GREAT SOUTHERN BANCORP INC
Form 10-K
March 03, 2017

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

Commission file number 0-18082

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

Maryland	43-1524856
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1451 E. Battlefield, Springfield, Missouri	65804
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	Yes [ ] No [X]
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	Yes [X] No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [ ]

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

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

Smaller reporting company [ ]

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the Registrant on June 30, 2016, computed by reference to the closing price of such shares on that date, was $392,225,119. At March 1, 2017, 14,006,625 shares of the Registrant's common stock were outstanding.

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PART I

ITEM 1. BUSINESS.

THE COMPANY

Great Southern Bancorp, Inc.

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

As a Maryland corporation, the Company is authorized to engage in any activity that is permitted by the Maryland General Corporation Law and is not prohibited by law or regulatory policy. The Company currently conducts its business as a financial holding company. Through the financial holding company structure, it is possible to expand the size and scope of the financial services offered by the Company beyond those offered by the Bank. The financial holding company structure provides the Company with greater flexibility than the Bank has to diversify its business activities, through existing or newly formed subsidiaries, or through acquisitions of or mergers with other financial institutions as well as other companies. At December 31, 2016, Bancorp's consolidated assets were $4.55 billion, consolidated net loans were $3.76 billion, consolidated deposits were $3.68 billion and consolidated total stockholders' equity was $429.8 million. For details about the Company's assets, revenues and profits for each of the last five fiscal years, see Item 6. "Selected Consolidated Financial Data." The assets of the Company consist primarily of the stock of Great Southern and cash.

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

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

Great Southern Bank

Great Southern was formed as a Missouri-chartered mutual savings and loan association in 1923, and, in 1989, converted to a Missouri-chartered stock savings and loan association. In 1994, Great Southern changed to a federal savings bank charter and then, on June 30, 1998, changed to a Missouri-chartered trust company (the equivalent of a commercial bank charter). Headquartered in Springfield, Missouri, Great Southern offers a broad range of banking services through its 104 banking centers located in southern and central Missouri; the Kansas City, Missouri area; the St. Louis, Missouri area; eastern Kansas; northwestern Arkansas; eastern Nebraska, the Minneapolis, Minnesota area and eastern, western and central Iowa. At December 31, 2016, the Bank had total assets of $4.55 billion, net loans of $3.76 billion, deposits of $3.71 billion and stockholders' equity of $495.0 million, or 10.9% of total assets. Its deposits are insured by the Deposit Insurance Fund ("DIF") to the maximum levels permitted by the FDIC.

The size and complexity of the Bank's operations increased substantially in 2009 with the completion of two Federal Deposit Insurance Corporation ("FDIC")-assisted transactions, and again in 2011, 2012 and 2014 with the completion of another FDIC-assisted transaction in each of those years. In 2009, the Bank entered into two separate purchase and assumption agreements (including loss sharing) with the FDIC to assume all of the deposits (excluding brokered deposits) and certain liabilities and acquire certain assets of TeamBank, N.A. and Vantus Bank. In these two transactions we acquired assets with a fair value of approximately $499.9 million (approximately 18.8% of the Company's total consolidated assets at acquisition) and $294.2 million (approximately 8.8% of the Company's total consolidated assets at acquisition), respectively, and assumed liabilities with a fair value of $610.2 million (approximately 24.9% of the Company's total consolidated assets at acquisition) and $440.0 million (approximately 13.2% of the Company's total consolidated assets at acquisition), respectively. They also resulted in gains of $43.9 million and $45.9 million, respectively, which were included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2009. Prior to these acquisitions, the Company operated banking centers in Missouri with loan production offices in Arkansas and Kansas. These acquisitions added 31 banking centers and expanded our footprint to cover five states – Iowa, Kansas, Missouri, Arkansas and Nebraska. In 2011, the Bank entered into a purchase and assumption agreement (including loss sharing) with the FDIC to assume all of the deposits and certain liabilities and acquire certain assets of Sun Security Bank, which added locations in southern Missouri and St. Louis. In this transaction we acquired assets with a fair value of approximately $248.9 million (approximately 7.3% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of $345.8 million (approximately 10.1% of the Company's total consolidated assets at acquisition). It also resulted in a gain of $16.5 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2011. In 2012, the Bank entered into a purchase and assumption agreement (including loss sharing) with the FDIC to assume all of the deposits and certain liabilities and acquire certain assets of Inter Savings Bank, FSB ("InterBank"), which added four locations in the greater Minneapolis, Minnesota area. In this transaction we acquired assets with a fair value of approximately $364.2 million (approximately 9.4% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of approximately $458.7 million (approximately 11.9% of the Company's total consolidated assets at acquisition). It also resulted in a gain of $31.3 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2012.

In 2014, the Bank entered into a purchase and assumption agreement (excluding loss sharing) with the FDIC to assume all of the deposits and certain liabilities and acquire certain assets of Valley Bank ("Valley"), which added five locations in the Quad Cities area of eastern Iowa and six locations in central Iowa, primarily in the Des Moines market area. These represented new markets for the Company in eastern Iowa and enhanced our market presence in central Iowa. In this transaction we acquired assets with a fair value of approximately $378.7 million (approximately 10.0% of the Company's total consolidated assets at acquisition) and assumed liabilities with a fair value of approximately $367.9 million (approximately 9.8% of the Company's total consolidated assets at acquisition). It also resulted in a gain of $10.8 million which was included in Noninterest Income in the Company's Consolidated Statement of Income for the year ended December 31, 2014.

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

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

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

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

$159 million and had a weighted average yield of approximately 3.92%.

The loss sharing agreements related to the FDIC-assisted transactions in 2009, 2011 and 2012 added to the complexity of our operations by creating the need for new employees and processes to ensure compliance with the loss sharing agreements and the collection of problem assets acquired. See Note 4 included in Item 8. "Financial Statements and Supplementary Information" for a more detailed discussion of these FDIC-assisted transactions and the loss sharing agreements. The loss sharing agreements related to the 2009 and 2011 FDIC-assisted transactions were terminated during 2016. See "Loss Share Agreements" below for additional information regarding the termination of these agreements.

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

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

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

Forward-Looking Statements

When used in this Annual Report and in other documents filed or furnished by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) non-interest expense reductions from Great Southern's banking center consolidations might be less than anticipated and the costs of the consolidation and impairment of the value of the affected premises might be greater than expected; (ii) expected revenues, cost savings, earnings accretion, synergies and other benefits from the Fifth Third Bank branch acquisition and the Company's other 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; (iii) changes in economic conditions, either nationally or in the Company's market areas; (iv) fluctuations in interest rates; (v) 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; (vi) the possibility of other-than-temporary impairments of securities held in the Company's securities portfolio; (vii) the Company's ability to access cost-effective funding; (viii) fluctuations in real estate values and both residential and commercial real estate market conditions; (ix) demand for loans and deposits in the Company's market areas; (x) the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; (xi) the possibility that security measures implemented might not be sufficient to mitigate the risk of a cyber attack or cyber theft, and that such security measures might not protect against systems failures or interruptions; (xii) legislative or regulatory changes that adversely affect the Company's business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations, and the overdraft protection regulations and customers' responses thereto; (xiii) changes in accounting principles, policies or guidelines; (xiv) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xv) 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; (xvi) costs and effects of litigation, including settlements and judgments; and (xvii) competition. The Company wishes to advise readers that the factors listed above and other risks described from time to time in documents filed or furnished by the Company with the SEC could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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

Internet Website

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

Market Areas

During 2016, the Company decreased its banking center network from 110 to 104 full-service retail offices, serving more than 182,000 households in six states – Missouri, Arkansas, Iowa, Kansas, Minnesota and Nebraska. The Company regularly evaluates its banking center network and lines of business to ensure that it is serving customers in the best way possible. The banking center network constantly evolves with changes in customer needs and preferences, emerging technology and local market developments. In response to these changes, the Company opens banking centers and invests resources where customer demand leads, and from time to time, consolidates banking centers when market conditions dictate.

In January 2016, the Company completed the acquisition of 12 branches and related deposits and loans from Cincinnati-based Fifth Third Bank in the St. Louis market area. This acquisition ultimately increased Great Southern's St. Louis-area banking center total from eight to 19 offices.

During 2016, the Company consolidated operations of 16 banking centers into other nearby Great Southern offices. Each consolidated office was evaluated on a number of criteria, including access and availability of services to affected customers, the proximity of other Great Southern banking centers, profitability and transaction volumes, and market dynamics. Of these 16 consolidated banking centers, eleven were in Missouri, four in Iowa and one was in Kansas. Nine of these banking centers were acquired as part of various FDIC-assisted acquisitions. In addition, the Company also sold two Missouri banking centers, with associated deposits, to separate buyers in early 2016.

In January 2017, two leased banking centers were replaced by two new owned offices in the Omaha, Neb., metropolitan market area. Both new locations offer better convenience and access to area customers. Great Southern operates four offices in the Omaha market area.

The Company also operates commercial loan production offices in Dallas, Tex., and Tulsa, Okla. In addition, a new commercial loan production office in Chicago, Ill., is expected to be operating late in the first quarter of 2017.

Great Southern's largest concentration of deposits and loans are in the Springfield, Mo., and St. Louis, Mo., market areas. In the last several years, the Company's deposit and loan portfolios have become more diversified because of its participation in five FDIC-assisted acquisitions and organic growth. The FDIC-assisted acquisitions significantly expanded the Company's geographic footprint, which prior to 2009 was primarily in southwest and central Missouri, by adding operations in Iowa, Kansas, Minnesota and Nebraska. Besides the Springfield and St. Louis market areas, the Company has deposit and loan concentrations in the following market areas: Kansas City, Mo.; Branson, Mo.; Sioux City, Iowa; Des Moines, Iowa; Northwest Arkansas; Omaha, Neb.; Minneapolis, Minn.; and Eastern Iowa in the area known as the "Quad Cities." Deposits and loans are also generated in banking centers in rural markets in Missouri, Iowa, Kansas and Nebraska.

At December 31, 2016, the Company's total deposits were $3.7 billion. At that date, the Company had deposits in Missouri of $2.7 billion, including the two largest deposit concentrations in Springfield and St. Louis, with $1.4 billion and $512 million, respectively. The Company also had deposits of $551 million in Iowa, $253 million in Minnesota, $167 million in Kansas (excluding the Kansas City metropolitan area), $67 million in Nebraska and $22 million in Arkansas.

At December 31, 2016, the Company's total loan portfolio balance, excluding acquired loans, was $3.5 billion. Geographically, the loan portfolio consists of loans collateralized by property (real estate and other assets) located in the following regions (including loan balance and percentage of total loans): St. Louis ($677 million, 19%); Springfield ($439 million, 12%); Texas ($310 million, 9%); Iowa/Nebraska/South Dakota ($267 million, 8%); Kansas City ($252 million, 7%); Oklahoma ($211 million, 6%); Northwest Arkansas ($144 million, 4%); Minnesota ($134 million, 3%); Branson ($101 million, 3%); other Missouri regions ($400 million, 12%); other Kansas regions ($95 million, 3%); other Arkansas regions ($88 million, 2%); and other states and regions ($418 million, 12%).

The Company's net book balance of its portfolio of loans covered by FDIC loss sharing agreements was $150 million as of December 31, 2016. The remaining FDIC loss sharing agreements, which were a part of one FDIC-assisted transaction completed in 2012, provide the Company at least 80% protection against losses on the loans in this portfolio. The FDIC loss sharing agreements are subject to limitations on the types of losses covered and the length of time losses are covered and are conditioned upon the Bank complying with its requirements in the agreements with the FDIC. These limitations are described in detail in Note 4 of the accompanying audited financial statements (see Item 8 "Financial Statements and Supplementary Information"). In April 2016, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank, which were a part of FDIC-assisted transactions completed in 2009 and 2011. Geographically, the total loan portfolio covered by FDIC loss sharing agreements at December 31, 2016, consists of loans collateralized by property (real estate and other assets) located in the following regions (including gross loan balance and percentage of total loans): Minneapolis ($139 million, 92%); other Minnesota regions ($6 million, 4%); Wisconsin ($4 million, 3%); and other regions ($1 million, 1%).

The Company's net book balance of its portfolio of loans which were previously covered by FDIC loss sharing agreements, but are no longer covered due to the expiration or termination of the agreements, was $76 million as of December 31, 2016. These loans were acquired as part of the two FDIC-assisted transactions completed in 2009 and the FDIC-assisted transaction completed in 2011.

The Company's net book balance of its portfolio of loans which were acquired in the Valley Bank FDIC-assisted transaction was $84 million as of December 31, 2016. These loans were initially recorded at their fair value on the acquisition date of June 20, 2014. No loss sharing agreement was included in this transaction.

Lending Activities

General

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

In addition to origination of these loans, the Bank has expanded and enlarged its relationships with smaller banks and other peer banks to purchase participations (at par, generally with no servicing costs) in loans these other banks originate but are unable to retain in their portfolios due to capital or borrower relationship size limitations. The Bank uses the same underwriting guidelines in evaluating these participations as it does in its direct loan originations. At December 31, 2016, the balance of participation loans purchased and held in the portfolio, excluding those covered by loss sharing agreements, was $232.4 million, or 6.6% of the total loan portfolio. All of these participation loans were performing at December 31, 2016.

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

Another principal lending activity of Great Southern is the origination of commercial real estate, multi-family and commercial construction loans. Since the early 1990s, commercial real estate, multi-family and commercial construction loans have represented the largest percentage of the loan portfolio. At December 31, 2016, commercial real estate, multi-family and commercial construction loans, excluding loans acquired in FDIC-assisted transactions, accounted for approximately 28%, 15% and 15%, respectively, of the total portfolio. Of the portfolio of acquired loans, commercial real estate loans (net of fair value discounts) accounted for approximately 1% of the total portfolio at December 31, 2016.

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

The percentage of collateral value Great Southern will loan on real estate and other property varies based on factors including, but not limited to, the type of property and its location and the borrower's credit history. As a general rule, Great Southern will loan up to 95% of the appraised value on one-to four-family residential properties. Typically, private mortgage insurance is required for loan amounts above the 80% level. At December 31, 2016 and 2015, loans secured by second liens on residential properties were $138.1 million, or 3.9%, and $146.1 million, or 4.3%, respectively, of our total loan portfolio. For commercial real estate and other residential real property loans, Great Southern may loan up to 85% of the appraised value. The origination of loans secured by other property is considered and determined on an individual basis by management with the assistance of any industry guides and other information which may be available. Collateral values are reappraised or reassessed as loans are renewed or when significant events indicating potential impairment occur. On a quarterly basis, management reviews impaired loans to determine whether updated appraisals or reassessments are necessary based on loan performance, collateral type and guarantor support. While not specifically required by our policy, we seek to obtain cross-collateralization of loans to a borrower when it is available and it is most frequently done on commercial loans.

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

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

In general, state banking laws restrict loans to a single borrower and related entities to no more than 25% of a bank's unimpaired capital and unimpaired surplus, plus an additional 10% if the loan is collateralized by certain readily marketable collateral. (Real estate is not included in the definition of "readily marketable collateral.") As computed on the basis of the Bank's unimpaired capital and surplus at December 31, 2016, this limit was approximately $130.2 million. See "Government Supervision and Regulation." At December 31, 2016, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2016, the Bank's largest relationship for purposes of this limit, which consists of two loans, totaled $62.0 million. This amount represents the total commitment for this relationship at December 31, 2016; the outstanding balance at that date was $39.0 million. The collateral for the loans consists of a shopping center and an apartment complex. The apartment complex is currently under construction, so all funds have not been disbursed on this loan. In addition, we obtained personal guarantees from the principal owner of the borrowing entities for each of these loans. All loans included in this relationship were current at December 31, 2016. In addition at December 31, 2016, we had four other loan relationships that each exceeded $40 million and eight other loan relationships that each totaled between $30 million and $40 million. All loans included in these relationships were current at December 31, 2016. Our policy does not set a loans-to-one borrower limit that is below the legal limits described; however, we do recognize the need to limit credit risk to any one borrower or group of related borrowers upon consideration of various risk factors. Extensions of credit to borrowers whose past due loans were charged-off or whose loans are classified as substandard require special lending approval.

Great Southern is permitted under applicable regulations to originate or purchase loans and loan participations secured by real estate located in any part of the United States. In addition to the market areas where the Company has a presence, the Bank has made or purchased loans, secured primarily by commercial real estate, in other states, primarily Colorado, Florida, Illinois, Michigan, and Wisconsin. At December 31, 2016, loans in these states comprised less than 1% each, respectively, of the total loan portfolio, except for Illinois, which comprised 2.0% of the total loan portfolio.

Loan Portfolio Composition

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

The loans acquired in the four FDIC-assisted transactions completed in 2009 through 2012 are, or were, covered by loss sharing agreements between the FDIC and the Bank which afford the Bank at least 80% protection from potential principal losses. Because of these loss sharing agreements, the composition of the loans acquired from the former TeamBank, Vantus Bank, Sun Security Bank and InterBank is shown below in tables separate from the legacy Great Southern portfolio. In addition, the composition of the loans acquired in 2014 from the former Valley Bank, which are not covered by a loss sharing agreement, is shown below in tables separate from the legacy Great Southern portfolio. All of these acquired loan portfolios were initially recorded at their fair values at the acquisition date and are recorded by the Company at their discounted value. The following tables reflect the loan balances excluding discounts.

Legacy Great Southern Loan Portfolio Composition:

	December 31, 2016 Amount	%	2015 Amount	%	2014 Amount	%	2013 Amount	%	2012 Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
One- to four-family(1)	$353,709	8.6 %	$272,411	7.9 %	$245,180	8.3 %	$242,281	10.5 %	$256,146	12.7
Other residential	663,378	16.1	419,550	12.1	392,415	13.2	325,599	14.2	267,518	13.2
Commercial(2)	1,211,644	29.4	1,080,836	31.3	986,936	33.3	822,920	35.8	736,139	36.4
Residential construction:										
One- to four-family	26,764	0.6	36,430	1.1	49,631	1.7	47,308	2.1	52,249	2.5
Other residential	202,202	4.9	133,718	3.9	59,664	2.0	32,988	1.4	27,556	1.4
Commercial	641,195	15.6	551,115	16.0	404,683	13.7	236,635	10.3	198,145	9.8
Total real estate loans	3,098,892	75.2	2,494,060	72.3	2,138,509	72.2	1,707,731	74.3	1,537,753	76.0
Other Loans:										
Consumer loans:										
Automobile, boat, etc.	563,086	13.7	513,798	14.9	400,392	13.5	215,778	9.4	164,748	8.1
Home equity and improvement	108,753	2.6	83,966	2.4	66,275	2.2	58,297	2.5	54,317	2.7
Other	1,148	—	926	—	987	0.1	1,184	0.1	1,585	0.1
Total consumer loans	672,987	16.3	598,690	17.3	467,654	15.8	275,259	12.0	220,650	10.9
Other commercial loans	348,955	8.5	357,581	10.4	354,012	12.0	315,269	13.7	264,632	13.1
Total other loans	1,021,942	24.8	956,271	27.7	821,666	27.8	590,528	25.7	485,282	24.0
Total loans	4,120,834	100.0%	3,450,331	100.0%	2,960,175	100.0%	2,298,259	100.0%	2,023,035	100
Less:										
	585,305		418,702		323,572		194,544		157,574	

Loans in process					
Deferred fees and discounts	4,869	3,528	3,276	2,994	2,193
Allowance for loan losses	36,775	36,646	36,300	40,116	40,649
Total legacy loans receivable, net	$3,493,885	$2,991,455	$2,597,027	$2,060,605	$1,822,619

(1) Includes loans held for sale.

