sell its four banking centers, including all of the associated deposits (totaling approximately $56 million), in the Omaha, Nebraska market to Lincoln, Nebraska-based West Gate Bank. This sale transaction was completed in July 2018.

The Company opened two commercial loan production offices – one in Denver, Colorado and one in Atlanta, Georgia – in late 2018. The primary products offered in these offices are commercial real estate, commercial business and commercial construction loans.

Great Southern is principally engaged in the business of originating commercial real estate loans, construction loans, other commercial loans, residential real estate loans and consumer loans and funding these loans by attracting deposits from the general public, obtaining brokered deposits and through 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 Great Southern's 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 emphasize 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 Great Southern Bancorp, Inc. (the "Company") with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder 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) the possibility that the changes in non-interest income, non-interest expense and interest expense actually resulting from Great Southern Bank's recently completed transaction with West Gate Bank might be materially different from estimated amounts; (ii) the possibility that the actual reduction in the Company's effective tax rate expected to result from H. R. 1, formerly known as the "Tax Cuts and Jobs Act" (the "Tax Reform Legislation") might be different from the reduction estimated by the Company; (iii) expected revenues, cost savings, earnings accretion, synergies and other benefits from the Company's merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (iv) changes in economic conditions, either nationally or in the Company's market areas; (v) fluctuations in interest rates; (vi) 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; (vii) the possibility of other-than-temporary impairments of securities held in the Company's securities portfolio; (viii) the Company's ability to access cost-effective funding; (ix) fluctuations in real estate values and both residential and commercial real estate market conditions; (x) demand for loans and deposits in the Company's market areas; (xi) the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; (xii) the possibility that security measures implemented might not be sufficient to mitigate the risk of a cyber attack or cyber theft, and that such security measures might not protect against systems failures or interruptions; (xiii) legislative or regulatory changes that adversely affect the Company's business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and its implementing regulations, the overdraft protection regulations and customers' responses thereto and the Tax Reform Legislation; (xiv) changes in accounting principles, policies or guidelines; (xv) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xvi) results of examinations of the Company and Great Southern Bank by their regulators, including the possibility that the regulators may, among other things, require the Company to limit its business activities, changes its business mix, increase its allowance for loan losses, write-down assets or increase its capital levels, or affect its ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; (xvii) costs and effects of litigation, including settlements and judgments; and (xviii) competition. The Company wishes to advise readers that the factors listed above and other risks described from time to time in documents filed or furnished by the Company 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 and amendments, if any, 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

The Company currently operates 99 full-service retail banking offices, serving more than 160,000 households in six states – Missouri, Arkansas, Iowa, Kansas, Minnesota and Nebraska. The Company also operates commercial loan production offices in Atlanta, Chicago, Dallas, Denver, Omaha, Neb., and Tulsa, Okla., and a mortgage lending office in Springfield, Mo.

The Company regularly evaluates its banking center network and lines of business to ensure that it is serving customers in the best way possible. The banking center network constantly evolves with changes in customer needs and preferences, emerging technology and local market developments. In response to these changes, the Company opens banking centers and invests resources where customer demand leads, and from time to time, consolidates banking centers when market conditions dictate.

Great Southern's largest concentration of deposits and loans are in the Springfield, Mo., and St. Louis, Mo., market areas. In the last several years, the Company's deposit and loan portfolios have become more diversified because of its participation in five FDIC-assisted acquisitions and 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. In 2018, the Company sold four banking centers in the Omaha, Neb., metropolitan market to a Nebraska-based bank. A commercial loan production office remains in Omaha. In April 2019, the Fayetteville, Ark., banking center was consolidated into the Rogers, Ark., office, leaving one office in Arkansas. Besides the Springfield and St. Louis market areas, the Company has deposit and loan concentrations in the following market areas: Kansas City, Mo.; Sioux City, Iowa; Des Moines, Iowa; Northwest Arkansas; Minneapolis, Minn.; and Eastern Iowa in the area known as the "Quad Cities." Deposits and loans are also generated in banking centers in rural markets in Missouri, Iowa, and Kansas.

At December 31, 2018, the Company's total deposits were $3.7 billion. At that date, the Company had deposits in Missouri of $2.7 billion, including the two largest deposit concentrations in Springfield and St. Louis areas, with $1.6 billion and $523 million, respectively. The Company also had deposits of $544 million in Iowa, $259 million in Kansas, $245 million in Minnesota, $19 million in Nebraska and $18 million in Arkansas.

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 and other peer banks to purchase participations (at par, generally with no servicing costs) in loans these other banks originate but are unable to retain in their portfolios due to capital or borrower relationship size limitations. The Bank uses the same underwriting guidelines in evaluating these participations as it does in its direct loan originations. At December 31, 2018, the balance of participation loans purchased and held in the portfolio, excluding FDIC-acquired loans, was $198.8 million, or 5.1% of the total loan portfolio. All of these participation loans were performing at December 31, 2018, with the exception of one loan in the amount of $1.1 million.

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 in its portfolio substantially all of the adjustable-rate mortgage loans that it originates.

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. At December 31, 2018, commercial real estate, multi-family and commercial construction loans, excluding loans acquired in FDIC-assisted transactions, accounted for approximately 28%, 16% and 22%, respectively, of the total portfolio. Of the portfolio of acquired loans, commercial real estate loans (net of fair value discounts) accounted for approximately 1% of the total portfolio at December 31, 2018.

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 also issues 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 one-to four-family residential properties. Typically, private mortgage insurance is required for loan amounts above the 80% level. At December 31, 2018 and 2017, loans secured by second liens on residential properties were $118.5 million, or 2.9%, and $126.7 million, or 3.3%, 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 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 real estate 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 Credit 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 allowed 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 secured loans originated and held, most lenders have approval authorities of $250,000 or below while fifteen 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 fourteen senior lenders. These standards, as well as our collateral requirements, have not significantly changed in recent years.

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, 2018, this limit was approximately $149.9 million. See "Government Supervision and Regulation." At December 31, 2018, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2018, the Bank's largest relationship for purposes of this limit, which consists of nine loans, totaled $50.4 million. This amount represents the total commitment for this relationship at December 31, 2018; the outstanding balance at that date was $36.9 million. The collateral for the loans consists of multiple healthcare facilities, apartment complexes and a retail development. Some of the projects are currently under construction, so all funds have not been disbursed on these loan. In addition, we obtained personal guarantees from the principal owner of the borrowing entities for each of these loans. All loans included in this relationship were current at December 31, 2018. In addition at December 31, 2018, we had three other loan relationships that each exceeded $40 million. All loans included in these relationships were current at December 31, 2018. 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 special lending approval.

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. In addition to the market areas where the Company has offices, the Bank has made or purchased loans, secured primarily by commercial real estate, in other states, primarily Michigan, Wisconsin, Florida, and Arizona. At December 31, 2018, loans in these states comprised less than 2% each, 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.

The loans acquired in the four FDIC-assisted transactions completed in 2009 through 2012, which were acquired at discounts and were previously covered by loss sharing agreements between the FDIC and the Bank, and the loans acquired in 2014 from the former Valley Bank, which were acquired at discounts and were never covered by a loss sharing agreement, are shown combined below in tables separate from the legacy Great Southern portfolio. All of these acquired loan portfolios were initially recorded at their fair values at the acquisition date and are recorded by the Company at their discounted value. The following tables reflect the loan balances excluding discounts.

Legacy Great Southern Loan Portfolio Composition:

	December 31, 2018 Amount	%	2017 Amount	%	2016 Amount	%	2015 Amount	%	2014 Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
One- to four-family[1]	$400,954	8.3 %	$318,186	7.3 %	$353,709	8.6 %	$272,411	7.9 %	$245,180	8.3
Other residential	784,894	16.3	745,645	17.1	663,378	16.1	419,550	12.1	392,415	13.2
Commercial[2]	1,385,375	28.7	1,256,986	28.8	1,211,644	29.4	1,080,836	31.3	986,936	33.3
Residential construction:										
One- to four-family	26,683	0.5	23,266	0.5	26,764	0.6	36,430	1.1	49,631	1.7
Other residential	376,575	7.8	208,883	4.8	202,202	4.9	133,718	3.9	59,664	2.0
Commercial	1,098,420	22.8	919,029	21.1	641,195	15.6	551,115	16.0	404,683	13.7
Total real estate loans	4,072,901	84.4	3,471,995	79.6	3,098,892	75.2	2,494,060	72.3	2,138,509	72.2
Other Loans:										
Consumer loans:										
Automobile, boat, etc.	309,201	6.4	418,594	9.6	563,086	13.7	513,798	14.9	400,392	13.5
Home equity and improvement	121,352	2.5	115,439	2.7	108,753	2.6	83,966	2.4	66,275	2.2
Other	1,677	—	1,916	—	1,148	—	926	—	987	0.1
Total consumer loans	432,230	8.9	535,949	12.3	672,987	16.3	598,690	17.3	467,654	15.8
Other commercial loans	322,119	6.7	353,553	8.1	348,955	8.5	357,581	10.4	354,012	12.0
Total other loans	754,349	15.6	889,502	20.4	1,021,942	24.8	956,271	27.7	821,666	27.8
Total loans	4,827,250	100.0%	4,361,497	100.0%	4,120,834	100.0%	3,450,331	100.0%	2,960,175	100
Less:										

Loans in process	958,436	793,664	585,305	418,702	323,572
Deferred fees and discounts	7,400	6,500	4,869	3,528	3,276
Allowance for loan losses	37,988	36,033	36,775	36,646	36,300
Total legacy loans receivable, net	$3,823,426	$3,525,300	$3,493,885	$2,991,455	$2,597,027

(1) Includes loans held for sale.
(2) Total commercial real estate loans included industrial revenue bonds of $13.9 million, $21.7 million, $24.7 million, $37.4 million and $41.1 million at December 31, 2018, 2017, 2016, 2015 and 2014.

Loans Acquired and Accounted for Under ASC 310-30 Portfolio Composition:

	December 31, 2018 Amount	%	2017 Amount	%	2016 Amount	%	2015 Amount	%	2014 Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$102,153	55.4 %	$132,432	57.1 %	$169,541	54.7 %	$213,317	52.3 %	$256,099	47.7 %
Other residential	13,396	7.3	15,501	6.7	30,605	9.9	38,487	9.4	53,914	10.0
Commercial(1)	34,853	18.9	41,218	17.8	56,548	18.2	79,461	19.5	119,279	22.2
Construction	5,588	3.0	5,509	2.4	4,508	1.5	11,087	2.7	20,324	3.8
Total real estate loans	155,990	84.6	194,660	84.0	261,202	84.3	342,352	83.9	449,616	83.7
Other Loans:										
Consumer loans:										
Student loans	—	—	—	—	—	—	481	0.1	543	0.1
Home equity and improvement	21,490	11.7	27,778	12.0	35,688	11.5	43,507	10.7	52,436	9.8
Other	2,110	1.1	3,367	1.4	4,739	1.5	6,578	1.6	9,308	1.7
Total consumer loans	23,600	12.8	31,145	13.4	40,427	13.0	50,566	12.4	62,287	11.6
Other commercial loans	4,861	2.6	6,016	2.6	8,448	2.7	15,331	3.7	25,160	4.7
Total other loans	28,461	15.4	37,161	16.0	48,875	15.7	65,897	16.1	87,447	16.3
Total loans(2)	184,451	100.0%	231,821	100.0%	310,077	100.0%	408,249	100.0%	537,063	100.0%
Less:										
Loans in process	5		5		8		17		631	
Allowance for loan losses	421		459		625		1,503		2,135	
	16,800		22,152		26,918		45,387		77,897	

Fair value discounts					
Total loans receivable, net	$167,225	$209,205	$282,526	$361,342	$456,400

(1) Total commercial real estate loans included industrial revenue bonds of $1.4 million, $2.2 million, $2.5 million, $3.2 million and $3.7 million at December 31, 2018, 2017, 2016, 2015, and 2014, respectively.
(2) At December 31, 2018 and 2017, none of these acquired loans were covered by an FDIC loss sharing agreement.

Through December 31, 2018, gross loan balances (due from borrowers) related to TeamBank were reduced approximately $425.6 million since the transaction date because of $293.0 million of principal repayments, $61.7 million of transfers to foreclosed assets and $70.9 million of charge-downs to customer loan balances. Gross loan balances (due from borrowers) related to Vantus Bank were reduced approximately $317.5 million since the transaction date because of $271.9 million of principal repayments, $16.7 million of transfers to foreclosed assets and $28.9 million of charge-downs to customer loan balances. Gross loan balances (due from borrowers) related to Sun Security Bank were reduced approximately $213.3 million since the transaction date because of $153.9 million of principal repayments, $28.6 million of transfers to foreclosed assets and $30.8 million of charge-offs to customer loan balances. Gross loan balances (due from borrowers) related to InterBank were reduced approximately $308.2 million since the transaction date because of $265.8 million of principal repayments, $20.0 million of transfers to foreclosed assets and $22.4 million of charge-offs to customer loan balances. Gross loan balances (due from borrowers) related to Valley Bank were reduced approximately $139.7 million since the transaction date because of $127.7 million of principal repayments, $4.0 million of transfers to foreclosed assets and $8.0 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisitions, we expected certain levels of foreclosures and charge-offs, and actual results through December 31, 2018, related to the FDIC-assisted acquired 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, 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, InterBank and Valley 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,									
	2018		2017		2016		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$152,778	3.2 %	$148,790	3.4 %	$168,813	4.1 %	$110,738	3.2 %	$102,780	3.5
Other residential	387,744	8.0	279,593	6.4	304,387	7.4	257,854	7.5	273,701	9.2
Commercial	686,832	14.2	603,183	13.8	589,354	14.3	522,924	15.2	453,153	15
Residential construction:										
One- to four-family	6,908	0.1	7,998	0.2	10,950	0.3	16,483	0.5	17,753	0.6
Other residential	19,165	0.4	6,636	0.2	26,487	0.6	21,548	0.6	9,950	0.3
Commercial construction	922,418	19.2	717,350	16.4	530,375	12.9	376,661	10.9	285,623	9.7
Total real estate loans	2,175,845	45.1	1,763,550	40.4	1,630,366	39.6	1,306,208	37.9	1,142,960	38
Consumer	301,627	6.2	411,068	9.4	553,800	13.4	506,574	14.7	396,412	13
Other commercial	186,030	3.9	203,388	4.7	194,431	4.7	195,602	5.6	197,635	6.7
Total fixed-rate loans	2,663,502	55.2	2,378,006	54.5	2,378,597	57.7	2,008,384	58.2	1,737,007	58
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	248,176	5.1	169,396	3.9	184,896	4.5	161,673	4.7	142,400	4.8
Other residential	397,150	8.3	466,052	10.7	358,991	8.7	161,696	4.7	118,714	4.0
Commercial	698,543	14.5	653,803	15.0	622,290	15.1	557,912	16.2	533,783	18

Residential construction:										
One- to four-family	19,775	0.4	15,268	0.4	15,814	0.4	19,947	0.5	31,878	1.1
Other residential	357,410	7.4	202,247	4.6	175,715	4.3	112,170	3.3	49,714	1.7
Commercial construction	176,002	3.6	201,679	4.6	110,820	2.7	174,454	5.0	119,060	4.0
Total real estate loans	1,897,056	39.3	1,708,445	39.2	1,468,526	35.7	1,187,852	34.4	995,549	33
Consumer	130,603	2.7	124,881	2.9	119,187	2.9	92,116	2.7	71,242	2.4
Other commercial	136,089	2.8	150,165	3.4	154,524	3.7	161,979	4.7	156,377	5.3
Total adjustable-rate loans	2,163,748	44.8	1,983,491	45.5	1,742,237	42.3	1,441,947	41.8	1,223,168	41
Total Loans	4,827,250	100.0%	4,361,497	100.0%	4,120,834	100.0%	3,450,331	100.0%	2,960,175	10
Less:										
Loans in process	958,436		793,664		585,305		418,702		323,572	
Deferred fees and discounts	7,400		6,500		4,869		3,528		3,276	
Allowance for loan losses	37,988		36,033		36,775		36,646		36,300	
Total legacy loans receivable, net	$3,823,426		$3,525,300		$3,493,885		$2,991,455		$2,597,027	

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Loans Acquired and Accounted for Under ASC 310-30 Composition by Fixed- and Adjustable-Rates:

	December 31,									
	2018		2017		2016		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$41,460	22.5 %	$54,302	23.4 %	$72,738	23.5 %	$99,456	24.4 %	$128,669	24.0 %
Other residential	12,572	6.8	13,129	5.7	25,593	8.2	25,551	6.3	24,250	4.5
Commercial	27,194	14.7	25,973	11.2	29,043	9.4	32,255	7.9	54,055	10.1
Construction	4,598	2.5	4,297	1.9	2,176	0.7	5,858	1.4	12,768	2.4
Total real estate loans	85,824	46.5	97,701	42.2	129,550	41.8	163,120	40.0	219,742	41.0
Consumer	2,447	1.3	3,712	1.6	5,111	1.6	7,561	1.8	10,794	2.0
Other commercial	3,354	1.9	3,819	1.6	4,917	1.6	6,999	1.7	12,096	2.3
Total fixed-rate loans	91,625	49.7	105,232	45.4	139,578	45.0	177,680	43.5	242,632	45.3
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	60,693	32.9	78,130	33.7	96,803	31.2	113,861	27.9	127,430	23.7
Other residential	824	0.4	2,372	1.0	5,012	1.6	12,936	3.2	29,664	5.5
Commercial	7,659	4.2	15,245	6.6	27,505	8.9	47,206	11.6	65,224	12.1
Construction	990	0.5	1,212	0.5	2,332	0.8	5,229	1.3	7,556	1.4
Total real estate loans	70,166	38.0	96,959	41.8	131,652	42.5	179,232	44.0	229,874	42.7
Consumer	21,153	11.5	27,433	11.8	35,316	11.4	43,005	10.5	51,493	9.6
Other commercial	1,507	0.8	2,197	1.0	3,531	1.1	8,332	2.0	13,064	2.4
Total adjustable-rate loans	92,826	50.3	126,589	54.6	170,499	55.0	230,569	56.5	294,431	54.7
Total Loans	184,451	100.0%	231,821	100.0%	310,077	100.0%	408,249	100.0%	537,063	100.0%
Less:										

Loans in process	5	5	8	17	631
Allowance for loan losses	421	459	625	1,503	2,135
Fair value discounts	16,800	22,152	26,918	45,387	77,897
Total loans receivable, net	$167,225	$209,205	$282,526	$361,342	$456,400

The following tables present the contractual maturities of loans at December 31, 2018. Amounts shown for acquired loans 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	$29,228	$72,287	$299,439	$400,954
Other residential	182,147	542,451	60,296	784,894
Commercial	296,796	939,802	148,777	1,385,375
Residential construction:				
One- to four- family	16,709	6,742	3,232	26,683
Other residential	57,438	315,603	3,534	376,575
Commercial construction	895,660	175,262	27,498	1,098,420
Total real estate loans	1,477,978	2,052,147	542,776	4,072,901
Other Loans:				
Consumer loans:				
Automobile and other	29,133	225,344	56,401	310,878
Home equity and improvement	8,475	29,750	83,127	121,352
Total consumer loans	37,608	255,094	139,528	432,230
Other commercial loans	132,087	119,787	70,245	322,119
Total other loans	169,695	374,881	209,773	754,349
Total loans	$1,647,673	$2,427,028	$752,549	$4,827,250

As of December 31, 2018, loans due after December 31, 2019 with fixed interest rates totaled $1.5 billion and loans due after December 31, 2019 with adjustable rates totaled $1.7 billion.

