GREAT SOUTHERN BANCORP INC
Form 10-Q
May 06, 2011

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

FORM 10-Q

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

For the Quarterly Period ended March 31, 2011

Commission File Number 0-18082

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the proceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes/ / No / /

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

(Check one):

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

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

The number of shares outstanding of each of the registrant's classes of common stock: 13,454,914 shares of common stock, par value $.01, outstanding at May 4, 2011.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except number of shares)

	MARCH 31, 2011 (Unaudited)	DECEMBER 31, 2010
ASSETS		
Cash	$ 72,836	$ 69,756
Interest-bearing deposits in other financial institutions	389,461	360,215
Cash and cash equivalents	462,297	429,971
Available-for-sale securities	838,178	769,546
Held-to-maturity securities (fair value $1,270 – March 2011; $1,300 - December 2010)	1,125	1,125
Mortgage loans held for sale	7,401	22,499
Loans receivable, net of allowance for loan losses of $41,834 – March 2011; $41,487 - December 2010	1,888,493	1,876,887
FDIC indemnification asset	87,410	100,878
Interest receivable	11,667	12,628
Prepaid expenses and other assets	50,674	52,390
Foreclosed assets held for sale, net	61,872	60,262
Premises and equipment, net	73,098	68,352
Goodwill and other intangible assets	5,188	5,395
Investment in Federal Home Loan Bank stock	11,524	11,572
Total Assets	$ 3,498,927	$ 3,411,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 2,675,706	$ 2,595,893
Federal Home Loan Bank advances	152,261	153,525
Securities sold under reverse repurchase agreements with customers	266,220	257,180
Short-term borrowings	660	778
Structured repurchase agreements	53,129	53,142
Subordinated debentures issued to capital trusts	30,929	30,929
Accrued interest payable	3,558	3,765
Advances from borrowers for taxes and insurance	1,196	1,019
Accounts payable and accrued expenses	9,395	10,395
Current and deferred income taxes	670	870
Total Liabilities	3,193,724	3,107,496
Stockholders' Equity:		
Capital stock		
Serial preferred stock, $.01 par value; authorized 1,000,000 shares; issued and outstanding 58,000 shares	56,601	56,480

Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding March 2011 - 13,454,489 shares; December 2010 - 13,454,000 shares	134	134
Stock warrants; 909,091 shares	2,452	2,452
Additional paid-in capital	20,818	20,701
Retained earnings	222,653	220,021
Accumulated other comprehensive gain	2,545	4,221
Total Stockholders' Equity	305,203	304,009
Total Liabilities and Stockholders' Equity	$ 3,498,927	$ 3,411,505

See Notes to Consolidated Financial Statements

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GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,	
	2011	2010
INTEREST INCOME	(Unaudited)	
Loans	$ 42,084	$ 32,194
Investment securities and other	6,956	7,560
TOTAL INTEREST INCOME	49,040	39,754
INTEREST EXPENSE		
Deposits	7,486	10,657
Federal Home Loan Bank advances	1,297	1,397
Short-term borrowings and repurchase agreements	756	993
Subordinated debentures issued to capital trusts	140	136
TOTAL INTEREST EXPENSE	9,679	13,183
NET INTEREST INCOME	39,361	26,571
PROVISION FOR LOAN LOSSES	8,200	5,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,161	21,071
NON-INTEREST INCOME		
Commissions	2,437	2,066
Service charges and ATM fees	4,063	4,583
Net realized gains on sales of loans	907	793
Late charges and fees on loans	122	204
Accretion (amortization) of income related to business acquisitions	(9,754)	900
Other income	453	451
TOTAL NON-INTEREST INCOME	(1,772)	8,997
NON-INTEREST EXPENSE		
Salaries and employee benefits	11,573	11,036
Net occupancy and equipment expense	3,690	3,489
Postage	755	832
Insurance	1,446	1,133
Advertising	275	218
Office supplies and printing	278	463
Telephone	625	542
Legal, audit and other professional fees	762	665
Expense on foreclosed assets	429	2,167
Other operating expenses	1,776	1,598
TOTAL NON-INTEREST EXPENSE	21,609	22,143
INCOME BEFORE INCOME TAXES	7,780	7,925
PROVISION FOR INCOME TAXES	1,887	2,387
NET INCOME	5,893	5,538

PREFERRED STOCK DIVIDENDS AND DISCOUNT ACCRETION		845		839
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$	5,048	$	4,699
BASIC EARNINGS PER COMMON SHARE	$	0.38	$	0.35
DILUTED EARNINGS PER COMMON SHARE	$	0.36	$	0.34
DIVIDENDS DECLARED PER COMMON SHARE	$	.18	$	.18

See Notes to Consolidated Financial Statements

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GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	THREE MONTHS ENDED MARCH 31, 2011	2010
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,893	$ 5,538
Proceeds from sales of loans held for sale	52,100	33,441
Originations of loans held for sale	(36,831)	(30,154)
Items not requiring (providing) cash:		
Depreciation	1,206	788
Amortization	561	264
Compensation expense for stock option grants	119	112
Provision for loan losses	8,200	5,500
Net gains on loan sales	(907)	(793)
Net (gains) losses on sale of premises and equipment	168	(5)
Loss on sale of foreclosed assets	266	858
Amortization (accretion) of deferred income, premiums and discounts	9,510	(1,326)
Deferred income taxes	(4,245)	(285)
Changes in:		
Interest receivable	961	1,100
Prepaid expenses and other assets	4,988	(81)
Accounts payable and accrued expenses	(1,207)	(249)
Income taxes refundable/payable	4,947	(4,583)
Net cash provided by operating activities	45,729	10,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in loans	(27,545)	19,687
Purchase of loans	--	(11,242)
Proceeds from sale of student loans	--	17,527
Purchase of additional business units	(2)	--
Purchase of premises and equipment	(3,537)	(1,785)
Proceeds from sale of premises and equipment	86	22
Proceeds from sale of foreclosed assets	4,635	6,852
Capitalized costs on foreclosed assets	(164)	(267)
Proceeds from maturing held-to-maturity investment securities	1,202	--
Proceeds from called investment securities	6,645	2,110
Principal reductions on mortgage-backed securities	32,999	38,750
Purchase of available-for-sale securities	(112,823)	(9,992)
Redemption of Federal Home Loan Bank stock	48	142
Net cash (used in) provided by investing activities	(98,456)	61,804
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in certificates of deposit	19,967	30,470
Net increase in checking and savings deposits	60,188	51,656
Repayments of Federal Home Loan Bank advances	(1,059)	(3,181)
	8,922	(26,456)

Net increase (decrease) in short-term borrowings and structured repo		
Advances from borrowers for taxes and insurance	177	(7)
Dividends paid	(3,146)	(3,137)
Stock options exercised	4	301
Net cash provided by financing activities	85,053	49,646
INCREASE IN CASH AND CASH EQUIVALENTS	32,326	121,575
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	429,971	444,576
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 462,297	$ 566,151

See Notes to Consolidated Financial Statements

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GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial condition, results of operations and cash flows of the Company for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three months ended March 31, 2011 and 2010 are not necessarily indicative of the results that may be expected for the full year. The consolidated statement of financial condition of the Company as of December 31, 2010, has been derived from the audited consolidated statement of financial condition of the Company as of that date. Certain prior periods' amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2010 filed with the Securities and Exchange Commission.

NOTE 2: OPERATING SEGMENTS

The Company's banking operation is its only reportable segment. The banking operation is principally engaged in the business of originating residential and commercial real estate loans, construction loans, commercial business loans and consumer loans and funding these loans through deposits attracted from the general public and correspondent account relationships, brokered deposits and borrowings from the Federal Home Loan Bank ("FHLBank") and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance.

Revenue from segments below the reportable segment threshold is attributable to three operating segments of the Company. These segments include insurance services, travel services and investment services. Selected information is not presented separately for the Company's reportable segment, as there is no material difference between that information and the corresponding information in the consolidated financial statements.

NOTE 3: COMPREHENSIVE INCOME

The FASB's Accounting Standards Codification ("FASB ASC") Topic 220 requires the reporting of comprehensive income and its components. Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources, and excludes investments by and distributions to owners. Comprehensive income includes net income and other items of comprehensive income meeting the above criteria. The Company's only component of other comprehensive income is the unrealized gains and losses on available-for-sale securities.

	Three Months Ended March 31, 2011		2010	
	(In Thousands)			
Net unrealized loss on available-for-sale securities	$	(2,712)	$	(602)
Net unrealized gain (loss) on available-for-sale debt securities for which a portion of an other-than-temporary impairment has been recognized		134		(435)
Other comprehensive loss, before tax effect		(2,578)		(1,037)
Tax benefit		(902)		(363)
Change in unrealized loss on available-for-sale securities, net of income taxes	$	(1,676)	$	(674)

The components of accumulated other comprehensive income, included in stockholders' equity, are as follows:

	March 31, 2011		December 31, 2010	
	(In Thousands)			
Net unrealized gain on available-for-sale securities	$	4,567	$	7,279
Net unrealized loss on available-for-sale debt securities for which a portion of an other-than-temporary impairment has been recognized in income		(651)		(785)
		3,916		6,494
Tax expense		1,371		2,273
Net-of-tax amount	$	2,545	$	4,221

NOTE 4: RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-03 to amend FASB ASC Topic 860, Transfers and Servicing. ASC 860 outlines when the transfer of financial assets under a repurchase agreement may or may not be accounted for as a sale. Whether the transferring entity maintains effective control over the transferred financial assets provides the basis for such a determination. The previous requirement that the transferor must have the ability to repurchase or redeem the financial assets before the maturity of the agreement is removed from the assessment of effective control by this Update. The Update is effective on a prospective basis for interim and annual reporting periods beginning on or after December 15, 2011, and is not expected to have a material impact on the Company's financial position or results of operations.