(2) Total commercial real estate loans included industrial revenue bonds of $24.7 million, $37.4 million, $41.1 million, $42.2 million and $43.8 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

Former TeamBank, N.A. Loan Portfolio Composition:

	December 31, 2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$7,230	38.4 %	$9,696	33.3 %	$12,293	28.0 %	$15,050	28.1 %	$19,610	22.6 %
Other residential	919	4.9	992	3.4	1,083	2.5	1,163	2.2	4,520	5.2
Commercial[1]	7,059	37.5	11,872	40.8	21,207	48.3	24,682	46.1	41,471	47.8
Construction	1,706	9.0	3,916	13.4	5,257	12.0	6,996	13.0	12,670	14.7
Total real estate loans	16,914	89.8	26,476	90.9	39,840	90.8	47,891	89.4	78,271	90.3
Other Loans:										
Consumer loans:										
Home equity and improvement	1,532	8.1	2,138	7.4	3,282	7.5	4,190	7.8	4,989	5.8
Other	18	0.1	37	0.1	64	0.2	73	0.2	159	0.1
Total consumer loans	1,550	8.2	2,175	7.5	3,346	7.7	4,263	8.0	5,148	5.9
Other commercial loans	376	2.0	465	1.6	674	1.5	1,404	2.6	3,243	3.8
Total other loans	1,926	10.2	2,640	9.1	4,020	9.2	5,667	10.6	8,391	9.7
Total loans[2]	18,840	100.0%	29,116	100.0%	43,860	100.0%	53,558	100.0%	86,662	100.0%
Less:										
Loans in process	2		2		5		5		5	
Allowance for loan losses	108		205		415		—		—	
Fair value discounts	1,005		1,454		2,295		3,691		9,042	
Total Team Bank, N.A. loans receivable, net	$17,725		$27,455		$41,145		$49,862		$77,615	

(1) Total commercial real estate loans included industrial revenue bonds of $1.5 million, $1.9 million, $2.0 million, $2.1 million and $2.3 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(2) Total loans included non-single-family loans which are no longer covered by the FDIC loss sharing agreement of $17.2 million and $28.3 million at December 31, 2015 and 2014, respectively. At December 31, 2016, none of these acquired loans were covered by an FDIC loss sharing agreement.

Former Vantus Bank Loan Portfolio Composition:

	December 31, 2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$ 7,828	33.0 %	$ 10,245	32.2 %	$ 13,843	32.8 %	$ 18,999	31.7 %	$ 26,160	24.7 %
Other residential	1,201	5.1	1,545	4.9	2,535	6.0	6,423	10.7	15,434	14.6
Commercial[1]	6,853	28.9	9,523	29.9	11,865	28.2	15,421	25.7	35,431	33.5
Construction	58	0.2	249	0.8	284	0.7	319	0.5	1,552	1.5
Total real estate loans	15,940	67.2	21,562	67.8	28,527	67.7	41,162	68.6	78,577	74.3
Other Loans:										
Consumer loans:										
Student loans	—	—	481	1.5	543	1.3	510	0.9	512	0.5
Home equity and improvement	3,841	16.2	4,378	13.7	5,104	12.1	5,845	9.7	7,270	6.9
Other	3,699	15.6	5,112	16.1	7,196	17.1	10,182	17.0	14,434	13.6
Total consumer loans	7,540	31.8	9,971	31.3	12,843	30.5	16,537	27.6	22,216	21.0
Other commercial loans	232	1.0	285	0.9	768	1.8	2,315	3.8	4,967	4.7
Total other loans	7,772	32.8	10,256	32.2	13,611	32.3	18,852	31.4	27,183	25.7
Total loans[2]	23,712	100.0%	31,818	100.0%	42,138	100.0%	60,014	100.0%	105,760	100.0%
Less:										
Loans in process	—		—		—		3		1,851	
Allowance for loan losses	166		325		398		—		—	
Fair value discounts	480		726		1,141		2,091		8,426	
	$ 23,066		$30,767		$ 40,599		$ 57,920		$ 95,483	

Total Vantus Bank loans receivable, net

(1) Total commercial real estate loans included industrial revenue bonds of $1.1 million, $1.3 million, $1.6 million, $1.8 million and $2.0 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(2) Total loans included non-single-family loans which are no longer covered by the FDIC loss sharing agreement of $17.2 million and $23.2 million at December 31, 2015 and 2014, respectively. At December 31, 2016, none of these acquired loans were covered by an FDIC loss sharing agreement.

Former Sun Security Bank Loan Portfolio Composition:

	December 31,									
	2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$22,538	67.1 %	$27,813	63.4 %	$32,529	54.5 %	$41,529	52.8 %	$55,422	43.5 %
Other residential	507	1.5	1,635	3.7	4,972	8.3	5,488	7.0	6,615	5.2
Commercial(1)	9,174	27.3	12,718	29.0	20,216	33.8	27,426	34.9	45,267	35.5
Construction	292	0.9	402	1.0	368	0.6	1,273	1.5	4,471	3.5
Total real estate loans	32,511	96.8	42,568	97.1	58,085	97.2	75,716	96.2	111,775	87.7
Other Loans:										
Consumer loans:										
Home equity and improvement	278	0.8	344	0.8	364	0.6	425	0.5	1,291	1.0
Other	26	0.1	37	0.1	67	0.1	433	0.6	904	0.7
Total consumer loans	304	0.9	381	0.9	431	0.7	858	1.1	2,195	1.7
Other commercial loans	767	2.3	906	2.0	1,276	2.1	2,124	2.7	13,448	10.6
Total other loans	1,071	3.2	1,287	2.9	1,707	2.8	2,982	3.8	15,643	12.3
Total loans(2)	33,582	100.0%	43,855	100.0%	59,792	100.0%	78,698	100.0%	127,418	100.0%
Less:										
Loans in process	3		—		175		174		485	
Allowance for loan losses	137		161		918		—		—	
Fair value discounts	2,080		3,506		7,451		13,681		35,414	
Total Sun Security Bank loans receivable,	$31,362		$40,188		$51,248		$64,843		$91,519	

net

(1) Total commercial real estate loans included industrial revenue bonds of $-0-, $-0-, $207,000, $292,000 and $373,000 at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.
(2) At December 31, 2016, none of these acquired loans were covered by an FDIC loss sharing agreement.

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Former InterBank Loan Portfolio Composition:

	December 31, 2016 Amount	%	2015 Amount	%	2014 Amount	%	2013 Amount	%	2012 Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$108,410	72.4 %	$134,917	69.7 %	$157,770	64.4 %	$179,574	63.0 %	$215,768	60.5 %
Other residential	4,128	2.8	8,429	4.4	22,624	9.3	29,517	10.5	45,879	12.9
Commercial(1)	7,204	4.8	14,205	7.3	21,821	8.9	27,530	9.8	33,202	9.3
Construction	538	0.4	598	0.3	745	0.3	612	—	134	—
Total real estate loans	120,280	80.4	158,149	81.7	202,960	82.9	237,233	83.3	294,983	82.7
Other Loans:										
Consumer loans:										
Home equity and improvement	29,293	19.6	35,415	18.3	41,923	17.1	47,675	16.7	61,752	17.3
Other	26	—	30	—	32	—	4	—	41	—
Total consumer loans	29,319	19.6	35,445	18.3	41,955	17.1	47,679	16.7	61,793	17.3
Other commercial loans	58	—	62	—	64	—	65	—	70	—
Total other loans	29,377	19.6	35,507	18.3	42,019	17.1	47,744	16.7	61,863	17.3
Total loans	149,657	100.0%	193,656	100.0%	244,979	100.0%	284,977	100.0%	356,846	100.0%
Less:										
Loans in process	—		2		2		2		2	
Allowance for loan losses	71		74		1		—		—	
Fair value discounts	15,301		23,346		43,147		71,436		97,612	
Total InterBank loans receivable, net	$134,285		$170,234		$201,829		$213,539		$259,232	

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Former Valley Bank Loan Portfolio Composition:

	December 31,					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
	(Dollars in Thousands)					
Real Estate Loans:						
Residential						
One- to four- family	$23,535	27.9 %	$30,646	27.9 %	$39,664	27.1 %
Other residential	23,850	28.3	25,886	23.6	22,700	15.5
Commercial(1)	26,258	31.2	31,143	28.4	44,170	30.2
Construction	1,914	2.2	5,922	5.4	13,670	9.4
Total real estate loans	75,557	89.6	93,597	85.3	120,204	82.2
Other Loans:						
Consumer loans:						
Home equity and improvement	744	0.9	1,232	1.1	1,763	1.2
Other	970	1.2	1,362	1.2	1,949	1.3
Total consumer loans	1,714	2.1	2,594	2.3	3,712	2.5
Other commercial loans	7,015	8.3	13,613	12.4	22,378	15.3
Total other loans	8,729	10.4	16,207	14.7	26,090	17.8
Total loans	84,286	100.0%	109,804	100.0%	146,294	100.0%
Less:						
Loans in process	3		13		449	
Allowance for loan losses	143		738		403	
Fair value discounts	8,052		16,355		23,863	
Total Valley Bank loans receivable, net	$76,088		$92,698		$121,579	

Through December 31, 2016, gross loan balances (due from the borrower) related to TeamBank were reduced approximately $417.3 million since the transaction date because of $284.5 million of principal repayments, $61.7 million of transfers to foreclosed assets and $71.1 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Vantus Bank were reduced approximately $307.8 million since the transaction date because of $262.0 million of principal repayments, $16.7 million of transfers to foreclosed assets and $29.1 million of charge-downs to customer loan balances. Gross loan balances (due from the borrower) related to Sun Security Bank were reduced approximately $200.9 million since the transaction date because of $141.6 million of principal repayments, $28.4 million of transfers to foreclosed assets and $30.9 million of charge-offs to customer loan balances. Gross loan balances (due from the borrower) related to InterBank were reduced approximately $243.6 million since the transaction date because of $204.0 million of principal repayments, $16.6 million of transfers to foreclosed assets and $23.0 million of charge-offs to customer loan balances. Gross loan balances (due from the borrower) related to Valley Bank were reduced approximately $108.9 million since the transaction date because of $98.5 million of principal repayments, $3.0 million of transfers to foreclosed assets and $7.4 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisitions, we expected certain levels of foreclosures and charge-offs, and actual results through December 31, 2016, related to the TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank portfolios, have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield which are discussed in Note 4 of the accompanying audited financial statements, included in Item 8 of this Report.

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

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

	December 31, 2016 Amount	%	2015 Amount	%	2014 Amount	%	2013 Amount	%	2012 Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$168,813	4.1 %	$110,738	3.2 %	$102,780	3.5 %	$94,566	4.1 %	$103,442	5.1
Other residential	304,387	7.4	257,854	7.5	273,701	9.2	209,008	9.1	146,661	7.2
Commercial	589,354	14.3	522,924	15.2	453,153	15.3	397,618	17.2	330,196	16
Residential construction:										
One- to four-family	10,950	0.3	16,483	0.5	17,753	0.6	17,270	0.8	18,024	0.9
Other residential	26,487	0.6	21,548	0.6	9,950	0.3	2,162	0.1	7,716	0.4
Commercial construction	530,375	12.9	376,661	10.9	285,623	9.7	156,142	6.8	126,756	6.3
Total real estate loans	1,630,366	39.6	1,306,208	37.9	1,142,960	38.6	876,766	38.1	732,795	36
Consumer	553,800	13.4	506,574	14.7	396,412	13.4	215,628	9.4	166,520	8.2
Other commercial	194,431	4.7	195,602	5.6	197,635	6.7	189,899	8.3	131,523	6.5
Total fixed-rate loans	2,378,597	57.7	2,008,384	58.2	1,737,007	58.7	1,282,293	55.8	1,030,838	50
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	184,896	4.5	161,673	4.7	142,400	4.8	147,715	6.4	152,704	7.5
Other residential	358,991	8.7	161,696	4.7	118,714	4.0	116,591	5.1	120,857	6.0
Commercial	622,290	15.1	557,912	16.2	533,783	18.0	425,302	18.5	405,943	20
Residential construction:										
	15,814	0.4	19,947	0.5	31,878	1.1	30,038	1.3	34,225	1.7

One- to four-family										
Other residential	175,715	4.3	112,170	3.3	49,714	1.7	30,826	1.3	19,840	1.0
Commercial construction	110,820	2.7	174,454	5.0	119,060	4.0	80,493	3.5	71,389	3.5
Total real estate loans	1,468,526	35.7	1,187,852	34.4	995,549	33.6	830,965	36.1	804,958	39
Consumer	119,187	2.9	92,116	2.7	71,242	2.4	59,631	2.6	54,130	2.7
Other commercial	154,524	3.7	161,979	4.7	156,377	5.3	125,370	5.5	133,109	6.6
Total adjustable-rate loans	1,742,237	42.3	1,441,947	41.8	1,223,168	41.3	1,015,966	44.2	992,197	49
Total Loans	4,120,834	100.0%	3,450,331	100.0%	2,960,175	100.0%	2,298,259	100.0%	2,023,035	10
Less:										
Loans in process	585,305		418,702		323,572		194,544		157,574	
Deferred fees and discounts	4,869		3,528		3,276		2,994		2,193	
Allowance for loan losses	36,775		36,646		36,300		40,116		40,649	
Total legacy loans receivable, net	$3,493,885		$2,991,455		$2,597,027		$2,060,605		$1,822,619	

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

	December 31,									
	2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$1,385	7.4 %	$1,946	6.7 %	$2,585	5.9 %	$3,596	6.7 %	$5,420	6.3 %
Other residential	919	4.9	957	3.3	989	2.3	1,012	1.9	3,902	4.5
Commercial	2,092	11.1	3,352	11.5	5,114	11.7	4,854	9.1	17,125	19.8
Construction	245	1.3	413	1.4	413	0.9	1,346	2.5	2,637	3.0
Total real estate loans	4,641	24.7	6,668	22.9	9,101	20.8	10,808	20.2	29,084	33.6
Consumer	18	0.1	28	0.1	41	0.1	73	0.1	159	0.2
Other commercial	189	1.0	200	0.7	264	0.5	668	1.3	1,557	1.8
Total fixed-rate loans	4,848	25.8	6,896	23.7	9,406	21.4	11,549	21.6	30,800	35.6
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	5,845	31.0	7,750	26.6	9,708	22.1	11,454	21.4	14,189	16.4
Other residential	—	—	35	0.1	94	0.2	151	0.3	618	0.7
Commercial	4,967	26.4	8,520	29.3	16,093	36.6	19,828	37.0	24,346	28.1
Construction	1,461	7.7	3,503	12.0	4,844	11.1	5,650	10.5	10,034	11.5
Total real estate loans	12,273	65.1	19,808	68.0	30,739	70.0	37,083	69.2	49,187	56.7
Consumer	1,532	8.1	2,147	7.4	3,305	7.6	4,190	7.8	4,989	5.8
Other commercial	187	1.0	265	0.9	410	1.0	736	1.4	1,686	1.9
Total adjustable-rate loans	13,992	74.2	22,220	76.3	34,454	78.6	42,009	78.4	55,862	64.4
Total Loans	18,840	100.0%	29,116	100.0%	43,860	100.0%	53,558	100.0%	86,662	100.0%
Less:										
Loans in process	2		2		5		5		5	
Allowance for loan losses	108		205		415		—		—	
	1,005		1,454		2,295		3,691		9,042	

Fair value discounts					
Total loans receivable, net	$17,725	$27,455	$41,145	$49,862	$77,615

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

	December 31, 2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$2,934	12.4 %	$4,272	13.4 %	$6,427	15.2 %	$9,204	15.3 %	$13,111	12.4 %
Other residential	533	2.2	571	1.8	1,508	3.6	4,783	8.0	7,542	7.1
Commercial	3,837	16.2	3,027	9.5	3,982	9.4	4,773	8.0	13,136	12.4
Construction	50	0.3	240	0.7	264	0.7	288	0.5	792	0.7
Total real estate loans	7,354	31.1	8,110	25.4	12,181	28.9	19,048	31.8	34,581	32.6
Consumer	3,699	15.6	5,593	17.6	7,739	18.4	10,692	17.8	14,941	14.1
Other commercial	74	0.3	150	0.5	227	0.5	742	1.2	2,097	2.0
Total fixed-rate loans	11,127	47.0	13,853	43.5	20,147	47.8	30,482	50.8	51,619	48.7
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	4,894	20.6	5,973	18.8	7,416	17.6	9,795	16.3	13,049	12.3
Other residential	668	2.8	974	3.1	1,027	2.4	1,640	2.7	7,892	7.5
Commercial	3,016	12.7	6,496	20.4	7,883	18.8	10,648	17.7	22,295	21.1
Construction	8	—	9	—	20	—	31	0.1	760	0.8
Total real estate loans	8,586	36.1	13,452	42.3	16,346	38.8	22,114	36.8	43,996	41.7
Consumer	3,841	16.2	4,378	13.8	5,104	12.1	5,845	9.7	7,275	6.9
Other commercial	158	0.7	135	0.4	541	1.3	1,573	2.7	2,870	2.7
Total adjustable-rate loans	12,585	53.0	17,965	56.5	21,991	52.2	29,532	49.2	54,141	51.3
Total Loans	23,712	100.0%	31,818	100.0%	42,138	100.0%	60,014	100.0%	105,760	100.0%
Less:										
Loans in process	—		—		—		3		1,851	
Allowance for loan losses	166		325		398		—		—	
	480		726		1,141		2,091		8,426	

Fair value discounts					
Total loans receivable, net	$23,066	$30,767	$40,599	$57,920	$95,483