Loans Acquired and Accounted for Under ASC 310-30 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	$7,260	$26,323	$68,570	$102,153
Other residential	4,814	7,274	1,308	13,396
Commercial	13,784	16,685	4,384	34,853
Construction	935	4,247	406	5,588
Total real estate loans	26,793	54,529	74,668	155,990
Other Loans:				
Consumer loans:				
Home equity and improvement	4,825	13,850	2,815	21,490
Automobile and other	150	487	1,473	2,110
Total consumer loans	4,975	14,337	4,288	23,600
Other commercial loans	1,507	3,258	96	4,861
Total other loans	6,482	17,595	4,384	28,461
Total loans	$33,275	$72,124	$79,052	$184,451

As of December 31, 2018, loans due after December 31, 2019 with fixed interest rates totaled $65.6 million and loans due after December 31, 2019 with adjustable rates totaled $85.6 million.

At December 31, 2018, $118.5 million, or 2.9%, of total loans were secured by junior lien mortgages and $7.4 million, or 2.0% of residential real estate loans, were interest only residential real estate loans. At December 31, 2017, $126.7 million, or 3.3%, of total loans were secured by junior lien mortgages and $4.5 million, or 1.4% of residential real estate 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 several years; speculative construction and land development loan types have been limited, commercial real estate loan types have been stabilized and diversified and emphasis has been placed on increasing our multi-family, commercial business and, prior to 2017, consumer loan portfolios.

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 given, however, that the Bank will not be adversely affected by environmental contamination.

Residential Real Estate Lending

At December 31, 2018 and 2017, loans secured by residential real estate, excluding that which is under construction and excluding all FDIC-assisted acquired loans, totaled $1.2 billion and $1.1 billion, respectively, and represented approximately 23.7% and 23.3%, respectively, of the Bank's total loan portfolio. At December 31, 2018 and 2017, FDIC-assisted acquired loans (net of fair value discounts) secured by residential real estate totaled $106 million and $134 million, respectively, and represented approximately 2.1% and 2.9%, respectively, of the Bank’s total loan portfolio. The Bank's legacy residential real estate loan portfolio increased during 2018, due to organic loan growth in both single-family and multi-family loans. Since 2010, other residential real estate (multi-family) loan balances continued to increase as the Bank has emphasized this type of loan. The Bank's legacy multi-family residential real estate loan portfolio grew by about 5% and 12% in 2018 and 2017, respectively. In 2016, the Bank completed a non-FDIC-assisted acquisition of a portfolio of one- to four-family residential loans as part of the acquisition of branches and deposits in St. Louis, Mo. from Fifth Third Bank.

The Bank currently is originating one- to four-family adjustable-rate residential mortgage loans primarily with one-year adjustment periods or with rates that are fixed for the first few years of the loan and then adjust annually. 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 seven 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. The indices used by Great Southern for these types of loans have increased, but not significantly, in the past three years. 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. From 2008 through 2012, as a result of the significant recession in the economy, including residential real estate, the Bank experienced a significant increase in delinquencies in adjustable-rate mortgage loans. In 2013 through 2018, these delinquencies trended lower.

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 potential yield on, and the proportion of interest rate sensitive loans in, its portfolio. At December 31, 2008, 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 residential and commercial land development lending to reduce the risk in the portfolio and began originating an increased amount of commercial real estate loans. Since December 31, 2008, the commercial land development construction loan portfolio has decreased from 32% of the loan portfolio to 17% of the loan portfolio at December 31, 2018, while, overall, commercial real estate loans have trended upward. The increase in commercial real estate loans in 2015-2018 reflects some economic improvement with increased investor activity in sales, purchases and refinancing of these types of properties. Both commercial real estate occupancy and rental rates show improvement in the Bank's market areas. Excluding FDIC-assisted acquired loans, over the last three years, commercial real estate loans made up approximately 27-28% of the total loan portfolio while commercial construction loans were 15-22%. Great Southern expects to continue to limit lending on land development loans in 2019 with increases in commercial construction and commercial real estate loans anticipated as long as the economy continues to be strong. See "Government Supervision and Regulation" below.

At December 31, 2018 and 2017, loans secured by commercial real estate, excluding that which is under construction and excluding all FDIC-assisted acquired loans, totaled $1.4 billion and $1.3 billion, respectively, or approximately 27.7% and 27.5%, respectively, of the Bank's total loan portfolio. At December 31, 2018 and 2017, FDIC-acquired loans (net of fair value discounts) secured by commercial real estate totaled $34 million and $39 million, respectively, and represented approximately 0.7% and 0.9%, respectively, of the Bank's total loan portfolio. In addition, at December 31, 2018 and 2017, construction loans, excluding all FDIC-acquired loans, secured by projects under construction and the land on which the projects are located aggregated $1.5 billion and $1.2 billion, respectively, or 30.1% and 25.2%, respectively, of the Bank's total loan portfolio. At December 31, 2018 and 2017, FDIC-acquired construction loans (net of fair value discounts) totaled $5 million and $5 million, respectively, and represented approximately 0.1% and 0.1%, respectively, of the Bank's total loan portfolio. A majority of the Bank's commercial real estate loans have been originated with adjustable rates of interest, most of which are tied to the national prime rate, or fixed rates of interest with short-term maturities. A large majority of the Bank's commercial real estate loans (both fixed and adjustable) mature in five years or less. 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 require principal reductions 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 of 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 with inspections of the project performed 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 and construction 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, 2018, excluding FDIC-assisted acquired loans. These collateral types represent the five highest percentage concentrations of commercial real estate and construction loan types in the loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio	Non-Performing Loans at December 31, 2018
	(Dollars In Thousands)		
Retail (Varied Projects)	$478,986	12.4%	$ 148
Health Care Facilities	$313,604	8.1%	$ 0
Office Industry	$245,967	6.4%	$ 0

Motels/Hotels	$163,376	4.2%	$	0
Warehouses	$138,743	3.6%	$	0

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 involve additional risks attributable to the fact that loan funds are advanced upon the value 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.

The Company executes interest rate swaps with certain commercial banking customers to facilitate their respective risk management strategies. The Company began offering this service during 2011. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of December 31, 2018, the Company had 18 interest rate swaps totaling $78.5 million in notional amount with commercial customers, and 18 interest rate swaps with the same notional amount with third parties related to this program. As of December 31, 2017, the Company had 22 interest rate swaps totaling $92.7 million in notional amount with commercial customers, and 22 interest rate swaps with the same notional amount with third parties related to this program. As part of the Valley Bank FDIC-assisted acquisition, the Company acquired seven loans with related interest rate swaps. Valley's swap program differed from the Company's in that Valley did not have back to back swaps with the customer and a counterparty. Five of the seven acquired loans with interest rate swaps have paid off. The notional amount of the two remaining Valley swaps is $774,000 at December 31, 2018. During the years ended December 31, 2018 and 2017, the Company recognized net gains of $25,000 and $28,000 respectively, in noninterest income related to changes in the fair value of these swaps.

Other Commercial Lending

At December 31, 2018 and 2017, Great Southern had $322 million and $354 million, respectively, in other commercial loans outstanding, excluding all FDIC-acquired loans, or 6.4% and 7.7%, respectively, of the Bank's total loan portfolio. At December 31, 2018 and 2017, FDIC-acquired other commercial loans (net of fair value discounts) totaled $4 million and $5 million, respectively, and represented approximately 0.1% and 0.1%, 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 and the St. Louis, Mo. area. With the acquisitions in 2009, 2011, 2012 and 2014, geographic concentrations for commercial loans expanded to include the greater Kansas City, Mo. area, several areas in Iowa, and the Minneapolis-St. Paul, Minn. area. 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, 2018, Great Southern had 79 letters of credit outstanding in the aggregate amount of $28.9 million. Approximately 30% of the aggregate amount of these letters of credit was secured, including one $476,000 letter of credit secured by real estate which was issued to enhance the issuance of housing revenue refunding bonds and was current.

Consumer Lending

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 and unsecured consumer loans. Consumer loans, excluding all FDIC-acquired loans, totaled $432 million and $536 million at December 31, 2018 and 2017, respectively, or 8.7% and 11.7%, respectively, of the Bank's total loan portfolio. At December 31, 2018 and 2017, FDIC-assisted acquired consumer loans (net of fair value discounts) totaled $19 million and $26 million, respectively, and represented approximately 0.4% and 0.6%, 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 underlying collateral, 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 and ongoing concentrated effort was on automobiles, the program has evolved for use from time to time with other tangible products where financing of the product is provided through the seller, including, to a lesser extent, boats and manufactured homes. At December 31, 2018 and 2017, the Bank had $311 million and $422 million, respectively, of auto, boat, modular home and recreational vehicle loans in its portfolio, including FDIC-acquired loans totaling $2 million and $3 million, respectively.

Indirect consumer loans decreased significantly in 2017 and 2018, primarily due to tightened underwriting guidelines on automobile lending implemented by the Company in the latter part of 2016, and were $235 million and $336 million at December 31, 2018 and 2017, respectively. The total indirect consumer loan portfolio at December 31, 2018 was comprised of the following types of loans: $200 million of used auto loans, $28 million of manufactured home loans, $6 million of new auto loans, $2 million of new boat loans, and various other loans including loans for RVs, used boats, ATVs and motorcycles.

In February 2019, the Company determined that it would cease providing indirect lending services to automobile dealerships, effective March 31, 2019. The environment for providing indirect automobile lending services has been difficult over the last several years. In the latter part of 2016, in response to more challenging consumer credit conditions, the Company tightened its underwriting guidelines on automobile lending. Management took this step in an effort to improve credit quality in the portfolio and lower delinquencies and charge-offs. The changes in underwriting guidelines resulted in lower origination volume, and as such, outstanding consumer auto loan balances have decreased significantly since the end of 2016. After a review of the indirect automobile lending model, the decision was made to exit this business line after March 31, 2019. Market and financial forces, including strong rate competition for well-qualified borrowers, have made indirect automobile lending less profitable over the long term. The Company will continue servicing indirect automobile loans made before March 31, 2019, until each loan agreement is satisfied. Direct consumer lending through the Company’s banking center network is expected to continue as normal.

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, commercial construction and other commercial 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 all FDIC-acquired loans, the Bank purchased $128.0 million and $133.0 million of these loans in the fiscal years ended December 31, 2018 and 2017, respectively. Of the total $198.8 million of purchased participation loans outstanding at December 31, 2018, the largest aggregate amount outstanding purchased from one institution was $17.8 million. This total was comprised of two loans, one which was secured by a senior living facility and the other which was secured by office suites and parking garage. These loans were performing at December 31, 2018. At December 31, 2018 and 2017, loans which were previously covered by loss sharing agreements with the FDIC but are no longer covered included purchased and participation loans of $136,000 and $249,000, respectively. At December 31, 2018 and 2017, FDIC-acquired loans which were never covered by loss sharing agreements included purchased and participation loans of $14.1 million and $11.2 million, respectively. These amounts represent the undiscounted balance of these loans.

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 generally 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 or 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 adjusted for current market 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 $90.6 million, $135.5 million and $153.0 million during fiscal 2018, 2017, and 2016, respectively. The Bank typically sells long-term fixed rate mortgages. 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.

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 2018, 2017 and 2016 were $1.8 million, $3.2 million and $3.9 million, respectively. These gains were from the sale of fixed-rate residential loans.

The Bank serviced loans owned by others totaling approximately $260.2 million and $254.0 million at December 31, 2018 and 2017, respectively. Of the total loans serviced at December 31, 2018, $181.5 million related to commercial real estate, commercial business and construction loans, portions of which were sold to other parties. The remaining $78.7 million of loans serviced for others related to one- to four-family real estate loans which the Bank had originated and sold, but retained the obligation to service, or had acquired the servicing through various FDIC-assisted transactions. The servicing of these loans generated fees (net of amortization of the servicing rights) to the Bank for the years ended December 31, 2018, 2017 and 2016, of $185,000, $206,000 and $220,000, respectively.

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 $1.8 million, $2.4 million and $2.0 million for the years ended December 31, 2018, 2017 and 2016, 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, included in Item 8 of this Report.

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. Senior management also works with the commercial loan officers to see that necessary steps are taken to collect delinquent loans and may reassign the loan relationship to the special assets group. 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.

The following tables set forth our loans by aging category:

	December 31, 2018									
	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	—	$—	—	$—	—	$—	—	$—	$26,177	$26,177
Subdivision construction	—	—	—	—	—	—	—	—	13,844	13,844
Land development	1	13	—	—	3	49	4	62	44,430	44,492
Commercial construction	—	—	—	—	—	—	—	—	1,417,166	1,417,166
Owner occupied one- to four-family residential	19	1,431	12	806	16	1,206	47	3,443	273,423	276,866
Non-owner occupied one- to four-family residential	6	1,142	1	144	12	1,458	19	2,744	119,694	122,438
Commercial real estate	6	3,940	1	53	7	334	14	4,327	1,367,108	1,371,435
Other residential	—	—	—	—	—	—	—	—	784,894	784,894
Commercial business	4	72	2	54	7	1,437	13	1,563	320,555	322,118
Industrial revenue bonds	1	3	—	—	—	—	1	3	13,937	13,940
Consumer auto	282	2,596	76	722	150	1,490	508	4,808	248,720	253,528
Consumer other	45	691	23	181	19	240	87	1,112	56,238	57,350
Home equity lines of credit	11	229	—	—	7	86	18	315	121,037	121,352
Loans acquired and accounted for under ASC 310-30, net of discounts	33	2,195	10	1,416	79	6,827	122	10,438	157,213	167,651
	408	12,312	125	3,376	300	13,127	833	28,815	4,964,436	4,993,251
Less loans acquired and accounted for under ASC 310-30, net of discounts	33	2,195	10	1,416	79	6,827	122	10,438	157,213	167,651
Total	375	$10,117	115	$1,960	221	$6,300	711	$18,377	$4,807,223	$4,825,600

	December 31, 2017									
	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	1	$250	—	$—	—	$—	1	$250	$20,543	$20,793
Subdivision construction	—	—	—	—	1	98	1	98	17,964	18,062
Land development	3	54	1	37	—	—	4	91	43,880	43,971
Commercial construction	—	—	—	—	—	—	—	—	1,068,352	1,068,352
Owner occupied one- to four-family residential	22	1,927	1	71	14	904	37	2,902	187,613	190,515
Non-owner occupied one- to four-family residential	6	947	1	190	14	1,816	21	2,953	116,515	119,468
Commercial real estate	9	8,346	2	993	8	1,226	19	10,565	1,224,764	1,235,329
Other residential	2	540	1	353	1	1,877	4	2,770	742,875	745,645
Commercial business	12	2,623	4	1,282	7	2,063	23	5,968	347,383	353,351
Industrial revenue bonds	—	—	—	—	—	—	—	—	21,859	21,859
Consumer auto	437	5,196	107	1,230	215	2,284	759	8,710	348,432	357,142
Consumer other	41	464	16	64	26	557	83	1,085	62,283	63,368
Home equity lines of credit	6	58	—	—	14	430	20	488	114,951	115,439
Loans acquired and accounted for under ASC 310-30, net of discounts	59	4,449	18	1,951	96	10,675	173	17,075	192,594	209,669
	598	24,854	151	6,171	396	21,930	1,145	52,955	4,510,008	4,562,963
Less loans acquired and accounted for under ASC 310-30, net of discounts	59	4,449	18	1,951	96	10,675	173	17,075	192,594	209,669
Total	539	$20,405	133	$4,220	300	$11,255	972	$35,880	$4,317,414	$4,353,294

Classified Assets

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered to be of lesser quality as "substandard," "doubtful" or "loss" assets. The regulations require insured institutions to classify their own assets and to establish prudent specific allocations for losses from assets classified "substandard" or "doubtful." “Substandard” assets include those characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Assets classified as “doubtful,” have all the weaknesses inherent in those classified as “substandard” with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. For the portion of assets classified as "loss," an institution is required to either establish specific allowances of 100% of the amount classified or charge such amount off its books. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess a potential weakness (referred to as “special mention” assets), are required to be listed on the Bank's watch list and monitored for further deterioration. In addition, a bank's regulators may require the establishment of a general allowance for losses based on the general quality of the asset portfolio of the bank. Following are the total classified assets at December 31, 2018 and 2017, per the Bank's internal asset classification list, excluding assets acquired through FDIC-assisted transactions. The allowances for loan losses reflected below are the portions of the Bank’s total allowances for loan losses relating to these classified loans. There were no significant off-balance sheet items classified at December 31, 2018 and 2017.

	December 31, 2018					
Asset Category	Special Mention	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
	(In Thousands)					
Investment securities	$—	$ —	$ —	$ —	$ —	$ —
Loans	—	9,603	—	—	9,603	2,041
Foreclosed assets and repossessions	—	5,480	—	—	5,480	—
Total	$—	$ 15,083	$ —	$ —	$ 15,083	$ 2,041

	December 31, 2017					
Asset Category	Special Mention	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
	(In Thousands)					
Investment securities	$—	$ —	$ —	$ —	$ —	$ —
Loans	—	18,633	500	—	19,133	3,951
Foreclosed assets and repossessions	—	16,575	—	—	16,575	—
Total	$—	$ 35,208	$ 500	$ —	$ 35,708	$ 3,951

Non-Performing Assets

The table below sets forth the amounts and categories of gross non-performing assets (classified loans which are not performing under regulatory guidelines and all foreclosed assets, including assets acquired in settlement of loans) in the Bank's loan portfolio as of the dates indicated. Loans generally are placed on non-accrual status when the loan becomes 90 days delinquent or when the collection of principal, interest, or both, otherwise becomes doubtful.

Former TeamBank, Vantus Bank, Sun Security Bank and InterBank non-performing assets, including foreclosed assets, are not included in the totals of non-performing assets below as they were subject to loss sharing agreements with the FDIC, which substantially covered principal losses that may have been incurred in these portfolios for the applicable terms under the agreements. In addition, these assets were initially recorded at their fair value estimated fair values as of their acquisition dates. Former Valley Bank loans are also excluded from the totals of non-performing assets below, although they were not covered by a loss sharing agreement. As in the previous FDIC-assisted acquisitions, former Valley Bank loans are accounted for in pools and were recorded at their fair value at the time of the acquisition as of June 20, 2014; therefore, these loan pools are analyzed rather than the individual loans. The overall performance of the FDIC-covered acquired loan pools has been better than original expectations as of the acquisition dates. At December 31, 2018, there were no material non-performing assets in these acquired loan portfolios.