In April 2011, the FASB issued ASU No. 2011-02 to amend FASB ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors. The statement clarifies guidance used by creditors to identify troubled debt restructurings and to result in more consistent application of GAAP for debt restructurings. The guidance is effective for interim and annual reporting periods beginning after June 15, 2011, and is not expected to have a material impact on the Company’s financial position or results of operations.

In December 2010, the FASB issued ASU No. 2010-28, Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The update modifies step one of the impairment test for reporting units with zero or negative carrying amounts. Entities with such reporting units must now perform step two of the impairment test when qualitative factors indicate it is more likely than not that impairment exists. The amendment was effective for the Company January 1, 2011. The adoption of this Update did not have a material impact on the Company’s financial position or results of operations.

In July 2010, the FASB issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowances for Credit Losses. This Update requires expanded disclosures to help financial statement users understand the nature of credit risks inherent in a creditor’s portfolio of financing receivables; how that risk is analyzed and assessed in arriving at the allowance for credit losses; and the changes, and reasons for those changes, in both the receivables and the allowance for credit losses. The disclosures should be prepared on a disaggregated basis and provide a roll-forward schedule of the allowance for credit losses and detailed information on financing receivables including, among other things, recorded balances, nonaccrual status, impairments, credit quality indicators, details for troubled debt restructurings and an aging of past due financing receivables. Disclosures required as of the end of a reporting period were effective for the Company December 31, 2010, while disclosures required for activity occurring during a reporting period were effective for the Company January 1, 2011. The adoption of this Update did not have a material impact on the Company’s financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements (FASB ASU 2010-09), which amends FASB ASC Subtopic 820-10, Fair Value Measurements and Disclosures. This Update requires new disclosures to show significant transfers in and out of Level 1 and Level 2 fair value measurements as well as discussion regarding the reasons for the transfers. It also clarifies existing disclosures requiring fair value measurement disclosures for each class of assets and liabilities. The Update describes a class as being a subset of assets and liabilities within a line item on the statement of financial condition which will require management judgment to designate. Use of the terminology “classes of assets and liabilities” represents an amendment from the previous terminology “major categories of assets and liabilities.” Clarification is also provided for disclosures of Level 2 and Level 3 recurring and nonrecurring fair value measurements requiring discussion about the valuation techniques and inputs used. These provisions of the Update were effective January 1, 2010. Another new disclosure requires an expanded reconciliation of activity in Level 3 fair value measurements to present information about purchases, sales, issuances and settlements on a gross basis rather than netting the amounts in one number. This requirement was effective for the Company January 1, 2011. The adoption of this Update did not have a material impact on the Company’s financial position or results of operations.

NOTE 5: STOCKHOLDERS' EQUITY

Previously, the Company's stockholders approved the Company's reincorporation to the State of Maryland. Under Maryland law, there is no concept of "Treasury Shares." Instead, shares purchased by the Company constitute authorized but unissued shares under Maryland law. Accounting principles generally accepted in the United States of America state that accounting for treasury stock shall conform to state law. The cost of shares purchased by the Company has been allocated to Common Stock and Retained Earnings balances.

NOTE 6: EARNINGS PER SHARE

	Three Months Ended March 31, 2011	2010
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	13,454	13,418
Net income available to common shareholders	$ 5,048	$ 4,699
Per share amount	$ 0.38	$ 0.35
Diluted:		
Average shares outstanding	13,454	13,418
Net effect of dilutive stock options and warrants – based on the treasury stock method using average market price	569	599
Diluted shares	14,023	14,017
Net income available to common shareholders	$ 5,048	$ 4,699
Per share amount	$ 0.36	$ 0.34

Options to purchase 498,535 and 430,695 shares of common stock were outstanding during the three months ended March 31, 2011 and 2010, respectively, but were not included in the computation of diluted earnings per share for each period because the options' exercise price was greater than the average market price of the common shares.

NOTE 7: INVESTMENT SECURITIES

	March 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield
	(In Thousands)				
AVAILABLE-FOR-SALE SECURITIES:					
U.S. government agencies	$ 23,943	$ —	$ 74	$ 23,869	2.56%
Collateralized mortgage obligations	6,462	157	809	5,810	6.85
Mortgage-backed securities	648,201	9,380	3,352	654,229	3.21
Small Business Administration loan pools	59,557	729	—	60,286	2.02
Corporate bonds	49	120	—	169	41.87
States and political subdivisions	94,820	451	3,846	91,425	6.18
Equity securities	1,230	1,160	—	2,390	0.17
Total available-for-sale securities	$ 834,262	$ 11,997	$ 8,081	$ 838,178	3.47%

HELD-TO-MATURITY SECURITIES:									
States and political subdivisions	$	1,125	$	145	$	—	$	1,270	7.31%

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	December 31, 2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield
	(In Thousands)				
AVAILABLE-FOR-SALE SECURITIES:					
U.S. government agencies	$ 4,000	$ —	$ 20	$ 3,980	2.35%
Collateralized mortgage obligations	8,311	183	814	7,680	6.48
Mortgage-backed securities	590,085	10,879	1,753	599,211	3.30
Small Business Administration loan pools	60,063	851	—	60,914	1.93
States and political subdivisions	99,314	378	4,075	95,617	6.16
Corporate bonds	49	—	28	21	74.97
Equity securities	1,230	893	—	2,123	0.18
Total available-for-sale securities	$ 763,052	$ 13,184	$ 6,690	$ 769,546	3.59%
HELD-TO-MATURITY SECURITIES:					
States and political subdivisions	$ 1,125	$ 175	$ —	$ 1,300	7.31%

The amortized cost and fair value of available-for-sale securities at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
After one through five years	$ 6,214	$ 6,221
After five through ten years	9,415	9,481
After ten years	162,740	160,047
Securities not due on a single maturity date	654,663	660,039
Equity securities	1,230	2,390
	$ 834,262	$ 838,178

The held-to-maturity securities at March 31, 2011, by contractual maturity, are shown below. 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.

	Amortized Cost	Fair Value
	(In Thousands)	
After five through ten years	$ 1,125	$ 1,270

	$	1,125	$	1,270

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at March 31, 2011 and December 31, 2010, respectively, was approximately $415,011,000 and $298,813,000, which is approximately 49.45% and 38.77% of the Company's available-for-sale and held-to-maturity investment portfolio, respectively.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary at March 31, 2011.

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2011 and December 31, 2010:

March 31, 2011						
	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)					
U.S. government agencies	$ 23,869	$ 74	$ —	$ —	$ 23,869	$ 74
Mortgage-backed securities	331,536	3,352	—	—	331,536	3,352
Collateralized mortgage obligations	—	—	1,518	809	1,518	809
State and political subdivisions	52,773	2,085	5,315	1,761	58,088	3,846
	$ 408,178	$ 5,511	$ 6,833	$ 2,570	$ 415,011	$ 8,081

December 31, 2010						
	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)					
U.S. government agencies	$ 3,980	$ 20	$ —	$ —	$ 3,980	$ 20
Mortgage-backed securities	231,524	1,753	—	—	231,524	1,753
Collateralized mortgage obligations	—	—	1,809	814	1,809	814
State and political subdivisions	56,221	2,328	5,257	1,747	61,478	4,075
Corporate bonds	8	24	14	4	22	28
	$ 291,733	$ 4,125	$ 7,080	$ 2,565	$ 298,813	$ 6,690

No securities were sold during the three months ended March 31, 2011 and 2010, and therefore, no gains or losses were realized. Gains and losses on sales of securities are determined on the specific-identification method.

Other-than-temporary Impairment. Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses debt and equity securities impairment model. The Company does not currently have securities within the scope of this guidance for beneficial interests in securitized financial assets.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. The Company considers the length of time a security has been in an unrealized loss position, the relative amount of the unrealized loss compared to the carrying value of the security, the type of security and other factors. If certain criteria are met, the Company performs additional review and evaluation using observable market values or various inputs in economic models to determine if an unrealized loss is other-than-temporary. The Company uses quoted market prices for marketable equity securities and uses broker pricing quotes based on observable inputs for equity investments that are not traded on a stock exchange. For non-agency collateralized mortgage obligations, to determine if the unrealized loss is other-than-temporary, the Company projects total estimated defaults of the underlying assets (mortgages) and multiplies that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss.

The Company also evaluates any current credit enhancement underlying these securities to determine the impact on cash flows. If the Company determines that a given security position will be subject to a write-down or loss, the Company records the expected credit loss as a charge to earnings.

Based on evaluations of investment securities during the three months ended March 31, 2011 and 2010, none were determined to be other-than-temporarily impaired.

Credit Losses Recognized on Investments. Certain debt securities have experienced fair value deterioration due to credit losses.

The following table provides information about debt securities for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income.