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

	December 31,									
	2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$17,063	50.8 %	$21,200	48.3 %	$25,490	42.7 %	$33,335	42.4 %	$45,667	35.8 %
Other residential	507	1.5	710	1.6	1,063	1.8	1,468	1.9	2,491	2.0
Commercial	6,985	20.8	10,118	23.1	16,786	28.1	22,171	28.2	36,759	28.8
Construction	292	0.8	402	0.9	368	0.6	637	0.7	2,714	2.2
Total real estate loans	24,847	74.0	32,430	73.9	43,707	73.2	57,611	73.2	87,631	68.8
Consumer	276	0.9	342	0.8	394	0.7	798	1.0	2,042	1.6
Other commercial	694	2.1	877	2.0	953	1.6	1,781	2.3	7,875	6.2
Total fixed-rate loans	25,817	76.9	33,649	76.7	45,054	75.5	60,190	76.5	97,548	76.6
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four-family	5,475	16.3	6,613	15.1	7,039	11.8	8,194	10.4	9,755	7.7
Other residential	—	—	925	2.1	3,909	6.5	4,020	5.1	4,124	3.2
Commercial	2,189	6.5	2,600	5.9	3,430	5.7	5,255	6.7	8,508	6.7
Construction	—	—	—	—	—	—	636	0.8	1,757	1.3
Total real estate loans	7,664	22.8	10,138	23.1	14,378	24.0	18,105	23.0	24,144	18.9
Consumer	28	0.1	39	0.1	37	—	60	0.1	153	0.1
Other commercial	73	0.2	29	0.1	323	0.5	343	0.4	5,573	4.4
Total adjustable-rate loans	7,765	23.1	10,206	23.3	14,738	24.5	18,508	23.5	29,870	23.4
Total Loans	33,582	100.0%	43,855	100.0%	59,792	100.0%	78,698	100.0%	127,418	100.0%
Less:										
Loans in process	3		—		175		174		485	
Allowance for loan losses	137		161		918		—		—	

Fair value discounts	2,080	3,506	7,451	13,681	35,414
Total loans receivable, net	$31,362	$40,188	$51,248	$64,843	$91,519

Former InterBank Loan Portfolio Composition by Fixed- and Adjustable-Rates:

	December 31,									
	2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
One- to four-family	$37,752	25.2 %	$52,387	27.1 %	$65,863	26.9 %	$77,181	27.1 %	$88,573	24.8 %
Other residential	1,588	1.1	2,806	1.4	2,187	0.9	3,059	1.1	4,866	1.4
Commercial	1,848	1.2	1,060	0.5	1,118	0.5	997	0.3	2,049	0.6
Construction	449	0.3	495	0.3	630	0.2	489	0.2	—	—
Total real estate loans	41,637	27.8	56,748	29.3	69,798	28.5	81,726	28.7	95,488	26.8
Consumer loans	168	0.1	158	0.1	596	0.2	846	0.3	673	0.2
Other commercial loans	—	—	—	—	—	—	—	—	4	—
Total fixed-rate loans	41,805	27.9	56,906	29.4	70,394	28.7	82,572	29.0	96,165	27.0
Adjustable-Rate Loans:										
Real Estate Loans										
One- to four- family	70,658	47.2	82,530	42.6	91,907	37.5	102,393	35.9	127,195	35.6
Other residential	2,540	1.7	5,623	2.9	20,437	8.4	26,458	9.3	41,014	11.5
Commercial	5,356	3.6	13,145	6.8	20,703	8.4	26,533	9.3	31,153	8.8
Construction	89	0.1	103	0.1	115	0.1	123	0.1	133	—
Total real estate loans	78,643	52.6	101,401	52.4	133,162	54.4	155,507	54.6	199,495	55.9
Consumer loans	29,151	19.5	35,287	18.2	41,359	16.9	46,833	16.4	61,120	17.1
Other commercial loans	58	—	62	—	64	—	65	—	66	—
Total adjustable-rate loans	107,852	72.1	136,750	70.6	174,585	71.3	202,405	71.0	260,681	73.0
Total loans	149,657	100.0%	193,656	100.0%	244,979	100.0%	284,977	100.0%	356,846	100.0%

Less:					
Loans in process	—	2	2	2	2
Allowance for loan losses	71	74	1	—	—
Fair value discounts	15,301	23,346	43,147	71,436	97,612
Total InterBank loans receivable, net	$134,285	$170,234	$201,829	$213,539	$259,232

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Former Valley Bank Loan Portfolio Composition:

	December 31,					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
	(Dollars in Thousands)					
Fixed-Rate Loans:						
Real Estate Loans:						
One- to four- family	$13,604	16.1 %	$19,651	17.9 %	$28,304	19.3 %
Other residential	22,046	26.2	20,507	18.7	18,503	12.6
Commercial	14,281	16.9	14,698	13.4	27,055	18.5
Construction	1,140	1.4	4,308	3.9	11,093	7.8
Total real estate loans	51,071	60.6	59,164	53.9	84,955	58.2
Consumer loans	950	1.1	1,440	1.3	2,024	1.4
Other commercial loans	3,960	4.7	5,772	5.3	10,652	7.3
Total fixed-rate loans	55,981	66.4	66,376	60.5	97,631	66.9
Adjustable-Rate Loans:						
Real Estate Loans:						
One- to four- family	9,931	11.8	10,995	10.0	11,360	7.8
Other residential	1,804	2.1	5,379	4.9	4,197	2.9
Commercial	11,977	14.2	16,445	15.0	17,115	11.7
Construction	774	1.0	1,614	1.4	2,577	1.6
Total real estate loans	24,486	29.1	34,433	31.3	35,249	24.0
Consumer loans	764	0.9	1,154	1.1	1,688	1.1
Other commercial loans	3,055	3.6	7,841	7.1	11,726	8.0
Total adjustable-rate loans	28,305	33.6	43,428	39.5	48,663	33.1
Total loans	84,286	100.0%	109,804	100.0%	146,294	100.0%
Less:						
Loans in process	3		13		449	
Allowance for loan losses	143		738		403	
Fair value discounts	8,052		16,355		23,863	
Total Valley Bank loans receivable, net	$76,088		$92,698		$121,579	

The following tables present the contractual maturities of loans at December 31, 2016. Amounts shown for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank represent unpaid principal balances, before fair value discounts. The tables are based on information prepared in accordance with generally accepted accounting principles.

Legacy Great Southern Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$42,134	$81,588	$229,987	$353,709
Other residential	139,635	471,220	52,523	663,378
Commercial	295,839	698,758	217,047	1,211,644
Residential construction:				
One- to four- family	16,745	8,224	1,795	26,764
Other residential	8,488	193,045	669	202,202
Commercial construction	526,762	112,944	1,489	641,195
Total real estate loans	1,029,603	1,565,779	503,510	3,098,892
Other Loans:				
Consumer loans:				
Automobile and other	35,166	332,278	196,790	564,234
Home equity and improvement	9,967	21,969	76,817	108,753
Total consumer loans	45,133	354,247	273,607	672,987
Other commercial loans	158,474	126,194	64,287	348,955
Total other loans	203,607	480,441	337,894	1,021,942
Total loans	$1,233,210	$2,046,220	$841,404	$4,120,834

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $1.6 billion and loans due after December 31, 2017 with adjustable rates totaled $1.3 billion.

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

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$471	$775	$5,984	$7,230
Other residential	—	919	—	919
Commercial	1,396	2,435	3,228	7,059
Construction	1,037	78	591	1,706
Total real estate loans	2,904	4,207	9,803	16,914
Other Loans:				
Consumer loans:				
Home equity and improvement	576	784	172	1,532
Automobile and other	—	18	—	18
Total consumer loans	576	802	172	1,550
Other commercial loans	225	113	38	376
Total other loans	801	915	210	1,926
Total loans	$3,705	$5,122	$10,013	$18,840

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $3.2 million and loans due after December 31, 2017 with adjustable rates totaled $11.9 million.

Former Vantus Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$339	$1,710	$5,779	$7,828
Other residential	—	533	668	1,201
Commercial	195	2,609	4,049	6,853
Construction	8	36	14	58
Total real estate loans	542	4,888	10,510	15,940
Other Loans:				
Consumer loans:				

Home equity and improvement	10	229	3,602	3,841
Automobile and other	23	933	2,743	3,699
Total consumer loans	33	1,162	6,345	7,540
Other commercial loans	84	75	73	232
Total other loans	117	1,237	6,418	7,772
Total loans	$659	$6,125	$16,928	$23,712

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $10.6 million and loans due after December 31, 2017 with adjustable rates totaled $12.5 million.

Former Sun Security Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$3,417	$8,724	$10,397	$22,538
Other residential	163	344	—	507
Commercial	3,118	5,415	641	9,174
Construction	46	177	69	292
Total real estate loans	6,744	14,660	11,107	32,511
Other Loans:				
Consumer loans:				
Home equity and improvement	236	42	—	278
Automobile and other	19	7	—	26
Total consumer loans	255	49	—	304
Other commercial loans	394	373	—	767
Total other loans	649	422	—	1,071
Total loans	$7,393	$15,082	$11,107	$33,582

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $19.2 million and loans due after December 31, 2017 with adjustable rates totaled $7.0 million.

Former InterBank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$2,393	$21,899	$84,118	$108,410
Other residential	1,947	2,153	28	4,128
Commercial	3,905	3,299	—	7,204
Construction	301	148	89	538
Total real estate loans	8,546	27,499	84,235	120,280
Other Loans:				

Consumer loans:				
Home equity and improvement	479	17,845	10,969	29,293
Automobile and other	—	—	26	26
Total consumer loans	479	17,845	10,995	29,319
Other commercial loans	—	—	58	58
Total other loans	479	17,845	11,053	29,377
Total loans	$9,025	$45,344	$95,288	$149,657

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $39.2 million and loans due after December 31, 2017 with adjustable rates totaled $101.4 million.

Former Valley Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
	(In Thousands)			
Real Estate Loans:				
Residential				
One- to four- family	$1,544	$10,794	$11,197	$23,535
Other residential	1,144	13,543	9,163	23,850
Commercial	10,342	14,326	1,590	26,258
Construction	642	1,124	148	1,914
Total real estate loans	13,672	39,787	22,098	75,557
Other Loans:				
Consumer loans:				
Home equity and improvement	86	74	584	744
Automobile and other	109	313	548	970
Total consumer loans	195	387	1,132	1,714
Other commercial loans	2,818	4,147	50	7,015
Total other loans	3,013	4,534	1,182	8,729
Total loans	$16,685	$44,321	$23,280	$84,286

As of December 31, 2016, loans due after December 31, 2017 with fixed interest rates totaled $46.3 million and loans due after December 31, 2017 with adjustable rates totaled $21.3 million.

At December 31, 2016, $138.1 million, or 3.6%, of total loans were secured by junior lien mortgages and $5.9 million, or 1.6% of residential real estate loans, were interest only residential real estate loans. At December 31, 2015, $146.1 million, or 4.3%, of total loans were secured by junior lien mortgages and $8.5 million, or 2.9% of residential real estate loans, were interest only residential real estate loans. While high loan-to-value ratio mortgage loans are occasionally originated and held, they are typically either considered low risk based on analyses performed or are required to have private mortgage insurance. The Company does not originate or hold option ARM loans or significant amounts of loans with initial teaser rates or subprime loans in its residential real estate portfolio.

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

In response to the economic recession that began in 2008, the composition of the Bank's loan portfolio has changed over the past several years; speculative construction and land development loan types have been limited to reduce the risk, commercial real estate loan types have been stabilized and diversified and emphasis has been placed on increasing our multi-family, commercial business and consumer loan portfolios.

Environmental Issues

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

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

Residential Real Estate Lending

At December 31, 2016 and 2015, loans secured by residential real estate, excluding that which is under construction and excluding all FDIC-assisted acquired loans, totaled $1.0 billion and $692 million, respectively, and represented approximately 23.1% and 18.1%, respectively, of the Bank's total loan portfolio. At December 31, 2016 and 2015, covered and non-covered FDIC-assisted acquired loans (net of fair value discounts) secured by residential real estate totaled $184 million and $228 million, respectively, and represented approximately 4.2% and 6.0%, respectively, of the Bank's total loan portfolio. The Bank's legacy one- to four-family residential real estate loan portfolio increased during 2016, primarily due to loans acquired in the Fifth Third Bank transaction. Overall, mortgage rates remained historically low throughout 2016, consistent with the past few years. One-to four-family residential real estate loans increased significantly in 2012 with the FDIC-assisted acquisition of InterBank and in 2014 with the FDIC-assisted acquisition of Valley Bank. Since 2010, other residential real estate (multi-family) loan balances continued to increase as there was less competition to finance these projects by non-bank entities and the Bank has emphasized this type of loan. The Bank's legacy multi-family residential real estate loan portfolio grew by about 58% and 7% in 2016 and 2015, respectively. In 2013, the Bank completed a non-FDIC-assisted acquisition of a portfolio of multi-family loans totaling $86 million.

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

The Bank's portfolio of adjustable-rate mortgage loans also includes a number of loans with different adjustment periods, without limitations on periodic rate increases and rate increases over the life of the loans, or which are tied to other short-term market indices. These loans were originated prior to the industry standardization of adjustable-rate loans. Since the adjustable-rate mortgage loans currently held in the Bank's portfolio have not been subject to an interest rate environment which causes them to adjust to the maximum, these loans entail unquantifiable risks resulting from potential increased payment obligations on the borrower as a result of upward repricing. The indices used by Great Southern for these types of loans have not increased significantly in the past three years. Compared to fixed-rate mortgage loans, these loans are subject to increased risk of delinquency or default if a higher, fully-indexed rate of interest subsequently comes into effect in replacement of a lower rate currently in effect. From 2008 through 2012, as a result of the significant recession in the economy, including residential real estate, the Bank experienced a significant increase in delinquencies in adjustable-rate mortgage loans. In 2013 through 2016, these delinquencies have trended lower.

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

Commercial Real Estate and Construction Lending

Commercial real estate lending has been a significant part of Great Southern's business activities since the mid-1980s. Great Southern does commercial real estate lending in order to increase the potential yield on, and the proportion of interest rate sensitive loans in, its portfolio. At December 31, 2008, commercial real estate loans and commercial construction loans each made up about one fourth of the total loan portfolio. The economic recession that began in 2008 resulted in reduced activity in the market caused by the downturn in the economy and reduced real estate values. In response, Great Southern began limiting residential and commercial land development lending to reduce the risk in the portfolio and began originating an increased amount of commercial real estate loans. Since December 31, 2008, the commercial land development construction loan portfolio has decreased significantly and, overall, commercial real estate loans have trended upward. The increase in commercial real estate loans in 2015 and 2016 indicates some economic improvement with increased investor activity in sales, purchases and refinancing of these types of properties. Both commercial real estate occupancy and rental rates show improvement in the Bank's market areas. Excluding FDIC-assisted acquired loans, over the last three years, commercial real estate loans made up approximately 27-29% of the total loan portfolio while commercial construction loans were 15-20%. Great Southern expects to continue to limit lending on land development loans in 2017 with increases in commercial construction and commercial real estate anticipated as long as the economy continues to improve. See "Government Supervision and Regulation" below.

At December 31, 2016 and 2015, loans secured by commercial real estate, excluding that which is under construction and excluding all FDIC-assisted acquired loans, totaled $1.2 billion and $1.1 billion, respectively, or approximately 27.5% and 28.3%, respectively, of the Bank's total loan portfolio. At December 31, 2016 and 2015, covered and non-covered acquired loans (net of fair value discounts) secured by commercial real estate totaled $54 million and $73 million, respectively, and represented approximately 1.2% and 1.9%, respectively, of the Bank's total loan portfolio. In addition, at December 31, 2016 and 2015, construction loans, excluding all acquired loans, secured by projects under construction and the land on which the projects are located aggregated $870 million and $721 million, respectively, or 19.8% and 19.0%, respectively, of the Bank's total loan portfolio. At December 31, 2016 and 2015, covered and non-covered acquired construction loans (net of fair value discounts) totaled $3 million and $8 million, respectively, and represented approximately 0.1% and 0.2%, respectively, of the Bank's total loan portfolio. A majority of the Bank's commercial real estate loans have been originated with adjustable rates of interest, most of which are tied to the national prime rate, or fixed rates of interest with short-term maturities. A large majority of the Bank's commercial real estate loans (both fixed and adjustable) mature in five years or less. Substantially all of these loans were originated with loan commitments which did not exceed 80% of the appraised value of the properties securing the loans.

The Bank's construction loans generally have a term of eighteen months or less. The construction loan agreements for one- to four-family projects generally require principal reductions as individual condominium units or single-family houses are built and sold to a third party. This insures that the remaining loan balance, as a proportion to the value of the remaining security, does not increase, assuming that the value of the remaining security does not decrease. Loan proceeds are disbursed in increments as construction progresses. Generally, the amount of each disbursement is based on the construction cost estimate with inspections of the project performed in connection with each disbursement request. Normally, Great Southern's commercial real estate and other residential construction loans are made either as the initial stage of a combination loan (i.e., with a commitment from the Bank to provide permanent financing upon completion of the project) or with a commitment from a third party to provide permanent financing.

The Bank's commercial real estate and construction loan portfolios consist of loans with diverse collateral types. The following table sets forth loans that were secured by certain types of collateral at December 31, 2016, excluding covered and non-covered FDIC-assisted acquired loans. These collateral types represent the five highest percentage concentrations of commercial real estate and construction loan types in the loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio	Non-Performing Loans at December 31, 2016
	(Dollars In Thousands)		
Retail (Varied Projects)	$417,454	11.9%	$ 1,844
Office Industry	$256,449	7.3%	$ 0

Health Care Facilities	$184,260	5.2%	$ 0
Warehouses	$114,240	3.3%	$ 98
Motels/Hotels	$ 97,625	2.8%	$ 644

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

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

The Company executes interest rate swaps with certain commercial banking customers to facilitate their respective risk management strategies. The Company began offering this service during 2011. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of December 31, 2016, the Company had 26 interest rate swaps totaling $110.7 million in notional amount with commercial customers, and 26 interest rate swaps with the same notional amount with third parties related to this program. As of December 31, 2015, the Company had 28 interest rate swaps totaling $123.0 million in notional amount with commercial customers, and 28 interest rate swaps with the same notional amount with third parties related to this program. As part of the Valley Bank FDIC-assisted acquisition, the Company acquired seven loans with related interest rate swaps. Valley's swap program differed from the Company's in that Valley did not have back to back swaps with the customer and a counterparty. Two of the seven acquired loans with interest rate swaps have paid off. The notional amount of the five remaining Valley swaps is $3.7 million at December 31, 2016. During the years ended December 31, 2016 and 2015, the Company recognized net gains and (losses) of $66,000 and $(43,000), respectively, in noninterest income related to changes in the fair value of these swaps.

Other Commercial Lending

At December 31, 2016 and 2015, Great Southern had $348 million and $358 million, respectively, in other commercial loans outstanding, excluding all FDIC-assisted acquired loans, or 7.9% and 9.4%, respectively, of the Bank's total loan portfolio. At December 31, 2016 and 2015, covered and non-covered acquired other commercial loans (net of fair value discounts) totaled $6 million and $10 million, respectively, and represented approximately 0.1% and 0.3%, respectively, of the Bank's total loan portfolio. Great Southern's other commercial lending activities encompass loans with a variety of purposes and security, including loans to finance accounts receivable, inventory and equipment. Great Southern expects to continue to originate loans in this category subject to market conditions and applicable regulatory restrictions. See "Government Supervision and Regulation" below.