	December 31, 2018		2017		2016		2015		2014	
	(In Thousands)									
Non-accruing loans:										
One- to four-family residential	$2,664		$2,662		$1,529		$1,060		$1,155	
One- to four-family construction	49		98		109		—		—	
Other residential	—		1,877	(1)	162		—		—	
Commercial real estate	334		1,226		4,404	(2)	13,488	(3)	4,512	(4)
Other commercial	1,437	(5)	2,063	(6)	3,088	(7)	288		411	
Commercial construction and land development	—		—		1,718		139		255	
Consumer	1,816		3,233		3,071		1,594		1,038	
Total gross non-accruing loans	6,300		11,159		14,081		16,569		7,371	
Loans over 90 days delinquent still accruing interest:										
One- to four-family residential	—		58		—		—		170	
Commercial real estate	—		—		—		—		187	
Other commercial	—		—		—		—		—	
Commercial construction and land development	—		—		—		—		—	
Consumer	—		38		—		—		419	
Total loans over 90 days delinquent still accruing interest	—		96		—		—		776	
Other impaired loans	—		—		—		—		—	
Total gross non-performing loans	6,300		11,255		14,081		16,569		8,147	
Foreclosed assets:										
One- to four-family residential	269		112		1,217		1,375		3,353	
One- to four-family construction	—		—		—		—		223	
Other residential	—		140		954		2,150		2,625	
Commercial real estate	—		1,694		3,841		3,608		1,632	
Commercial construction and land development	4,283		12,642		17,246		19,149		27,025	
Other commercial	—		—		—		—		59	
Total foreclosed assets	4,552		14,588		23,258		26,282		34,917	
Repossessions	928		1,987		1,991		1,109		624	
Total gross non-performing assets	$11,780		$27,830		$39,330		$43,960		$43,688	
Total gross non-performing assets as a percentage of average total assets	0.26	%	0.62	%	0.90	%	1.08	%	1.14	%

(1) One relationship was $1.9 million, the entire total of this category, at December 31, 2017.

(2) The largest two relationships in this category were $1.7 million and $1.7 million, respectively, at December 31, 2016.
(3) The largest two relationships in this category were $6.5 million and $3.7 million, respectively, at December 31, 2015.
(4) The largest two relationships in this category were $2.0 million and $1.9 million, respectively, at December 31, 2014.
(5) One relationship was $1.1 million of this total at December 31, 2018.
(6) One relationship was $1.5 million of this total at December 31, 2017.
(7) One relationship was $3.0 million of this total at December 31, 2016.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-performing Assets" for further information.

Gross impaired loans totaled $13.9 million at December 31, 2018 and $25.3 million at December 31, 2017. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. See Note 3 “Loans” of the accompanying audited financial statements included in Item 8 for additional information including further detail of non-accruing loans and impaired loans and details of troubled debt restructurings. See also Note 15 “Disclosures About Fair Value of Financial Instruments” of the accompanying audited financial statements included in Item 8 for additional information.

For the year ended December 31, 2018, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.0 million. No interest income was included on these loans for the year ended December 31, 2018. For the year ended December 31, 2017, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.2 million. No interest income was included on these loans for the year ended December 31, 2017. For the year ended December 31, 2016, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.5 million. No interest income was included on these loans for the year ended December 31, 2016.

Restructured Troubled Debt

Included in impaired loans at December 31, 2018 and 2017, were loans modified in troubled debt restructurings as follows:

	December 31, 2018		
	Restructured Troubled Debt	Accruing Interest	Restructured Troubled Debt Nonaccruing
	(In Thousands)		
Commercial real estate	$1,344	$ 1,238	$ 106
One- to four-family residential	3,892	2,299	1,593
Other residential	—	—	—
Construction	283	283	—
Commercial	548	407	141
Consumer	803	428	375
	$6,870	$ 4,655	$ 2,215

	December 31, 2017		
	Restructured Troubled Debt	Accruing Interest	Restructured Troubled Debt Nonaccruing
	(In Thousands)		
Commercial real estate	$7,085	$7,085	$ —

One- to four-family residential	3,265	2,602	663
Other residential	2,907	1,030	1,877
Construction	266	266	—
Commercial	867	867	—
Consumer	617	410	207
	$ 15,007	$ 12,260	$ 2,747

Allowances for Losses on Loans and Foreclosed Assets

Great Southern maintains an allowance for loan losses to absorb losses known and inherent in the loan portfolio based upon ongoing, monthly assessments of the loan portfolio. Our methodology for assessing the appropriateness of the allowance consists of several key elements, which include a formula allowance, specific allowances for identified problem loans and portfolio segments and economic conditions that may lead to a concern about the loan portfolio or segments of the loan portfolio.

The formula allowance is calculated by applying loss factors to outstanding loans based on the internal risk evaluation of such loans or pools of loans. Changes in risk evaluations of both performing and non-performing loans affect the amount of the formula allowance.

Loss factors are based both on our historical loss experience and on significant factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date. Loan loss factors for portfolio segments are representative of the credit risks associated with loans in those segments. The greater the credit risks associated with a particular segment, the greater the loss factor.

The appropriateness of the allowance is reviewed by management based upon its evaluation of then-existing economic and business conditions affecting our key lending areas. Other conditions that management considers in determining the appropriateness of the allowance include, but are not limited to, changes to our underwriting standards (if any), credit quality trends (including changes in non-performing loans expected to result from existing economic and other market conditions), trends in collateral values, loan volumes and concentrations, and recent loss experience in particular segments of the portfolio that existed as of the balance sheet date and the impact that such conditions were believed to have had on the collectability of those loans.

Senior management reviews these conditions regularly in discussions with our credit officers. To the extent that any of these conditions are evident in a specifically identifiable problem loan or portfolio segment as of the evaluation date, management's estimate of the effect of such condition may be reflected as a specific allowance applicable to such loan or portfolio segment. Where any of these conditions are not evident in a specifically identifiable problem loan or portfolio segment as of the evaluation date, management's evaluation of the loss related to these conditions is reflected in the general allowance associated with our loan portfolio. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem loans or portfolio segments.

The amounts actually observed in respect of these losses can vary significantly from the estimated amounts. Our methodology permits adjustments to any loss factor used in the computation of the formula allowances in the event that, in management's judgment, significant factors which affect the collectability of the portfolio, as of the evaluation date, are not reflected in the current loss factors. By assessing the estimated losses inherent in our loan portfolio on a monthly basis, we can adjust specific and inherent loss estimates based upon more current information.

On a quarterly basis, senior management presents a formal assessment of the adequacy of the allowance for loan losses to Great Southern's board of directors for the board's approval of the allowance. Assessing the adequacy of the allowance for loan losses is inherently subjective as it requires making material estimates including the amount and timing of future cash flows expected to be received on impaired loans or changes in the market value of collateral securing loans that may be susceptible to significant change. In the opinion of management, the allowance when taken as a whole is adequate to absorb reasonable estimated loan losses inherent in Great Southern's loan portfolio.

Allowances for estimated losses on foreclosed assets (real estate and other assets acquired through foreclosure) are charged to expense, when in the opinion of management, any significant and permanent decline in the market value of the underlying asset reduces the market value to less than the carrying value of the asset. Senior management assesses the market value of each foreclosed asset individually on a regular basis.

At December 31, 2018 and 2017, Great Southern had an allowance for losses on loans of $38.4 million and $36.5 million, respectively, of which $2.0 million and $4.0 million, respectively, had been allocated to specific loans. All loans with specific allowances were considered to be impaired loans. The allowance and the activity within the allowance during 2018, 2017 and 2016 are discussed further in Note 3 “Loans and Allowance for Loan Losses” of the accompanying audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 8 and Item 7 of this Report, respectively.

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The allocation of the allowance for losses on loans at the dates indicated is summarized as follows.

	December 31, 2018		2017		2016		2015		2014	
	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount	% L t T L (
	(Dollars In Thousands)									
One- to four-family residential and construction	$3,086	9.1 %	$2,077	8.0 %	$2,198	9.2 %	$4,195	9.4 %	$3,361	
Other residential and construction	4,681	16.3	2,813	17.1	5,396	16.1	3,122	12.2	2,923	
Commercial real estate	19,571	28.4	18,442	28.4	15,716	28.9	14,444	30.3	18,422	1
Commercial construction	3,029	30.3	1,690	25.6	2,244	20.3	2,961	19.2	3,412	
Other commercial	1,556	7.0	3,509	8.6	2,976	9.1	3,977	11.5	3,628	
Consumer and overdrafts	6,065	8.9	7,501	12.3	8,245	16.4	7,947	17.4	4,553	
Loans covered by loss sharing agreements (1)	—	—	—	—	70	—	344	—	941	-
Acquired loans not covered by loss sharing agreements	421	—	460	—	555	—	1,159	—	1,195	-
Total	$38,409	100.0%	$36,492	100.0%	$37,400	100.0%	$38,149	100.0%	$38,435	

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(1) Associated with these allowances at December 31, 2018, 2017, 2016, 2015 and 2014, were receivables from the FDIC total $-0-, $-0-, $56,000, $275,000, and $753,000, respectively, under the loss sharing agreements which were in place at the time.
(2) Excludes loans acquired through FDIC-assisted transactions.

The following table sets forth an analysis of activity in the Bank's allowance for losses on loans showing the details of the activity by types of loans.

	December 31, 2018	2017	2016	2015	2014
	(Dollars In Thousands)				
Balance at beginning of period	$36,492	$37,400	$38,149	$38,435	$40,116
Charge-offs:					
One- to four-family residential	62	165	229	80	2,251
Other residential	525	488	16	2	1
Commercial real estate	102	1,656	5,653	2,584	2,160
Construction	87	420	31	329	126
Other commercial	1,155	1,489	589	1,202	3,286
Consumer, overdrafts and other loans	9,425	11,859	8,751	5,315	4,005
Total charge-offs	11,356	16,077	15,269	9,512	11,829

Recoveries:					
One- to four-family residential	334	109	58	97	496
Other residential	417	197	52	58	37
Commercial real estate	172	123	1,221	302	3,139
Construction	394	546	123	405	181
Other commercial	755	580	327	276	105
Consumer, overdrafts and other loans	4,051	4,514	3,458	2,569	2,039
Total recoveries	6,123	6,069	5,239	3,707	5,997
Net charge-offs	5,233	10,008	10,030	5,805	5,832
Provision for losses on loans	7,150	9,100	9,281	5,519	4,151
Balance at end of period	$38,409	$36,492	$37,400	$38,149	$38,435
Ratio of net charge-offs to average loans outstanding	0.13 %	0.26 %	0.29 %	0.20 %	0.24 %

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Investment Activities

Excluding securities issued by the United States Government, or its agencies, there were no investment securities in excess of 10% of the Company's stockholders' equity at December 31, 2018, 2017 and 2016, respectively. Agencies, for this purpose, primarily include Freddie Mac, Fannie Mae, Ginnie Mae and FHLBank.

As of December 31, 2018 and 2017, the Bank held approximately $-0- and $130,000, respectively, in principal amount of investment securities which the Bank intends to hold until maturity. As of such dates, these securities had fair values of approximately $-0- and $131,000, respectively. In addition, as of December 31, 2018 and 2017, the Company held approximately $244.0 million and $179.2 million, respectively, in principal amount of investment securities which the Company classified as available-for-sale. See Notes 1 and 2 of the accompanying audited financial statements included in Item 8 of this Report.

The amortized cost and fair values of, and gross unrealized gains and losses on, investment securities at the dates indicated are summarized as follows.

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
Agency mortgage-backed securities	$154,557	$ 1,272	$ 2,571	$153,258
Agency collateralized mortgage obligations	39,024	250	14	39,260
States and political subdivisions	50,022	1,428	—	51,450
	$243,603	$ 2,950	$ 2,585	$243,968

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
Agency mortgage-backed securities	$123,300	$ 871	$ 1,638	$122,533
States and political subdivisions	53,930	2,716	—	56,646
	$177,230	$ 3,587	$ 1,638	$179,179
HELD-TO-MATURITY SECURITIES				
States and political subdivisions	$130	$ 1	$ —	$131

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			

AVAILABLE-FOR-SALE SECURITIES:				
Agency mortgage-backed securities	$146,491	$ 1,045	$ 1,501	$146,035
States and political subdivisions	64,682	3,163	8	67,837
	$211,173	$ 4,208	$ 1,509	$213,872
HELD-TO-MATURITY SECURITIES				
States and political subdivisions	$247	$ 11	$ —	$258

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At December 31, 2018, the Company’s mortgage-backed securities portfolio consisted of FHLMC securities totaling $37.2 million, FNMA securities totaling $92.1 million and GNMA securities totaling $23.9 million. At December 31, 2018, agency collateralized mortgage obligations consisted of GNMA securities totaling $39.3 million, all of which are commercial multi-family fixed rate securities. At December 31, 2018, $108.5 million of the Company’s agency mortgage-backed securities had fixed rates of interest and $84.0 million had variable rates of interest. Of the total FNMA securities at December 31, 2018, $56.3 million are commercial multi-family fixed rate securities.

The following tables present the contractual maturities and weighted average tax-equivalent yields of available-for-sale securities at December 31, 2018. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost	Tax-Equivalent Amortized Yield		Fair Value
	(Dollars In Thousands)			
After one through five years	$849	5.68	%	$919
After five through ten years	9,959	4.30	%	10,139
After ten years	39,214	4.92	%	40,392
Securities not due on a single maturity date	193,581	2.90	%	192,518
Total	$243,603	3.29	%	$243,968

	One Year or Less	After One Through Five Years	After Five Through Ten Years	After Ten Years	Securities Not Due on a Single Maturity Date	Total
	(In Thousands)					
Agency mortgage-backed securities	$—	$ —	$—	$—	$153,258	$153,258
Agency collateralized mortgage obligations	—	—	—	—	39,260	39,260
States and political subdivisions	—	919	10,139	40,392	—	51,450
Total	$—	$ 919	$10,139	$40,392	$192,518	$243,968

The following table shows our investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018, 2017 and 2016, respectively:

	2018					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Agency mortgage-backed securities	$11,255	$ (82)	$74,186	$ (2,489)	$85,441	$ (2,571)

Agency collateralized mortgage obligations	9,725	(14)	—	—	9,725	(14)
States and political subdivisions	511	—	—	—	511	—
	$21,491	$ (96)	$74,186	$ (2,489)	$95,677	$ (2,585)

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	2017					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Agency mortgage-backed securities	$33,862	$ (384)	$55,845	$ (1,254)	$89,707	$ (1,638)
States and political subdivisions	—	—	—	—	—	—
	$33,862	$ (384)	$55,845	$ (1,254)	$89,707	$ (1,638)

	2016					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Agency mortgage-backed securities	$102,296	$ (1,501)	$ —	$ —	$102,296	$ (1,501)
States and political subdivisions	2,164	(8)	—	—	2,164	(8)
	$104,460	$ (1,509)	$ —	$ —	$104,460	$ (1,509)

On at least a quarterly basis, the Company evaluates the securities portfolio to determine if an other-than-temporary impairment (OTTI) needs to be recorded. For debt securities with fair values below carrying value, when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security. During 2018, 2017 and 2016, no securities were determined to have impairment that had become other than temporary.

The Company's consolidated statements of income as of December 31, 2018, 2017 and 2016, reflect the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

For equity securities, if any, when the Company has decided to sell an impaired available-for-sale security and the Company does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Company recognizes an impairment loss when the impairment is deemed other than temporary even if a decision to sell has not been made.

Sources of Funds

General. Deposit accounts have traditionally been the principal source of the Bank's funds for use in lending and for other general business purposes. In addition to deposits, the Bank obtains funds through advances from the Federal Home Loan Bank of Des Moines ("FHLBank") and other borrowings, loan repayments, loan sales, and cash flows generated from operations. Scheduled loan payments are a relatively stable source of funds, while deposit inflows and outflows and the related costs of such funds have varied widely. Borrowings such as FHLBank advances may be used on a short-term basis to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels and may be used on a longer-term basis to support expanded lending activities. The availability of funds from loan sales is influenced by general interest rates as well as the volume of originations.

Deposits. The Bank attracts both short-term and long-term deposits from the general public by offering a wide variety of accounts and rates and also purchases brokered deposits from time to time. The Bank offers regular savings accounts, checking accounts, various money market accounts, fixed-interest rate certificates with varying maturities, certificates of deposit in minimum amounts of $100,000 ("Jumbo" accounts), brokered certificates and individual retirement accounts. In 2016, the Bank increased its deposits through internal growth and the assumption of deposits in a branch acquisition. Additionally in 2016, the Bank increased its brokered deposits by $40 million. In 2017, the Bank increased its interest-bearing demand and savings deposits and non-interest-bearing demand deposits through internal growth. Additionally in 2017, the Bank decreased its brokered deposits by $64 million and decreased its time deposits in denominations of $100,000 or more by $36 million. In 2018, the Bank increased its deposits primarily through internal growth in time deposits and growth in brokered deposits, partially offset by a decrease in interest-bearing demand and savings deposits. In 2018, the Bank increased its brokered deposits by $101 million. The deposit growth and funds from borrowings were used to fund the Bank's loan growth. Also in 2018, the Bank sold deposits totaling approximately $56 million.

The following table sets forth the dollar amount of deposits, by interest rate range, in the various types of deposit programs offered by the Bank at the dates indicated.

	December 31, 2018		2017		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars In Thousands)					
Time deposits:						
0.00% - 0.99%	$150,656	4.05 %	$254,502	7.07 %	$695,738	18.92 %
1.00% - 1.99%	511,873	13.74	1,006,373	27.98	737,649	20.06
2.00% - 2.99%	857,973	23.03	106,888	2.97	48,777	1.33
3.00% - 3.99%	69,793	1.87	701	0.02	1,119	0.03
4.00% - 4.99%	1,116	0.03	1,108	0.03	1,171	0.03
5.00% and above	—	—	272	0.01	272	0.01
Total time deposits	1,591,411	42.72	1,369,844	38.08	1,484,726	40.38
Non-interest-bearing demand deposits	661,061	17.75	661,589	18.39	653,288	17.76
Interest-bearing demand and savings deposits (0.46%-0.32%-0.26%)	1,472,535	39.53	1,565,711	43.53	1,539,216	41.86
Total Deposits	$3,725,007	100.00 %	$3,597,144	100.00 %	$3,677,230	100.00 %

A table showing maturity information for the Bank's time deposits as of December 31, 2018, is presented in Note 8 of the accompanying audited financial statements, which are included in Item 8 of this Report.