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2010	$2,983
Additions related to other-than-temporary losses not previously recognized	—
Reductions due to sales	—
March 31, 2010	$2,983

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2011	$2,983
Additions related to other-than-temporary losses not previously recognized	—
Reductions due to sales	—
March 31, 2011	$2,983

NOTE 8: LOANS AND ALLOWANCE FOR LOAN LOSSES

	March 31, 2011	December 31, 2010
	(In Thousands)	
One- to four-family residential construction	$ 33,315	$ 29,102
Subdivision construction	80,510	86,649
Land development	85,939	95,573
Commercial construction	78,559	68,018
Owner occupied one- to four-family residential	99,312	98,099
Non-owner occupied one- to four-family residential	137,301	136,984
Commercial real estate	547,463	530,277
Other residential	230,483	210,846
Commercial business	175,273	185,865
Industrial revenue bonds	63,851	64,641
Consumer auto	52,812	48,992
Consumer other	75,314	77,331
Home equity lines of credit	46,154	46,852
FDIC-supported loans, net of discounts (TeamBank)	142,510	144,633
FDIC-supported loans, net of discounts (Vantus Bank)	154,077	160,163
	2,002,873	1,984,025
Undisbursed portion of loans in process	(69,994)	(63,108)
Allowance for loan losses	(41,834)	(41,487)
Deferred loan fees and gains, net	(2,552)	(2,543)
	$ 1,888,493	$ 1,876,887
Weighted average interest rate	5.99 %	6.03%

Classes of loans by aging were as follows:

	March 31, 2011						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Still Accruing
				(In Thousands)			
One- to four-family residential construction	$—	$—	$637	$637	$32,678	$33,315	$—
Subdivision construction	1,875	238	3,939	6,052	74,458	80,510	—
Land development	—	—	1,807	1,807	84,132	85,939	—
Commercial construction	—	—	—	—	78,559	78,559	—
Owner occupied one- to four-family residential	3,374	74	3,027	6,475	92,837	99,312	108
Non-owner occupied one- to four-family residential	1,445	397	3,245	5,087	132,214	137,301	—
Commercial real estate	212	30	16,225	16,467	530,996	547,463	—
Other residential	—	—	3,135	3,135	227,348	230,483	—

Commercial business	116	296	1,261	1,673	173,600	175,273	—
Industrial revenue bonds	—	—	2,190	2,190	61,661	63,851	—
Consumer auto	291	19	82	392	52,420	52,812	6
Consumer other	1,041	333	944	2,318	72,996	75,314	302
Home equity lines of credit	26	139	355	520	45,634	46,154	—
FDIC-supported loans, net of discounts (TeamBank)	5,436	34	27,252	32,722	109,788	142,510	—
FDIC-supported loans, net of discounts (Vantus Bank)	4,140	907	7,752	12,799	141,278	154,077	7
	17,956	2,467	71,851	92,274	1,910,599	2,002,873	$423
Less FDIC-supported loans, net of discounts	9,576	941	35,004	45,521	251,066	296,587	
Total	$8,380	$1,526	$36,847	$46,753	$1,659,533	$1,706,286	

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	December 31, 2010						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$261	$—	$578	$839	$28,263	$29,102	$—
Subdivision construction	281	1,015	1,860	3,156	83,493	86,649	—
Land development	2,730	—	5,668	8,398	87,175	95,573	—
Commercial construction	—	—	—	—	68,018	68,018	—
Owner occupied one- to four-family residential	4,856	914	2,724	8,494	89,605	98,099	
Non-owner occupied one- to four-family residential	2,085	2,130	2,831	7,046	129,938	136,984	—
Commercial real estate	2,749	8,546	6,074	17,369	512,908	530,277	—
Other residential	—	4,011	4,202	8,213	202,633	210,846	—
Commercial business	350	355	1,642	2,347	183,518	185,865	—
Industrial revenue bonds	—	—	2,190	2,190	62,451	64,641	—
Consumer auto	427	35	94	556	48,436	48,992	22
Consumer other	1,331	318	1,417	3,066	74,265	77,331	565
Home equity lines of credit	152	160	140	452	46,400	46,852	—
FDIC-supported loans, net of discounts (TeamBank)	2,719	3,731	13,285	19,735	124,898	144,633	—
FDIC-supported loans, net of discounts (Vantus Bank)	2,277	1,414	9,399	13,090	147,073	160,163	—
	20,218	22,629	52,104	94,951	1,889,074	1,984,025	$587
Less FDIC-supported loans, net of discounts	4,996	5,145	22,684	32,825	271,971	304,796	
Total	$15,222	$17,484	$29,420	$62,126	$1,617,103	$1,679,229	

Nonaccruing loans are summarized as follows:

	March 31, 2011	December 31, 2010
	(In Thousands)	
One- to four-family residential construction	$ 637	$ 578
Subdivision construction	3,939	1,860

Land development	1,807	5,668
Commercial construction	—	—
Owner occupied one- to four-family residential	2,919	2,724
Non-owner occupied one- to four-family residential	3,245	2,831
Commercial real estate	16,225	6,074
Other residential	3,135	4,202
Commercial business	1,261	1,642
Industrial revenue bonds	2,190	2,190
Consumer auto	76	72
Consumer other	642	852
Home equity lines of credit	355	140
Total	$ 36,431	$ 28,833

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The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011. Also presented are the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2011:

	One- to Four-Family Residential and Construction	Other Residential and Construction	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Balance January 1, 2011	$11,483	$ 3,866	$ 14,336	$ 5,852	$ 3,281	$2,669	$41,487
Provision charged to expense	3,238	893	3,212	797	(30)	90	8,200
Losses charged off	(3,201)	(962)	(1,743)	(1,418)	(792)	(890)	(9,006)
Recoveries	26	1	2	4	551	569	1,153
Balance March 31, 2011	$11,546	$ 3,798	$ 15,807	$ 5,235	$ 3,010	$2,438	$41,834
Ending balance:							
Individually evaluated for impairment	$3,171	$ 1,128	$ 3,590	$ 1,447	$ 532	$54	$9,922
Collectively evaluated for impairment	$8,375	$ 2,670	$ 12,217	$ 3,758	$ 1,678	$2,384	$31,082
Loans acquired and accounted for under ASC 310-30	$—	$ —	$ —	$ 30	$ 800	$—	$830
Loans							
Individually evaluated for impairment	$43,522	$ 27,475	$ 75,111	$ 37,629	$ 9,728	$870	$194,335
Collectively evaluated for impairment	$306,916	$ 203,008	$ 536,203	$ 126,870	$ 165,545	$173,409	$1,511,951
Loans acquired and accounted for under ASC 310-30	$70,958	$ 23,849	$ 124,179	$ 26,760	$ 14,298	$36,543	$296,587

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2010:

	One- to Four Family Residential and Construction	Other Residential and Construction	Commercial Real Estate	Commercial Construction	Other Commercial	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Individually evaluated for impairment	$4,353	$ 1,714	$ 3,089	$ 2,083	$ 784	$37	$12,060
Collectively evaluated for impairment	$7,100	$ 2,152	$ 11,247	$ 3,769	$ 1,697	$2,632	$28,597
Loans acquired and accounted for under ASC 310-30	$—	$ —	$ —	$ 30	$ 800	$—	$830
Loans							
Individually evaluated for impairment	$40,562	$ 25,246	$ 72,379	$ 45,334	$ 8,340	$622	$192,483
Collectively evaluated for impairment	$310,272	$ 185,600	$ 522,539	$ 118,257	$ 177,525	$172,553	$1,486,746
Loans acquired and accounted for under ASC 310-30	$75,727	$ 23,277	$ 128,704	$ 22,858	$ 15,215	$39,015	$304,796

Impaired loans are summarized as follows:

	March 31, 2011				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance (In Thousands)	Average Investment in Impaired Loans	Interest Income Recognized
One- to four-family residential construction	$1,840	$2,268	$122	$1,759	$9
Subdivision construction	8,365	9,327	1,403	9,504	61
Land development	12,928	13,644	1,447	14,436	163
Commercial construction	—	—	—	1,234	—
Owner occupied one- to four-family residential	5,352	5,789	855	5,298	24
Non-owner occupied one- to four-family residential	9,291	10,208	742	10,442	103
Commercial real estate	28,682	30,890	3,480	28,663	256
Other residential	9,901	10,784	1,128	12,364	98
Commercial business	4,691	5,570	532	7,030	49
Industrial revenue bonds	2,190	2,190	110	2,190	—
Consumer auto	124	141	5	414	3
Consumer other	809	918	33	583	4
Home equity lines of credit	400	415	65	351	1
Total	$84,573	$92,144	$9,922	$94,268	$771

	December 31, 2010				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance (In Thousands)	Average Investment in Impaired Loans	Interest Income Recognized
One- to four-family residential construction	$1,947	$2,371	$258	$1,724	$83
Subdivision construction	9,894	10,560	2,326	7,850	415
Land development	17,957	21,006	1,925	18,760	534
Commercial construction	1,851	1,851	158	458	31
Owner occupied one- to four-family residential	5,205	5,620	542	3,612	69
Non-owner occupied one- to four-family residential	11,785	12,267	1,227	8,182	386
Commercial real estate	25,782	26,392	3,045	10,615	603
Other residential	9,768	9,869	1,714	8,123	140
Commercial business	9,722	12,495	828	2,630	114
Consumer auto	125	137	4	30	1

Consumer other	429	481	14	93	4
Home equity lines of credit	148	166	19	109	1
Total	$94,613	$103,215	$12,060	$62,186	$2,381

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At March 31, 2011, the Company had $8.3 million of construction loans, $5.6 million of residential mortgage loans, $10.1 million of commercial real estate loans, $133,000 of commercial business loans and $227,000 of consumer loans that were modified in troubled debt restructurings and impaired. At December 31, 2010, the Company had $6.5 million of construction loans, $5.5 million of residential mortgage loans, $8.2 million of commercial real estate loans, $57,000 of other commercial loans and $150,000 of consumer loans that were modified in troubled debt restructurings and impaired.