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

The Bank's management recognizes the generally increased risks associated with other commercial lending. Great Southern's commercial lending policy emphasizes complete credit file documentation and analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of the industry conditions affecting the borrower. Review of the borrower's past, present and future cash flows is also an important aspect of Great Southern's credit analysis. In addition, the Bank generally obtains personal guarantees from the borrowers on these types of loans. Historically, the majority of Great Southern's commercial loans have been to borrowers in southwestern and central Missouri and the St. Louis, Mo. area. With the acquisitions in 2009, 2011, 2012 and 2014, geographic concentrations for commercial loans expanded to include the greater Kansas City, Mo. area, several areas in Iowa, and the Minneapolis-St. Paul, Minn. area. Great Southern has continued its commercial lending in all of these geographic areas.

As part of its commercial lending activities, Great Southern issues letters of credit and receives fees averaging approximately 1% of the amount of the letter of credit per year. At December 31, 2016, Great Southern had 109 letters of credit outstanding in the aggregate amount of $26.4 million. Approximately 22% of the aggregate amount of these letters of credit was secured, including one $1.3 million letter of credit secured by real estate which was issued to enhance the issuance of housing revenue refunding bonds and was current.

Consumer Lending

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

Great Southern offers a variety of secured consumer loans, including automobile loans, boat loans, home equity loans and loans secured by savings deposits. In addition, Great Southern also offers home improvement loans and unsecured consumer loans. Consumer loans, excluding all FDIC-assisted acquired loans, totaled $673 million and $599 million at December 31, 2016 and 2015, respectively, or 15.3% and 15.7%, respectively, of the Bank's total loan portfolio. At December 31, 2016 and 2015, covered and non-covered acquired consumer loans (net of fair value discounts) totaled $35 million and $43 million, respectively, and represented approximately 0.8% and 1.1%, respectively, of the Bank's total loan portfolio.

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

Beginning in 1998, the Bank implemented indirect lending relationships, primarily with automobile dealerships. Through these dealer relationships, the dealer completes the application with the consumer and then submits it to the Bank for credit approval. While the Bank's initial and ongoing concentrated effort was on automobiles, the program has evolved for use with other tangible products where financing of the product is provided through the seller, including, to a lesser extent, boats and manufactured homes. At December 31, 2016 and 2015, the Bank had $568 million and $520 million, respectively, of auto, boat, modular home and recreational vehicle loans in its portfolio, including acquired loans totaling $5 million and $7 million, respectively.

Indirect consumer loans increased significantly in 2014 through 2016, primarily due to an increased number of lending relationships with automobile dealerships in our market areas, and were $468.1 and $403.9 million at December 31, 2016 and 2015, respectively. The total indirect consumer loans at December 31, 2016 was made up of the following types of loans: $401.4 million of used auto loans, $37.4 million of manufactured home loans, $24.1 million of new auto loans, $4.4 million of new boat loans, and various other loans including loans for RVs, used boats, ATVs and motorcycles.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciable assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial strength, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state consumer bankruptcy and insolvency laws, may limit the amount which can be recovered on these loans. These loans may also give rise to claims and defenses by a consumer loan borrower against an assignee of these loans such as the Bank, and a borrower may be able to assert against the assignee claims and defenses which it has against the seller of the underlying collateral.

Originations, Purchases, Sales and Servicing of Loans

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

Great Southern may also purchase whole loans and participation interests in loans (generally without recourse, except in cases of breach of representation, warranty or covenant) from other banks, thrift institutions and life insurance companies (originators). The purchase transaction is governed by a participation agreement entered into by the originator and participant (Great Southern) containing guidelines as to ownership, control and servicing rights, among others. The originator may retain all rights with respect to enforcement, collection and administration of the loan. This may limit Great Southern's ability to control its credit risk when it purchases participations in these loans. For instance, the terms of participation agreements vary; however, generally Great Southern may not have direct access to the borrower, and the institution administering the loan may have some discretion in the administration of performing loans and the collection of non-performing loans.

Over the years, a number of banks, both locally and regionally, have sought to diversify the risk in their portfolios. In order to take advantage of this situation, Great Southern purchases participations in commercial real estate, commercial construction and other commercial loans. Great Southern subjects these loans to its normal underwriting standards used for originated loans and rejects any credits that do not meet those guidelines. The originating bank retains the servicing of these loans. Excluding all FDIC-assisted acquired loans, the Bank purchased $50.9 million and $117.7 million of these loans in the fiscal years ended December 31, 2016 and 2015, respectively. Of the total $232.4 million of purchased participation loans outstanding at December 31, 2016, the largest aggregate amount outstanding purchased from one institution was $16.9 million. This total was comprised of one loan and was secured by an office building in the Kansas City metro area. This loan was performing at December 31, 2016. At December 31, 2016 and 2015, loans which were covered by loss sharing agreements with the FDIC included purchased and participation loans of $-0- and

$0.4 million, respectively. At December 31, 2016 and 2015, loans which were previously covered by loss sharing agreements with the FDIC but are no longer covered included purchased and participation loans of $1.2 million and $3.4 million, respectively. At December 31, 2016 and 2015, acquired non-covered loans included purchased and participation loans of $13.6 million and $12.1 million, respectively. These amounts represent the undiscounted balance of these loans.

In October 2013, the Bank purchased $86.1 million of multi-family residential loans, which were auctioned by an unrelated FDIC-insured financial institution. The Bank paid $87.9 million for the loans, which resulted in a 2.125% premium over the principal balances of the portfolio. This purchased loan portfolio totaled $38.9 million and $51.8 million at December 31, 2016 and 2015, respectively. There were no loans from this purchased loan portfolio included in non-performing loans at December 31, 2016.

In August 2014, the Bank purchased $20.9 million of commercial real estate loans (primarily retail projects with single tenants), which were auctioned by an unrelated FDIC-insured financial institution. The Bank paid $21.3 million for the loans, which resulted in a 1.64% premium over the principal balances of the portfolio. This purchased loan portfolio totaled $17.7 million and $20.1 million at December 31, 2016 and 2015, respectively. There were no loans from this purchased loan portfolio included in non-performing loans at December 31, 2016.

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

Great Southern also sells whole residential real estate loans without recourse to Freddie Mac and Fannie Mae as well as to private investors, such as other banks, thrift institutions, mortgage companies and life insurance companies. Whole real estate loans are sold with a provision for repurchase upon breach of representation, warranty or covenant. These representations, warranties and covenants include those regarding the compliance of loan originations with all applicable legal requirements, mortgage title insurance policies when applicable, enforceable liens on collateral, collateral type, borrower credit worthiness, private mortgage insurance when required and compliance with all applicable federal regulations. A minimal number of repurchase requests have been received to date based on a breach of representations, warranties and covenants as outlined in the investor contracts. These loans are generally sold for cash in amounts equal to the unpaid principal amount of the loans adjusted for current market yields to the buyer. The sale amounts generally produce gains to the Bank and allow a margin for servicing income on loans when the servicing is retained by the Bank. However, residential real estate loans sold in recent years have primarily been with Great Southern releasing control of the servicing of the loans.

The Bank sold one- to four-family whole real estate loans and loan participations in aggregate amounts of $153.0 million, $154.8 million and $152.5 million during fiscal 2016, 2015, and 2014, respectively. Sales of whole real estate loans and participations in real estate loans can be beneficial to the Bank since these sales generally generate income at the time of sale, produce future servicing income on loans where servicing is retained, provide funds for additional lending and other investments, and increase liquidity.

Gains, losses and transfer fees on sales of loans and loan participations are recognized at the time of the sale. When real estate loans and loan participations sold have an average contractual interest rate that differs from the agreed upon yield to the purchaser (less the agreed upon servicing fee), resulting gains or losses are recognized in an amount equal to the present value of the differential over the estimated remaining life of the loans. Any resulting discount or premium is accreted or amortized over the same estimated life using a method approximating the level yield interest method. When real estate loans and loan participations are sold with servicing released, as the Bank primarily does, an additional fee is received for the servicing rights. Net gains and transfer fees on sales of loans for fiscal 2016, 2015 and 2014 were $3.9 million, $3.9 million and $4.1 million, respectively. These gains were from the sale of fixed-rate residential loans.

The Bank serviced loans owned by others totaling approximately $266.2 million and $237.7 million at December 31, 2016 and 2015, respectively. Of the total loans serviced at December 31, 2016, $168.8 million related to commercial real estate, commercial business and construction loans, portions of which were sold to other parties. The remaining $97.4 million of loans serviced for others related to one- to four-family real estate loans which the Bank had originated and sold, but retained the obligation to service, or had acquired the servicing through various FDIC-assisted transactions. The servicing of these loans generated fees (net of amortization of the servicing rights) to the Bank for the years ended December 31, 2016, 2015 and 2014, of $220,000, $241,000 and $253,000, respectively.

In addition to interest earned on loans and loan origination fees, the Bank receives fees for loan commitments, letters of credit, prepayments, modifications, late payments, transfers of loans due to changes of property ownership and other miscellaneous services. The fees vary from time to time, generally depending on the supply of funds and other competitive conditions in the market. Fees from prepayments, commitments, letters of credit and late payments totaled $2.0 million, $2.3 million and $1.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. Loan origination fees, net of related costs, are accounted for in accordance with

FASB ASC 310-20, Receivables – Nonrefundable Fees and Other Costs. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the level-yield method over the contractual life of the loan. For further discussion of this matter, see Note 1 of the accompanying audited financial statements, included in Item 8 of this Report.

Loan Delinquencies and Defaults

For loans which have not been acquired in an FDIC-assisted transaction, when a borrower fails to make a required payment on a loan, the Bank attempts to cause the delinquency to be cured by contacting the borrower. In the case of loans secured by residential real estate, a late notice is sent 15 days after the due date. If the delinquency is not cured by the 30th day, a delinquent notice is sent to the borrower.

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

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

These processes are generally the same for loans which have been acquired in an FDIC-assisted transaction, regardless of whether they are covered by loss sharing agreements.

The following tables set forth our loans by aging category:

	December 31, 2016									
	30-59 Days Past Due		60-89 Days Past Due		Over 90 Days		Total Past Due		Current	Total Loans Receivable
	#	Amount	#	Amount	#	Amount	#	Amount	Amount	Amount
	(Dollars In Thousands)									
One- to four-family residential construction	—	$—	—	$—	—	$—	—	$—	$21,737	$21,737
Subdivision construction	—	—	—	—	1	109	1	109	17,077	17,186
Land development	2	413	3	584	2	1,718	7	2,715	47,909	50,624
Commercial construction	—	—	—	—	—	—	—	—	780,614	780,614
Owner occupied one- to four-family residential	23	1,760	8	388	19	1,125	50	3,273	197,067	200,340
Non-owner occupied one- to four-family residential	1	309	2	278	5	404	8	991	135,933	136,924
Commercial real estate	4	1,969	1	1,988	11	4,404	16	8,361	1,178,545	1,186,906
Other residential	3	4,632	—	—	1	162	4	4,794	658,584	663,378
Commercial business	9	1,741	2	24	6	3,088	17	4,853	343,775	348,628
Industrial revenue bonds	—	—	—	—	—	—	—	—	25,065	25,065
Consumer auto	626	8,252	177	2,451	165	1,989	968	12,692	481,541	494,233
Consumer other	66	1,103	38	278	23	649	127	2,030	67,971	70,001
Home equity lines of credit	7	136	4	158	14	433	25	727	108,026	108,753
Acquired FDIC-covered loans, net of discounts	39	4,476	12	1,201	40	8,226	91	13,903	120,453	134,356
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	41	1,356	6	552	44	1,401	91	3,309	69,260	72,569
Acquired non-covered loans, net of discounts	10	851	3	173	42	2,854	55	3,878	72,356	76,234

	831	26,998	256	8,075	373	26,562	1,460	61,635	4,325,913	4,387,548
Less FDIC-supported loans and acquired non-covered loans, net of discounts	90	6,683	21	1,926	126	12,481	237	21,090	262,069	283,159
Total	741	$20,315	235	$6,149	247	$14,081	1,223	$40,545	$4,063,844	$4,104,389

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	December 31, 2015									
	30-59 Days Past Due		60-89 Days Past Due		Over 90 Days		Total Past Due		Current	Total Loans Receivable
	#	Amount	#	Amount	#	Amount	#	Amount	Amount	Amount
	(Dollars In Thousands)									
One- to four-family residential construction	5	$649	—	$—	—	$—	5	$649	$22,877	$23,526
Subdivision construction	—	—	—	—	—	—	—	—	38,504	38,504
Land development	3	2,245	1	148	3	139	7	2,532	55,908	58,440
Commercial construction	1	1	—	—	—	—	1	1	600,793	600,794
Owner occupied one- to four-family residential	21	1,217	5	345	9	715	35	2,277	108,000	110,277
Non-owner occupied one- to four-family residential	—	—	—	—	6	345	6	345	149,529	149,874
Commercial real estate	2	1,035	3	471	10	13,488	15	14,994	1,028,480	1,043,474
Other residential	—	—	—	—	—	—	—	—	419,549	419,549
Commercial business	7	1,020	1	9	8	288	16	1,317	356,263	357,580
Industrial revenue bonds	—	—	—	—	—	—	—	—	37,362	37,362
Consumer auto	333	3,351	81	891	72	721	486	4,963	434,932	439,895
Consumer other	57	943	34	236	29	576	120	1,755	73,074	74,829
Home equity lines of credit	6	212	7	123	12	297	25	632	83,334	83,966
Acquired FDIC-covered loans, net of discounts	89	7,936	16	603	82	9,712	187	18,251	217,820	236,071
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	7	989	2	39	3	33	12	1,061	32,277	33,338
Acquired non-covered loans, net of discounts	16	1,081	4	638	67	5,914	87	7,633	85,803	93,436
	547	20,679	154	3,503	301	32,228	1,002	56,410	3,744,505	3,800,915
Less FDIC-supported loans and acquired non-	112	10,006	22	1,280	152	15,659	286	26,945	335,900	362,845

covered loans, net of discounts										
Total	435	$10,673	132	$2,223	149	$16,569	716	$29,465	$3,408,605	$3,438,070

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Classified Assets

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered to be of lesser quality as "substandard," "doubtful" or "loss" assets. The regulations require insured institutions to classify their own assets and to establish prudent specific allocations for losses from assets classified "substandard" or "doubtful." "Substandard" assets include those characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Assets classified as "doubtful," have all the weaknesses inherent in those classified as "substandard" with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. For the portion of assets classified as "loss," an institution is required to either establish specific allowances of 100% of the amount classified or charge such amount off its books. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess a potential weakness (referred to as "special mention" assets), are required to be listed on the Bank's watch list and monitored for further deterioration. In addition, a bank's regulators may require the establishment of a general allowance for losses based on the general quality of the asset portfolio of the bank. Following are the total classified assets at December 31, 2016 and 2015, per the Bank's internal asset classification list, excluding assets acquired through FDIC-assisted transactions which are covered by loss sharing agreements. The allowances for loan losses reflected below are the portions of the Bank's total allowances for loan losses relating to these classified loans. There were no significant off-balance sheet items classified at December 31, 2016 and 2015.

	December 31, 2016					
Asset Category	Special Mention	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
	(In Thousands)					
Investment securities	$—	$—	$ —	$ —	$ —	$ —
Loans	—	21,061	—	—	21,061	6,362
Foreclosed assets and repossessions	—	25,249	—	—	25,249	—
Total	$—	$46,310	$ —	$ —	$ 46,310	$ 6,362

	December 31, 2015					
Asset Category	Special Mention	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
		(In Thousands)				
Investment securities	$—	$—	$ —	$ —	$ —	$ —
Loans	8,400	31,325	—	—	39,725	6,093
Foreclosed assets and repossessions	—	27,391	—	—	27,391	—
Total	$8,400	$58,716	$ —	$ —	$ 67,116	$ 6,093

Non-Performing Assets

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

Former TeamBank, Vantus Bank, Sun Security Bank and InterBank non-performing assets, including foreclosed assets, are not included in the totals of non-performing assets below as they are, or were, subject to loss sharing agreements with the FDIC, which substantially cover, or covered, principal losses that may be incurred in these portfolios for the applicable terms under the agreements. In addition, these assets were initially recorded at their fair value estimated fair values as of their acquisition dates. Former Valley Bank loans are also excluded from the totals of non-performing assets below, although they are not covered by a loss sharing agreement. As in the previous FDIC-assisted acquisitions, former Valley Bank loans are accounted for in pools and were recorded at their fair value at the time of the acquisition as of June 20, 2014; therefore, these loan pools are analyzed rather than the individual loans. The overall performance of the FDIC-covered acquired loan pools has been better than original expectations as of the acquisition dates. At December 31, 2016, there were no material non-performing assets in these acquired loan portfolios.

	December 31, 2016	2015	2014	2013	2012
	(In Thousands)				
Non-accruing loans:					
One- to four-family residential	$1,529	$1,060	$1,155	$3,506	$4,020
One- to four-family construction	109	—	—	—	—
Other residential	162	—	—	—	—
Commercial real estate	4,404 (1)	13,488 (2)	4,512 (3)	6,205 (4)	8,324 (5)
Other commercial	3,088 (6)	288	411	7,231 (7)	6,249 (8)
Commercial construction and land development	1,718	139	255	1,209	2,474
Consumer	3,071	1,594	1,038	1,147	699
Total gross non-accruing loans	14,081	16,569	7,371	19,298	21,766
Loans over 90 days delinquent still accruing interest:					
One- to four-family residential	—	—	170	351	237
Commercial real estate	—	—	187	—	—
Other commercial	—	—	—	—	—
Commercial construction and land development	—	—	—	—	—
Consumer	—	—	419	257	475
Total loans over 90 days delinquent still accruing interest	—	—	776	608	712
Other impaired loans	—	—	—	—	—
Total gross non-performing loans	14,081	16,569	8,147	19,906	22,478
Foreclosed assets:					
One- to four-family residential	1,217	1,375	3,353	744	1,200
One- to four-family construction	—	—	223	600	627
Other residential	954	2,150	2,625	5,900	7,232
Commercial real estate	3,841	3,608	1,632	3,135	2,738
Commercial construction and land development	17,246	19,149	27,025	30,972	37,716
Other commercial	—	—	59	79	160
Total foreclosed assets	23,258	26,282	34,917	41,430	49,673
Repossessions	1,991	1,109	624	715	471
Total gross non-performing assets	$39,330	$43,960	$43,688	$62,051	$72,622
Total gross non-performing assets as a percentage of average total assets	0.90 %	1.08 %	1.14 %	1.64 %	1.81 %

(1) The largest two relationships in this category were $1.7 million and $1.7 million, respectively, at December 31, 2016.

(2) The largest two relationships in this category were $6.5 million and $3.7 million, respectively, at December 31, 2015.