The variety of deposit accounts offered by the Bank has allowed it to be competitive in obtaining funds and has allowed it to respond with flexibility to changes in consumer demand. The Bank has become more susceptible to short-term fluctuations in deposit flows, as customers have become more interest rate conscious and the Bank’s deposit mix has changed to a smaller percentage of time deposits. The Bank manages the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, management believes that its certificate accounts are relatively stable sources of deposits, while its checking accounts have proven to be more volatile. In the past three years, the Bank has focused on growing its checking accounts both internally and through acquisitions. The ability of the Bank to attract and maintain deposits, and the rates paid on these deposits, has been and will continue to be significantly affected by money market conditions.

The following table sets forth the time remaining until maturity of the Bank's time deposits as of December 31, 2018. The table is based on information prepared in accordance with generally accepted accounting principles.

	Maturity				
	3 Months Or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
	(In Thousands)				
Time deposits:					
Less than $100,000	$147,599	$95,514	$157,463	$129,208	$529,784
$100,000 or more	159,583	126,425	237,209	205,657	728,874
Brokered	95,075	106,237	85,610	40,000	326,922
Public funds(1)	279	1,986	2,841	725	5,831
Total	$402,536	$330,162	$483,123	$375,590	$1,591,411

(1) Deposits from governmental and other public entities.

Brokered deposits. Brokered deposits are marketed through national brokerage firms to their customers in $1,000 increments. The Bank maintains only one account for the total deposit amount while the detailed records of owners are maintained by the Depository Trust Company under the name of CEDE & Co. The deposits are transferable just like a stock or bond investment and the customer can open the account with only a phone call or an online request. This provides a large deposit for the Bank at a lower operating cost since the Bank only has one account to maintain versus several accounts with multiple interest and maturity dates. At December 31, 2018 and 2017, the Bank had approximately $326.9 million and $225.5 million in brokered deposits, respectively.

Included in the brokered deposits total at December 31, 2018 and 2017, was $109.3 million and $153.0 million, respectively, in Certificate of Deposit Account Registry Service (CDARS) purchased funds accounts. CDARS purchased funds transactions represent an easy, cost-effective source of funding without collateralization or credit limits for the Company. Purchased funds transactions help the Company obtain large blocks of funding while providing control over pricing and diversity of wholesale funding options. Purchased funds transactions are obtained through a bid process that occurs weekly, with varying maturity terms.

Previously included in the brokered deposits total at December 31, 2017 was $34.5 million in CDARS reciprocal customer deposit accounts. CDARS reciprocal customer deposit accounts are accounts that are just like any other deposit account on the Company’s books, except that the account total exceeds the FDIC deposit insurance maximum. When a customer places a large deposit with a CDARS Network bank, that bank uses CDARS to place the funds into deposit accounts issued by other banks in the CDARS Network. This occurs in increments of less than the standard FDIC insurance maximum, so that both principal and interest are eligible for complete FDIC protection. Other Network members do the same thing with their customers' funds. In 2018, the FDIC amended its regulations to exclude these deposits from its definition of brokered deposits.

Unlike non-brokered deposits where the deposit amount can be withdrawn prior to maturity with a penalty for any reason, including increasing interest rates, a brokered deposit (excluding CDARS purchased funds) can only be withdrawn in the event of the death, or court declared mental incompetence, of the depositor. This allows the Bank to better manage the maturity of its deposits. Currently, the rates offered by the Bank for brokered deposits are somewhat higher than that offered for retail certificates of deposit of similar size and maturity. Because the Bank had kept higher levels of liquidity since the economic recession began in 2008, we had gradually reduced the amount of brokered deposits (excluding CDARS purchased funds) utilized since December 31, 2008. As loan demand began to increase since 2013, we began to gradually increase our usage of brokered deposits again from time to time.

The Company may use interest rate swaps from time to time to manage its interest rate risks from recorded financial liabilities. In the past, the Company entered into interest rate swap agreements with the objective of economically hedging against the effects of changes in the fair value of its liabilities for fixed rate brokered certificates of deposit caused by changes in market interest rates. These interest rate swaps allowed the Company to create funding of varying maturities at a variable rate that in the past has approximated three-month LIBOR. The Company did not utilize these types of interest rate swaps in 2018, 2017 or 2016.

Borrowings. Great Southern's other sources of funds include advances from the FHLBank, a Qualified Loan Review ("QLR") arrangement with the FRB, customer repurchase agreements and other borrowings.

As a member of the FHLBank, the Bank is required to own capital stock in the FHLBank and is authorized to apply for advances from the FHLBank. Each FHLBank credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLBank may prescribe the acceptable uses for these advances, as well as other risks on availability, limitations on the size of the advances and repayment provisions. At December 31, 2018 and 2017, the Bank's FHLBank advances outstanding were $-0- and $127.5 million, respectively. Additionally, the Bank had outstanding overnight borrowings from the FHLBank of $178.0 million and $15.0 million at December 31, 2018 and 2017, respectively. Because they are overnight borrowings, the $178.0 million and $15.0 million are included in short-term borrowings in the Company's financial statements. The Bank utilized FHLBank advances from time to time to fund loan growth during 2018 and 2017.

The Federal Reserve Bank of St. Louis ("FRBSL") has a QLR program where the Bank can borrow on a temporary basis using commercial loans pledged to the FRBSL. Under the QLR program, the Bank can borrow any amount up to a calculated collateral value of the commercial loans pledged, for virtually any reason that creates a temporary cash need. Examples of this could be: (1) the need to fund for late outgoing wires or cash letter settlements, (2) the need to disburse one or several loans but the permanent source of funds will not be available for a few days; (3) a temporary spike in interest rates on other funding sources that are being used; or (4) the need to purchase a security for collateral pledging purposes a few days prior to the funds becoming available on an existing security that is maturing. The Bank had commercial, consumer and other loans pledged to the FRBSL at December 31, 2018 that would have allowed approximately $460.7 million to be borrowed under the above arrangement. There were no outstanding borrowings from the FRBSL at December 31, 2018 or 2017 and the facility was not used during 2018 or 2017.

The Bank enters into sales of securities under agreements to repurchase (reverse repurchase agreements). Reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the statements of financial condition. The dollar amount of securities underlying the agreements remains in the asset accounts. Securities underlying the agreements are being held by the Bank during the agreement period. The agreements generally are written on a one-month or less term.

In November 2006, Great Southern Capital Trust II ("Trust II"), a statutory trust formed by the Company for the purpose of issuing the securities, issued $25.0 million aggregate liquidation amount of floating rate cumulative trust preferred securities. The Trust II securities bear a floating distribution rate equal to 90-day LIBOR plus 1.60%. The Trust II securities became redeemable at the Company's option in February 2012, and if not sooner redeemed, mature on February 1, 2037. The Trust II securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended. The gross proceeds of the offering were used to purchase Junior Subordinated Debentures from the Company totaling $25.8 million and bearing an interest rate identical to the distribution rate on the Trust II securities. The initial interest rate on the Trust II debentures was 6.98%. The interest rate was 4.14% and 2.98% at December 31, 2018 and 2017, respectively.

In July 2007, Great Southern Capital Trust III ("Trust III"), a statutory trust formed by the Company for the purpose of issuing the securities, issued $5.0 million aggregate liquidation amount of floating rate cumulative trust preferred securities. The Trust III securities bore a floating distribution rate equal to 90-day LIBOR plus 1.40%. The Trust III securities were redeemable at the Company's option beginning in October 2012, and if not sooner redeemed, were to mature on October 1, 2037. The Trust III securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended. The gross proceeds of the offering were used to purchase Junior Subordinated Debentures from the Company totaling $5.2 million and bearing an interest rate identical to the distribution rate on the Trust III securities. In July 2015, the Company was the successful bidder in an auction of the $5.0 million aggregate liquidation amount of floating rate cumulative trust preferred securities issued in 2007 by Great Southern Capital Trust III. Such securities were then canceled and the principal amount of the Company's related debentures was reduced to zero.

In 2013, the Company entered into two interest rate cap agreements for a portion of its Junior Subordinated Debentures associated with its trust preferred securities. The term of these agreements was four years with a termination date in August 2017. Under the agreements, with notional amounts of $25.0 million and $5.0 million, respectively, the Company paid interest on its Junior Subordinated Debentures in accordance with the original terms at a floating rate based on LIBOR. Should the interest rate have risen above a certain threshold, the counterparty was to reimburse the Company for interest paid such that the Company would have an effective interest rate on the portion of its Junior Subordinated Debentures no higher than 2.37% for the first agreement and no higher than 2.17% on the second agreement. The effective portion of the gain or loss on the derivative was reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The fair value of the interest rate caps at December 31, 2017 was $-0-. The $5.0 million notional interest rate cap agreement was terminated when the Company purchased the related trust preferred securities in July 2015.

On August 8, 2016, the Company completed the public offering and sale of $75.0 million of its subordinated notes. The notes are due August 15, 2026, and have a fixed interest rate of 5.25% until August 15, 2021, at which time the rate becomes floating at a rate equal to three-month LIBOR plus 4.087%. The Company may call the notes at par beginning on August 15, 2021, and on any scheduled interest payment date thereafter. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions, legal, accounting and other professional fees, of approximately $73.5 million. Total debt issuance costs, totaling approximately $1.5 million, were deferred and are being amortized over the expected life of the notes, which is 10 years. Amortization of the debt issuance costs during the years ended December 31, 2018 and 2017, totaled $154,000 and $151,000, respectively, and is included in interest expense on subordinated notes in the consolidated statements of income, resulting in an imputed interest rate of 5.47%.

The following table sets forth the maximum month-end balances, average daily balances and weighted average interest rates of FHLBank advances during the periods indicated.

	Year Ended December 31,					
	2018		2017		2016	
	(Dollars In Thousands)					
FHLBank Advances:						
Maximum balance	$259,000		$174,000		$292,538	
Average balance	190,245		93,524		68,325	
Weighted average interest rate	2.09	%	1.62	%	1.78	%

The following table sets forth certain information as to the Company's FHLBank advances at the dates indicated.

	December 31,					
	2018		2017		2016	
	(Dollars In Thousands)					
FHLBank advances	$—		$127,500		$31,452	
Weighted average interest rate of FHLBank advances	—	%	1.53	%	3.30	%

The following tables set forth the maximum month-end balances, average daily balances and weighted average interest rates of other borrowings during the periods indicated.

	Year Ended December 31, 2018			
	Maximum Balance	Average Balance	Weighted Average Interest Rate	
	(Dollars In Thousands)			
Other Borrowings:				
Securities sold under reverse repurchase agreements	$ 123,731	$ 104,512	0.03	%
Overnight borrowings -- FHLBank	178,000	30,346	2.34	
Collateral held for interest rate swap	13,100	993	2.24	
Other	1,625	1,406	—	
Total		$ 137,257	0.56	%
Total maximum month-end balance	297,978			

	Year Ended December 31, 2017		
	Maximum Balance	Average Balance	Weighted Average Interest Rate

	(Dollars In Thousands)			
Other Borrowings:				
Securities sold under reverse repurchase agreements	$ 150,703	$ 120,475	0.04	%
Overnight borrowings -- FHLBank	184,000	64,448	1.09	
Other	1,665	1,441	—	
Total		$ 186,364	0.40	%
Total maximum month-end balance	297,357			

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	Year Ended December 31, 2016			
	Maximum Balance	Average Balance	Weighted Average Interest Rate	
	(Dollars In Thousands)			
Other Borrowings:				
Securities sold under reverse repurchase agreements	$ 139,044	$ 123,002	0.04	%
Overnight borrowings -- FHLBank	400,200	203,575	0.54	
Other	1,323	1,081	—	
Total		$ 327,658	0.35	%
Total maximum month-end balance	523,078			

The following tables set forth year-end balances and weighted average interest rates of the Company's other borrowings at the dates indicated.

	December 31,								
	2018			2017			2016		
	Balance	Weighted Average Interest Rate		Balance	Weighted Average Interest Rate		Balance	Weighted Average Interest Rate	
	(Dollars In Thousands)								
Other borrowings:									
Securities sold under reverse repurchase agreements	$105,253	0.02	%	$80,531	0.05	%	$113,700	0.04	%
Overnight borrowings -- FHLBank	178,000	2.63		15,000	1.63		171,000	0.53	
Collateral held for interest rate swap	13,100	2.30		—	—		—	—	
Other	1,625	—		1,604	—		1,323	—	
Total	$297,978	1.68	%	$97,135	0.30	%	$286,023	0.33	%

The following table sets forth the maximum month-end balances, average daily balances and weighted average interest rates (including cost of related interest rate caps) of subordinated debentures issued to capital trusts during the periods indicated.

	Year Ended December 31,					
	2018		2017		2016	
	(Dollars In Thousands)					
Subordinated debentures:						
Maximum balance	$25,774		$25,774		$25,774	
Average balance	25,774		25,774		25,774	
Weighted average interest rate	3.70	%	3.68	%	3.12	%

The following table sets forth certain information as to the Company's subordinated debentures issued to capital trusts at the dates indicated.

	December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Subordinated debentures	$25,774	$25,774	$25,774
Weighted average interest rate of subordinated debentures	4.14 %	2.98 %	2.49 %

The following table sets forth the maximum month-end balances, average daily balances and weighted average interest rates of subordinated notes during the periods indicated.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Subordinated notes:			
Maximum balance	$73,842	$73,688	$73,537
Average balance	73,772	73,613	28,526
Weighted average interest rate	5.55 %	5.57 %	5.53 %

The following table sets forth certain information as to the Company's subordinated notes at the dates indicated.

	December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Subordinated notes	$73,842	$73,688	$73,537
Weighted average interest rate of subordinated debentures	5.55 %	5.57 %	5.45 %

Subsidiaries

Great Southern. As a Missouri-chartered trust company, Great Southern may invest up to 3%, which was equal to $140.2 million at December 31, 2018, of its assets in service corporations. At December 31, 2018, the Bank's total investment in Great Southern Real Estate Development Corporation ("Real Estate Development") was $2.7 million. Real Estate Development was incorporated and organized in 2003 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in Great Southern Financial Corporation ("GSFC") was $6.2 million. GSFC is incorporated under the laws of the State of Missouri, and has not had any business activity since November 30, 2012, when it sold Great Southern Insurance and Great Southern Travel, two divisions of Great Southern that were operated through GSFC. At December 31, 2018, the Bank's total investment in Great Southern Community Development Company, L.L.C. (“CDC”) and its subsidiary Great Southern CDE, L.L.C. ("CDE") was $715,000. CDC and CDE were formed in 2010 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GS, L.L.C. ("GSLLC") was $34.1 million. GSLLC was formed in 2005 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GSSC, L.L.C. ("GSSCLLC") was $21.0 million. GSSCLLC was formed in 2009 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GSRE Holding, L.L.C. ("GSRE Holding") was $2.6 million. GSRE Holding was formed in 2009 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GSRE Holding II, L.L.C. ("GSRE Holding II") was $-0-. GSRE Holding II was formed in 2009 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GSRE Holding III, L.L.C. ("GSRE Holding III") was $-0-. GSRE Holding III was formed in 2012 under the laws of the State of Missouri. At December 31, 2018, the Bank's total investment in GSTC Investments, L.L.C. ("GSTCLLC") was $6.5 million. GSTCLLC was formed in 2016 under the laws of the State of Missouri. These subsidiaries are primarily engaged in the activities described below. In addition, Great Southern has four other subsidiary companies that are not considered service corporations, GSB One, L.L.C., GSB Two, L.L.C., VFP Conclusion Holding, L.L.C. and VFP Conclusion Holding II, L.L.C. These companies are also described below.

Great Southern Real Estate Development Corporation. Generally, the purpose of Real Estate Development is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. During 2018 and 2017, Real Estate Development did not hold any real estate assets related to foreclosed property. Real Estate Development had net losses of $-0- and $(2,000) in the years ended December 31, 2018 and 2017, respectively.

Great Southern Community Development Company, L.L.C. and Great Southern CDE, L.L.C. Generally, the purpose of CDC is to invest in community development projects that have a public benefit, and are permissible under Missouri and Kansas law. These include such activities as investing in real estate and investing in other community development entities. It also serves as parent to subsidiary CDE which invests in limited liability entities for the purpose of acquiring federal tax credits to be utilized by Great Southern. CDC had consolidated net income of $10,000 and $-0- in the years ended December 31, 2018 and 2017, respectively.

GS, L.L.C. GSLLC was organized in 2005. GSLLC is a limited liability company that invests in multiple limited liability entities for the purpose of acquiring state and federal tax credits which are utilized by Great Southern. GSLLC had net losses of $(194,000) and $(2.1 million) in the years ended December 31, 2018 and 2017, respectively, which primarily resulted from the cost to acquire tax credits. These losses were offset by the tax credits utilized by Great Southern.

GSSC, L.L.C. GSSCLLC was organized in 2009. GSSCLLC is a limited liability company that invests in multiple limited liability entities for the purpose of acquiring state tax credits which are utilized by Great Southern or sold to third parties. GSSCLLC had net income of $88,000 and $112,000 in the years ended December 31, 2018 and 2017, respectively.

GSRE Holding, L.L.C. Generally, the purpose of GSRE Holding is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. At December 31, 2018, GSRE Holding held only cash of $2.6 million. GSRE Holding had net income (loss) of $82,000 and $(2,000) in the years ended December 31, 2018 and 2017, respectively.

GSRE Holding II, L.L.C. Generally, the purpose of GSRE Holding II is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. In 2018 and 2017, GSRE Holding II did not hold any significant real estate assets. GSRE Holding II had net income of $-0- in each of the years ended December 31, 2018 and 2017.

GSRE Holding III, L.L.C. Generally, the purpose of GSRE Holding III is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. In 2018 and 2017, GSRE Holding III did not hold any significant real estate assets. GSRE Holding III had net income of $-0- in each of the years ended December 31, 2018 and 2017.

GSTC Investments, L.L.C. GSTCLLC was organized in 2016. GSTCLLC is a limited liability company that invests in multiple limited liability entities for the purpose of acquiring state and federal tax credits which are utilized by Great Southern. GSTCLLC had net income of $-0- in each of the years ended December 31, 2018 and 2017.

GSB One, L.L.C. At December 31, 2018, the Bank's total investment in GSB One, L.L.C. ("GSB One") and GSB Two, L.L.C. ("GSB Two") was $1.19 billion. The capital contribution was made by transferring participations in loans to GSB Two. GSB One is a Missouri limited liability company that was formed in March of 1998. Currently the only activity of this company is the ownership of GSB Two.

GSB Two, L.L.C. This is a Missouri limited liability company that was formed in March of 1998. GSB Two is a real estate investment trust ("REIT"). It holds participations in real estate mortgages from the Bank. The Bank continues to service the loans in return for a management and servicing fee from GSB Two. GSB Two had net income of $52.0 million and $54.5 million in the years ended December 31, 2018 and 2017, respectively.