The company reviews the credit quality of its loan portfolio using an internal grading system that classifies loans as "Satisfactory," "Watch," Special Mention" and "Substandard." Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if certain deficiencies are not corrected. Special mention loans possess potential weaknesses that deserve management's close attention but do not expose the Bank to a degree of risk that warrants substandard classification. Loans classified as watch are being monitored because of indications of potential weaknesses or deficiencies that may require future classification as special mention or substandard. Loans not meeting any of the criteria previously described are considered satisfactory. The FDIC-covered loans are evaluated using this internal grading system. However, since the loans are accounted for in pools and are currently substantially covered through loss sharing agreements with the FDIC, all of the loan pools were considered satisfactory at March 31, 2011 and December 31, 2010, respectively. See Note 9 for further discussion of the acquired loan pools and loss sharing agreements. The loan grading system is presented by loan class below:

	March 31, 2011				
	Satisfactory	Watch	Special Mention	Substandard	Total
	(In Thousands)				
One- to four-family residential construction	$30,520	$1,887	$—	$908	$33,315
Subdivision construction	62,324	11,380	—	6,806	80,510
Land development	52,982	20,734	—	12,223	85,939
Commercial construction	73,887	4,672	—	—	78,559
Owner occupied one- to four-family residential	93,645	529	—	5,138	99,312
Non-owner occupied one- to four-family residential	120,428	8,804	—	8,069	137,301
Commercial real estate	474,541	45,581	2,590	24,751	547,463
Other residential	203,008	18,774	—	8,701	230,483
Commercial business	165,545	5,117	—	4,611	175,273
Industrial revenue bonds	61,661	—	—	2,190	63,851
Consumer auto	52,706	—	—	106	52,812
Consumer other	74,914	—	—	400	75,314
Home equity lines of credit	45,790	—	—	364	46,154
FDIC-supported loans, net of discounts (TeamBank)	142,510	—	—	—	142,510
FDIC-supported loans, net of discounts (Vantus Bank)	154,077	—	—	—	154,077
Total	$1,808,538	$117,478	$2,590	$74,267	$2,002,873

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	December 31, 2010				
	Satisfactory	Watch	Special Mention	Substandard	Total
	(In Thousands)				
One- to four-family residential construction	$27,620	$549	$—	$933	$29,102
Subdivision construction	69,907	8,408	—	8,334	86,649
Land development	57,486	20,834	—	17,253	95,573
Commercial construction	60,770	5,397	—	1,851	68,018
Owner occupied one- to four-family residential	92,385	766	—	4,948	98,099
Non-owner occupied one- to four-family residential	120,360	6,471	—	10,153	136,984
Commercial real estate	460,088	46,805	2,574	20,810	530,277
Other residential	185,600	15,478	—	9,768	210,846
Commercial business	177,525	812	—	7,528	185,865
Industrial revenue bonds	62,451	—	—	2,190	64,641
Consumer auto	48,883	—	—	109	48,992
Consumer other	76,966	—	—	365	77,331
Home equity lines of credit	46,704	—	—	148	46,852
FDIC-supported loans, net of discounts (TeamBank)	144,633	—	—	—	144,633
FDIC-supported loans, net of discounts (Vantus Bank)	160,163	—	—	—	160,163
Total	$1,791,541	$105,520	$2,574	$84,390	$1,984,025

NOTE 9: LOSS SHARING AGREEMENTS AND FDIC INDEMNIFICATION ASSETS

On March 20, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits (excluding brokered deposits) and acquire certain assets of TeamBank, N.A., a full service commercial bank headquartered in Paola, Kansas. A detailed discussion of this transaction is included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, under the section titled “Item 8. Financial Statements and Supplementary Information.”

The loans, commitments and foreclosed assets purchased in the TeamBank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank which affords the Bank significant protection. Under the loss sharing agreement, the Bank will share in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $115.0 million, the FDIC has agreed to reimburse the Bank for 80% of the losses. On losses exceeding $115.0 million, the FDIC has agreed to reimburse the Bank for 95% of the losses. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by the Bank. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during the three months ended March 31, 2011 was $748,000 and $300,000, respectively.

On September 4, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Vantus Bank, a full service thrift headquartered in Sioux City, Iowa. A detailed discussion of this transaction is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, under the section titled "Item 8. Financial Statements and Supplementary Information."

The loans, commitments and foreclosed assets purchased in the Vantus Bank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank which affords the Bank significant protection. Under the loss sharing agreement, the Bank will share in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $102.0 million, the FDIC has agreed to reimburse the Bank for 80% of the losses. On losses exceeding $102.0 million, the FDIC has agreed to reimburse the Bank for 95% of the losses. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by the Bank. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during the three months ended March 31, 2011 was $276,000 and $250,000, respectively.

Fair Value and Expected Cash Flows. At the time of these acquisitions, the Company determined the fair value of the loan portfolios based on several assumptions. Factors considered in the valuations were projected cash flows for the loans, type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, current discount rates and whether or not the loan was amortizing. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. Management also estimated the amount of credit losses that were expected to be realized for the loan portfolios. The discounted cash flow approach was used to value each pool of loans. For non-performing loans, fair value was estimated by calculating the present value of the recoverable cash flows using a discount rate based on comparable corporate bond rates. This valuation of the acquired loans is a significant component leading to the valuation of the loss sharing assets recorded.

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. The Company continues to evaluate the fair value of the loans including cash flows expected to be collected. Increases in the Company's cash flow expectations are recognized as increases to the accretable yield while decreases are recognized as impairments through the allowance for loan losses. During the quarter ended March 31, 2011, an increase in expected cash flows related to both acquired loan portfolios resulted in a $1.7 million adjustment to the accretable yield to be spread over the estimated remaining lives of the loans on a level-yield basis. During the year-ended December 31, 2010, similar such adjustments totaling $58.9 million were made to the accretable yield. The total impact of all accretable yield adjustments on the three months ended March 31, 2011 was an increase in interest income of $12.7 million. The current period increase in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements. This resulted in a corresponding $1.4 million adjustment to the indemnification assets to be amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever is shorter. During the year-ended December 31, 2010, similar such adjustments totaling $51.8 million were made to the indemnification assets. The total amount of all indemnification asset adjustments impacting the three months ended March 31, 2011 was $11.3 million of amortization expense recorded in non-interest income as a reduction in income. The net impact of the two adjustments was an increase of approximately$1.4 million to pre-tax income, approximately $913,000 to net income and approximately $0.07 to diluted earnings per common share. Because these adjustments will be recognized over the estimated remaining lives of the loan pools, they will impact future periods as well. The majority of the remaining $30.2 million of accretable yield adjustment affecting interest income and $(26.3) million of adjustment to the indemnification assets affecting non-interest income is expected to be recognized over the next year, with $21.8 million of interest income and $(19.3) million of non-interest income (expense) expected to be recognized in the remainder of 2011. Additional adjustments may be recorded in future periods as the Company continues to estimate expected cash flows from the acquired loan pools.

The loss sharing asset is measured separately from the loan portfolio because it is not contractually embedded in the loans and is not transferable with the loans should the Bank choose to dispose of them. Fair value was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool (as discussed above) and the loss sharing percentages outlined in the Purchase and Assumption Agreement with the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. The loss sharing asset is also separately measured from the related foreclosed real estate.

TeamBank FDIC Indemnification Asset. The following tables present the balances of the FDIC indemnification asset related to the TeamBank transaction at March 31, 2011 and December 31, 2010. Gross loan balances (due from the borrower) were reduced approximately $229.6 million since the transaction date through repayments by the borrower, transfers to foreclosed assets or charge-offs to customer loan balances.

	March 31, 2011	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 206,203	$ 16,635
Non-credit premium/(discount), net of activity since acquisition date	(3,127)	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(14,368)	—
Original estimated fair value of assets, net of activity since acquisition date	(142,510)	(6,359)
Expected loss remaining	46,198	10,276
Assumed loss sharing recovery percentage	85%	78%
Estimated loss sharing value	39,294	8,058
Indemnification asset to be amortized resulting from change in expected losses	13,641	—
Accretable discount on FDIC indemnification asset	(5,078)	—
FDIC indemnification asset	$ 47,857	$ 8,058

	December 31, 2010	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 219,289	$ 15,921
Non-credit premium/(discount), net of activity since acquisition date	(3,875)	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(21,071)	—
Original estimated fair value of assets, net of activity since acquisition date	(144,633)	(5,463)
Expected loss remaining	49,710	10,458
Assumed loss sharing recovery percentage	85%	78%
Estimated loss sharing value	42,275	8,204
Indemnification asset to be amortized resulting from change in expected losses	20,011	—
Accretable discount on FDIC indemnification asset	(6,077)	—

FDIC indemnification asset	$	56,209	$	8,204

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Vantus Bank Indemnification Asset. The following tables present the balances of the FDIC indemnification asset related to the Vantus Bank transaction at March 31, 2011 and December 31, 2010. Gross loan balances (due from the borrower) were reduced approximately $136.6 million since the transaction date through repayments by the borrower, transfers to foreclosed assets or charge-downs to customer loan balances.