(3) The largest two relationships in this category were $2.0 million and $1.9 million, respectively, at December 31, 2014.
(4) One relationship was $4.1 million of this total at December 31, 2013.
(5) One relationship was $3.7 million of this total at December 31, 2012.
(6) One relationship was $3.0 million of this total at December 31, 2016.
(7) One relationship was $2.7 million of this total at December 31, 2013.
(8) One relationship was $2.6 million of this total at December 31, 2012.

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

Gross impaired loans totaled $34.3 million at December 31, 2016 and $62.2 million at December 31, 2015. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. See Note 3 "Loans" of the accompanying audited financial statements included in Item 8 for additional information including further detail of non-accruing loans and impaired loans and details of troubled debt restructurings. See also Note 16 "Disclosures About Fair Value of Financial Instruments" of the accompanying audited financial statements included in Item 8 for additional information.

For the year ended December 31, 2016, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.6 million. No interest income was included on these loans for the year ended December 31, 2016. For the year ended December 31, 2015, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.0 million. No interest income was included on these loans for the year ended December 31, 2015. For the year ended December 31, 2014, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.1 million. No interest income was included on these loans for the year ended December 31, 2014.

Restructured Troubled Debt

Included in impaired loans at December 31, 2016 and 2015, were loans modified in troubled debt restructurings as follows:

	December 31, 2016		
	Restructured Troubled Debt	Accruing Interest	Restructured Troubled Debt Nonaccruing
	(In Thousands)		
Commercial real estate	$7,117	$5,113	$ 2,004
One- to four-family residential	3,726	3,286	440
Other residential	3,650	3,650	—
Construction	5,014	5,014	—
Commercial	1,311	1,291	20
Consumer	296	198	98
	$21,114	$18,552	$ 2,562

	December 31, 2015		
	Restructured Troubled Debt	Accruing Interest	Restructured Troubled Debt Nonaccruing
	(In Thousands)		
Commercial real estate	$21,304	$15,936	$ 5,368

One- to four-family residential	3,988	3,456	532
Other residential	9,533	9,533	—
Construction	7,902	7,902	—
Commercial	1,977	1,977	—
Consumer	311	168	143
	$45,015	$38,972	$ 6,043

Allowances for Losses on Loans and Foreclosed Assets

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

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

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

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

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

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

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

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

At December 31, 2016 and 2015, Great Southern had an allowance for losses on loans of $37.4 million and $38.1 million, respectively, of which $6.4 million and $6.1 million, respectively, had been allocated for specific loans. All loans with specific allowances were considered to be impaired loans. The allowance and the activity within the allowance during 2016, 2015 and 2014 are discussed further in Note 3 "Loans and Allowance for Loan Losses" of the accompanying audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 8 and Item 7 of this Report, respectively.

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

	December 31, 2016		2015		2014		2013		2012
	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount	% of Loans to Total Loans (2)	Amount
	(Dollars In Thousands)								
One- to four-family residential and construction	$2,198	9.2 %	$4,195	9.4 %	$3,361	10.2 %	$6,235	13.5 %	$6,820
Other residential and construction	5,396	16.1	3,122	12.2	2,923	13.3	2,678	14.2	4,327
Commercial real estate	15,716	28.9	14,444	30.3	18,422	32.1	16,935	35.9	17,433
Commercial construction	2,244	20.3	2,961	19.2	3,412	15.1	4,464	10.6	3,938
Other commercial	2,976	9.1	3,977	11.5	3,628	13.4	6,449	13.8	5,092
Consumer and overdrafts	8,245	16.4	7,947	17.4	4,553	15.9	3,349	12.0	3,022
Loans covered by loss sharing agreements (1)	70	—	344	—	941	—	6	—	17
Acquired loans not covered by loss sharing agreements	555	—	1,159	—	1,195	—	—	—	—
Total	$37,400	100.0%	$38,149	100.0%	$38,435	100.0%	$40,116	100.0%	$40,649

(1) Associated with these allowances at December 31, 2016, 2015, 2014, 2013 and 2012, are receivables from the FDIC totaling $56,000, $275,000, $753,000, $5,000 and $14,000, respectively, under the loss sharing agreements which will be collected if the losses are realized.
(2) Excludes loans covered by loss sharing agreements.

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

	December 31, 2016	2015	2014	2013	2012
	(Dollars In Thousands)				
Balance at beginning of period	$38,149	$38,435	$40,116	$40,649	$41,232
Charge-offs:					
One- to four-family residential	229	80	2,251	2,196	3,203
Other residential	16	2	1	3,248	3,579
Commercial real estate	5,653	2,584	2,160	9,836	18,010
Construction	31	329	126	788	18,027
Other commercial	589	1,202	3,286	4,072	3,082
Consumer, overdrafts and other loans	8,751	5,315	4,005	3,312	2,390
Total charge-offs	15,269	9,512	11,829	23,452	48,291

Recoveries:					
One- to four-family residential	58	97	496	113	227
Other residential	52	58	37	43	347
Commercial real estate	1,221	302	3,139	2,412	701
Construction	123	405	181	172	882
Other commercial	327	276	105	1,023	307
Consumer, overdrafts and other loans	3,458	2,569	2,039	1,770	1,381
Total recoveries	5,239	3,707	5,997	5,533	3,845
Net charge-offs	10,030	5,805	5,832	17,919	44,446
Provision for losses on loans	9,281	5,519	4,151	17,386	43,863
Balance at end of period	$37,400	$38,149	$38,435	$40,116	$40,649
Ratio of net charge-offs to average loans outstanding	0.29 %	0.20 %	0.24 %	0.91 %	2.43 %

Investment Activities

Excluding securities issued by the United States Government, or its agencies, there were no investment securities in excess of 10% of the Company's stockholders' equity at December 31, 2016, 2015 and 2014, respectively. Agencies, for this purpose, primarily include Freddie Mac, Fannie Mae, Ginnie Mae and FHLBank.

As of December 31, 2016 and 2015, the Bank held approximately $247,000 and $353,000, respectively, in principal amount of investment securities which the Bank intends to hold until maturity. As of such dates, these securities had fair values of approximately $258,000 and $384,000, respectively. In addition, as of December 31, 2016 and 2015, the Company held approximately $213.9 million and $262.9 million, respectively, in principal amount of investment securities which the Company classified as available-for-sale. See Notes 1 and 2 of the accompanying audited financial statements included in Item 8 of this Report.

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

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
Mortgage-backed securities	$146,491	$ 1,045	$ 1,501	$146,035
States and political subdivisions	64,682	3,163	8	67,837
	$211,173	$ 4,208	$ 1,509	$213,872
HELD-TO-MATURITY SECURITIES				
States and political subdivisions	$247	$ 11	$ —	$258

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$20,000	$ —	$ 219	$19,781
Mortgage-backed securities	159,777	2,038	601	161,214
States and political subdivisions	72,951	5,081	1	78,031
Other securities	847	2,983	—	3,830
	$253,575	$ 10,102	$ 821	$262,856
HELD-TO-MATURITY SECURITIES				
States and political subdivisions	$353	$ 31	$ —	$384

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$20,000	$ —	$ 486	$19,514
Mortgage-backed securities	254,294	4,325	821	257,798
States and political subdivisions	79,237	5,810	7	85,040
Other securities	847	2,307	—	3,154
	$354,378	$ 12,442	$ 1,314	$365,506
HELD-TO-MATURITY SECURITIES				
States and political subdivisions	$450	$ 49	$ —	$499

At December 31, 2016, the Company's mortgage-backed securities portfolio consisted of FHLMC securities totaling $57.2 million, FNMA securities totaling $52.1 million and GNMA securities totaling $36.7 million. At December 31, 2016, $130.6 million of the Company's mortgage-backed securities had variable rates of interest and $15.4 million had fixed rates of interest.

The following tables present the contractual maturities and weighted average tax-equivalent yields of available-for-sale securities at December 31, 2016. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost	Tax-Equivalent Amortized Yield		Fair Value
	(Dollars In Thousands)			
After one through five years	$633	6.24	%	$642
After five through ten years	7,987	5.77	%	8,189
After ten years	56,062	5.72	%	59,006
Securities not due on a single maturity date	146,491	2.03	%	146,035
Total	$211,173	3.16	%	$213,872

	One Year or Less	After One Through Five Years	After Five Through Ten Years	After Ten Years	Securities Not Due on a Single Maturity Date	Total
Mortgage-backed securities	$ —	$ —	$ —	$—	$146,035	$146,035
States and political subdivisions	—	642	8,189	59,006	—	67,837

Total	$ —	$ 642	$ 8,189	$ 59,006	$ 146,035	$ 213,872

The following table presents the contractual maturities and weighted average tax-equivalent yields of held-to-maturity securities at December 31, 2016. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost	Tax-Equivalent Amortized Yield	Approximate Fair Value
	(Dollars In Thousands)		
After one through five years	$247	7.36 %	$ 258

The following table shows our investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2016, 2015 and 2014, respectively:

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

	2015					
	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	$19,781	$ (219)	$—	$ —	$19,781	$ (219)
Mortgage-backed securities	45,146	(348)	9,382	(253)	54,528	(601)
States and political subdivisions	—	—	909	(1)	909	(1)
	$64,927	$ (567)	$10,291	$ (254)	$75,218	$ (821)

	2014					
	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	$—	$ —	$19,514	$ (486)	$19,514	$ (486)
Mortgage-backed securities	39,714	(328)	44,561	(493)	84,275	(821)
States and political subdivisions	—	—	918	(7)	918	(7)
	$39,714	$ (328)	$64,993	$ (986)	$104,707	$ (1,314)

On at least a quarterly basis, the Company evaluates the securities portfolio to determine if an other-than-temporary impairment (OTTI) needs to be recorded. For debt securities with fair values below carrying value, when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

The Company's consolidated statements of income as of December 31, 2016, 2015 and 2014, reflect the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.
For equity securities, if any, when the Company has decided to sell an impaired available-for-sale security and the Company does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Company recognizes an impairment loss when the impairment is deemed other than temporary even if a decision to sell has not been made.
Sources of Funds

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

Deposits. The Bank attracts both short-term and long-term deposits from the general public by offering a wide variety of accounts and rates and also purchases brokered deposits from time to time. The Bank offers regular savings accounts, checking accounts, various money market accounts, fixed-interest rate certificates with varying maturities, certificates of deposit in minimum amounts of $100,000 ("Jumbo" accounts), brokered certificates and individual retirement accounts. In 2014, the Bank increased its deposits through internal growth and the assumption of deposits in an FDIC-assisted transaction and a branch acquisition. In 2015, the Bank again increased its deposits through internal growth, primarily in interest-bearing demand and savings deposits and non-interest-bearing demand accounts. Additionally in 2015, the Bank increased its brokered deposits by $110 million. The deposit growth and cash flows from payments on investment securities were used to fund the Bank's loan growth. In 2016, the Bank increased its deposits through internal growth and the assumption of deposits in a branch acquisition. Additionally in 2016, the Bank increased its brokered deposits by $40 million.

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

	December 31,					
	2016		2015		2014	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars In Thousands)					
Time deposits:						
0.00% - 0.99%	$695,738	18.92 %	$863,865	26.43 %	$798,932	26.71 %
1.00% - 1.99%	737,649	20.06	381,956	11.69	227,476	7.61

2.00% - 2.99%	48,777	1.33	39,592	1.21	61,146	2.04
3.00% - 3.99%	1,119	0.03	1,137	0.03	8,065	0.27
4.00% - 4.99%	1,171	0.03	1,304	0.04	1,435	0.05
5.00% and above	272	0.01	293	0.01	420	0.01
Total time deposits	1,484,726	40.38	1,288,147	39.41	1,097,474	36.69
Non-interest-bearing demand deposits	653,288	17.76	571,629	17.49	518,266	17.33
Interest-bearing demand and savings deposits (0.24%-0.19%-0.20%)	1,539,216	41.86	1,408,850	43.10	1,375,100	45.98
Total Deposits	$3,677,230	100.00%	$3,268,626	100.00%	$2,990,840	100.00%

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A table showing maturity information for the Bank's time deposits as of December 31, 2016, is presented in Note 8 of the accompanying audited financial statements, which are included in Item 8 of this Report.

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

The following table sets forth the time remaining until maturity of the Bank's time deposits as of December 31, 2016. The table is based on information prepared in accordance with generally accepted accounting principles.

	Maturity				
	3 Months Or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
	(In Thousands)				
Time deposits:					
Less than $100,000	$122,695	$89,269	$149,786	$163,472	$525,222
$100,000 or more	120,649	86,882	152,783	269,732	630,046
Brokered	126,660	107,440	76,264	13,910	324,274
Public funds(1)	689	1,454	2,387	654	5,184
Total	$370,693	$285,045	$381,220	$447,768	$1,484,726

(1) Deposits from governmental and other public entities.

Brokered deposits. Brokered deposits are marketed through national brokerage firms to their customers in $1,000 increments. The Bank maintains only one account for the total deposit amount while the detailed records of owners are maintained by the Depository Trust Company under the name of CEDE & Co. The deposits are transferable just like a stock or bond investment and the customer can open the account with only a phone call or an online request. This provides a large deposit for the Bank at a lower operating cost since the Bank only has one account to maintain versus several accounts with multiple interest and maturity dates. At December 31, 2016 and 2015, the Bank had approximately $324.3 million and $283.7 million in brokered deposits, respectively.

Included in the brokered deposits total at December 31, 2016 and 2015, was $14.0 million and $12.2 million, respectively, in Certificate of Deposit Account Registry Service (CDARS) customer deposit accounts. CDARS customer deposit accounts are accounts that are just like any other deposit account on the Company's books, except that the account total exceeds the FDIC deposit insurance maximum. When a customer places a large deposit with a CDARS Network bank, that bank uses CDARS to place the funds into deposit accounts issued by other banks in the CDARS Network. This occurs in increments of less than the standard FDIC insurance maximum, so that both principal and interest are eligible for complete FDIC protection. Other Network members do the same thing with their customers' funds. Also included in the brokered deposits total at December 31, 2016 and 2015, was $147.3 million and $117.8 million, respectively, in CDARS purchased funds accounts. CDARS purchased funds transactions represent an easy, cost-effective source of funding without collateralization or credit limits for the Company. Purchased funds transactions help the Company obtain large blocks of funding while providing control over pricing and diversity of wholesale funding options. Purchased funds transactions are obtained through a bid process that occurs weekly, with varying maturity terms.

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

The Company may use interest rate swaps from time to time to manage its interest rate risks from recorded financial liabilities. In the past, the Company entered into interest rate swap agreements with the objective of economically hedging against the effects of changes in the fair value of its liabilities for fixed rate brokered certificates of deposit caused by changes in market interest rates. These interest rate swaps allowed the Company to create funding of varying maturities at a variable rate that in the past has approximated three-month LIBOR. The Company did not utilize these types of interest rate swaps in 2016, 2015 or 2014.

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

As a member of the FHLBank, the Bank is required to own capital stock in the FHLBank and is authorized to apply for advances from the FHLBank. Each FHLBank credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLBank may prescribe the acceptable uses for these advances, as well as other risks on availability, limitations on the size of the advances and repayment provisions. At December 31, 2016 and 2015, the Bank's FHLBank advances outstanding were $31.5 million and $263.5 million, respectively. Additionally, the Bank had outstanding overnight borrowings from the FHLBank of $171.0 million at December 31, 2016. Because they are overnight borrowings, the $171.0 million is included in short-term borrowings in the Company's financial statements. The Bank utilized FHLBank advances from time to time to fund loan growth during 2015 and 2016.

The Federal Reserve Bank of St. Louis ("FRBSL") has a QLR program where the Bank can borrow on a temporary basis using commercial loans pledged to the FRBSL. Under the QLR program, the Bank can borrow any amount up to a calculated collateral value of the commercial loans pledged, for virtually any reason that creates a temporary cash need. Examples of this could be: (1) the need to fund for late outgoing wires or cash letter settlements, (2) the need to disburse one or several loans but the permanent source of funds will not be available for a few days; (3) a temporary spike in interest rates on other funding sources that are being used; or (4) the need to purchase a security for collateral pledging purposes a few days prior to the funds becoming available on an existing security that is maturing. The Bank had commercial loans pledged to the FRBSL at December 31, 2016 that would have allowed approximately $602.0 million to be borrowed under the above arrangement. There were no outstanding borrowings from the FRBSL at December 31, 2016 or 2015 and the facility was not used during 2016 or 2015.

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

In September 2008, the Company entered into a structured repurchase borrowing transaction for $50 million. This borrowing bore interest at a fixed rate of 4.34%, was scheduled to mature September 15, 2015, and had a call provision that allowed the repurchase counterparty to call the borrowing quarterly. The Company pledged investment securities to collateralize this borrowing. In June 2014, the Company elected to repay this structured repurchase borrowing.

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

Debentures from the Company totaling $25.8 million and bearing an interest rate identical to the distribution rate on the Trust II securities. The initial interest rate on the Trust II debentures was 6.98%. The interest rate was 2.49% and 1.93% at December 31, 2016 and 2015, respectively.

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

In July 2015, the Company was the successful bidder in an auction of the $5.0 million aggregate liquidation amount of floating rate cumulative trust preferred securities issued in 2007 by Great Southern Capital Trust III. The Company purchased the trust preferred securities at a discount, which resulted in a pre-tax gain of approximately $1.1 million. Subsequent to the purchase, which resulted in the Company's ownership of all of the outstanding common and preferred securities of Great Southern Capital Trust III, such securities were canceled and the principal amount of the Company's related debentures, which had equaled the aggregate liquidation amount of the outstanding common and preferred securities of Great Southern Capital Trust III, was reduced to zero.

In 2013, the Company entered into two interest rate cap agreements for a portion of its Junior Subordinated Debentures associated with its trust preferred securities. Under the agreements, with notional amounts of $25.0 million and $5.0 million, respectively, the Company will pay interest on its Junior Subordinated Debentures in accordance with the original terms at a floating rate based on LIBOR. Should interest rise above a certain threshold, the counterparty will reimburse the Company for interest paid such that the Company will have an effective interest rate on the portion of its Junior Subordinated Debentures no higher than 2.37% for the first agreement and no higher than 2.17% on the second agreement. The effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The fair value of the interest rate caps at December 31, 2016 and 2015 was $40,000 and $128,000, respectively. The $5.0 million notional interest rate cap agreement was terminated when the Company purchased the related trust preferred securities in July 2015.