VFP Conclusion Holding, L.L.C. VFP Conclusion Holding, L.L.C. (“VFP”) is a Missouri limited liability company that was formed in August of 2011. Generally, the purpose of VFP is to hold real estate assets which have been obtained through foreclosure by the Bank. The real estate assets obtained through foreclosure were formerly collateral for a participation loan sold by the Bank. The Bank has a 50 percent interest in VFP and at December 31, 2018 its investment totaled $4.2 million. Two other entities also have interests in VFP as a result of their participation in the loan sold by the Bank. At December 31, 2018, the only asset of VFP was cash. VFP had net income of $-0- in each of the years ended December 31, 2018 and 2017.

VFP Conclusion Holding II, L.L.C. VFP Conclusion Holding II, L.L.C. (“VFP II”) is a Missouri limited liability company that was formed in September of 2012. Generally, the purpose of VFP II is to hold real estate assets which have been obtained through foreclosure by the Bank. The real estate assets obtained through foreclosure were formerly collateral for a participation loan sold by the Bank. The Bank has a 50 percent interest in VFP II and at December 31, 2018 its investment totaled $2.2 million. One other entity also has an interest in VFP II as a result of its participation in the loan sold by the Bank. At December 31, 2018, the only asset of VFP II was cash. VFP II had net income of $-0- for each of the years ended December 31, 2018 and 2017.

Competition

The banking industry in the Company's market areas is highly competitive. In addition to competing with other commercial and savings banks, the Company competes with credit unions, finance companies, leasing companies, mortgage companies, insurance companies, brokerage and investment banking firms and many other financial service firms. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience. Our ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate our existing employees, while managing compensation and other costs.

A substantial number of the commercial banks operating in most of the Company's market areas are branches or subsidiaries of large organizations affiliated with statewide, regional or national banking companies and as a result they may have greater resources with which to compete. Additionally, the Company faces competition from a large number of community banks, many of which have senior management who were previously with other local banks or investor groups with strong local business and community ties.

The Company encounters strong competition in attracting deposits throughout its six-state retail footprint. The Company attracts a significant amount of deposits through its branch offices primarily from the communities in which those branch offices are located. Of our total 99 branch offices at the end of 2018, 71.2% of our deposit franchise dollars were located in Missouri, where our total market share at June 30, 2018, was 1.5%, or seventh in the state (based on FDIC market share deposits). The financial institutions with the top three market share positions in Missouri at June 30, 2018, were U.S. Bank, Bank of America and Commerce Bank, which had a combined market share of 29.9%. We also have branch offices in the states of Iowa, Kansas, Minnesota, Nebraska and Arkansas which make up 14.2%, 6.8%, 6.5%, 0.9%, and 0.4% of our total deposit franchise dollars, respectively (based on our total deposits as of December 31, 2018). The Company's market share in its primary metropolitan statistical areas was as follows at June 30, 2018:

Metropolitan Statistical Area	Number of Branch Offices	Percentage of Total Market Share	Rank	Institution with Leading Market Share Position
Springfield, MO	19	13.5%	1	Great Southern Bank
Sioux City, IA-NE-SD	6	5.5%	4	Security National Bank of Sioux City
Davenport/Moline/Rock Island, IA-IL	5	1.1%	22	Quad City Bank and Trust Co.
Des Moines/West Des Moines, IA	4	0.4%	33	Wells Fargo Bank
St. Louis, MO-IL	19	0.6%	25	Stifel Bank and Trust
Kansas City, MO-KS	8	0.4%	33	UMB Bank
Fayetteville/Springdale/Rogers, AR-MO	2	0.2%	33	Arvest Bank
Minneapolis/St. Paul/Bloomington, MN-WI	4	0.1%	34	US Bank NA

Our most direct competition for deposits has historically come from other commercial banks, savings institutions and credit unions located in our market areas. The Bank competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch, online, mobile and ATM services. In addition, some competitors located outside of our market areas conduct business primarily over the Internet, which may enable them to realize certain savings and offer certain deposit products and services at lower rates and with greater convenience to certain customers. Our ability to attract and retain customer deposits depends on our ability to generally provide a rate of return, liquidity and risk comparable to that offered by competing investment opportunities.

Competition in originating real estate loans comes primarily from other commercial banks, savings institutions and mortgage bankers making loans secured by real estate located in the Bank's market area. The specific institutions are similar to those discussed above in regards to deposit market share. Commercial banks and finance companies provide vigorous competition in commercial and consumer lending. The Bank competes for real estate and other loans principally on the basis of the interest rates and loan fees it charges, the types of loans it originates, the quality of services it provides to borrowers and the locations of our branch office network and loan production offices.

Many of our competitors have substantially greater resources, name recognition and market presence, which benefit them in attracting business. In addition, larger competitors (including nationwide banks that have a significant presence in our market areas) may be able to price loans and deposits more aggressively than we do because of their greater economies of scale. Smaller and newer competitors may also be more aggressive than we are in terms of pricing loan and deposit products in order to obtain a larger share of the market. In addition, some competitors located outside of our market areas conduct business primarily over the Internet, which may enable them to realize certain savings and offer products and services at more favorable rates and with greater convenience to certain customers.

We also depend, from time to time, on outside funding sources, including brokered deposits, where we experience nationwide competition, and Federal Home Loan Bank advances. Some of the financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on insured depositary institutions and their holding companies. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services.

Despite the highly competitive environment and the challenges it presents to us, management believes the Company will continue to be competitive because of its strong commitment to quality customer service, competitive products and pricing, convenient local branches, online and mobile capabilities, and active community involvement.

Employees

At December 31, 2018, the Company and its affiliates had a total of 1,182 employees, including 269 part-time employees. None of the Company's employees are represented by any collective bargaining agreement. Management considers its employee relations to be good.

Government Supervision and Regulation

General

The Company and its subsidiaries are subject to supervision and examination by applicable federal and state banking agencies. The earnings of the Company's subsidiaries, and therefore the earnings of the Company, are affected by general economic conditions, management policies, federal and state legislation, and actions of various regulatory authorities, including the Board of Governors of the Federal Reserve System, often referred to as the Federal Reserve Board (the "FRB"), the Federal Deposit Insurance Corporation (the "FDIC") and the Missouri Division of Finance (the "MDF"). The following is a brief summary of certain aspects of the regulation of the Company and the Bank and does not purport to fully discuss such regulation. Such regulation is intended primarily for the protection of depositors and the Deposit Insurance Fund (the "DIF"), and not for the protection of stockholders.

Significant Legislation Impacting the Financial Services Industry

On July 21, 2010, sweeping financial regulatory reform legislation entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape, including provisions that, among other things:

- Centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, with broad rulemaking authority for a wide range of consumer protection laws that apply to all banks. These laws are enforced by the Bureau for banks with more than $10 billion in assets and by the federal banking regulators for other banks.
- Require capital rules for bank holding companies and banks
- Change the assessment base for federal deposit insurance from the amount of insured deposits to consolidated average assets less Tier 1 capital.
- Increase the minimum ratio of net worth to insured deposits of the Deposit Insurance Fund from 1.15% to 1.35% and require the FDIC, in setting assessments, to offset the effect of the increase on institutions with assets of less than $10 billion.
- Set out new disclosure and other requirements relating to executive compensation and corporate governance and a prohibition on compensation arrangements that encourage inappropriate risks or that could provide excessive compensation.
- Make permanent the $250 thousand limit for federal deposit insurance.
- Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.
- Increase the authority of the FRB to examine the Company and its non-bank subsidiaries.
- Require all bank holding companies to serve as a source of financial strength to their depository institution subsidiaries in the event such subsidiaries suffer from financial distress.

Certain aspects of the Dodd-Frank Act remain subject to rulemaking and take effect over a number of years. Provisions in the legislation that affect deposit insurance assessments, and payment of interest on demand deposits could increase the costs associated with deposits. The capital requirements for the Company and the Bank could require the Company and the Bank to seek additional sources of capital in the future. See “Capital” below.

In May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the “Economic Growth Act”), was enacted to modify or eliminate certain financial reform rules and regulations, including some implemented under the Dodd-Frank Act. While the Economic Growth Act maintains most of the regulatory structure established by the Dodd-Frank Act, it amends certain aspects of the regulatory framework for small depository institutions with assets of less than $10 billion and for large banks with assets of more than $50 billion. Many of these amendments could result in meaningful regulatory changes.

The Economic Growth Act, among other matters, expands the definition of qualified mortgages which may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than $10 billion by instructing the federal banking regulators to establish a single “Community Bank Leverage Ratio” of between 8 and 10 percent. Any qualifying depository institution or its holding company that exceeds the “community bank leverage ratio” will be considered to have met generally applicable leverage and risk-based regulatory capital requirements and any qualifying depository institution that exceeds the new ratio will be considered “well-capitalized” under the prompt corrective action rules.

In addition, the Economic Growth Act includes regulatory relief in the areas of examination cycles, call reports, mortgage disclosures and risk weights for certain high-risk commercial real estate loans.

It is difficult at this time to predict when or how any new standards under the Economic Growth Act will ultimately be applied to us or what specific impact the Economic Growth Act and the forthcoming implementing rules and regulations will have on us.

Bank Holding Company Regulation

The Company is a bank holding company that has elected to be treated as a financial holding company by the FRB. Financial holding companies are subject to comprehensive regulation by the FRB under the Bank Holding Company Act and the regulations of the FRB. The Company is required to file reports with the FRB and such additional information as the FRB may require, and is subject to regular examinations by the FRB. The FRB also has extensive enforcement authority over financial holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices.

Under FRB policy and the Dodd-Frank Act, a bank holding company must serve as a source of strength for its subsidiary banks. Accordingly, the FRB may require, and has required in the past, that a bank holding company contribute additional capital to an undercapitalized subsidiary bank.

Under the Bank Holding Company Act, a financial holding company must obtain FRB approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company that is not a subsidiary if, after such acquisition, it would own or control more than 5% of such shares; (ii) acquiring all or substantially all of the assets of another bank or bank or financial holding company; or (iii) merging or consolidating with another bank or financial holding company.

The Bank Holding Company Act also prohibits a financial holding company generally from engaging directly or indirectly in activities other than those involving banking, activities closely related to banking that are permitted for a bank holding company, and certain securities, insurance and merchant banking activities. Certain investments greater than 5% in companies engaged in activities not permitted for a bank holding company are prohibited.

Volcker Rule

The federal banking agencies have adopted regulations to implement the provisions of the Dodd-Frank Act known as the Volcker Rule. Under the regulations, FDIC-insured depository institutions, their holding companies, subsidiaries and affiliates are generally prohibited, subject to certain exemptions, from proprietary trading of securities and other financial instruments and from acquiring or retaining an ownership interest in a “covered fund.”

Trading in certain government obligations is not prohibited. These include, among others, obligations of or guaranteed by the United States or an agency or government-sponsored entity of the United States, obligations of a state of the United States or a political subdivision thereof, and municipal securities. Proprietary trading generally does not include transactions under repurchase and reverse repurchase agreements, securities lending transactions and purchases and sales for the purpose of liquidity management if the liquidity management plan meets specified criteria; nor does it generally include transactions undertaken in a fiduciary capacity.

The term “covered fund” can include, in addition to many private equity and hedge funds and other entities, certain collateralized mortgage obligations, collateralized debt obligations and collateralized loan obligations, and other items, but it does not include wholly owned subsidiaries, certain joint ventures, or loan securitizations generally if the underlying assets are solely loans. The term “ownership interest” includes not only an equity interest or a partnership interest, but also an interest that has the right to participate in selection or removal of a general partner, managing member, director, trustee or investment manager or advisor; to receive a share of income, gains or profits of the fund; to receive underlying fund assets after all other interests have been redeemed; to receive all or a portion of excess spread; or to receive income on a pass-through basis or income determined by reference to the performance of fund assets. In addition, “ownership interest” includes an interest under which amounts payable can be reduced based on losses arising from underlying fund assets.

Activities eligible for exemptions include, among others, certain brokerage, underwriting and marketing activities, and risk-mitigating hedging activities with respect to specific risks and subject to specified conditions.

Interstate Banking and Branching

Federal law allows the FRB to approve an application of a bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's home state, without regard to whether the transaction is prohibited by the laws of any state. The FRB may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state. Federal law also prohibits the FRB from approving such an application if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or if the applicant would control 30% or more of the deposits in any state in which the target bank maintains a branch and in which the applicant or any of its depository institution affiliates controls a depository institution or branch immediately prior to the acquisition of the target bank. Federal law does not affect the authority of states to limit the percentage of total insured deposits in the state which may be held or controlled by a bank or bank holding company to the extent such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% state-wide concentration limit. Missouri law prohibits a bank holding company from acquiring a depository institution if total deposits would exceed 13% of statewide deposits excluding bank certificates of deposit of $100,000 or more.

The federal banking agencies are generally authorized to approve interstate bank merger transactions and de novo branching without regard to whether such transactions are prohibited by the law of any state. Interstate acquisitions of branches are generally permitted only if the law of the state in which the branch is located permits such acquisitions.

As required by federal law, federal regulations prohibit any out-of-state bank from using the interstate branching authority primarily for the purpose of deposit production, including guidelines to ensure that interstate branches operated by an out-of-state bank in a host state reasonably help to meet the credit needs of the communities which they serve.

Certain Transactions with Affiliates and Other Persons

Transactions involving the Bank and its affiliates are subject to sections 23A and 23B of the Federal Reserve Act, and regulations thereunder, which impose certain quantitative limits and collateral requirements on such transactions, and require all such transactions to be on terms at least as favorable to the Bank as are available in transactions with non-affiliates.

All loans by the Bank to the principal stockholders, directors and executive officers of the Bank or any affiliate are subject to regulations restricting loans and other transactions with insiders of the Bank and its affiliates. Transactions involving such persons must be on terms and conditions as favorable to the bank as those that apply in similar transactions with non-insiders. A bank may allow favorable rate loans to insiders pursuant to an employee benefit program available to bank employees generally. The Bank has such a program.

Dividends

The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB's view that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The FRB also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, a bank holding company may be prohibited from paying any dividends if the holding company's bank subsidiary is not adequately capitalized, and dividends payable by a bank holding company and its depository institutions subsidiaries can be restricted if the capital conservation buffer requirement is not met. See “Capital” below.

A bank holding company is required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB. This notification requirement does not apply to any company that meets the well-capitalized standard for bank holding companies, is well-managed, and is not subject to any unresolved supervisory issues. Under Missouri law, the Bank may pay dividends from certain undivided profits and may not pay dividends if its capital is impaired. Dividends of the Company and the Bank may also be restricted under the capital conservation buffer rules, as discussed below under “—Capital.”

Capital

Effective January 1, 2015 (with some changes phased in over several years), the Company and the Bank became subject to new capital regulations adopted by the FRB and the FDIC, which established minimum required ratios for common equity Tier 1 (“CET1”) capital, Tier 1 capital and total capital and the minimum leverage ratio; set forth the risk-weightings of assets and certain off-balance sheet items for purposes of the risk-based capital ratios; require an additional capital conservation buffer over the required risk-based capital ratios, and define what qualifies as capital for purposes of meeting the capital requirements.

Under the capital regulations, the minimum capital ratios are: (1) a CET1 capital ratio of 4.5% of risk-weighted assets; (2) a Tier 1 capital ratio of 6.0% of risk-weighted assets; (3) a total risk-based capital ratio of 8.0% of risk-weighted assets; and (4) a leverage ratio (the ratio of Tier 1 capital to average total adjusted assets) of 4.0%. CET1 generally consists of common stock; retained earnings; accumulated other comprehensive income ("AOCI") unless an institution has elected to exclude AOCI from regulatory capital; and certain minority interests; all subject to applicable regulatory adjustments and deductions. Tier 1 capital generally consists of CET1 and noncumulative perpetual preferred stock. Tier 2 capital generally consists of other preferred stock and subordinated debt meeting certain conditions plus an amount of the allowance for loan and lease losses up to 1.25% of assets. Total capital is the sum of Tier 1 and Tier 2 capital.

A number of changes in what constitutes regulatory capital compared to the rules in effect prior to January 1, 2015 are subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. Mortgage servicing and deferred tax assets over designated percentages of CET1 are deducted from capital. In addition, Tier 1 capital includes AOCI, which includes all unrealized gains and losses on available for sale debt and equity securities. However, because of our asset size, we were eligible to elect to permanently opt out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in our capital calculations. We elected this option.

For purposes of determining risk-based capital, assets and certain off-balance sheet items are risk-weighted from 0% to 1,250%, depending on the risk characteristics of the asset or item. The new regulations make certain changes in the risk-weighting of assets to better reflect credit risk and other risk exposure compared to the earlier capital rules. These include a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; and a 250% risk weight for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1 and total capital ratios, the Company and the Bank must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, repurchasing shares, and paying discretionary bonuses. The capital conservation buffer requirement began to be phased in on January 1, 2016, when a buffer greater than 0.625% of risk-weighted assets was required, which amount increased each year until the buffer requirement was fully implemented on January 1, 2019.

The Financial Accounting Standards Board has adopted a new accounting standard for US Generally Accepted Accounting Principles that will be effective for us for our first fiscal year beginning after December 31, 2019. This standard, referred to as Current Expected Credit Loss, or CECL, requires FDIC-insured institutions and their holding companies (banking organizations) to recognize credit losses expected over the life of certain financial assets. CECL covers a broader range of assets than the current method of recognizing credit losses and generally results in earlier recognition of credit losses. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the current methodology and the amount required under CECL. For a banking organization, implementation of CECL is generally likely to reduce retained earnings, and to affect other items, in a manner that reduces its regulatory capital. The federal banking regulators (the Federal Reserve, the OCC and the FDIC) have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital.

Under the FDIC's prompt corrective action standards, in order to be considered well-capitalized, the Bank must have a ratio of CET1 capital to risk-weighted assets of 6.5%, a ratio of Tier 1 capital to risk-weighted assets of 8%, a ratio of total capital to risk-weighted assets of 10%, and a leverage ratio of 5%; and must not be subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. In order to be considered adequately capitalized, an institution must have the minimum capital ratios described above. As of December 31, 2018, the Bank was "well-capitalized." An institution that is not well-capitalized is subject to certain restrictions on brokered deposits and interest rates on deposits.

The federal banking regulators are required to take prompt corrective action if an institution fails to satisfy the requirements to qualify as adequately capitalized. All institutions, regardless of their capital levels, are restricted from making any capital distribution or paying any management fees that would cause the institution to fail to satisfy the requirements to qualify as adequately capitalized. An institution that is not at least adequately capitalized is: (i) subject to increased monitoring by the appropriate federal banking regulator; (ii) required to submit an acceptable capital restoration plan (including certain guarantees by any company controlling the institution) within 45 days; (iii) subject to asset growth limits; and (iv) required to obtain prior regulatory approval for acquisitions, branching and new lines of business. Additional restrictions and appointment of a receiver or conservator, can apply, depending on the institution's capital level. The FDIC has jurisdiction over the Bank for purposes of prompt corrective action. When the FDIC as receiver liquidates an institution, the claims of depositors and the FDIC as their successor (for deposits covered by FDIC insurance) have priority over other unsecured claims against the institution, including claims of stockholders.