	March 31, 2011	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 194,919	$ 9,745
Non-credit premium/(discount), net of activity since acquisition date	(1,155)	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(15,864)	—
Original estimated fair value of assets, net of activity since acquisition date	(154,076)	(5,793)
Expected loss remaining	23,824	3,952
Assumed loss sharing recovery percentage	80%	80%
Estimated loss sharing value	19,059	3,162
Indemnification asset to be amortized resulting from change in expected losses	12,691	—
Accretable discount on FDIC indemnification asset	(3,308)	(109)
FDIC indemnification asset	$ 28,442	$ 3,053

	December 31, 2010	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 208,080	$ 9,944
Non-credit premium/(discount), net of activity since acquisition date	(1,431)	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(18,428)	—
Original estimated fair value of assets, net of activity since acquisition date	(160,163)	(5,899)
Expected loss remaining	28,058	4,045
Assumed loss sharing recovery percentage	80%	80%
Estimated loss sharing value	22,445	3,236
Indemnification asset to be amortized resulting from change in expected losses	14,743	—
Accretable discount on FDIC indemnification asset	(3,850)	(109)
FDIC indemnification asset	$ 33,338	$ 3,127

Changes in the accretable yield for acquired loan pools were as follows for the three months ended March 31, 2011 and 2010:

	TeamBank	Vantus Bank
	(In Thousands)	
Balance, January 1, 2010	$ 31,300	$ 39,023
Accretion	(3,619)	(4,193)
Balance, March 31, 2010	$ 27,681	$ 34,830
Balance, January 1, 2011	$ 36,765	$ 35,796
Accretion	(10,669)	(8,146)
Reclassification from nonaccretable difference(1)	1,191	4,232
Balance, March 31, 2011	$ 27,287	$ 31,882

(1) Represents increases in estimated cash flows expected to be received from the acquired loan pools, primarily due to lower estimated credit losses. The numbers also include changes in expected accretion of the loan pools totaling $391,000 and $1.6 million for TeamBank and Vantus Bank, respectively.

NOTE 10: FORECLOSED ASSETS HELD FOR SALE

Major classifications of foreclosed assets were as follows:

	March 31, 2011	December 31, 2010
	(In Thousands)	
One-to four-family construction	$1,349	$2,510
Subdivision construction	18,986	19,816
Land development	13,809	10,620
Commercial construction	3,997	3,997
One-to four-family residential	3,040	2,896
Other residential	4,178	4,178
Commercial real estate	4,043	4,565
Consumer	318	318
	49,720	48,900
FDIC-supported foreclosed assets, net of discounts	12,152	11,362
	$61,872	$60,262

Expenses applicable to foreclosed assets included the following:

	Three Months Ended March 31, 2011	2010
	(In Thousands)	
Net (gain) loss on sales of real estate	$(317)	$1,244

Operating expenses, net of rental income	746	923
	$429	$2,167

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NOTE 11: DEPOSITS

	March 31, 2011	December 31, 2010
	(In Thousands)	
Time Deposits:		
0.00% - 1.99%	$ 994,022	$ 838,619
2.00% - 2.99%	207,734	298,029
3.00% - 3.99%	23,012	28,398
4.00% - 4.99%	86,509	126,001
5.00% - 5.99%	7,746	8,346
6.00% - 6.99%	306	311
Total time deposits (1.58% - 1.85%)	1,319,329	1,299,704
Non-interest-bearing demand deposits	260,077	257,569
Interest-bearing demand and savings deposits (0.74% - 0.83%)	1,096,300	1,038,620
Total Deposits	$ 2,675,706	$ 2,595,893

NOTE 12: FAIR VALUE MEASUREMENT

ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

· Quoted prices in active markets for identical assets or liabilities (Level 1): Inputs that are quoted unadjusted prices in active markets for identical assets that the Company has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

· Other observable inputs (Level 2): Inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity including quoted prices for similar assets, quoted prices for securities in inactive markets and inputs derived principally from or corroborated by observable market data by correlation or other means.

· Significant unobservable inputs (Level 3): Inputs that reflect assumptions of a source independent of the reporting entity or the reporting entity's own assumptions that are supported by little or no market activity or observable inputs.

Financial instruments are broken down as follows by recurring or nonrecurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that, due to an event or circumstance, were required to be remeasured at fair value after initial recognition in the financial statements at some time during the reporting period.

The following is a description of inputs and valuation methodologies used for assets recorded at fair value on a recurring basis and recognized in the accompanying balance sheets at March 31, 2011, as well as the general classification of such assets pursuant to the valuation hierarchy.

Securities Available for Sale. Investment securities available for sale are recorded at fair value on a recurring basis. The fair values used by the Company are obtained from an independent pricing service, which represent either quoted market prices for the identical asset or fair values determined by pricing models, or other model-based valuation techniques, that consider observable market data, such as interest rate volatilities, LIBOR yield curve, credit spreads and prices from market makers and live trading systems. Recurring Level 1 securities include exchange traded equity securities. Recurring Level 2 securities include U.S. government agency securities, mortgage-backed securities, collateralized mortgage obligations, Small Business Administration (SBA) loan pools, state and municipal bonds, corporate bonds and equity securities. Inputs used for valuing Level 2 securities include observable data that may include dealer quotes, benchmark yields, market spreads, live trading levels and market consensus prepayment speeds, among other things. Additional inputs include indicative values derived from the independent pricing service's proprietary computerized models. No securities were included in the category of Recurring Level 3 securities at or for the three months ended March 31, 2011.

Mortgage Servicing Rights. Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

		Fair value measurements at March 31, 2011, using		
	Fair value March 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In Thousands)			
U. S. government agencies	$ 23,869	$ —	$ 23,869	$ —
Collateralized mortgage obligations	5,810	—	5,810	—
Mortgage-backed securities	654,229	—	654,229	—
Small Business Administration loan pools	60,286	—	60,286	—
Corporate bonds	169	—	169	—
States and political subdivisions	91,425	—	91,425	—
Equity securities	2,390	653	1,737	—
Mortgage servicing rights	542	—	—	542

The Company considers transfers between the levels of the hierarchy to be recognized at the end of related reporting periods. From December 31, 2010 to March 31, 2011, no assets for which fair value is measured on a recurring basis transferred between any levels of the hierarchy.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs.

	Mortgage Servicing Rights	
	2011	2010
	(In Thousands)	
Balance, January 1	$ 637	$ 1,132
Additions	8	36
Amortization	(103)	(108)
Balance, March 31	$ 542	$ 1,060

The following is a description of valuation methodologies used for assets measured at fair value on a nonrecurring basis at March 31, 2011, as well as the general classification of such assets pursuant to the valuation hierarchy.

Impaired Loans. A loan is considered to be impaired when it is probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a loan is considered impaired, the amount of reserve required under FASB ASC 310, Receivables, is measured based on the fair value of the underlying collateral. The Company makes such measurements on all material loans deemed impaired using the fair value of the collateral for collateral dependent loans. The fair value of collateral used by the Company is determined by obtaining an observable market price or by obtaining an appraised value from an independent, licensed or certified appraiser, using observable market data. This data includes information such as selling price of similar properties and capitalization rates of similar properties sold within the market, expected future cash flows or earnings of the subject property based on current market expectations, and other relevant factors. In addition, management may apply selling and other discounts to the underlying collateral value to determine the fair value. If an appraised value is not available, the fair value of the impaired loan is determined by an adjusted appraised value including unobservable cash flows.

The Company records impaired loans as Nonrecurring Level 3. If a loan's fair value as estimated by the Company is less than its carrying value, the Company either records a charge-off of the portion of the loan that exceeds the fair value or establishes a reserve within the allowance for loan losses specific to the loan. Loans for which such charge-offs or reserves were recorded during the three months ended March 31, 2011 are shown in the table below (net of reserves).

Foreclosed Assets Held for Sale. Foreclosed assets held for sale are initially recorded at fair value less estimated cost to sell at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy. The foreclosed assets represented in the table below were re-measured during the three months ended March 31, 2011, subsequent to their initial transfer to foreclosed assets.

The following table presents the fair value measurements of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2011:

		Fair Value Measurements Using		
	Fair Value March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Impaired loans	$ 38,240	$ —	$ —	$ 38,240
Foreclosed assets held for sale	700	—	—	700

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheet at amounts other than fair value:

Cash and Cash Equivalents and Federal Home Loan Bank Stock. The carrying amount approximates fair value.

Loans and Interest Receivable. The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amount of accrued interest receivable approximates its fair value.

Deposits and Accrued Interest Payable. The fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date, i.e., their carrying amounts. The fair value of fixed maturity certificates of deposit is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

Federal Home Loan Bank Advances. Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing advances.

Short-Term Borrowings. The carrying amount approximates fair value.

Subordinated Debentures Issued to Capital Trusts. The subordinated debentures have floating rates that reset quarterly. The Company can redeem these instruments at par on a quarterly basis beginning in February (with respect to $25.8 million of the subordinated debentures) and October (with respect to the $5.2 million of subordinated debentures) 2012, respectively. The carrying amount of these debentures approximates their fair value.

Structured Repurchase Agreements. Structured repurchase agreements are collateralized borrowings from counterparties. In addition to the principal amount owed, the counterparty also determines an amount that would be owed by either party in the event the agreement is terminated prior to maturity by the Company. The fair values of the structured repurchase agreements are estimated based on the amount the Company would be required to pay to terminate the agreement at the balance sheet date.

Commitments to Originate Loans, Letters of Credit and Lines of Credit. The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date.