On August 8, 2016, the Company completed the public offering and sale of $75.0 million of its subordinated notes. The notes are due August 15, 2026, and have a fixed interest rate of 5.25% until August 15, 2021, at which time the rate becomes floating at a rate equal to three-month LIBOR plus 4.087%. The Company may call the notes at par beginning on August 15, 2021, and on any scheduled interest payment date thereafter. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions, legal, accounting and other professional fees, of approximately $73.5 million. Total debt issuance costs, totaling approximately $1.5 million, were deferred and are being amortized over the expected life of the notes, which is 10 years. Amortization of the debt issuance costs during the year ended December 31, 2016 totaled $64,000, and is included in interest expense on subordinated notes in the consolidated statements of income, resulting in an imputed interest rate of 5.47%

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

	Year Ended December 31,		
	2016	2015	2014
	(Dollars In Thousands)		
FHLBank Advances:			
Maximum balance	$292,538	$263,546	$281,649
Average balance	68,325	175,873	171,997
Weighted average interest rate	1.78 %	0.97 %	1.69 %

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

	December 31,		
	2016	2015	2014
	(Dollars In Thousands)		
FHLBank advances	$31,452	$263,546	$271,641
Weighted average interest rate of FHLBank advances	3.30 %	0.76 %	0.75 %

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

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

	Year Ended December 31, 2015			
	Maximum Balance	Average Balance	Weighted Average Interest Rate	
	(Dollars In Thousands)			
Other Borrowings:				
Securities sold under reverse repurchase agreements	$ 218,191	$ 185,852	0.03	%
Overnight borrowings -- FHLBank	25,000	4,885	0.30	
Other	1,418	1,318	—	
Total		$ 192,055	0.03	%
Total maximum month-end balance	219,504			

	Year Ended December 31, 2014			
	Maximum Balance	Average Balance	Weighted Average Interest Rate	
	(Dollars In Thousands)			
Other Borrowings:				
Securities sold under reverse repurchase agreements	$ 187,673	$ 161,141	0.03	%
Overnight borrowings -- FHLBank	41,000	2,869	0.30	
Other	1,451	1,197	—	
Total		$ 165,207	0.03	%
Total maximum month-end balance	211,444			

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

	December 31, 2016		2015		2014	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
	(Dollars In Thousands)					
Other borrowings:						
Securities sold under reverse repurchase agreements	$113,700	0.04 %	$116,182	0.04 %	$168,993	0.03 %
Overnight borrowings -- FHLBank	171,000	0.53	—	—	41,000	0.26
Other	1,323	—	1,295	—	1,451	—
Total	$286,023	0.33 %	$117,477	0.04 %	$211,444	0.08 %

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

	Year Ended December 31, 2016	2015	2014
	(Dollars In Thousands)		
Structured repurchase agreements:			
Maximum balance	$—	$—	$50,000
Average balance	—	—	23,699
Weighted average interest rate	N/A%	N/A%	4.40 %

There were no outstanding structured repurchase agreements at December 31, 2016, 2015 and 2014, respectively.

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

	Year Ended December 31, 2016	2015	2014
	(Dollars In Thousands)		
Subordinated debentures:			
Maximum balance	$25,774	$30,929	$30,929
Average balance	25,774	28,754	30,929
Weighted average interest rate	3.12 %	2.48 %	1.83 %

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

December 31, 2016	2015	2014

	(Dollars In Thousands)		
Subordinated debentures	$25,774	$25,774	$30,929
Weighted average interest rate of subordinated debentures	2.49 %	1.93 %	1.80 %

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

	Year Ended December 31,		
	2016	2015	2014
	(Dollars In Thousands)		
Subordinated notes:			
Maximum balance	$73,537	$ —	$ —
Average balance	28,526	—	—
Weighted average interest rate	5.53 %	—%	—%

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

	December 31,		
	2016	2015	2014
	(Dollars In Thousands)		
Subordinated notes	$73,537	$ —	$ —
Weighted average interest rate of subordinated debentures	5.45 %	—%	—%

Subsidiaries

Great Southern. As a Missouri-chartered trust company, Great Southern may invest up to 3%, which was equal to $136.5 million at December 31, 2016, of its assets in service corporations. At December 31, 2016, the Bank's total investment in Great Southern Real Estate Development Corporation ("Real Estate Development") was $2.7 million. Real Estate Development was incorporated and organized in 2003 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in Great Southern Financial Corporation ("GSFC") was $6.2 million. GSFC is incorporated under the laws of the State of Missouri, and has not had any business activity since November 30, 2012, when it sold Great Southern Insurance and Great Southern Travel. At December 31, 2016, the Bank's total investment in Great Southern Community Development Company, L.L.C. ("CDC") and its subsidiary Great Southern CDE, L.L.C. ("CDE") was $706,000. CDC and CDE were formed in 2010 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GS, L.L.C. ("GSLLC") was $36.4 million. GSLLC was formed in 2005 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GSSC, L.L.C. ("GSSCLLC") was $20.8 million. GSSCLLC was formed in 2009 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GSRE Holding, L.L.C. ("GSRE Holding") was $1.5 million. GSRE Holding was formed in 2009 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GSRE Holding II, L.L.C. ("GSRE Holding II") was $-0-. GSRE Holding II was formed in 2009 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GSRE Holding III, L.L.C. ("GSRE Holding III") was $-0-. GSRE Holding III was formed in 2012 under the laws of the State of Missouri. At December 31, 2016, the Bank's total investment in GSTC Investments, L.L.C. ("GSTCLLC") was $-0-. GSTCLLC was formed in 2016 under the laws of the State of Missouri. These subsidiaries are primarily engaged in the activities described below. In addition, Great Southern has four other subsidiary companies that are not considered service corporations, GSB One, L.L.C., GSB Two, L.L.C., VFP Conclusion Holding, L.L.C. and VFP Conclusion Holding II, L.L.C. These companies are also described below.

Great Southern Real Estate Development Corporation. Generally, the purpose of Real Estate Development is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. During 2016, Real Estate Development held real estate assets related to one foreclosed property which the Company obtained and sold during the year. In 2015, Real Estate Development did not hold any significant real estate assets. Real Estate Development had net losses of $(674,000) and $(47) in the years ended December 31, 2016 and 2015, respectively.

Great Southern Community Development Company, L.L.C. and Great Southern CDE, L.L.C. Generally, the purpose of CDC is to invest in community development projects that have a public benefit, and are permissible under Missouri and Kansas law. These include such activities as investing in real estate and investing in other community development entities. It also serves as parent to subsidiary CDE which invests in limited liability entities for the purpose of acquiring federal tax credits to be utilized by Great Southern. CDC had consolidated net losses of $(245,000) and $(247,000) in the years ended December 31, 2016 and 2015, respectively.

GS, L.L.C. GSLLC was organized in 2005. GSLLC is a limited liability company that invests in multiple limited liability entities for the purpose of acquiring state and federal tax credits which are utilized by Great Southern. GSLLC had net losses of $(1.1 million) and $(1.1 million) in the years ended December 31, 2016 and 2015, respectively, which primarily resulted from the cost to acquire tax credits. These losses were offset by the tax credits utilized by Great Southern.

GSSC, L.L.C. GSSCLLC was organized in 2009. GSSCLLC is a limited liability company that invests in multiple limited liability entities for the purpose of acquiring state tax credits which are utilized by Great Southern or sold to third parties. GSSCLLC had net income of $124,000 and $298,000 in the years ended December 31, 2016 and 2015, respectively.

GSRE Holding, L.L.C. Generally, the purpose of GSRE Holding is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. At December 31, 2016, GSRE Holding held only cash of $1.5 million. GSRE Holding had net losses of $(2,000) in each of the years ended December 31, 2016 and 2015.

GSRE Holding II, L.L.C. Generally, the purpose of GSRE Holding II is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. In 2016 and 2015, GSRE Holding II did not hold any significant real estate assets. GSRE Holding II had net income of $-0- in each of the years ended December 31, 2016 and 2015.

GSRE Holding III, L.L.C. Generally, the purpose of GSRE Holding III is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. In 2016 and 2015, GSRE Holding III did not hold any significant real estate assets. GSRE Holding III had net income of $-0- in each of the years ended December 31, 2016 and 2015.

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

GSB One, L.L.C. At December 31, 2016, the Bank's total investment in GSB One, L.L.C. ("GSB One") and GSB Two, L.L.C. ("GSB Two") was $1.10 billion. The capital contribution was made by transferring participations in loans to GSB Two. GSB One is a Missouri limited liability company that was formed in March of 1998. Currently the only activity of this company is the ownership of GSB Two.

GSB Two, L.L.C. This is a Missouri limited liability company that was formed in March of 1998. GSB Two is a real estate investment trust ("REIT"). It holds participations in real estate mortgages from the Bank. The Bank continues to service the loans in return for a management and servicing fee from GSB Two. GSB Two had net income of $57.7 million and $56.0 million in the years ended December 31, 2016 and 2015, respectively.

VFP Conclusion Holding, L.L.C. VFP Conclusion Holding, L.L.C. ("VFP") is a Missouri limited liability company that was formed in August of 2011. Generally, the purpose of VFP is to hold real estate assets which have been obtained through foreclosure by the Bank. The real estate assets obtained through foreclosure were formerly collateral for a participation loan sold by the Bank. The Bank has a 50 percent interest in VFP and at December 31, 2016 its investment totaled $4.2 million. Two other entities also have interests in VFP as a result of their participation in the loan sold by the Bank. VFP had net income of $6,000 and $9,000 in the years ended December 31, 2016 and 2015, respectively.

VFP Conclusion Holding II, L.L.C. VFP Conclusion Holding II, L.L.C. ("VFP II") is a Missouri limited liability company that was formed in September of 2012. Generally, the purpose of VFP II is to hold real estate assets which have been obtained through foreclosure by the Bank. The real estate assets obtained through foreclosure were formerly collateral for a participation loan sold by the Bank. The Bank has a 50 percent interest in VFP II and at December 31, 2016 its investment totaled $2.2 million. One other entity also has an interest in VFP II as a result of its participation in the loan sold by the Bank. VFP II had net income of $3,000 and $4,000 for the years ended December 31, 2016 and 2015, respectively.

Competition

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

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

The Company encounters strong competition in attracting deposits throughout its six-state retail footprint. The Company attracts a significant amount of deposits through its branch offices primarily from the communities in which those branch offices are located. Of our total 104 branch offices at the end of 2016, 71.5% of our deposit franchise dollars were located in Missouri, where our total market share at June 30, 2016, was 1.4%, or ninth in the state (based on FDIC market share deposits). The financial institutions with the top three market share positions in Missouri at June 30, 2016, were U.S. Bank, Bank of America and Scottrade Bank, which had a combined market share of 28.6%. We also have branch offices in the states of Iowa, Minnesota, Kansas, Nebraska and Arkansas which make up 15.3%, 6.8%, 4.5%, 1.3%, and 0.6% of our total franchise respectively (based on our total deposits as of December 31, 2016). The Company's market share in its primary metropolitan statistical areas was as follows at June 30, 2016:

Metropolitan Statistical Area	Number of Branch Offices	Percentage of Total Market Share	Rank	Institution with Leading Market Share Position
Springfield, MO	19	13.5%	2	Commerce Bank
Sioux City, IA-NE-SD	6	5.4%	4	Security National Bank of Sioux City
Davenport/Moline/Rock Island, IA-IL	5	1.2%	19	Wells Fargo Bank
Des Moines/West Des Moines, IA	4	0.5%	31	Wells Fargo Bank
St. Louis, MO-IL	19	0.5%	26	Scottrade Bank
Kansas City, MO-KS	10	0.4%	36	UMB Bank
Omaha/ Council Bluffs, NE-IA	4	0.2%	45	First National Bank of Omaha
Fayetteville/Springdale/Rogers, AR-MO	2	0.2%	32	Arvest Bank
Minneapolis/St. Paul/Bloomington, MN-WI	4	0.1%	30	Wells Fargo Bank

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

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

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

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

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

Employees

At December 31, 2016, the Bank and its affiliates had a total of 1,263 employees, including 324 part-time employees. None of the Bank's employees are represented by any collective bargaining agreement. Management considers its employee relations to be good.

Government Supervision and Regulation

General

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

Significant Legislation Impacting the Financial Services Industry

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

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

Many aspects of the Dodd-Frank Act are subject to rulemaking and take effect over a number of 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. 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. See "New Capital Rules" below.

Bank Holding Company Regulation

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

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

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

The Bank Holding Company Act also prohibits a financial holding company generally from engaging directly or indirectly in activities other than those involving banking, activities closely related to banking that are permitted for a bank holding company, securities, insurance and merchant banking.

Volcker Rule

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

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

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

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

Interstate Banking and Branching

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

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

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

Certain Transactions with Affiliates and Other Persons

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

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

Dividends

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

A bank holding company is required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB. This notification requirement does not apply to any company that meets the well-capitalized standard for bank holding companies, is well-managed, and is not subject to any unresolved supervisory issues. Under Missouri law, the Bank may pay dividends from certain undivided profits and may not pay dividends if its capital is impaired. Dividends of the Company and the Bank may also be restricted under the capital conservation buffer rules, which became effective January 1, 2016, as discussed below under "—Capital."

Capital

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Company and the Bank became subject to new capital regulations adopted by the FRB and the FDIC, which create a new required ratio for common equity Tier 1 ("CET1") capital, increase the minimum leverage and Tier 1 capital ratios, change the risk-weightings of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios, and change what qualifies as capital for purposes of meeting the capital requirements.

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

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

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

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

Under the FDIC's prompt corrective action standards, in order to be considered well-capitalized, the Bank must have a ratio of CET1 capital to risk-weighted assets of 6.5%, a ratio of Tier 1 capital to risk-weighted assets of 8%, a ratio of total capital to risk-weighted assets of 10%, and a leverage ratio of 5%; and must not be subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. In order to be considered adequately capitalized, an institution must have the minimum capital ratios described above. As of December 15, 2016, the Bank was "well-capitalized." An institution that is not well-capitalized is subject to certain restrictions on brokered deposits and interest rates on deposits.

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

To be considered "well capitalized," a bank holding company must have, on a consolidated basis, a total risk-based capital ratio of 10.0% or greater and a Tier 1 risk-based capital ratio of 6.0% or greater and must not be subject to an individual order, directive or agreement under which the FRB requires it to maintain a specific capital level. As of December 31, 2016, the Company was "well-capitalized."

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

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

Insurance of Accounts and Regulation by the FDIC

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

The FDIC assesses deposit insurance premiums on all FDIC-insured institutions quarterly based on annualized rates. These premiums are assessed on an institution's total assets minus its tangible equity. Under these rules, effective July 1, 2016, assessment rates for an institution with total assets of less than $10 billion are determined by weighted average CAMELS composite ratings and certain financial ratios, and range from 1.5 to 16 basis points for an institution with a CAMELS composite rating of 1 or 2, 3 to 30 basis points for an institution with a CAMELS composite rating of 3, and 11 to 30 basis points for an institution with a CAMELS composite rating of 4 or 5, subject to certain adjustments. The FDIC may increase or decrease its rates by 2.0 basis points without further rulemaking. In an emergency, the FDIC may also impose a special assessment.

The FDIC also collects assessments from insured institutions to service the debt on bonds issued during the 1980s to resolve the thrift bailout. For the quarter ended December 31, 2016, the assessment rate was 0.56 basis points applied to the same assessment base as is used for deposit insurance assessments.

The Dodd-Frank Act establishes 1.35% as the minimum reserve ratio. The FDIC has adopted a plan under which it will meet this ratio by September 30, 2020, the deadline imposed by the Dodd-Frank Act. In addition to the statutory minimum ratio, the FDIC must designate a reserve ratio, known as the designated reserve ratio or DRR, which may exceed the statutory minimum. The FDIC has established 2.0% as the DRR. The Dodd-Frank requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum reserve ratio to 1.35% from the former statutory minimum of 1.15%. To implement the offset requirement, the FDIC has adopted a rule under which it imposes a surcharge on institutions with assets of $10 billion or more, commencing on July 1, 2016 and ending when the reserve ratio reaches 1.35%, which is expected to occur by December 31, 2018. Smaller institutions will receive credits against their deposit insurance assessments which will reduce regular assessments by 2.0 basis points for quarters when the reserve ratio is at least 1.38%.

The FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions, and is the primary federal banking regulator of state banks that are not members of the Federal Reserve, such as the Bank. The FDIC examines the Bank regularly. The FDIC may prohibit any insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against banks and savings associations.

Federal Reserve System

The FRB requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. At December 31, 2016, the Bank was in compliance with these reserve requirements.

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

Federal Home Loan Bank System

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

As a member, Great Southern is required to purchase and maintain stock in the FHLBank of Des Moines in an amount equal to the greater of 1% of its outstanding home loans or 5% of its outstanding FHLBank advances. At December 31, 2016, Great Southern had $13.0 million in FHLBank stock, which was in compliance with this requirement. In past years, the Bank has received dividends on its FHLBank stock. Over the past five years, such dividends have averaged 3.50% and were 3.50% for the year ended December 31, 2016.

Legislative and Regulatory Proposals

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

Federal and State Taxation

General

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

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

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

Bad Debt Deduction

As of December 31, 2016 and 2015, retained earnings included approximately $17.5 million for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $6.5 million at December 31, 2016 and 2015.

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

Interest Deduction

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

FDIC-Assisted Bank Transactions

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

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

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

Alternative Minimum Tax

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

State Taxation

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

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

The Bank also has full service offices in Kansas, Iowa, Minnesota, Nebraska and Arkansas, and has commercial loan production offices in Texas and Oklahoma. As a result, the Bank is subject to franchise and income taxes that are imposed on the corporation's taxable income attributable to those states. The Bank is also subject to the income taxes imposed by Illinois as result of the level of customers and activities performed within that state.

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

Examinations

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service (IRS) and, as such, tax years through December 31, 2005, have been closed without audit. The Company, through one of its subsidiaries, is a partner in two partnerships currently under Internal Revenue Service examination for 2006 and 2007. As a result, the Company's 2006 and subsequent tax years remain open for examination. The examinations of the partnerships have been advanced during 2016. One of the partnerships has advanced to Tax Court and has entered a Motion for Entry of Decision with an agreed upon settlement. The other partnership is at the IRS appeals level. The Company does not currently expect significant adjustments to its financial statements from these partnership examinations.

The Company is currently under State of Missouri income and franchise tax examinations for its 2013 through 2015 tax years and is in administrative appeals with the State of Kansas for its 2010 through 2012 tax years. The Company protested the initial assessment of the State of Kansas and is having ongoing discussions with the Kansas Department of Revenue. The Company does not currently expect significant adjustments to its financial statements from these state examinations.

ITEM 1A. RISK FACTORS

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

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

Risks Relating to the Company and the Bank

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

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

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

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

Our lending and deposit gathering activities historically were concentrated primarily in the Springfield and southwest Missouri areas. Our success continues to depend heavily on general economic conditions in Springfield and the surrounding areas. Although we believe the economy in these areas has recently been favorable relative to other areas, we do not know whether these conditions will continue. Our greatest concentration of loans and deposits has traditionally been in the Greater Springfield area. With a population of approximately 420,000, the Greater Springfield area is the third largest metropolitan area in Missouri. At December 31, 2016, approximately $438.7 million of our loan portfolio (excluding those loans acquired in FDIC-assisted transactions) consisted of loans to borrowers in or secured by properties in the Springfield, Missouri metropolitan area.