To be considered "well-capitalized," a bank holding company must have, on a consolidated basis, a total risk-based capital ratio of 10.0% or greater and a Tier 1 risk-based capital ratio of 6.0% or greater and must not be subject to an individual order, directive or agreement under which the FRB requires it to maintain a specific capital level. As of December 31, 2018, the Company was "well-capitalized."

The federal banking agencies consider concentrations of credit risk and risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation is generally made as part of the institution's regular safety and soundness examination. Under their regulations, the federal banking agencies also consider interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position) in the evaluation of a bank's capital adequacy. The banking agencies have issued guidance on evaluating interest rate risk.

Although we continue to evaluate the impact that the capital rules have on the Company and the Bank, we anticipate that the Company and the Bank will remain well-capitalized, and will continue to meet the capital conservation buffer requirement.

Insurance of Accounts and Regulation by the FDIC

Great Southern is a member of the DIF, which is administered by the FDIC. Deposits are insured up to the applicable limits by the FDIC, backed by the full faith and credit of the United States Government. The general deposit insurance limit is $250,000.

The FDIC assesses deposit insurance premiums on all FDIC-insured institutions quarterly based on annualized rates. These premiums are assessed on an institution’s total assets minus its tangible equity. Under these rules, assessment rates for an institution with total assets of less than $10 billion are determined by weighted average CAMELS composite ratings and certain financial ratios, and range from 3.0 to 30.0 basis, subject to certain adjustments. In an emergency, the FDIC may also impose a special assessment.

The FDIC also collects assessments from insured institutions to service the debt on bonds issued during the 1980s to resolve the thrift bailout. For the quarter ended December 31, 2018, the assessment rate was 0.32 basis points applied to the same assessment base as is used for deposit insurance assessments.

The Dodd-Frank Act establishes 1.35% as the minimum reserve ratio. The FDIC adopted a plan to meet this ratio, which was achieved on September 30, 2018, ahead of the September 30, 2020 statutory deadline. In addition to the statutory minimum ratio, the FDIC has the authority to establish a reserve ratio known as the designated reserve ratio or DRR, which may exceed the statutory minimum. The FDIC has established 2.0% as the DRR. The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum reserve ratio to 1.35% from the former statutory minimum of 1.15%. To implement the offset requirement, the FDIC imposed a surcharge on institutions with assets of $10 billion or more during a temporary period that ended on September 30, 2018. Smaller institutions will receive credits against their deposit insurance assessments which will reduce regular assessments by 2.0 basis points for quarters when the reserve ratio is at least 1.38%.

The FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions, and is the primary federal banking regulator of state banks that are not members of the Federal Reserve, such as the Bank. The FDIC examines the Bank regularly. The FDIC may prohibit any insured institution from engaging in any activity the

FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against banks and savings associations.

Federal Reserve System

The FRB requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. At December 31, 2018, the Bank was in compliance with these reserve requirements.

Banks are authorized to borrow from the FRB "discount window," but FRB regulations only allow this borrowing for short periods of time and generally require banks to exhaust other reasonable alternative sources of funds where practical, including FHLBank advances, before borrowing from the FRB. See "Sources of Funds Borrowings" above.

Federal Home Loan Bank System

The Bank is a member of the FHLBank of Des Moines, which is one of 11 regional FHLBanks.

As a member, Great Southern is required to purchase and maintain stock in the FHLBank of Des Moines in an amount equal to the greater of 1% of its outstanding home loans or 5% of its outstanding FHLBank advances. At December 31, 2018, Great Southern had

$12.4 million in FHLBank of Des Moines stock, which was in compliance with this requirement. In past years, the Bank has received dividends on its FHLBank stock. Over the past five years, such dividends have averaged 3.86% and were 5.19% for the year ended December 31, 2018.

Legislative and Regulatory Proposals

Any changes in the extensive regulatory scheme to which the Company or the Bank is and will be subject, whether by any of the federal banking agencies or Congress, or the Missouri legislature or MDF, could have a material effect on the Company or the Bank, and the Company and the Bank cannot predict what, if any, future actions may be taken by legislative or regulatory authorities or what impact such actions may have.

Federal and State Taxation

General

The following discussion contains a summary of certain federal and state income tax provisions applicable to the Company and the Bank. It is not a comprehensive description of the federal or state income tax laws that may affect the Company and the Bank. The following discussion is based upon current provisions of the Internal Revenue Code of 1986 (the "Code") and Treasury and judicial interpretations thereof.

The Company and its subsidiaries file a consolidated federal income tax return using the accrual method of accounting, with the exception of GSB Two which files a separate return as a REIT. All corporations joining in the consolidated federal income tax return are jointly and severally liable for taxes due and payable by the consolidated group. The following discussion primarily focuses upon the taxation of the Bank, since the federal income tax law contains certain special provisions with respect to banks.

Financial institutions, such as the Bank, are subject, with certain exceptions, to the provisions of the Code generally applicable to corporations.

Bad Debt Deduction

As of December 31, 2018 and 2017, retained earnings included approximately $17.5 million for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $3.9 million at both December 31, 2018 and 2017.

The Bank is required to follow the specific charge-off method which only allows a bad debt deduction equal to actual charge-offs, net of recoveries, experienced during the fiscal year of the deduction. In a year where recoveries exceed charge-offs, the Bank would be required to include the net recoveries in taxable income.

Interest Deduction

In the case of a financial institution, such as the Bank, no deduction is allowed for the pro rata portion of its interest expense which is allocable to tax-exempt interest on obligations acquired after August 7, 1986. A limited class of tax-exempt obligations acquired after August 7, 1986 will not be subject to this complete disallowance rule. For certain tax exempt obligations issued in 2009 and 2010, an amount of tax-exempt obligations that are not generally considered part of the “limited class of tax-exempt obligations” noted above may be treated as part of the “limited class of tax-exempt obligations” to the extent of two percent of a financial institutions total assets. For tax-exempt obligations acquired after December 31, 1982 and before August 8, 1986 and for obligations acquired after August 7, 1986 that are not subject to the complete disallowance rule, 80% of interest incurred to purchase or carry such obligations will be deductible. No portion of the interest expense allocable to tax-exempt obligations acquired by a financial institution before January 1, 1983, which is otherwise deductible, will be disallowed. There are two significant changes for bonds issued in 2009 and 2010 which include (1) the annual limit for bonds that may be designated as bank qualified is increased from $10 million to $30 million and (2) the annual limitation is considered at the organization level rather than the issuer level. The interest expense disallowance rules cited above have not significantly impacted the Bank.

FDIC-Assisted Bank Transactions

During 2009, 2011 and 2012, the Bank acquired assets and liabilities of four unrelated failed institutions in transactions with the FDIC. As part of these transactions, the Bank and the FDIC entered into loss sharing agreements whereby the FDIC agreed to share losses incurred associated with the assets purchased by the Bank. In 2014, the Bank acquired assets and liabilities of an unrelated failed institution in a transaction with the FDIC. The Bank and the FDIC did not enter into a loss sharing agreement on this transaction.

The Bank recognized financial statement gains associated with these transactions. The ultimate tax treatment of these transactions is similar to the financial statement treatment; however, the approaches to valuing the acquired assets and liabilities is different, and results in carrying value differences in the underlying assets and liabilities, for tax purposes. In addition, any gain recognized on the transactions for tax purposes is recognized over a six year period.

During 2016, the Bank and the FDIC reached an agreement to terminate the loss sharing agreements associated with the 2009 and 2011 acquisition transactions. During 2017, the Bank and the FDIC reached an agreement to terminate the loss sharing agreements associated with the 2012 acquisition transaction.

Alternative Minimum Tax

Through 2017, corporations generally were subject to a 20% corporate alternative minimum tax ("AMT"). A corporation must pay the AMT to the extent it exceeds that corporation's regular federal income tax liability The AMT is imposed on "alternative minimum taxable income," defined as taxable income with certain adjustments and tax preference items, less any available exemption. Such adjustments and items include, but are not limited to, (i) net interest received on certain tax-exempt bonds issued after August 7, 1986; and (ii) 75% of the difference between adjusted current earnings and alternative minimum taxable income, as otherwise determined with certain adjustments. Net operating loss carryovers may be utilized, subject to adjustment, to offset up to 90% of the alternative minimum taxable income, as otherwise determined. Any AMT paid may be credited against future regular federal income tax liabilities to the extent the regular federal income tax liability exceeds the AMT liability. In addition, certain credits may be used to reduce AMT obligations. The Company has invested in certain partnerships that generate tax credits (low-income housing and rehabilitation tax credits) that may be used to reduce their AMT.

State Taxation

Missouri-based banks, such as the Bank, are subject to a franchise tax which is imposed on the bank's taxable income at the rate of 7% of the taxable income (determined without regard for any net operating losses) - income-based calculation. Missouri-based banks are entitled to a credit against the income-based franchise tax for all other state or local taxes on banks, except taxes on real estate, unemployment taxes, bank tax, and taxes on tangible personal property owned by the Bank and held for lease or rental to others.

The Company and all subsidiaries are subject to a Missouri income tax that is imposed on the corporation's taxable income at the rate of 6.25%. The return is filed on a consolidated basis by all members of the consolidated group including the Bank, but excluding GSB Two. As a REIT, GSB Two files a separate Missouri income tax return.

The Bank also has full service offices in Kansas, Iowa, Minnesota, Nebraska and Arkansas, and has commercial loan production offices in Texas, Oklahoma, Nebraska, Illinois, Colorado and Georgia. As a result, the Bank is subject to franchise and income taxes that are imposed on the corporation's taxable income attributable to those states.

As a Maryland corporation, the Company is required to file an annual report with and pay an annual fee to the State of Maryland.

Examinations

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service (IRS) and, as such, tax years through December 31, 2005, have been closed without audit. The Company, through one of its subsidiaries, is a partner in two partnerships which have been under Internal Revenue Service examination for 2006 and 2007. As a result, the Company's 2006 and subsequent tax years remain open for examination. The examinations of these partnerships advanced during 2017 and 2018. One of the partnerships has advanced to Tax Court and has entered a Motion for Entry of Decision with an agreed upon settlement. The other partnership examination was recently completed by the IRS with no change impacting the Company's tax position. The Company does not currently expect significant adjustments to its financial statements from the partnership matter settled at the Tax Court.

The Company is currently under State of Missouri income and franchise tax examinations for its 2014 through 2015 tax years. The Company does not currently expect significant adjustments to its financial statements from this state examination. During 2017, the Company settled its appeal with the Kansas Department of Revenue. The settlement did not result in any significant adjustments to the Company's financial statements.

Tax Reform

In the fourth quarter of 2017 the Company re-measured its deferred tax assets and liabilities as a result of the enactment of the new tax law “H.R.1,” originally known as the “Tax Cuts and Jobs Act” (the “Tax Reform Legislation”). Enactment occurred on December 22, 2017. The Tax Reform Legislation became effective January 1, 2018 and modifies the tax law in many ways. The centerpiece of the Tax Reform Legislation is the reduction of the federal corporate income tax rate from 35% to 21%. All deferred tax items as of December 22, 2017 needed to be re-valued using the new federal corporate income tax rate of 21%. As a result, income tax expense recorded in 2017 included a $2.1 million increase to the deferred tax asset.

The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Legislation. The Company recognized the provisional tax impact related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Legislation. The Company completed its accounting during 2018 without any significant adjustments from the provisional amounts.

ITEM 1A. RISK FACTORS

An investment in the common stock of the Company is speculative in nature and is subject to certain risks inherent in the business of the Company and the Bank. The material risks and uncertainties that management believes affect the Company and the Bank are described below. You should carefully consider the risks described below, as well as the other information included in this Annual Report on Form 10-K, before making an investment in the Company’s common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in value.

References to “we,” “us,” and “our” in this “Risk Factors” section refer to the Company and its subsidiaries, including the Bank, unless otherwise specified or unless the context otherwise requires.

Risks Relating to the Company and the Bank

Difficult market conditions and economic trends have adversely affected our industry and our business.

The United States experienced a severe economic recession in 2008 and 2009. While economic growth has resumed, the rate of this growth generally has been slower than previous periods of economic recovery. Many lending institutions, including us, experienced declines in the performance of their loans, including construction loans and commercial real estate loans, during the economic recession and for a few years after. In addition, the values of real estate collateral supporting many loans declined. The values of real estate collateral may increase or decrease over time and are subject to many factors. At times in the past, bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital and borrow in the debt markets. Conditions such as these may have a material adverse effect on our financial condition and results of operations. In addition, as a result of the foregoing factors, there is a potential for new laws and regulations regarding lending and funding practices and capital and liquidity standards (some of which have already been proposed or implemented), and bank regulatory agencies have been and are expected to continue to be very aggressive in responding to concerns and trends identified in examinations.

Adverse developments in the financial services industry and the impact of new legislation and regulations in response to those developments could restrict our business operations, including our ability to originate loans, and adversely impact our results of operations and financial condition. Overall, during some of the past several years, the general business environment had an adverse effect on our business. The past few years have seen some areas of improvement in the general business environment; however, our business, financial condition and results of operations could be adversely affected by negative circumstances in the general business environment.

Since our business is primarily concentrated in Missouri, Iowa, Kansas and Minnesota, a significant downturn in these state or local economies, particularly in St. Louis and the Springfield, Mo. areas, may adversely affect our business. We also have originated a significant dollar amount of loans in Texas and Oklahoma from our commercial loan offices in Dallas and Tulsa. A significant downturn in these state economies may adversely affect our business.

Our lending and deposit gathering activities historically were concentrated primarily in the Springfield and southwest Missouri areas. Our success continues to depend heavily on general economic conditions in Springfield and the surrounding areas. Although we believe the economy in these areas has recently been favorable relative to other areas, we do not know whether these conditions will continue. Until the past few years, our greatest concentration of loans and deposits has traditionally been in the Greater Springfield area. With a population of approximately 462,000, the Greater Springfield area is the third largest metropolitan area in Missouri. At December 31, 2018, approximately $364.4 million of our loan portfolio (excluding those loans acquired in FDIC-assisted transactions) consisted of loans to borrowers in or secured by properties in the Springfield, Missouri metropolitan area.

Contiguous to Springfield is the Branson, Mo. area, which is a vacation and entertainment center, attracting tourists to its lakes, theme parks, resorts, country music and novelty shows and other recreational facilities. The Branson area experienced rapid growth in the early 1990s, with stable to slightly negative growth trends occurring in the late 1990s and into the early 2000s. Branson experienced growth again in the late 2000s as a result of a large retail, hotel, and convention center project which was constructed in Branson's historic downtown. In addition, several large national retailers opened new stores in Branson. In 2010 through 2017, Branson experienced some negative growth trends with fewer visitors and the closing of some motels and shows. Residential construction has been very limited in the past few years and little net growth has occurred in Branson's commercial real estate market segments. At December 31, 2018, approximately $72.6 million of our loan portfolio (excluding those loans acquired in FDIC-assisted transactions) consisted of loans to borrowers in or secured by properties in the two-county region that includes the Branson area.

In addition to the concentrations in the southwest Missouri area, we also now have our largest concentration of loans to borrowers in or secured by properties in the St. Louis, Mo. metropolitan area. At December 31, 2018, approximately $750.3 million of our loan portfolio consisted of loans for apartments, condominiums, residential and commercial land developments, industrial revenue bonds and other types of commercial properties in the St. Louis, Mo. metropolitan area.

In addition to the concentrations previously discussed, we also have a concentration of loans to borrowers in or secured by properties in the States of Texas and Oklahoma. At December 31, 2018, approximately $422.1 million and $301.2 million of our loan portfolio consisted of loans primarily for various types of commercial real estate in the States of Texas and Oklahoma, respectively.

With the FDIC-assisted transactions that were completed in 2009, we now have additional concentrations of loans in Western and Central Iowa and in Eastern Kansas. The FDIC-assisted transaction completed in 2011 added to our concentrations in Missouri, particularly in St. Louis. As a result of the FDIC-assisted transaction completed in 2012, we have additional concentrations of loans in the Minneapolis, Minnesota metropolitan area. With the FDIC-assisted transaction that was completed in 2014, we now have additional loans in Eastern and Central Iowa.

Adverse changes in regional and general economic conditions could reduce our growth rate, impair our ability to collect loans, increase loan delinquencies, increase problem assets and foreclosures, increase claims and lawsuits, decrease demand for our products and services, and decrease the value of collateral for loans, especially real estate, thereby having a material adverse effect on our financial condition and results of operations. Real estate values can also be affected by governmental rules or policies and natural disasters.

Our loan portfolio possesses increased risk due to our relatively high concentration of commercial and residential construction, commercial real estate, multi-family and other commercial loans.

Our commercial and residential construction, commercial real estate, multi-family and other commercial loans accounted for approximately 81.1% of our total loan portfolio as of December 31, 2018. Generally, we consider these types of loans to involve a higher degree of risk compared to first mortgage loans on one- to four-family, owner-occupied residential properties. At December 31, 2018, we had $1.15 billion of loans secured by apartments, $479.0 million of loans secured by retail-related projects, $384.7 million of loans secured by office/warehouse facilities, $313.6 million of loans secured by healthcare facilities, and $163.4 million of loans secured by motels/hotels, which are particularly sensitive to certain risks, including the following:

- large loan balances owed by a single borrower;
- payments that are dependent on the successful operation of the project; and
- loans that are more directly impacted by adverse conditions in the real estate market or the economy generally.

The risks associated with construction lending include the borrower's inability to complete the construction process on time and within budget, the sale of the project within projected absorption periods, the economic risks associated with real estate collateral, and the potential of a rising interest rate environment. These loans may include financing the development and/or construction of residential subdivisions. This activity may involve financing land purchases, infrastructure development (e.g., roads, utilities, etc.), as well as construction of residences or multi-family dwellings for subsequent sale by the developer/builder. Because the sale of developed properties is critical to the success of the developer's business, loan repayment may be especially subject to the volatility of real estate market values. Management has established underwriting and monitoring criteria to help minimize the inherent risks of commercial real estate construction lending. However, there is no guarantee that these controls and procedures will reduce losses on this type of lending.

Commercial and multi-family real estate lending typically involves higher loan principal amounts and the repayment of these loans generally is dependent, in large part, on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Other commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business or investment. These loans may therefore be more adversely affected by conditions in the real estate markets or in the economy generally. For example, if the cash flow from the borrower's project is reduced due to leases not being obtained or renewed, the borrower's ability to repay the loan may be impaired. In addition, many commercial and multi-family real estate loans are not fully amortized over the loan period, but have balloon payments due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or complete a timely sale of the underlying property.