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which method involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial assets				
Cash and cash equivalents	$ 462,297	$ 462,297	$ 429,971	$ 429,971
Available-for-sale securities	838,178	838,178	769,546	769,546
Held-to-maturity securities	1,125	1,270	1,125	1,300
Mortgage loans held for sale	7,401	7,401	22,499	22,499
Loans, net of allowance for loan losses	1,888,493	1,890,008	1,876,887	1,878,345
Accrued interest receivable	11,667	11,667	12,628	12,628
Investment in FHLB stock	11,524	11,524	11,572	11,572
Mortgage servicing rights	542	542	637	637

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial liabilities				
Deposits	$ 2,675,706	$ 2,679,180	$ 2,595,893	$ 2,603,440
FHLB advances	152,261	156,618	153,525	158,052
Short-term borrowings	266,880	266,880	257,958	257,958
Structured repurchase agreements	53,129	59,172	53,142	61,007
Subordinated debentures	30,929	30,929	30,929	30,929
Accrued interest payable	3,558	3,558	3,765	3,765
Unrecognized financial instruments (net of contractual value)				
Commitments to originate loans	—	—	—	—
Letters of credit	36	36	50	50
Lines of credit	—	—	—	—

The following disclosure relates to financial assets for which it is not practicable for the Company to estimate the fair value at March 31, 2011.

FDIC Indemnification Asset: As part of the 2009 Purchase and Assumption Agreements, the Bank and the FDIC entered into loss sharing agreements. These agreements cover realized losses on loans and foreclosed real estate.

Under the first agreement (TeamBank), the FDIC will reimburse the Bank for 80% of the first $115 million in realized losses. The FDIC will reimburse the Bank 95% on realized losses that exceed $115 million. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. This loss sharing asset is measured separately from the loan portfolio because it is not contractually embedded in the loans and is not transferable with the loans or foreclosed assets should the Bank choose to dispose of them. Fair value at the acquisition date (March 20, 2009) was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and the loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. This loss sharing asset is also separately measured from the related foreclosed real estate. At March 31, 2011, the carrying value of the FDIC indemnification asset was $55.9 million, with $13.6 million of this amount scheduled to be amortized against non-interest income over future periods as a result of the changes in expected losses recognized in the quarter ended March 31, 2011 and in previous periods. Although this asset is a contractual receivable from the FDIC, there is no effective interest rate. The Bank will collect this asset over the next several years. The amount ultimately collected will depend on the timing and amount of collections and charge-offs on the acquired assets covered by the loss sharing agreement. While this asset was recorded at its estimated fair value at March 20, 2009, it is not practicable to complete a fair value analysis of the entire portfolio of loans and foreclosed assets covered by the loss sharing agreement on a quarterly or annual basis in order to estimate the fair value of the FDIC indemnification asset.

Under the second agreement (Vantus Bank), the FDIC will reimburse the Bank for 80% of the first $102 million in realized losses. The FDIC will reimburse the Bank 95% on realized losses that exceed $102 million. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. This loss sharing asset is measured separately from the loan portfolio because it is not contractually embedded in the loans and is not transferable with the loans or foreclosed assets should the Bank choose to dispose of them. Fair value at the acquisition date (September 4, 2009) was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and the loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. This loss sharing asset is also separately measured from the related foreclosed real estate. At March 31, 2011, the carrying value of the FDIC indemnification asset was $31.5 million, with $12.7 million of this amount scheduled to be amortized against non-interest income over future periods as a result of the changes in expected losses recognized in the quarter ended March 31, 2011 and in previous periods. Although this asset is a contractual receivable from the FDIC, there is no effective interest rate. The Bank will collect this asset over the next several years. The amount ultimately collected will depend on the timing and amount of collections and charge-offs on the acquired assets covered by the loss sharing agreement. While this asset was recorded at its estimated fair value at September 4, 2009, it is not practicable to complete a fair value analysis of the entire portfolio of loans and foreclosed assets covered by the loss sharing agreement on a quarterly or annual basis in order to estimate the fair value of the FDIC indemnification asset.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

When used in this Quarterly Report on Form 10-Q and in other filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) expected cost savings, synergies and other benefits from the Company’s merger and acquisition activities 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; (ii) changes in economic conditions, either nationally or in the Company’s market areas; (iii) fluctuations in interest rates; (iv) the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; (v) the possibility of other-than-temporary impairments of securities held in the Company’s securities portfolio; (vi) the Company’s ability to access cost-effective funding; (vii) fluctuations in real estate values and both residential and commercial real estate market conditions; (viii) demand for loans and deposits in the Company’s market areas; (ix) legislative or regulatory changes that adversely affect the

Company’s business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations, and the new overdraft protection regulations and customers’ responses thereto; (x) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xi) results of examinations of the Company and the Bank by their regulators, including the possibility that the regulators may, among other things, require the Company to increase its allowance for loan losses or to write-down assets; (xii) the uncertainties arising from the Company’s participation in the TARP Capital Purchase Program, including impacts on employee recruitment and retention and other business and practices, uncertainties concerning the potential redemption by us of the U.S. Treasury’s preferred stock investment under the program, including the timing of, regulatory approvals for, and conditions placed upon, any such redemption and uncertainties associated with our possible participation in the U.S. Treasury’s Small Business Lending Fund; (xiii) costs and effects of litigation, including settlements and judgments; and (xiv) competition. The Company wishes to advise readers that the factors listed above 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.

Critical Accounting Policies, Judgments and Estimates

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States and general practices within the financial services industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Allowance for Loan Losses and Valuation of Foreclosed Assets

The Company believes that the determination of the allowance for loan losses involves a higher degree of judgment and complexity than its other significant accounting policies. The allowance for loan losses is calculated with the objective of maintaining an allowance level believed by management to be sufficient to absorb estimated loan losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates of, including, among others, expected default probabilities, loss once loans default, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses, and general amounts for historical loss experience.

The process also considers economic conditions, uncertainties in estimating losses and inherent risks in the loan portfolio. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods. In addition, the Bank’s regulators could require additional provisions for loan losses as part of their examination process.

Additional discussion of the allowance for loan losses is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, under the section titled "Item 1. Business - Allowances for Losses on Loans and Foreclosed Assets." Inherent in this process is the evaluation of individual significant credit relationships. From time to time certain credit relationships may deteriorate due to payment performance, cash flow of the borrower, value of collateral, or other factors. In these instances, management may have to revise its loss estimates and assumptions for these specific credits due to changing circumstances. In some cases, additional losses may be realized; in other instances, the factors that led to the deterioration may improve or the credit may be refinanced elsewhere and allocated allowances may be released from the particular credit. For the periods included in these financial statements, management's overall methodology for evaluating the allowance for loan losses has not changed significantly.

In addition, the Company considers that the determination of the valuations of foreclosed assets held for sale involves a high degree of judgment and complexity. The carrying value of foreclosed assets reflects management’s best estimate of the amount to be realized from the sales of the assets. While the estimate is generally based on a valuation by an independent appraiser or recent sales of similar properties, the amount that the Company realizes from the sales of the assets could differ materially from the carrying value reflected in the financial statements, resulting in losses that could adversely impact earnings in future periods.

Carrying Value of FDIC-covered Loans and Indemnification Asset

The Company considers that the determination of the carrying value of loans acquired in the March 20, 2009 and September 4, 2009, FDIC-assisted transactions and the carrying value of the related FDIC indemnification assets involve a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification assets reflect management's best ongoing estimates of the amounts to be realized on each of these assets. The Company determined initial fair value accounting estimates of the assumed assets and liabilities in accordance with FASB ASC 805, Business Combinations. However, the amount that the Company realizes on these assets could differ materially from the carrying value reflected in its financial statements, based upon the timing of collections on the acquired loans in future periods. Because of the loss sharing agreements with the FDIC on these assets, the Company should not incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimates, the indemnification asset will generally be impacted in an offsetting manner due to the loss sharing support from the FDIC. Subsequent to the initial valuation, the Company continues to monitor identified loan pools and related loss sharing assets for changes in estimated cash flows projected for the loan pools, anticipated credit losses and changes in the accretable yield. Analysis of these variables requires significant estimates and a high degree of judgment. See Note 9 "Loss Sharing Agreements and FDIC Indemnification Assets" included in Item 1 for additional information.

Goodwill and Intangible Assets

Goodwill and intangibles assets that have indefinite useful lives are subject to an impairment test at least annually and more frequently if circumstances indicate their value may not be recoverable. Goodwill is tested for impairment using a process that estimates the fair value of each of the Company's reporting units compared with its carrying value. The Company defines reporting units as a level below each of its operating segments for which there is discrete financial information that is regularly reviewed. As of March 31, 2011, the Company has two reporting units to which goodwill has been allocated – the Bank and the Travel division (which is a division of a subsidiary of the Bank). If the fair value of a reporting unit exceeds its carrying value, then no impairment is recorded. If the carrying value amount exceeds the fair value of a reporting unit, further testing is completed comparing the implied fair value of the reporting unit's goodwill to its carrying value to measure the amount of impairment. Intangible assets that are not amortized will be tested for impairment at least annually by comparing the fair values to those assets to their carrying values. At March 31, 2011, goodwill consisted of $379,000 at the Bank reporting unit and $877,500 at the Travel reporting unit. Other identifiable intangible assets that are subject to amortization are amortized on a straight-line basis over periods ranging from three to seven years. At March 31, 2011, the amortizable intangible assets consisted of core deposit intangibles of $3.9 million at the Bank reporting unit and $25,000 of non-compete agreements at the Travel reporting unit. These amortizable intangible assets are reviewed for impairment if circumstances indicate their value may not be recoverable based on a comparison of fair value.