Contiguous to Springfield is the Branson area, which is a vacation and entertainment center, attracting tourists to its lakes, theme parks, resorts, country music and novelty shows and other recreational facilities. The Branson area experienced rapid growth in the early 1990s, with stable to slightly negative growth trends occurring in the late 1990s and into the early 2000s. Branson experienced growth again in the late 2000s as a result of a large retail, hotel, and convention center project which was constructed in Branson's historic downtown. In addition, several large national retailers opened new stores in Branson. In 2010 through 2016, Branson experienced some negative growth trends with fewer visitors and the closing of some motels and shows. Residential construction has been very limited in the past few years and little to no growth has occurred in any of Branson's commercial real estate market segments. At December 31, 2016, approximately $101.3 million of our loan portfolio (excluding those loans acquired in FDIC-assisted transactions) and approximately $4.8 million of our non-performing loans consisted of loans to borrowers in or secured by properties in the two-county region that includes the Branson area.

In addition to the concentrations in the southwest Missouri area, we also have a concentration of loans to borrowers in or secured by properties in the St. Louis, Missouri metropolitan area. At December 31, 2016, approximately $677.3 million of our loan portfolio consisted of loans for apartments, condominiums, residential and commercial land developments, industrial revenue bonds and other types of commercial properties in the St. Louis, Missouri metropolitan area.

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

In addition to the concentrations previously discussed, we also have a concentration of loans to borrowers in or secured by properties in the States of Texas and Oklahoma. At December 31, 2016, approximately $309.8 million and $210.6 million of our loan portfolio consisted of loans primarily for various types of commercial real estate in the States of Texas and Oklahoma, respectively.

Adverse changes in regional and general economic conditions could reduce our growth rate, impair our ability to collect loans, increase loan delinquencies, increase problem assets and foreclosures, increase claims and lawsuits, decrease demand for our products and services, and decrease the value of collateral for loans, especially real estate, thereby having a material adverse effect on our financial condition and results of operations.

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

Our commercial and residential construction, commercial real estate, multi-family and other commercial loans accounted for approximately 72.4% of our total loan portfolio as of December 31, 2016. Generally, we consider these types of loans to involve a higher degree of risk compared to first mortgage loans on one- to four-family, owner-occupied residential properties. At December 31, 2016, we had $864.2 million of loans secured by apartments, $417.5 million of loans secured by retail-related projects, $370.7 million of loans secured by office/warehouse facilities, $184.3 million of loans secured by healthcare facilities, and $97.6 million of loans secured by motels/hotels, which are particularly sensitive to certain risks, including the following:

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

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

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

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

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

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

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

Consumer loans have grown from approximately $220.7 million, or 10.9% of our total loan portfolio as of December 31, 2012, to $673.0 million, or 16.3% of our total loan portfolio as of December 31, 2016. The vast majority of these loans are secured by automobiles and, to a lesser extent, boats, recreational vehicles and manufactured homes. Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciable assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial strength, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state consumer bankruptcy and insolvency laws, may limit the amount which can be recovered on these loans. These loans may also give rise to claims and defenses by a consumer loan borrower against an assignee of these loans such as the Bank, and a borrower may be able to assert against the assignee claims and defenses which it has against the seller of the underlying collateral.

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

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

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

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

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

We may be adversely affected by interest rate changes.

Our earnings are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the FRB. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but these changes could also affect our ability to originate loans and obtain deposits, the fair values of our financial assets and liabilities and the average duration of our loan and mortgage-backed securities portfolios. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. In addition, a substantial portion of our loans (approximately 43.5% of our total loan portfolio as of December 31, 2016) have adjustable rates of interest. While the higher payment amounts we would receive on these loans in a rising interest rate environment may increase our interest income, some borrowers may be unable to afford the higher payment amounts, which may result in a higher rate of default. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

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

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

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

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

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

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

Due to the high level of competition for deposits in our markets, we have from time to time utilized a sizable amount of certificates of deposit obtained through deposit brokers and advances from the Federal Home Loan Bank of Des Moines to help fund our asset base. Brokered deposits are marketed through national brokerage firms that solicit funds from their customers for deposit in banks, including our bank. Brokered deposits and Federal Home Loan Bank advances may generally be more sensitive to changes in interest rates and volatility in the capital markets than retail deposits attracted through our branch network, and our reliance on these sources of funds increases the sensitivity of our portfolio to these external factors. Our brokered deposits and Federal Home Loan Bank advances totaled $310.3 million and $31.5 million at December 31, 2016, compared with $271.5 million and $263.5 million at December 31, 2015. In addition to the Federal Home Loan Bank advances included here, we had overnight borrowings from the Federal Home Loan Bank totaling $171.0 million at December 31, 2016. These overnight borrowings are included in short-term borrowings in the Company's consolidated financial statements. We expect to continue to utilize brokered deposits from time to time as a supplemental funding source. In addition to these brokered deposit totals at December 31, 2016 and 2015, were Great Southern Bank customer deposits totaling $14.0 million and $12.2 million, respectively, which 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.

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

Certain Federal Home Loan Banks, including the Federal Home Loan Bank of Des Moines, have experienced lower earnings from time to time and paid out lower dividends to their members. Future problems at the Federal Home Loan Banks may impact the collateral necessary to secure borrowings and limit the borrowings extended to its member banks, as well as require additional capital contributions by its member banks. Should this occur, our short term liquidity needs could be negatively impacted. Should Great Southern be restricted from using FHLBank advances due to weakness in the system or with the FHLBank of Des Moines, Great Southern may be forced to find alternative funding sources. These alternative funding sources may include the utilization of existing lines of credit with third party banks or the Federal Reserve Bank along with seeking other lines of credit, borrowing under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing additional brokered deposits, or selling loans or investment securities in order to maintain adequate levels of liquidity. At December 31, 2016, the Bank owned $13.0 million of stock in the FHLBank of Des Moines, which declared and paid an annualized dividend approximating 3.50% during the fourth quarter of 2016. The FHLBank of Des Moines may eliminate or reduce dividend payments at any time in the future in order for it to maintain or restore its retained earnings.

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

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

- We may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks or businesses we acquire. If these issues or liabilities exceed our estimates, our earnings and financial condition may be adversely affected;
- Prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices our management considered acceptable and expect that we will experience this condition in the future in one or more markets;
- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity in order to make the transaction economically feasible. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful;
- Great Southern Bank entered into loss sharing agreements with the FDIC as part of the TeamBank, N.A., Vantus Bank, Sun Security Bank and Inter Savings Bank, FSB transactions. In 2016, Great Southern Bank and the FDIC mutually agreed to terminate the loss sharing agreements related to TeamBank, N.A., Vantus Bank and Sun Security Bank. The loss sharing agreement related to InterBank will expire, with respect to commercial loans, in 2017. This loss sharing agreement requires that Great Southern Bank follow certain servicing procedures as specified in the agreement. A failure to follow these procedures or any other breach of the agreement by Great Southern Bank could result in the loss of FDIC reimbursement of losses on covered loans and other real estate owned, which could have a material negative effect on our financial condition and results of operations. In addition, the loss-share agreement protects Great Southern Bank against losses for limited periods of time (generally ten years for single family residential real estate loans and five years for most loans other than single family residential real estate loans). To the extent Great Southern Bank continues to hold any of the covered loans following the expiration of the applicable loss-share period, it will absorb 100% of any losses;
- To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing stockholders; and
- We may not be able to continue to sustain our past rate of growth or to grow at all in the future. We completed two acquisitions in 2009, one acquisition in 2011, one acquisition in 2012, one acquisition in 2014 and have opened additional banking offices and commercial loan production offices in recent years that enhanced our rate of growth. Also in 2014, we agreed to acquire certain loans, deposits and branches from Boulevard Bank. In addition in 2016, we completed our acquisition of certain loans, deposits and branches in St. Louis from Fifth Third Bank (See Note 31 of our accompanying audited financial statements included in Item 8 of this report).

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

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

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

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

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

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

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

We are subject to extensive federal and state legislation, regulation, examination and supervision. Recently enacted, proposed and future legislation and regulations have had, will continue to have, or may have an adverse effect on our business and operations. For example, a federal rule which took effect on July 1, 2010 prohibits a financial institution from automatically enrolling customers in overdraft protection programs, on ATM and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service. This rule has adversely affected, and is likely to continue to adversely affect, the results of our operations by reducing the amount of our non-interest income. Our success depends on our continued ability to maintain compliance with the various regulations to which we are subject. Some of these regulations may increase our costs and thus place other financial institutions in stronger, more favorable competitive positions. We cannot predict what restrictions may be imposed upon us with future legislation. See "Item 1.-The Company -Government Supervision and Regulation" in this Report.

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

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

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

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

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

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

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

Many aspects of the Dodd-Frank Act are subject to rulemaking and have taken and will continue to take effect over several years, making it difficult to anticipate the overall financial impact on the Company. However, compliance with this law and its implementing regulations have resulted in and will continue to result in additional operating costs that could have a material adverse effect on our financial condition and results of operations.

Our exposure to operational risks may adversely affect us.

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

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

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

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

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

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

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

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

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

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

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

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

Our controls and procedures may be ineffective.

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

Risks Relating to our Common Stock

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2016, we had outstanding $25.8 million aggregate principal amount of junior subordinated debt securities issued in connection with the sale of trust preferred securities by one of our subsidiaries that is a statutory business trust. We have also guaranteed those trust preferred securities. The indenture governing the junior subordinated debt securities, together with the related guarantee, prohibits us, subject to limited exceptions, from declaring or paying any dividends or distributions on, or redeeming, repurchasing, acquiring or making any liquidation payments with respect to, any of our capital stock (including any preferred stock and our common stock) at any time when (i) there shall have occurred and be continuing an event of default under the indenture or any event, act or condition that with notice or lapse of time or both would constitute an event of default under the indenture; or (ii) we are in default with respect to payment of any obligations under the related guarantee; or (iii) we have deferred payment of interest on the junior subordinated debt securities. In that regard, we are entitled, at our option but subject to certain conditions, to defer payments of interest on the junior subordinated debt securities from time to time for up

to five years.
Events of default under the indenture generally consist of our failure to pay interest on the junior subordinated debt securities under certain circumstances, our failure to pay any principal of or premium on the junior subordinated debt securities when due, our failure to comply with certain covenants under the indenture, and certain events of bankruptcy, insolvency or liquidation relating to us or Great Southern Bank.
As a result of these provisions, if we were to elect to defer payments of interest on the junior subordinated debt securities, or if any of the other events described in clause (i) or (ii) of the first paragraph of this risk factor were to occur, we would be prohibited from declaring or paying any dividends on our stock, from redeeming, repurchasing or otherwise acquiring any of our stock, and from making any payments to holders of our stock in the event of our liquidation, which would likely have a material adverse effect on the market value of our common stock. Moreover, without notice to or consent from our stockholders, we may issue additional series of junior subordinated debt securities in the future with terms similar to those of our existing junior subordinated debt securities or enter

into other financing agreements that limit our ability to purchase or to pay dividends or distributions on our capital stock, including our common stock.

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

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

Anti-takeover provisions could adversely impact our stockholders.

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

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

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

The Company's Chairman of the Board, William V. Turner, and the Company's Director, President and Chief Executive Officer, Joseph W. Turner, are father and son, respectively. Julie Turner Brown, a director of the Company, is the sister of Joseph Turner and the daughter of William Turner. These three Turner family members hold three of the Company's ten Board positions. As of December 31, 2016, they collectively beneficially owned approximately 2,103,961 shares of the Company's common stock (excluding 45,850 shares underlying stock options exercisable as of or within 60 days after that date), representing approximately 15.1% of total shares outstanding, though they are subject to the voting limitation provision in our charter which precludes any person or group with beneficial ownership in excess of 10% of total shares outstanding from voting shares in excess of that threshold. Through their board and management positions and their ownership of the Company's stock, these three members of the Turner family may exert substantial influence over the direction of the Company and the outcome of Board and stockholder votes.

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

As of December 31, 2016, one of the Company's directors, Earl A. Steinert, beneficially owned 933,596 shares of our common stock (excluding 1,250 shares underlying stock options exercisable as of or within 60 days after that date), representing approximately 6.7% of total shares outstanding. The shares that can be voted by the Turner family members (1,396,839 shares, per the ten percent voting limitation in our charter) and the shares beneficially owned by Mr. Steinert (933,596) total 2,330,435, representing approximately 16.7% of total shares outstanding. While they have no agreement to do so, to the extent they vote in the same manner, these stockholders may be able to exercise influence over the management and business affairs of our Company. For example, using their collective voting power, these stockholders may be able to affect the outcome of director elections or block significant transactions, such as a merger or acquisition, or any other matter that might otherwise be favored by other stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES.

The Company's corporate offices and operations center are located in Springfield, Missouri. At December 31, 2016, the Company operated 104 retail banking centers and over 200 automated teller machines ("ATMs") in Missouri, Iowa, Minnesota, Nebraska, Kansas and Arkansas. Of the 104 banking centers, the Company owns 91 of its locations and 13 were leased for various terms. The majority of our banking center locations are in southwest and central Missouri, including the Springfield, Mo. metropolitan area, with additional concentrations in the Sioux City, Iowa, Des Moines, Iowa, Quad Cities, Iowa, Minneapolis, Minn., St. Louis Mo. and Kansas City, Mo. metropolitan areas. The ATMs are located at various banking centers and primarily convenience stores and retail centers located throughout southwest and central Missouri. At December 31, 2016, the Company also operated two commercial and one mortgage loan production offices. The Company owns one of its loan production office locations and two locations are leased. All buildings which are owned are owned free of encumbrances or mortgages. In the opinion of management, the facilities are adequate and suitable for the needs of the Company. The aggregate net book value of the Company's premises and equipment was $140.6 million and $129.7 million at December 31, 2016 and 2015, respectively. See also Note 6 and Note 17 of the accompanying audited financial statements, which are included in Item 8 of this Report.

ITEM 3. LEGAL PROCEEDINGS.

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

On November 22, 2010, a suit was filed against the Bank in the Circuit Court of Greene County, Missouri by a customer alleging that the fees associated with the Bank's automated overdraft program in connection with its debit cards and ATM cards constitute unlawful interest in violation of Missouri's usury laws. The Court has certified a class of Bank customers who have paid overdraft fees on their checking accounts pursuant to the Bank's automated overdraft program. The Bank intends to contest this case vigorously. A judgment was issued in favor of a defendant bank in a similar lawsuit where the lawsuit alleged that overdraft fees violate Missouri's usury laws. The Court has entered a stay in the Bank's litigation pending a decision on appeal in the other usury litigation. At this stage of the litigation, it is not possible for management of the Bank to determine the probability of a material adverse outcome or reasonably estimate the amount of any potential loss.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

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

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

Steven G. Mitchem. Mr. Mitchem, age 65, is Senior Vice President and Chief Lending Officer of the Bank. He joined the Bank in 1990 and is responsible for all lending activities of the Bank. Prior to joining the Bank, Mr. Mitchem was a Senior Bank Examiner for the Federal Deposit Insurance Corporation. Mr. Mitchem is scheduled to retire from the Bank in April 2017.

Rex A. Copeland. Mr. Copeland, age 52, is Treasurer of the Company and Senior Vice President and Chief Financial Officer of the Bank. He joined the Bank in 2000 and is responsible for the financial functions of the Company, including the internal and external financial reporting of the Company and its subsidiaries. Mr. Copeland is a Certified Public Accountant. Prior to joining the Bank, Mr. Copeland served other financial services companies in the areas of corporate accounting, internal audit and independent public accounting.

Douglas W. Marrs. Mr. Marrs, age 59, is Secretary of the Company and Secretary, Vice President - Operations of the Bank. He joined the Bank in 1996 and is responsible for all operations functions of the Bank. Prior to joining the Bank, Mr. Marrs was a bank officer in the areas of operations and data processing at a commercial bank.

Linton J. Thomason. Mr. Thomason, age 61, is Vice President - Information Services of the Bank. He joined the Bank in 1997 and is responsible for information services for the Company and all of its subsidiaries and all treasury management sales/operations of the Bank. Prior to joining the Bank, Mr. Thomason was a bank officer in the areas of technology and data processing, operations and treasury management at a commercial bank.

PART II

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

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

As of December 31, 2016 there were 13,968,386 total shares of common stock outstanding and approximately 2,000 stockholders of record.

High/Low Stock Price

	2016		2015		2014	
	High	Low	High	Low	High	Low
First Quarter	$45.00	$35.47	$40.44	$35.10	$31.00	$26.95
Second Quarter	41.29	34.56	42.95	37.44	32.25	28.00
Third Quarter	43.54	34.48	43.42	37.54	33.77	29.53
Fourth Quarter	56.70	38.35	52.94	42.11	40.28	29.80

The last sale price of the Company's Common Stock on December 31, 2016 was $54.65.

Dividend Declarations

	2016	2015	2014
First Quarter	$.22	$.20	$.20
Second Quarter	.22	.22	.20
Third Quarter	.22	.22	.20
Fourth Quarter	.22	.22	.20

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

Stock Repurchases

On November 15, 2006, the Company's Board of Directors authorized management to repurchase up to 700,000 shares of the Company's outstanding common stock, under a program of open market purchases or privately negotiated transactions. The plan does not have an expiration date. From the date we issued our Capital Purchase Program "CPP" Preferred Stock (December 5, 2008) until the date we redeemed it in connection with our issuance of the SBLF Preferred Stock (August 18, 2011), we were generally precluded from purchasing shares of the Company's stock without the Treasury's consent. Our participation in the SBLF program did not preclude us from purchasing shares of the Company's stock, provided that after giving effect to such purchase, (i) the dollar amount of the Company's Tier 1 capital was at least equal to the "Tier 1 Dividend Threshold" under the terms of the SBLF Preferred Stock and (ii) full dividends on all outstanding shares of SBLF Preferred Stock for the most recently completed dividend period had been or were contemporaneously declared and paid, as described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources." The SBLF Preferred Stock was redeemed on December 15, 2015. Any restrictions related to the SBLF Preferred Stock are no longer applicable.

On April 21, 2014, Great Southern reiterated that it will consider repurchasing its shares of common stock, from time to time in the open market or through privately negotiated transactions, pursuant to its existing repurchase plan.

As indicated below, no shares were repurchased during the three months ended December 31, 2016.

	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan (1)
October 1, 2016 - October 31, 2016	—	$ —	—	378,562
November 1, 2016- November 30, 2016	—	—	—	378,562
December 1, 2016- December 31, 2016	—	—	—	378,562
	—	$ —	—	

(1) Amount represents the number of shares available to be repurchased under the November 2006 plan as of the last calendar day of the month shown.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial information and other financial data of the Company. The selected balance sheet and statement of operations data, insofar as they relate to the years ended December 31, 2016, 2015, 2014, 2013 and 2012, are derived from our Consolidated Financial Statements, which have been audited by BKD, LLP. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8. "Financial Statements and Supplementary Information." Results for past periods are not necessarily indicative of results that may be expected for any future period.