We plan to continue to originate commercial real estate and construction loans based on economic and market conditions. In the years prior to 2013, there was not significant demand for these types of loans. In the current economic situation, demand for these types of loans has increased and we expect to continue to originate these types of loans. Because of the increased risks related to these types of loans, we may determine it necessary to increase the level of our provision for loan losses. Increased provisions for loan losses would adversely impact our operating results. See "Item 1. Business-The Company-Lending Activities-Commercial Real Estate and Construction Lending," "-Other Commercial Lending," "-Residential Real Estate Lending" and "-Allowance for Losses on Loans and Foreclosed Assets" and "Item 7. Management's Discussion of Financial Condition and Results of Operations – Non-performing Assets" in this Report.

A slowdown in the residential or commercial real estate markets may adversely affect our earnings and liquidity position.

The overall credit quality of our construction loan portfolio is impacted by trends in real estate values. We continually monitor changes in key regional and national economic factors because changes in these factors can impact our residential and commercial construction loan portfolio and the ability of our borrowers to repay their loans. Across the United States for several years, the residential real estate market experienced significant adverse trends, including accelerated price depreciation and rising delinquency and default rates, and weaknesses arose in the commercial real estate market as well. The conditions in the residential real estate market led to significant increases in loan delinquencies and credit losses as well as higher provisioning for loan losses, which in turn had a negative effect on earnings for many banks across the country. Likewise, we also experienced delinquencies in our construction loan portfolio, almost entirely related to loans originated prior to 2009. Many of these older construction projects were "build to sell" types of projects where repayment of the loans was reliant on the borrower completing the project and then selling it. Conditions of both the residential and the commercial real estate markets could negatively impact real estate values and the ability of our borrowers to liquidate properties. A lack of liquidity in the real estate market or tightening of credit standards within the banking industry could diminish sales, further reducing our borrowers' cash flows and weakening their ability to repay their debt obligations to us, which could lead to material adverse impacts on our financial condition and results of operations.

Our loan portfolio also possesses increased risk due to our concentration in consumer loans.

Our consumer loan portfolio grew significantly between 2010 and 2016. More recently, consumer loans have grown from approximately $467.7 million, or 13.7% of our total loan portfolio as of December 31, 2014, to a peak of $673.0 million, or 15.3% of our total loan portfolio at December 31, 2016. Since 2016, consumer loans have decreased to $432.2 million (this total includes $121.4 million of home equity loans), or 8.7% of our total loan portfolio as of December 31, 2018. 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.

The majority of our consumer loans are secured by automobiles and, to a lesser extent, boats, recreational vehicles and manufactured homes, most of which are made by us indirectly through dealers in these products. Through these dealer relationships, the dealer completes the application with the consumer and then submits it to us for credit approval. As a result, we have limited personal contact with the borrower, which creates an additional risk element for us.

Our allowance for loan losses may prove to be insufficient to absorb potential losses in our loan portfolio.

Lending money is a substantial part of our business. However, every loan we make carries a certain risk of non-payment. This risk is affected by, among other things:

- cash flows of the borrower and/or the project being financed;
- in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral;
- the credit history of a particular borrower;
- changes in economic and industry conditions; and
- the duration of the loan.

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We maintain an allowance for loan losses that we believe reflects a reasonable estimate of known and inherent losses within the loan portfolio. We make various assumptions and judgments about the collectability of our loan portfolio. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for loan losses by considering general market conditions, credit quality of the loan portfolio, the collateral supporting the loans and performance of customers relative to their financial obligations with us. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and these losses may exceed current estimates. Growing loan portfolios are, by their nature, unseasoned. As a result, estimating loan loss allowances for growing portfolios is more difficult, and may be more susceptible to changes in estimates, and to losses exceeding estimates, than more seasoned portfolios. We cannot fully predict the amount or timing of losses or whether the loss allowance will be adequate in the future. Excessive loan losses and significant additions to our allowance for loan losses could have a material adverse impact on our financial condition and results of operations.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

We may be adversely affected by interest rate changes.

Our earnings are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the FRB. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but these changes could also affect our ability to originate loans and obtain deposits, the fair values of our financial assets and liabilities and the average duration of our loan and mortgage-backed securities portfolios. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. In addition, a substantial portion of our loans (approximately 45.0% of our total loan portfolio as of December 31, 2018) have adjustable rates of interest. While the higher payment amounts we would receive on these loans in a rising interest rate environment may increase our interest income, some borrowers may be unable to afford the higher payment amounts, which may result in a higher rate of default. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

We generally seek to maintain a neutral position in terms of the volume of assets and liabilities that mature or re-price during any period. As such, we have adopted asset and liability management strategies to attempt to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of fixed-rate and variable-rate loans, investments and funding sources, including interest rate derivatives, so that we may reasonably maintain the Company’s net interest income and net interest margin. However, interest rate fluctuations, the level and shape of the interest rate yield curve, maintaining excess liquidity levels, loan prepayments, loan production and deposit flows are constantly changing and influence the ability to maintain a neutral position. Accordingly, we may not be successful in maintaining a neutral position and, as a result, our net interest margin may be adversely impacted.

The fair value of our investment securities can fluctuate due to market conditions outside of our control.

Factors beyond our control can significantly influence the fair value of securities in our investment securities portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or with respect to the underlying securities, changes in market rates of interest and instability in the credit markets. Any of these mentioned factors could cause an other-than-temporary impairment or permanent impairment of these assets, which would lead to accounting charges which could have a material negative effect on our financial condition and/or results of operations.

Conditions in the financial markets may limit our access to additional funding to meet our liquidity needs.

Liquidity is essential to our business, as we must maintain sufficient funds to respond to the needs of depositors and borrowers. An inability to raise funds through deposits, borrowings, the sale or pledging as collateral of loans and other assets could have a substantial adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could negatively affect our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as severe disruption of the financial markets or negative news and expectations about the prospects for the financial services industry as a whole.

Our operations may depend upon our continued ability to access brokered deposits and Federal Home Loan Bank advances.

Due to the high level of competition for deposits in our markets, we have from time to time utilized a sizable amount of certificates of deposit obtained through deposit brokers and advances from the Federal Home Loan Bank of Des Moines to help fund our asset base. Brokered deposits are marketed through national brokerage firms that solicit funds from their customers for deposit in banks, including our bank. Brokered deposits and Federal Home Loan Bank advances may generally be more sensitive to changes in interest rates and volatility in the capital markets than retail deposits attracted through our branch network, and our reliance on these sources of funds increases the sensitivity of our portfolio to these external factors. Our brokered deposits and Federal Home Loan Bank advances totaled $326.9 million and $-0- at December 31, 2018, compared with $225.5 million and $127.5 million at December 31, 2017. In addition to the Federal Home Loan Bank advances, we had overnight borrowings from the Federal Home Loan Bank totaling $178.0 million and $15.0 million at December 31, 2018 and 2017, respectively. These overnight borrowings are included in short-term borrowings in the Company’s consolidated financial statements. We expect to continue to utilize brokered deposits from time to time as a supplemental funding source.

Bank regulators can restrict our access to these sources of funds in certain circumstances. For example, if the Bank’s regulatory capital ratios declined below the “well-capitalized” status, banking regulators would require the Bank to obtain their approval prior to obtaining or renewing brokered deposits. The regulators might not approve our acceptance of brokered deposits in amounts that we desire or at all. In addition, the availability of brokered deposits and the rates paid on these brokered deposits may be volatile as the balance of the supply of and the demand for brokered deposits changes. Market credit and liquidity concerns may also impact the availability and cost of brokered deposits. Similarly, Federal Home Loan Bank advances are only available to borrowers that meet certain conditions. If Great Southern were to cease meeting these conditions, our access to Federal Home Loan Bank advances could be significantly reduced or eliminated.

Certain Federal Home Loan Banks, including the Federal Home Loan Bank of Des Moines, have experienced lower earnings from time to time and paid out lower dividends to their members. Future problems at the Federal Home Loan Banks may impact the collateral necessary to secure borrowings and limit the borrowings extended to its member banks, as well as require additional capital contributions by its member banks. Should this occur, our short term liquidity needs could be negatively impacted. Should Great Southern be restricted from using FHLBank advances due to weakness in the system or with the FHLBank of Des Moines, Great Southern may be forced to find alternative funding sources. These alternative funding sources may include the utilization of existing lines of credit with third party banks or the Federal Reserve Bank along with seeking other lines of credit, borrowing under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing additional brokered deposits, or selling loans or investment securities in order to maintain adequate levels of liquidity. At December 31, 2018, the Bank owned $12.4 million of stock in the FHLBank of Des Moines, which declared and paid an annualized dividend approximating 5.75% during the fourth quarter of 2018. The FHLBank of Des Moines may eliminate or reduce dividend payments at any time in the future in order for it to maintain or restore its retained earnings.

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could adversely affect us.

We pursue a strategy of supplementing internal growth by acquiring other financial institutions or branches that we believe will help us fulfill our strategic objectives and enhance our earnings. There are risks associated with this strategy, however, including the following:

- We may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks or businesses we acquire. If these issues or liabilities exceed our estimates, our earnings and financial condition may be adversely affected;
- Prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices our management considered acceptable and expect that we will experience this condition in the future in one or more markets;
- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity in order to make the transaction economically feasible. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful;
- To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing stockholders; and

- We may not be able to continue to sustain our past rate of growth or to grow at all in the future. We completed two acquisitions in 2009, one acquisition in 2011, one acquisition in 2012, one acquisition in 2014 and opened additional banking offices and commercial loan production offices in recent years that enhanced our rate of growth. Also in 2014, we acquired certain loans, deposits and branches from Boulevard Bank. In 2016, we completed an acquisition of certain loans, deposits and branches in St. Louis from Fifth Third Bank.

Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed. If available, the cost of that capital may also be very high.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support the growth of our business or to finance acquisitions, if any, or we may elect to raise additional capital for other reasons. Should we be required by regulatory authorities or otherwise elect to raise additional capital, we may seek to do so through the issuance of, among other things, our common stock or securities convertible into our common stock, which could dilute your ownership interest in the Company.

Our ability to raise additional capital, if needed or desired, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance. Accordingly, we cannot make assurances of our ability to raise additional capital if needed or desired, or if the terms will be acceptable to us. If we cannot raise additional capital when needed or desired, our ability to further expand our operations through internal growth and acquisitions could be materially impaired and our financial condition and liquidity could be materially adversely affected.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, we have grown our business successfully by focusing on our geographic market, expanding into complementary markets and emphasizing the high level of service and responsiveness desired by our customers. We compete for loans, deposits and other financial services with other commercial banks, thrifts, credit unions, consumer finance companies, insurance companies and brokerage firms. Many of our competitors offer products and services that we do not offer, and many have substantially greater resources, name recognition and market presence that benefit them in attracting business. In addition, larger competitors (including certain nationwide banks that have a significant presence in our market areas) may be able to price loans and deposits more aggressively than we do, and smaller and newer competitors may also be more aggressive in terms of pricing loan and deposit products than us in order to obtain a larger share of the market. As we have grown, we have become dependent from time to time on outside funding sources, including funds borrowed from the FHLBank of Des Moines and brokered deposits, where we face nationwide competition. Some of the financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on insured depositary institutions and their holding companies. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services.

We also experience competition from a variety of institutions outside of our market areas. Some of these institutions conduct business primarily over the Internet and may thus be able to realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the customer.

Our business may be adversely affected by the highly regulated environment in which we operate, including the various capital adequacy guidelines we are required to meet.

We are subject to extensive federal and state legislation, regulation, examination and supervision. Recently enacted, proposed and future legislation and regulations have had, will continue to have, or may have an adverse effect on our business and operations. For example, a federal rule which took effect on July 1, 2010 prohibits a financial institution from automatically enrolling customers in overdraft protection programs, on ATM and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service. This rule has adversely affected, and is likely to continue to adversely affect, the results of our operations by reducing the amount of our non-interest income.

Our success depends on our continued ability to maintain compliance with the various regulations to which we are subject. Some of these regulations may increase our costs and thus place other financial institutions in stronger, more favorable competitive positions. We cannot predict what restrictions may be imposed upon us with future legislation. See “Item 1.-The Company -Government Supervision and Regulation” in this Report.

The Company and the Bank are required to meet certain regulatory capital adequacy guidelines and other regulatory requirements imposed by the FRB, the FDIC and the Missouri Division of Finance. If the Company or the Bank fails to meet these minimum capital guidelines and other regulatory requirements, our financial condition and results of operations could be materially and adversely affected and could compromise the status of the Company as a financial holding company. See “Item 1.-The Company -Government Supervision and Regulation” in this Report.

Financial reform legislation has, among other things, tightened capital standards, created a Consumer Financial Protection Bureau and resulted in regulations that have increased, and are expected to continue to increase, our costs of operations.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. This law has significantly changed the bank regulatory structure and affected the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

Among the many requirements in the Dodd-Frank Act is a requirement for new capital regulations. Generally, trust preferred securities are no longer eligible as Tier 1 capital, but the Company's currently outstanding trust preferred securities were grandfathered and will continue to qualify as Tier 1 capital. See "Item 1. Business—Government Supervision and Regulation-Capital" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Effect of Laws and Regulations-New Capital Rules."

The Dodd-Frank Act created the Consumer Financial Protection Bureau (the "Bureau"), with broad powers to supervise and enforce consumer protection laws. The Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, including the authority to prohibit "unfair, deceptive or abusive acts and practices." The Bureau has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as debt collectors and consumer reporting agencies. In the case of banks, such as the Bank, with total assets of less than $10 billion, this examination and enforcement authority is held by the institution's primary federal banking regulator (the FDIC, in the case of the Bank).

The Bureau has finalized a number of significant rules that could have a significant impact on our business and the financial services industry more generally. In particular, the Bureau has adopted rules impacting nearly every aspect of the lifecycle of a residential mortgage loan. The Bureau has also issued guidance which could significantly affect the automotive financing industry by subjecting indirect auto lenders, such as the Bank, to regulation as creditors under the Equal Credit Opportunity Act, which would make indirect auto lenders monitor and control certain credit policies and procedures undertaken by auto dealers.

Additional provisions of the Dodd-Frank Act are described in this report under "Item 1. Business—Government Supervision and Regulation-Significant Legislation Impacting the Financial Services Industry" and "Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations—Effect of Federal Laws and Regulations-Significant Legislation Impacting the Financial Services Industry."

Certain aspects of the Dodd-Frank Act remain subject to rulemaking and have taken and will continue to take effect over several years. Compliance with this law and its implementing regulations have resulted in and will continue to result in additional operating costs that could have a material adverse effect on our financial condition and results of operations.

The recently enacted tax reform legislation is expected to have a significant impact on us, and our financial condition and results of operations could be adversely affected by the broader implications of the legislation.

H.R. 1, which was originally known as the "Tax Cuts and Jobs Act" and was signed into law in December 2017, is expected to have a significant impact on our financial statements and customers. It will take some time for us to analyze all of the implications of this legislation. Although we generally benefit from the legislation’s reduction in the Federal corporate income tax rate, a tax rate reduction potentially has broader implications for our operations, as the new rate could cause positive or negative effects on loan demand and on our pricing models, municipal bonds, tax credits and other investments. The interest deduction limitation implemented by the legislation could make some businesses and industries less inclined to borrow, potentially reducing demand for our commercial loan products. Further, the legislation’s limitation on the mortgage interest deduction and state and local tax deduction for individual taxpayers could increase the after-tax cost of owning a home for some of our potential and existing customers and potentially reduce demand for, or the individual size of, the residential mortgage loans we originate.

Our exposure to operational risks may adversely affect us.

Similar to other financial institutions, we are exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, the risk that sensitive customer or Company data is compromised, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors. If any of these risks occur, it could result in material adverse consequences for us.

We continually encounter technological change, and we may have fewer resources than many of our competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. Our future success will depend, in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our clients.

We are also subject to security-related risks in connection with our use of technology, and our security measures may not be sufficient to mitigate the risk of a cyber attack or to protect us from systems failures or interruptions.

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our client relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.

As a service to our clients, we currently offer an Internet PC banking product and a smartphone application for iPhone and Android users. Use of these services involves the transmission of confidential information over public networks. We cannot be sure that advances in computer capabilities, new discoveries in the field of cryptography or other developments will not result in a compromise or breach in the commercially available encryption and authentication technology that we use to protect our clients' transaction data. If we were to experience such a breach or compromise, we could suffer losses and reputational damage and our results of operations could be materially adversely affected.

While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of client information through various other vendors and their personnel.

The occurrence of any systems failure or interruption could damage our reputation and result in a loss of clients and business, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our results of operations.

Our accounting policies and methods impact how we report our financial condition and results of operations. Application of these policies and methods may require management to make estimates about matters that are uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in our reporting materially different amounts than would have been reported under a different alternative. Our significant accounting policies are described in Note 1 of the accompanying audited financial statements included in Item 8 of this Report. These accounting policies are critical to presenting our financial condition and results of operations. They may require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions.

Changes in accounting standards could materially impact our consolidated financial statements.

The accounting standard setters, including the Financial Accounting Standards Board, Securities and Exchange Commission and other regulatory bodies, from time to time may change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to retained earnings.

New accounting standards may result in a significant change to our recognition of credit losses and may materially impact our financial condition or results of operations.

In June 2016, the Financial Accounting Standards Board issued new authoritative accounting guidance under ASC Topic 326 "Financial Instruments - Credit Losses" amending the incurred loss impairment methodology in current accounting principles generally accepted in the United States of America ("GAAP") with a methodology that reflects expected credit losses (referred to as the "CECL model") and requires consideration of a broader range of reasonable and supportable information for credit loss estimates, which goes into effect for us on January 1, 2020. Under the incurred loss model, we delay recognition of losses until it is probable that a loss has been incurred. The CECL model represents a dramatic departure from the incurred loss model. The CECL model requires a financial asset (or a group of financial assets) measured at amortized cost basis, such as loans held for investment and held-to-maturity debt securities, to be presented at the net amount expected to be collected (net of the allowance for credit losses). Similarly, the credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than a write-down. In addition, the measurement of expected credit losses will take place at the time the financial asset is first added to the balance sheet (with periodic updates thereafter) and will be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

As such, the CECL model will materially impact how we determine our allowance for loan losses and may require us to significantly increase our allowance for loan losses. Furthermore, we may experience more fluctuations in our allowance for loan losses, which may be significant. If we were required to materially increase our allowance for loan losses, it may negatively impact our financial condition and results of operations. We are currently evaluating the new guidance and expect it to have an impact on our statements of income and financial condition, the significance of which is not yet known. We expect the CECL model will require us to recognize a one-time cumulative adjustment to our allowance for loan losses in order to fully transition from the incurred loss model to the CECL model, which could negatively impact our financial condition and results of operations.

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR may adversely affect us.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calibration of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, debentures, or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR-based loans and securities in our portfolio and may impact the availability and cost of hedging instruments and borrowings. If LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under our loan agreements with our borrowers, we may incur significant expenses in effecting the transition, and may be subject to disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute indices, which could have a material adverse effect on our results of operations and financial condition.

Our controls and procedures may be ineffective.

We regularly review and update our internal controls, disclosure controls and procedures and corporate governance policies and procedures. As a result, we may incur increased costs to maintain and improve our controls and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls or procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations or financial condition.