While the Company believes no impairment existed at March 31, 2011, different conditions or assumptions used to measure fair value of reporting units, or changes in cash flows or profitability, if significantly negative or unfavorable, could have a material adverse effect on the outcome of the Company's impairment evaluation in the future.

Current Economic Conditions

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The Company's financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses, or capital that could negatively impact the Company’s ability to meet regulatory capital requirements and maintain sufficient liquidity.

General

The profitability of the Company and, more specifically, the profitability of its primary subsidiary, Great Southern Bank (the "Bank"), depends primarily on its net interest income, as well as provisions for loan losses and the level of non-interest income and non-interest expense. Net interest income is the difference between the interest income the

Bank earns on its loans and investment portfolio, and the interest it pays on interest-bearing liabilities, which consists mainly of interest paid on deposits and borrowings. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on these balances. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income.

In the three months ended March 31, 2011, Great Southern's net loans increased $11.6 million, or 0.6%, from $1.88 billion at December 31, 2010, to $1.89 billion at March 31, 2011. The increase was primarily due to increases in multi-family residential mortgage loans of $19.6 million, or 9.3%, and commercial real estate loans of $17.2 million, or 3.2%. Partially offsetting these increases were decreases in commercial business loans of $10.6 million, or 5.7%, and net loans acquired through the 2009 FDIC-assisted transactions of $8.2 million, or 2.7%. As loan demand is affected by a variety of factors, including general economic conditions, and because of the competition we face and our focus on pricing discipline and credit quality, we cannot be assured that our loan growth will match or exceed the level of increases achieved in prior years. Based upon the current lending environment and economic conditions, the Company does not expect to grow the overall loan portfolio significantly, if at all, at this time and the loan portfolio could shrink due to net loan repayments. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels.

The level of non-performing loans and foreclosed assets may affect our net interest income and net income. While we did not have an overall high level of charge-offs on our non-performing loans prior to 2008, we generally do not accrue interest income on these loans and do not recognize interest income until the loans are repaid or interest payments have been made for a period of time sufficient to provide evidence of performance on the loans. Generally, the higher the level of non-performing assets, the greater the negative impact on interest income and net income. We expect the loan loss provision, non-performing assets and foreclosed assets will generally remain elevated and will fluctuate from period to period. In addition, expenses related to the credit resolution process could also remain elevated.

In the three months ended March 31, 2011, Great Southern's available-for-sale securities increased $68.7 million, or 8.9%, from $769.5 million at December 31, 2010, to $838.2 million at March 31, 2011. The increase was primarily due to purchases of mortgage-backed securities and U.S. government agency securities which increased $55.0 million, or 9.2%, and $19.9 million, or 499.7%, respectively. These securities were purchased for pledging to secure public-fund deposits.

Great Southern had cash and cash equivalents of $462.3 million at March 31, 2011 compared to $430.0 million at December 31, 2010. During 2011, cash and cash equivalents continued to increase because of deposit growth, loan repayments and lower overall loan demand.

The Company attracts deposit accounts through its retail branch network, correspondent banking and corporate services areas, and brokered deposits. The Company then utilizes these deposit funds, along with Federal Home Loan Bank (FHLBank) advances and other borrowings, to meet loan demand or otherwise fund its activities. In the three months ended March 31, 2011, total deposit balances increased $79.8 million, or 3.1%. Transaction accounts and retail certificates of deposit increased $60.2 million and $3.8 million, respectively, while total brokered deposits (excluding CDARS accounts) decreased $50.1 million. Great Southern Bank customer deposits totaling $284.8 million and $218.8 million, at March 31, 2011 and December 31, 2010, respectively, were part of the CDARS program which allows bank customers to maintain balances in an insured manner that would otherwise exceed the FDIC deposit insurance limit. The FDIC considers these customer accounts to be brokered deposits due to the fees paid in the CDARS program. The increase in CDARS customer deposits at March 31, 2011 of $66.0 million was primarily due to additions to an existing deposit relationship. The level of competition for deposits in our markets is high. While it is our goal to gain checking account and retail certificate of deposit market share in our branch footprint, we cannot be assured of this in future periods.

Total brokered deposits, excluding the CDARS accounts discussed above, were $94.4 million at March 31, 2011, down from $144.5 million at December 31, 2010. The decrease was the result of $50.1 million of brokered deposits that matured or were called by the Company during the quarter and were not replaced due to high liquidity levels. No interest rate swaps were associated with the remaining brokered certificates. The majority of the Company's brokered certificates of deposit have fixed rates of interest and mature in 2011.

Our ability to fund growth in future periods may also be dependent on our ability to continue to access brokered deposits and FHLBank advances. In times when our loan demand has outpaced our generation of new deposits, we have utilized brokered deposits and FHLBank advances to fund these loans. These funding sources have been attractive to us because we can create variable rate funding, if desired, which more closely matches the variable rate nature of much of our loan portfolio. While we do not currently anticipate that our ability to access these sources will be reduced or eliminated in future periods, if this should happen, the limitation on our ability to fund additional loans would adversely affect our business, financial condition and results of operations.

Our net interest income may be affected positively or negatively by market interest rate changes. A large portion of our loan portfolio is tied to the "prime rate" and adjusts immediately when this rate adjusts (subject to the effect of loan interest rate floors, which are discussed below). We monitor our sensitivity to interest rate changes on an ongoing basis (see "Item III. Quantitative and Qualitative Disclosures About Market Risk"). In addition, our net interest income may be impacted by changes in the cash flows expected to be received from acquired loan pools. As previously described in Note 9, the Company's evaluation of cash flows expected to be received from acquired loan pools is on-going and increases in cash flow expectations are recognized as increases in accretable yield through interest income. Decreases in cash flow expectations are recognized as impairments through the allowance for loan losses.

The current level and shape of the interest rate yield curve poses challenges for interest rate risk management. The FRB last cut interest rates on December 16, 2008. Great Southern has a significant portfolio of loans which are tied to a "prime rate" of interest. Some of these loans are tied to some national index of "prime," while most are indexed to "Great Southern prime." The Company has elected to leave its "Great Southern prime rate" of interest at 5.00%. This does not affect a large number of customers, as a majority of the loans indexed to "Great Southern prime" are already at interest rate floors which are provided for in individual loan documents. But for the interest rate floors, a rate cut by the FRB generally would have an anticipated immediate negative impact on the Company's net interest income due to the large total balance of loans which generally adjust immediately as the Federal Funds rate adjusts. Loans at their floor rates are subject to the risk that borrowers will seek to refinance elsewhere at the lower market rate, however. Because the Federal Funds rate is already very low, there may also be a negative impact on the Company's net interest income due to the Company's inability to lower its funding costs significantly in the current environment, although interest rates on assets may decline further. Conversely, interest rate increases would normally result in increased interest rates on our prime-based loans. The interest rate floors in effect may limit the immediate increase in interest rates on these loans, until such time as rates rise above the floors. However, the Company may have to increase rates paid on deposits to maintain deposit balances.

The negative impact of declining loan interest rates has been mitigated by the positive effects of the Company's loans which have interest rate floors. At March 31, 2011, the Company had a portfolio (excluding the loans acquired in the FDIC-assisted transactions) of prime-based loans totaling approximately $684 million with rates that change immediately with changes to the prime rate of interest. Of this total, $604 million also had interest rate floors. These floors were at varying rates, with $94 million of these loans having floor rates of 7.0% or greater and another $466 million of these loans having floor rates between 5.0% and 7.0%. At March 31, 2011, all of these loans were at their floor rates. Because of these interest rate floors, the loan yield for the portfolio was approximately 274 basis points higher than the national "prime rate of interest" at March 31, 2011. While interest rate floors have had an overall positive effect on the Company's results during this period, they do subject the Company to the risk that borrowers will elect to refinance their loans with other lenders. To the extent economic conditions improve, the likelihood that borrowers will seek to refinance their loans increases.

The Company's profitability is also affected by the level of its non-interest income and operating expenses. Non-interest income consists primarily of service charges and ATM fees, commissions earned by our travel, insurance and investment divisions, accretion income (net of amortization) related to the FDIC-assisted acquisitions, late charges and prepayment fees on loans, gains on sales of loans and available-for-sale investments and other general operating income. In 2011 and 2010, increases in the cash flows expected to be collected from the FDIC-covered loan portfolios resulted in amortization (expense) recorded relating to reductions of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. Non-interest income may also be affected by the Company's interest rate hedging activities, if the Company chooses to implement hedges. On July 1, 2010, a federal rule went into effect which 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. As expected, this recent federal rule has had an adverse affect on the amount of non-interest income we generate. Operating expenses consist primarily of salaries and employee benefits, occupancy-related expenses, expenses related to foreclosed assets, postage, FDIC deposit insurance, advertising and public relations, telephone, professional fees, office expenses and other general operating expenses. Details of the current period changes in non-interest income and non-interest expense are provided in the "Results of Operations and Comparison for the Three Months Ended March 31, 2011 and 2010" section of this Quarterly Report on Form 10-Q.

Effect of Federal Laws and Regulations

General. Federal legislation and regulation significantly affect the banking operations of the Company and the Bank, and have increased competition among commercial banks, savings institutions, mortgage banking enterprises and other financial institutions. In particular, the capital requirements and operations of regulated depository institutions such as the Company and the Bank have been and will be subject to changes in applicable statutes and regulations from time to time, which changes could, under certain circumstances, adversely affect the Company or the Bank.