Risks Relating to our Common Stock

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock when you want or at prices you find attractive.

We cannot predict how our common stock will trade in the future. The market value of our common stock will likely continue to fluctuate in response to a number of factors including the following, most of which are beyond our control, as well as the other factors described in this “Risk Factors” section:

- actual or anticipated quarterly fluctuations in our operating and financial results;
- developments related to investigations, proceedings or litigation that involve us;
- changes in financial estimates and recommendations by financial analysts;
- dispositions, acquisitions and financings;
- actions of our current stockholders, including sales of common stock by existing stockholders and our directors and executive officers;
- fluctuations in the stock price and operating results of our competitors;
- regulatory developments; and
- other developments related to the financial services industry.

The market value of our common stock may also be affected by conditions affecting the financial markets in general, including price and trading fluctuations. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our common stock and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance. These broad market fluctuations may adversely affect the market value of our common stock. Our common stock also has a low average daily trading volume relative to many other stocks, which may limit an investor's ability to quickly accumulate or divest themselves of large blocks of our stock. This can lead to significant price swings even when a relatively small number of shares are being traded.

There may be future sales of additional common stock or other dilution of our equity, which may adversely affect the market price of our common stock.

We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market value of our common stock could decline as a result of sales by us of a large number of shares of common stock or preferred stock or similar securities in the market or the perception that such sales could occur.

Our board of directors is authorized to cause us to issue additional common stock, as well as classes or series of preferred stock, generally without any action on the part of the stockholders. In addition, the board has the power, generally without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights and preferences over the common stock with respect to dividends or upon the liquidation, dissolution or winding-up of our business and other terms. If we issue preferred stock in the future that has a preference over the common stock with respect to the payment of dividends or upon liquidation, dissolution or winding-up, or if we issue preferred stock with voting rights that dilute the voting power of the common stock, the rights of holders of the common stock or the market value of the common stock could be adversely affected.

Regulatory and contractual restrictions may limit or prevent us from paying dividends on and repurchasing our common stock.

Great Southern Bancorp, Inc. is an entity separate and distinct from its principal subsidiary, Great Southern Bank, and derives substantially all of its revenue in the form of dividends from that subsidiary. Accordingly, Great Southern Bancorp, Inc. is and will be dependent upon dividends from the Bank to pay the principal of and interest on its indebtedness, to satisfy its other cash needs and to pay dividends on its common and preferred stock. The Bank's ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. In the event the Bank is unable to pay dividends to Great Southern Bancorp, Inc., Great Southern Bancorp, Inc. may not be able to pay dividends on its common or preferred stock. Also, Great Southern Bancorp, Inc.'s right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. This includes claims under the liquidation account maintained for the benefit of certain eligible deposit account holders of the Bank established in connection with the Bank's conversion from the mutual to the stock form of ownership.

As described below in the next risk factor, the terms of our outstanding junior subordinated debt securities prohibit us from paying dividends on or repurchasing our common stock at any time when we have elected to defer the payment of interest on such debt securities or certain events of default under the terms of those debt securities have occurred and are continuing. These restrictions could have a negative effect on the value of our common stock. Moreover, holders of our common stock are entitled to receive dividends only when, as and if declared by our board of directors. Although we have historically paid cash dividends on our common stock, we are not required to do so and our board of directors could reduce, suspend or eliminate our common stock cash dividend in the future.

If we defer payments of interest on our outstanding junior subordinated debt securities or if certain defaults relating to those debt securities occur, we will be prohibited from declaring or paying dividends or distributions on, and from making liquidation payments with respect to, our common stock.

As of December 31, 2018, we had outstanding $25.8 million aggregate principal amount of junior subordinated debt securities issued in connection with the sale of trust preferred securities by one of our subsidiaries that is a statutory business trust. We have also guaranteed those trust preferred securities. The indenture governing the junior subordinated debt securities, together with the related guarantee, prohibits us, subject to limited exceptions, from declaring or paying any dividends or distributions on, or redeeming, repurchasing, acquiring or making any liquidation payments with respect to, any of our capital stock (including any preferred stock and our common stock) at any time when (i) there shall have occurred and be continuing an event of default under the indenture or any event, act or condition that with notice or lapse of time or both would constitute an event of default under the indenture; or (ii) we are in default with respect to payment of any obligations under the related guarantee; or (iii) we have deferred payment of interest on the junior subordinated debt securities. In that regard, we are entitled, at our option but subject to certain conditions, to defer payments of interest on the junior subordinated debt securities from time to time for up to five years.

Events of default under the indenture generally consist of our failure to pay interest on the junior subordinated debt securities under certain circumstances, our failure to pay any principal of or premium on the junior subordinated debt securities when due, our failure to comply with certain covenants under the indenture, and certain events of bankruptcy, insolvency or liquidation relating to us or Great Southern Bank.

As a result of these provisions, if we were to elect to defer payments of interest on the junior subordinated debt securities, or if any of the other events described in clause (i) or (ii) of the first paragraph of this risk factor were to occur, we would be prohibited from declaring or paying any dividends on our stock, from redeeming, repurchasing or otherwise acquiring any of our stock, and from making any payments to holders of our stock in the event of our liquidation, which would likely have a material adverse effect on the market value of our common stock. Moreover, without notice to or consent from our stockholders, we may issue additional series of junior subordinated debt securities in the future with terms similar to those of our existing junior subordinated debt securities or enter into other financing agreements that limit our ability to purchase or to pay dividends or distributions on our capital stock, including our common stock.

The voting limitation provision in our charter could limit your voting rights as a holder of our common stock.

Our charter provides that any person or group who acquires beneficial ownership of our common stock in excess of 10.0% of the outstanding shares may not vote the excess shares. Accordingly, if you acquire beneficial ownership of more than 10.0% of the outstanding shares of our common stock, your voting rights with respect to the common stock will not be commensurate with your economic interest in our company.

Anti-takeover provisions could adversely impact our stockholders.

Provisions in our charter and bylaws, the corporate law of the state of Maryland and federal regulations could delay or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the market price of any class of our equity securities, including our common stock. These provisions include: a prohibition on voting shares of common stock beneficially owned in excess of 10% of total shares outstanding, supermajority voting requirements for certain business combinations with any person who beneficially owns 10% or more of our outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to our board of directors and for proposing matters that stockholders may act on at stockholder meetings, a requirement that only directors may fill a vacancy in our board of directors, and supermajority voting requirements to remove any of our directors. Our charter also authorizes our board of directors to issue preferred stock, and preferred stock could be issued as a defensive measure in response to a takeover proposal. In addition, because we are a bank holding company, purchasers of 10% or more of our common stock may be required to obtain approvals under the Change in Bank Control Act of 1978, as amended, or the Bank Holding Company Act of 1956, as amended (and in certain cases such approvals may be required at a lesser percentage of ownership). Specifically, under regulations adopted by the Federal Reserve Board, (a) any other bank holding company may be required to obtain the approval of the Federal Reserve Board to acquire or retain 5% or more of our common stock and (b) any person other than a bank holding company may be required to obtain the approval of the Federal Reserve Board to acquire or retain 10% or more of our common stock.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions also could discourage proxy contests and make it more difficult for holders of our common stock to elect directors other than the candidates nominated by our board of directors.

Three members of the Turner family may exert substantial influence over the Company through their board and management positions and their ownership of the Company’s stock.

The Company’s Chairman of the Board, William V. Turner, and the Company’s Director, President and Chief Executive Officer, Joseph W. Turner, are father and son, respectively. Julie Turner Brown, a director of the Company, is the sister of Joseph Turner and the daughter of William Turner. These three Turner family members hold three of the Company’s nine Board positions. As of December 31, 2018, they collectively beneficially owned approximately 2,120,574 shares of the Company’s common stock (excluding 57,000 shares underlying stock options exercisable as of or within 60 days after that date), representing approximately 15.0% of total shares outstanding, though they are subject to the voting limitation provision in our charter which precludes any person or group with beneficial ownership in excess of 10% of total shares outstanding from voting shares in excess of that threshold. Through their board and management positions and their ownership of the Company’s stock, these three members of the Turner family may exert substantial influence over the direction of the Company and the outcome of Board and stockholder votes.

In addition to the Turner family members, we are aware of other beneficial owners of more than five percent of the outstanding shares of our common stock. One of these beneficial owners is also a director of the Company.

As of December 31, 2018, one of the Company’s directors, Earl A. Steinert, beneficially owned 936,096 shares of our common stock, representing approximately 6.6% of total shares outstanding. The shares that can be voted by the Turner family members (1,415,120 shares, per the ten percent voting limitation in our charter) and the shares beneficially owned by Mr. Steinert (936,096) total 2,351,216, representing approximately 16.6% of total shares outstanding. While they have no agreement to do so, to the extent they vote in the same manner, these stockholders may be able to exercise influence over the management and business affairs of our Company. For example, using their collective voting power, these stockholders may be able to affect the outcome of director elections or block significant transactions, such as a merger or acquisition, or any other matter that might otherwise be favored by other stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES.

The Company's corporate offices and operations center are located in Springfield, Missouri. At December 31, 2018, the Company operated 99 retail banking centers and over 200 automated teller machines ("ATMs") in Missouri, Iowa, Minnesota, Kansas, Nebraska and Arkansas. Of the 99 banking centers, the Company owns 89 of its locations and 10 were leased for various terms. The majority of our banking center locations are in southwest and central Missouri, including the Springfield, Mo. metropolitan area, with additional concentrations in the Sioux City, Iowa, Des Moines, Iowa, Quad Cities, Iowa, Minneapolis, Minn., St. Louis Mo. and Kansas City, Mo. metropolitan areas. The ATMs are located at various banking centers and primarily convenience stores and retail centers located throughout southwest and central Missouri. At December 31, 2018, the Company also operated six commercial and one mortgage loan production offices. The Company owns one of its loan production office locations and five locations are leased. All buildings which are owned are owned free of encumbrances or mortgages. In the opinion of management, the facilities are adequate and suitable for the needs of the Company. The aggregate net book value of the Company's premises and equipment was $132.4 million and $138.0 million at December 31, 2018 and 2017, respectively. See also Note 6 and Note 16 of the accompanying audited financial statements, which are included in Item 8 of this Report.

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business, the Company and its subsidiaries are subject to pending and threatened legal actions, some of which seek substantial relief or damages. While the ultimate outcome of such legal proceedings cannot be predicted with certainty, after reviewing pending and threatened litigation with counsel, management believes at this time that, except as noted below, the outcome of such litigation will not have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

Pursuant to General Instruction G(3) of Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, the following list is included as an unnumbered item in Part I of this Form 10-K in lieu of being included in the Registrant's Definitive Proxy Statement.

The following information as to the business experience during the past five years is supplied with respect to executive officers of the Company and its subsidiaries who are not directors of the Company and its subsidiaries. There are no arrangements or understandings between the persons named and any other person pursuant to which such officers were selected. The executive officers are elected annually and serve at the discretion of the respective Boards of Directors of the Company and its subsidiaries.

Kevin L Baker. Mr. Baker, age 51, is Vice President and Chief Credit Officer of the Bank. He joined the bank in 2005 and is responsible for the overall credit approval process, commercial and consumer loan collection process and the loan documentation and servicing processes. Prior to joining the Bank, Mr. Baker was a lending officer at a commercial bank.

John M. Bugh. Mr. Bugh, age 51, is Vice President and Chief Lending Officer of the Bank. He joined the Bank in 2011 and is in charge of all loan production for the Bank, including commercial, residential and consumer loans. Prior to joining the Bank, Mr. Bugh was a lending officer at other commercial banks and was an examiner for the FDIC.

Rex A. Copeland. Mr. Copeland, age 54, is Treasurer of the Company and Senior Vice President and Chief Financial Officer of the Bank. He joined the Bank in 2000 and is responsible for the financial functions of the Company, including the internal and external financial reporting of the Company and its subsidiaries. Mr. Copeland is a Certified Public Accountant. Prior to joining the Bank, Mr. Copeland served other financial services companies in the areas of corporate accounting, internal audit and independent public accounting.

Douglas W. Marrs. Mr. Marrs, age 61, is Secretary of the Company and Secretary, Vice President - Operations of the Bank. He joined the Bank in 1996 and is responsible for all operations functions of the Bank. Prior to joining the Bank, Mr. Marrs was a bank officer in the areas of operations and data processing at a commercial bank.

Linton J. Thomason. Mr. Thomason, age 63, is Vice President - Information Services of the Bank. He joined the Bank in 1997 and is responsible for information services for the Company and all of its subsidiaries and all treasury management sales/operations of the Bank. Prior to joining the Bank, Mr. Thomason was a bank officer in the areas of technology and data processing, operations and treasury management at a commercial bank.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

The Company's Common Stock is listed on The NASDAQ Global Select Market under the symbol "GSBC."

As of December 31, 2018 there were 14,151,198 total shares of common stock outstanding and approximately 2,000 stockholders of record.

The Company's ability to pay dividends is substantially dependent on the dividend payments it receives from the Bank. For a description of the regulatory restrictions on the ability of the Bank to pay dividends to the Company, and the ability of the Company to pay dividends to its stockholders, see "Item 1. Business - Government Supervision and Regulation - Dividends."

Stock Repurchases

On April 18, 2018, the Company's Board of Directors authorized management to repurchase up to 500,000 shares of the Company's outstanding common stock, under a program of open market purchases or privately negotiated transactions. The plan does not have an expiration date. The authorization of this new plan terminated the previous repurchase plan which was approved in November 2006, with an authorization to repurchase up to 700,000 shares of the Company's outstanding common stock.

As indicated below, the Company repurchased the following shares of its common stock during the three months ended December 31, 2018.

	Total Number of Shares	Average Price	Total Number of Shares	Maximum Number of

	Purchased	Per Share	Purchased as Part of Publicly Announced Plan	Shares that May Yet Be Purchased Under the Plan (1)
October 1, 2018 - October 31, 2018	2,500	$ 52.05	2,500	497,500
November 1, 2018- November 30, 2018	—	—	—	497,500
December 1, 2018- December 31, 2018	15,042	51.43	15,042	482,458
	17,542	$ 51.52	17,542	

(1) Amount represents the number of shares available to be repurchased under the April 2018 plan as of the last calendar day of the month shown.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information and other financial data of the Company. The summary statement of financial condition information and statement of income information are derived from our consolidated financial statements, which have been audited by BKD, LLP. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8. "Financial Statements and Supplementary Information." Results for past periods are not necessarily indicative of results that may be expected for any future period.

	December 31,				
	2018	2017	2016	2015	2014
	(Dollars In Thousands)				
Summary Statement of Financial Condition Information:					
Assets	$4,676,200	$4,414,521	$4,550,663	$4,104,189	$3,951,334
Loans receivable, net	3,990,651	3,734,505	3,776,411	3,352,797	3,053,427
Allowance for loan losses	38,409	36,492	37,400	38,149	38,435
Available-for-sale securities	243,968	179,179	213,872	262,856	365,506
Other real estate and repossessions, net	8,440	22,002	32,658	31,893	45,838
Deposits	3,725,007	3,597,144	3,677,230	3,268,626	2,990,840
Total borrowings and other interest-bearing liabilities	397,594	324,097	416,786	406,797	514,014
Stockholders' equity (retained earnings substantially restricted)	531,977	471,662	429,806	398,227	419,745
Common stockholders' equity	531,977	471,662	429,806	398,227	361,802
Average loans receivable	3,910,819	3,814,560	3,659,360	3,235,787	2,784,106
Average total assets	4,503,326	4,460,196	4,370,793	4,067,399	3,824,493
Average deposits	3,556,240	3,598,579	3,475,887	3,203,262	3,007,588
Average stockholders' equity	498,508	455,704	414,799	438,683	402,670
Number of deposit accounts	227,240	230,456	231,272	217,139	217,877
Number of full-service offices	99	104	104	110	108

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
	(In Thousands)				
Summary Statement of Income Information:					
Interest income:					
Loans	$198,226	$176,654	$178,883	$177,240	$172,569
Investment securities and other	7,723	6,407	6,292	7,111	10,793
	205,949	183,061	185,175	184,351	183,362
Interest expense:					
Deposits	27,957	20,595	17,387	13,511	11,225
Federal Home Loan Bank advances	3,985	1,516	1,214	1,707	2,910
Short-term borrowings and repurchase agreements	765	747	1,137	65	1,099
Subordinated debentures issued to capital trust	953	949	803	714	567
Subordinated notes	4,097	4,098	1,578	—	—
	37,757	27,905	22,119	15,997	15,801
Net interest income	168,192	155,156	163,056	168,354	167,561
Provision for loan losses	7,150	9,100	9,281	5,519	4,151
Net interest income after provision for loan losses	161,042	146,056	153,775	162,835	163,410
Noninterest income:					
Commissions	1,137	1,041	1,097	1,136	1,163
Service charges and ATM fees	21,695	21,628	21,666	19,841	19,075
Net realized gains on sales of loans	1,788	3,150	3,941	3,888	4,133
Net realized gains on sales of available-for-sale securities	2	—	2,873	2	2,139
Late charges and fees on loans	1,622	2,231	1,747	2,129	1,400
Gain (loss) on derivative interest rate products	25	28	66	(43)	(345)
Gain recognized on sale of business units	7,414	—	—	—	—
Gain recognized on business acquisitions	—	—	—	—	10,805
Gain (loss) on termination of loss sharing agreements	—	7,705	(584)	—	—
Amortization of income/expense related to business acquisition	—	(486)	(6,351)	(18,345)	(27,868)
Other income	2,535	3,230	4,055	4,973	4,229
	36,218	38,527	28,510	13,581	14,731
Noninterest expense:					
Salaries and employee benefits	60,215	60,034	60,377	58,682	56,032
Net occupancy expense	25,628	24,613	26,077	25,985	23,541
Postage	3,348	3,461	3,791	3,787	3,578
Insurance	2,674	2,959	3,482	3,566	3,837
Advertising	2,460	2,311	2,228	2,317	2,404
Office supplies and printing	1,047	1,446	1,708	1,333	1,464
Telephone	3,272	3,188	3,483	3,235	2,866
Legal, audit and other professional fees	3,423	2,862	3,191	2,713	3,957
Expense on other real estate and repossessions	4,919	3,929	4,111	2,526	5,636
Partnership tax credit investment amortization	575	930	1,681	1,680	1,720
Acquired deposit intangible asset amortization	1,562	1,650	1,910	1,750	1,519
Other operating expenses	6,187	6,878	8,388	6,776	14,305
	115,310	114,261	120,427	114,350	120,859

Income before income taxes	81,950	70,322	61,858	62,066	57,282
Provision for income taxes	14,841	18,758	16,516	15,564	13,753
Net income	67,109	51,564	45,342	46,502	43,529
Preferred stock dividends and discount accretion	—	—	—	554	579
Net income available to common shareholders	$67,109	$51,564	$45,342	$45,948	$42,950