Recent 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, will provide increased consumer financial protection, amend capital requirements for financial institutions, change the assessment base for federal deposit insurance, repeal the federal prohibitions on the payment of interest on demand deposits, amend the account balance limit for federal deposit insurance protection, and increase the authority of the Federal Reserve Board.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company and the financial services industry more generally. Provisions in the legislation that affect deposit insurance assessments, and payment of interest on demand deposits could increase the costs associated with deposits. Provisions in the legislation that require revisions to the capital requirements of the Company and the Bank could require the Company and the Bank to seek additional sources of capital in the future.

In December 2010 and January 2011, the Basel Committee on Banking Supervision published the final texts of reforms on capital and liquidity generally referred to as "Basel III." Although Basel III is intended to be implemented by participating countries for large, internationally active banks, its provisions are likely to be considered by United States banking regulators in developing new regulations applicable to other banks in the United States, including Great Southern. For banks in the United States, among the provisions concerning capital are: (i) a minimum ratio of common equity to risk-weighted assets reaching 4.5%, plus an additional 2.5% as a capital conservation buffer, by 2019 after a phase-in period; (ii) a minimum ratio of Tier 1 capital to risk-weighted assets reaching 6.0% by 2019 after a phase-in period; (iii) a minimum ratio of total capital to risk-weighted assets, plus the additional 2.5% capital conservation buffer, reaching 10.5% by 2019 after a phase -in period; (iv) an additional countercyclical capital buffer to be imposed by applicable national banking regulators periodically at their discretion, with advance notice; and (v) restrictions on capital distributions and discretionary bonuses applicable when capital ratios fall within the buffer zone.

Although Basel III is described as a "final text," it is subject to the resolution of certain issues and to further guidance and modification, as well as to adoption by United States banking regulators, including decisions as to whether and to what extent it will apply to United States banks that are not large, internationally active banks.

Business Initiatives

In 2011, the Company anticipates opening two to three banking centers, or relocating banking centers when another location is more advantageous, as a part of its long-term strategic plan. Three locations have been selected to accomplish this plan. The first banking center is located at 8235 Forsyth Boulevard in Clayton, Mo. The banking center is expected to open in May 2011. In addition, the Company's Creve Coeur loan production office plans to relocate to this office complex at the same time. Clayton is a major business center of metropolitan St. Louis and the St. Louis County seat.

The second location is in Springfield, Mo. A new full-service banking center is under construction on South Campbell Avenue. The banking center will replace a current office on South Campbell, which is less than a mile from the new site. The new, larger office will offer better access for customers and is expected to open during the third quarter of 2011.

The third site is in Olathe, Kan. The Company has purchased property on West 135th Street in an established retail business district. Plans are to relocate the current banking center at 11120 South Lone Elm Road, which is located in a lesser developed area of Olathe. Great Southern Travel also expects to move its current Olathe office to the new site. A first quarter 2012 opening is anticipated.

Expansion of the Company's Operation Center in Springfield was completed during the first quarter of 2011. A 20,000 sq. ft. addition was constructed to accommodate the Company's growth and provide for potential future growth.

In February 2011, the Great Southern Residential Lending team moved to a stand-alone building the Company purchased in south Springfield. The facility, named the Great Southern Home Loan Center, houses residential lending originators and support staff. The Home Loan Center creates greater visibility for the lending team and provides needed space in light of the Company's recent expansion and anticipated growth in its five-state franchise.

In March 2011, Great Southern submitted its application to possibly participate in the U.S. Treasury's Small Business Lending Fund (SBLF). Enacted into law in 2010 as part of the Small Business Jobs Act, the SBLF is a $30 billion fund that encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than $10 billion. The SBLF provides an option for eligible community banks to refinance CPP funds. As noted above, the Company received $58.0 million in CPP funds from the Treasury through the sale of preferred stock. If CPP funds were transferred to the SBLF, the 5% CPP dividend rate could potentially be reduced for a period of time, depending on the level of small business lending. While the Company did submit an application, there is no obligation to participate if accepted by the Treasury.

Comparison of Financial Condition at March 31, 2011 and December 31, 2010

During the three months ended March 31, 2011, the Company increased total assets by $87.4 million to $3.50 billion. Most of the increase was attributable to increases in securities available for sale, cash and cash equivalents and net loans, partially offset by decreases in mortgage loans held for sale and the FDIC indemnification asset. Securities available for sale increased $68.7 million as compared to December 31, 2010. The increase was primarily due to purchases of mortgage-backed securities and U.S. government agency securities which increased $55.0 million, or 9.2%, and $19.9 million, or 499.7%, respectively. While there is no specifically stated goal, the available-for-sale securities portfolio has in recent quarters been approximately 15% to 25% of total assets. The available-for-sale securities portfolio was 24.0% and 22.6% of total assets at March 31, 2011 and December 31, 2010, respectively. These levels are on the high end of recent averages because of the Company's efforts to maintain excess liquidity during uncertain economic times as discussed below in regard to cash and cash equivalents. Cash and cash equivalents increased $32.3 million as compared to December 31, 2010 due to deposit growth, repayments of loans and lower overall loan demand. In some instances, the Company invested these excess funds in short-term cash equivalents that caused the Company to earn a small positive or a negative spread relative to the cost of funds. While the Company generally earned a positive spread on securities purchased, it was often much smaller than the Company's overall net interest spread, having the effect of increasing net interest income but negatively affecting net interest margin in 2010 and 2011. The Company expects to maintain a higher level of cash and cash equivalents for the time being as excess liquidity in these uncertain times for the U.S. economy and the banking industry, subject to funding activities which are discussed below, and recognizing that this could potentially have the effect of suppressing net interest margin and net interest income. Net loans increased $11.6 million from December 31, 2010, to $1.89 billion at March 31, 2011. The increase was primarily due to increases in multi-family residential mortgage loans of $19.6 million, or 9.3%, and commercial real estate loans of $17.2 million, or 3.2%. Partially offsetting these increases were decreases in commercial business loans of $10.6 million, or 5.7%, and net loans acquired through the 2009 FDIC-assisted transactions of $8.2 million, or 2.7%. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels given the current credit and economic environments. Aside from any potential future acquisitions, of which none are currently contemplated, the Company does not expect to grow the loan portfolio significantly at this time. Mortgage loans held for sale decreased $15.1 million from December 31, 2010. The Company generally sells fixed-rate one- to four-family residential loans in the secondary market and the decrease was primarily due to the timing of those sales. Somewhat lower customer demand for this type of loan during the current period also contributed to the decrease. The FDIC indemnification asset decreased $13.5 million from December 31, 2010 due to amortization relating to the reduction in expected reimbursements under the loss sharing agreements previously discussed in Note 9 of the Notes to Consolidated Financial Statements.

Total liabilities increased $86.2 million from December 31, 2010 to $3.19 billion at March 31, 2011. The increase was primarily attributable to increases in deposits and securities sold under repurchase agreements with customers. Total deposits increased $79.8 million from December 31, 2010. Checking account balances totaled $1.36 billion at March 31, 2011, up from $1.30 billion at December 31, 2010. Interest-bearing checking accounts increased $57.7 million and non-interest bearing checking accounts increased $2.5 million. Total brokered deposits (excluding CDARS customer account balances) were $94.4 million at March 31, 2011, compared to $144.5 million at December

31, 2010. The decrease was the result of $50.1 million of brokered deposits that matured or were called by the Company during the quarter and were not replaced due to the Company's existing high liquidity levels. In addition, at March 31, 2011 and December 31, 2010, Great Southern Bank customer deposits totaling $284.8 million and $218.8 million, respectively, were part of the CDARS program which allows bank customers to maintain balances in an insured manner that would otherwise exceed the FDIC deposit insurance limit. The FDIC counts these deposits as brokered, but these are deposit accounts that we generate with customers in our local markets. The increase in CDARS customer deposits at March 31, 2011 of $66.0 million was primarily due to additions to an existing deposit relationship. Securities sold under reverse repurchase agreements with customers increased $9.0 million from December 31, 2010 as these balances fluctuate over time. FHLBank advances decreased slightly from the December 31, 2010 level. The level of FHLBank advances also fluctuates depending on growth in the Company's loan portfolio and other funding needs and sources available to the Company. Most of the Company's FHLBank advances are fixed-rate advances that cannot be repaid prior to maturity without incurring significant penalties.

Total stockholders' equity increased $1.2 million from $304.0 million at December 31, 2010 to $305.2 million at March 31, 2011. The Company recorded net income of $5.9 million for the three months ended March 31, 2011, common and preferred dividends declared were $3.1 million and accumulated other comprehensive gain decreased $1.7 million. The decrease in accumulated other comprehensive gain resulted from decreases in the fair value of the Company's available-for-sale investment securities. In addition, total stockholders' equity increased $119,000 due to stock option exercises.

Our participation in the Capital Purchase Program ("CPP") of the U.S. Department of the Treasury (the "Treasury") currently precludes us from purchasing shares of the Company's stock without the Treasury's consent until the earlier of December 5, 2011, or our repayment of the CPP funds or the transfer by the Treasury to third parties of all of the shares of preferred stock we issued to the Treasury pursuant to the CPP. The Company has historically utilized stock buy-back programs from time to time as long as it believed that repurchasing the stock contributed to the overall growth of shareholder value. The number of shares of stock repurchased and the price paid is the result of many factors, several of which are outside of the control of the Company. The primary factors, however, are the number of shares available in the market from sellers at any given time and the price of the stock within the market a