	December 31, 2016	2015	2014	2013	2012
	(Dollars In Thousands)				
Summary Statement of Condition Information:					
Assets	$4,550,663	$4,104,189	$3,951,334	$3,560,250	$3,955,182
Loans receivable, net	3,776,411	3,352,797	3,053,427	2,446,769	2,346,467
Allowance for loan losses	37,400	38,149	38,435	40,116	40,649
Available-for-sale securities	213,872	262,856	365,506	555,281	807,010
Other real estate owned, net	32,658	31,893	45,838	53,514	68,874
Deposits	3,677,230	3,268,626	2,990,840	2,808,626	3,153,193
Total borrowings	416,786	406,797	514,014	343,795	391,114
Stockholders' equity (retained earnings substantially restricted)	429,806	398,227	419,745	380,698	369,874

Common stockholders' equity	429,806	398,227	361,802	322,755	311,931
Average loans receivable	3,659,360	3,235,787	2,784,106	2,403,544	2,326,273
Average total assets	4,370,793	4,067,399	3,824,493	3,789,876	4,005,613
Average deposits	3,475,887	3,203,262	3,007,588	2,996,941	3,199,683
Average stockholders' equity	414,799	438,683	402,670	378,650	352,282
Number of deposit accounts	231,272	217,139	217,877	192,323	197,733
Number of full-service offices	104	110	108	96	107

	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In Thousands)				
Summary Statement of Operations Information:					
Interest income:					
Loans	$178,883	$177,240	$172,569	$163,903	$170,163
Investment securities and other	6,292	7,111	10,793	14,892	23,345
	185,175	184,351	183,362	178,795	193,508
Interest expense:					
Deposits	17,387	13,511	11,225	12,346	20,720
Federal Home Loan Bank advances	1,214	1,707	2,910	3,972	4,430
Short-term borrowings and repurchase agreements	1,137	65	1,099	2,324	2,610
Subordinated debentures issued to capital trust	803	714	567	561	617
Subordinated notes	1,578	—	—	—	—
	22,119	15,997	15,801	19,203	28,377
Net interest income	163,056	168,354	167,561	159,592	165,131
Provision for loan losses	9,281	5,519	4,151	17,386	43,863
Net interest income after provision for loan losses	153,775	162,835	163,410	142,206	121,268
Noninterest income:					
Commissions	1,097	1,136	1,163	1,065	1,036
Service charges and ATM fees	21,666	19,841	19,075	18,227	19,087
Net realized gains on sales of loans	3,941	3,888	4,133	4,915	5,505
Net realized gains on sales of available-for-sale securities	2,873	2	2,139	243	2,666
Recognized impairment of available-for-sale securities	—	—	—	—	(680)
Late charges and fees on loans	1,747	2,129	1,400	1,264	1,028
Gain (loss) on derivative interest rate products	66	(43)	(345)	295	(38)
Gain recognized on business acquisitions	—	—	10,805	—	31,312
Accretion (amortization) of income/expense related to business acquisition	(6,935)	(18,345)	(27,868)	(25,260)	(18,693)
Other income	4,055	4,973	4,229	4,566	4,779
	28,510	13,581	14,731	5,315	46,002
Noninterest expense:					
Salaries and employee benefits	60,377	58,682	56,032	52,468	51,262
Net occupancy expense	26,077	25,985	23,541	20,658	20,179
Postage	3,791	3,787	3,578	3,315	3,301
Insurance	3,482	3,566	3,837	4,189	4,476
Advertising	2,228	2,317	2,404	2,165	1,572
Office supplies and printing	1,708	1,333	1,464	1,303	1,389
Telephone	3,483	3,235	2,866	2,868	2,768
Legal, audit and other professional fees	3,191	2,713	3,957	4,348	4,323
Expense on other real estate owned	4,111	2,526	5,636	4,068	8,748
Partnership tax credit investment amortization	1,681	1,680	1,720	2,108	1,825
Acquired deposit intangible asset amortization	1,910	1,750	1,519	1,228	1,258
Other operating expenses	8,388	6,776	14,305	6,900	7,502
	120,427	114,350	120,859	105,618	108,603
Income from continuing operations before income taxes	61,858	62,006	57,282	41,903	58,667

Provision for income taxes	16,516	15,564	13,753	8,174	14,580
Net income from continuing operations	45,342	46,502	43,529	33,729	44,087
Discontinued Operations					
Income from discontinued operations, net of income taxes	—	—	—	—	4,619
Net income	45,342	46,502	43,529	33,729	48,706
Preferred stock dividends and discount accretion	—	554	579	579	608
Net income available to common shareholders	$45,342	$45,948	$42,950	$33,150	$48,098

	At or For the Year Ended December 31,				
	2016	2015	2014	2013	2012
	(Number of shares in thousands)				
Per Common Share Data:					
Basic earnings per common share	$3.26	$3.33	$3.14	$2.43	$3.55 %
Diluted earnings per common share	3.21	3.28	3.10	2.42	3.54
Diluted earnings from continuing operations per common share	3.21	3.28	3.10	2.42	3.20
Cash dividends declared	0.88	0.86	0.80	0.72	0.72
Book value per common share	30.77	28.67	26.30	23.60	22.94
Average shares outstanding	13,912	13,818	13,700	13,635	13,534
Year-end actual shares outstanding	13,968	13,888	13,755	13,674	13,596
Average fully diluted shares outstanding	14,141	14,000	13,876	13,715	13,592
Earnings Performance Ratios:					
Return on average assets(1)	1.04 %	1.14 %	1.14 %	0.89 %	1.22 %
Return on average stockholders' equity(2)	10.93	12.13	12.63	10.52	16.55
Non-interest income to average total assets	0.65	0.33	0.39	0.14	1.49
Non-interest expense to average total assets	2.76	2.81	3.16	2.79	2.71
Average interest rate spread(3)	3.93	4.44	4.74	4.60	4.53
Year-end interest rate spread	3.60	3.80	3.86	3.88	3.57
Net interest margin(4)	4.05	4.53	4.84	4.70	4.61
Efficiency ratio(5)	62.86	62.85	66.30	64.05	51.44
Net overhead ratio(6)	2.10	2.48	2.77	2.66	1.56
Common dividend pay-out ratio(7)	27.41	26.22	25.81	29.75	20.34
Asset Quality Ratios (8):					
Allowance for loan losses/year-end loans	1.04 %	1.20 %	1.34 %	1.92 %	2.21 %
Non-performing assets/year-end loans and foreclosed assets	1.02	1.28	1.39	2.46	2.98
Allowance for loan losses/non-performing loans	265.60	230.24	471.77	201.53	180.84
Net charge-offs/average loans	0.29	0.20	0.24	0.91	2.43
Gross non-performing assets/year end assets	0.86	1.07	1.11	1.75	1.84
Non-performing loans/year-end loans	0.37	0.49	0.26	0.80	0.94
Balance Sheet Ratios:					
Loans to deposits	102.70 %	102.58 %	102.09 %	87.12 %	74.42 %
Average interest-earning assets as a percentage of average interest-bearing liabilities	121.33	121.60	120.95	116.03	110.12
Capital Ratios:					
Average common stockholders' equity to average assets	9.5 %	9.4 %	9.0 %	8.5 %	7.4 %
Year-end tangible common stockholders' equity to assets	9.2	9.6	9.0	8.9	7.7
Great Southern Bancorp, Inc.:					

Tier 1 capital ratio	10.8		11.5		13.3		15.6		15.7	
Total capital ratio	13.6		12.6		14.5		16.9		16.9	
Tier 1 leverage ratio	9.9		10.2		11.1		11.3		9.5	
Common equity Tier 1 ratio	10.2		10.8		—		—		—	
Great Southern Bank:										
Tier 1 capital ratio	11.8		11.0		11.4		14.2		14.7	
Total capital ratio	12.7		12.1		12.6		15.4		15.9	
Tier 1 leverage ratio	10.8		9.8		9.5		10.2		8.9	
Common equity Tier 1 ratio	11.8		11.0		—		—		—	
Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirement (9):										
Including deposit interest	3.80	x	4.66	x	4.41	x	3.07	x	3.22	x
Excluding deposit interest	14.07	x	20.01	x	11.59	x	6.44	x	8.66	x

(1) Net income divided by average total assets.
(2) Net income divided by average stockholders' equity.
(3) Yield on average interest-earning assets less rate on average interest-bearing liabilities.
(4) Net interest income divided by average interest-earning assets.
(5) Non-interest expense divided by the sum of net interest income plus non-interest income.
(6) Non-interest expense less non-interest income divided by average total assets.
(7) Cash dividends per common share divided by earnings per common share.
(8) Excludes assets covered by FDIC loss sharing agreements.
(9) In computing the ratio of earnings to fixed charges and preferred stock dividend requirement: (a) earnings have been based on income before income taxes and fixed charges, and (b) fixed charges consist of interest and amortization of debt discount and expense including amounts capitalized and the estimated interest portion of rents.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward-looking Statements

When used in this Annual Report and in other documents filed or furnished by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) non-interest expense reductions from Great Southern's banking center consolidations might be less than anticipated and the costs of the consolidation and impairment of the value of the affected premises might be greater than expected; (ii) expected revenues, cost savings, earnings accretion, synergies and other benefits from the Fifth Third Bank branch acquisition and the Company's other 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; (iii) changes in economic conditions, either nationally or in the Company's market areas; (iv) fluctuations in interest rates; (v) 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; (vi) the possibility of other-than-temporary impairments of securities held in the Company's securities portfolio; (vii) the Company's ability to access cost-effective funding; (viii) fluctuations in real estate values and both residential and commercial real estate market conditions; (ix) demand for loans and deposits in the Company's market areas; (x) the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; (xi) the possibility that security measures implemented might not be sufficient to mitigate the risk of a cyber attack or cyber theft, and that such security measures might not protect against systems failures or interruptions; (xii) legislative or regulatory changes that adversely affect the Company's business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations, and the overdraft protection regulations and customers' responses thereto; (xiii) changes in accounting principles, policies or guidelines; (xiv) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xv) 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; (xvi) costs and effects of litigation, including settlements and judgments; and (xvii) competition. The Company wishes to advise readers that the factors listed above and other risks described from time to time in documents filed or furnished by the Company with the SEC could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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

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, among other things, 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 which 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 "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 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. In the fourth quarter of 2014, the Company began using a three-year average of historical losses for the general component of the allowance for loan loss calculation. The Company had previously used a five-year average. The Company believes that the three-year average provides a better representation of the current risks in the loan portfolio. This change was made after consultation with our regulators and third-party consultants, as well as a review of the practices used by the Company's peers. No other significant changes were made to management's overall methodology for evaluating the allowance for loan losses during the periods presented in the financial statements of this report.

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 Loans Acquired in FDIC-assisted Transactions and Indemnification Asset

The Company considers that the determination of the carrying value of loans acquired in the FDIC-assisted transactions and the carrying value of the related FDIC indemnification asset involves a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification asset 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 acquired assets and assumed 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 certain of these assets, the Company should not incur any significant losses related to these assets. 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 4 of the accompanying audited financial statements for additional information regarding the TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank FDIC-assisted transactions.

Goodwill and Intangible Assets

Goodwill and intangible 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 December 31, 2016, the Company has one reporting unit to which goodwill has been allocated – 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 of those assets to their carrying values. At December 31, 2016, goodwill consisted of $5.4 million at the Bank reporting unit, which included goodwill of $4.2 million that was recorded during 2016 related to the acquisition of 12 branches from Fifth Third Bank. Other identifiable intangible assets that are subject to amortization are amortized on a straight-line basis over a period of seven years. At December 31, 2016, the amortizable intangible assets consisted of core deposit intangibles of $7.1 million, including $3.8 million related to the Fifth Third Bank transaction in January 2016, $1.8 million related to the Valley Bank transaction in June 2014 and $519,000 related to the Boulevard Bank transaction in March 2014. These amortizable intangible assets are reviewed for impairment if circumstances indicate their value may not be recoverable based on a comparison of fair value. See Note 1 of the accompanying audited financial statements for additional information.

For purposes of testing goodwill for impairment, the Company used a market approach to value its reporting unit. The market approach applies a market multiple, based on observed purchase transactions for each reporting unit, to the metrics appropriate for the valuation of the operating unit. Significant judgment is applied when goodwill is assessed for impairment. This judgment may include developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables and incorporating general economic and market conditions.

Based on the Company's goodwill impairment testing, management does not believe any of its goodwill or other intangible assets are impaired as of December 31, 2016. While the Company believes no impairment existed at December 31, 2016, different conditions or assumptions used to measure fair value of the reporting unit, 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

Changes in economic conditions could cause the values of assets and liabilities recorded in the financial statements to 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.

Following the bursting of the housing bubble in mid-2007 and the subsequent housing market correction and subprime mortgage crisis, the United States entered into a significant prolonged economic downturn. Unemployment rose from 4.7% in November 2007 to peak at 10.0% in October 2009. The elevated unemployment levels negatively impacted consumer confidence, which had a detrimental impact on industry-wide performance nationally as well as in the Company's Midwest market area. Economic conditions have improved considerably over the past few years as indicated by increasing consumer confidence levels, increased economic activity and low unemployment levels.

The national unemployment rate decreased from 5.0% as of December 2015 to 4.7% as of December 2016. The labor force participation rate, which is the share of working-age Americans who are either employed or are actively looking for a job, remained level at 63%. The economy added 156,000 jobs in December 2016, with employment gains predominantly occurring in health care and social assistance. Job growth totaled 2.2 million in 2016, which was less than the 2.7 million increase in 2015. As of December 31, 2016, the unemployment rate for the Midwest, where most of the Company's business is conducted, was at 4.1% significantly lower than the 4.6% U.S. rate. Unemployment rates at December 31, 2016, were: Missouri at 4.4%, Arkansas at 3.9%, Kansas at 4.2%, Iowa at 3.6%, Nebraska at 3.4%, Minnesota at 3.9%, Oklahoma at 5.0% and Texas at 4.6%. A few state unemployment rates increased compared to December 2015 levels; however, Oklahoma was the only state with an unemployment rate greater than the national average. Oklahoma was affected by job losses in the manufacturing, mining and logging industries. Of the metropolitan areas in which Great Southern Bank does business, the Tulsa market area had the highest unemployment level at December 31, 2016 at 5.0%. The unemployment rate at 3.9 % for the Springfield market area was below the national average reported as of December 31, 2016. Metropolitan areas in Arkansas, Iowa, Nebraska and Minnesota boasted unemployment levels among the lowest in the nation.

Sales of newly built, single-family homes were at a seasonally adjusted annual rate of 536,000 units in December 2016, according to the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This represents a 10.4% decrease since November 2016 and a 0.4% drop from the December 2015 rate of 538,000. The median sales price of new houses sold in December 2016 was $322,500, with an average sales price of $384,000. The seasonally adjusted estimate of new houses for sale at the end of December 2016 was 259,000, which represented a supply of 5.8 months at the current sales rate. Sales of existing single-family homes closed out 2016 as the best year in a decade, even as sales declined in December as the result of ongoing affordability tensions and historically low supply levels. In December, existing sales decreased 2.8% resulting in sales only 0.7% higher than a year ago. First-time buyers made up 32% of those transactions, the biggest share in four years, easing concerns that a shortage of affordable houses has been pushing entry-level buyers out of the market. The median existing-home price for all housing types in December was $232,200, up 4% from December 2015 ($223,200). Total housing inventory at the end of December dropped 10.8% to 1.65 million existing homes available for sale, which is the lowest level since National Association of Realtors began tracking the supply of all housing types in 1999. Unsold inventory is at a 3.6 month supply at the current sales pace.

Distressed sales, which include foreclosures and short sales, rose to 7% in December, down from 8% a year ago. Foreclosures sold for an average discount of 20% below market value, while short sales were discounted 10%.

The performance of commercial real estate markets has improved throughout the Company's market areas as shown by increased real estate sales and financing activity. According to real estate services firm CoStar Group, retail, office and industrial types of commercial real estate properties continue to improve or remain stable in occupancy, absorption and rental income, both nationally and in our market areas.

While current economic indicators show improvement nationally in employment, housing starts and prices, commercial real estate occupancy, absorption and rental income, our management will continue to closely monitor regional, national and global economic conditions, as these could significantly impact our market areas.

Loss Sharing Agreements

On April 26, 2016, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank, effective immediately. The agreement required the FDIC to pay $4.4 million to settle all outstanding items related to the terminated loss sharing agreements. As a result of entering into the agreement, assets that were covered by the terminated loss sharing agreements, including covered loans in the amount of $61.5 million and covered other real estate owned in the amount of $468,000 as of March 31, 2016, were reclassified as non-covered assets effective April 26, 2016. In anticipation of terminating the loss sharing agreements, an impairment of the related indemnification assets was recorded during the three months ended March 31, 2016 in the amount of $584,000. On the date of the termination, the indemnification asset balances (and certain other receivables from the FDIC) related to Team Bank, Vantus Bank and Sun Security Bank, which totaled $4.4 million at March 31, 2016, became $0 as a result of the receipt of funds from the FDIC as outlined in the termination agreement. There will be no future effects on non-interest income (expense) related to adjustments or amortization of the indemnification assets for Team Bank, Vantus Bank or Sun Security Bank; however, adjustments and amortization related to the InterBank indemnification asset and loss sharing agreement will continue. The remaining accretable yield adjustments that affect interest income are not changed by this transaction and continue to be recognized for all FDIC-assisted transactions in the same manner as they have been previously.

The termination of the loss sharing agreements for the TeamBank, Vantus Bank and Sun Security Bank transactions has had no impact on the yields for the loans that were previously covered under these agreements. All future recoveries, gains, losses and expenses related to these previously covered assets will now be recognized entirely by Great Southern Bank since the FDIC will no longer be sharing in such gains or losses. Accordingly, the Company's future earnings will be positively impacted to the extent the Company recognizes gains on any sales or recoveries in excess of the carrying value of such assets. Similarly, the Company's future earnings will be negatively impacted to the extent the Company recognizes expenses, losses or charge-offs related to such assets.

General

The profitability of the Company and, more specifically, the profitability of its primary subsidiary, 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 year ended December 31, 2016, Great Southern's total assets increased $446.5 million, or 10.9%, from $4.10 billion at December 31, 2015, to $4.55 billion at December 31, 2016. Full details of the current year changes in total assets are provided in the "Comparison of Financial Condition at December 31, 2016 and December 31, 2015" section.

Loans. In the year ended December 31, 2016, Great Southern's net loans increased $419.4 million, or 12.6%, from $3.34 billion at December 31, 2015, to $3.76 billion at December 31, 2016. Partially offsetting the increase in loans was a decrease of $79.7 million in the FDIC-acquired loan portfolios. Excluding previously acquired covered and non-covered loans and mortgage loans held for sale, but including the loans acquired from Fifth Third Bank, total loans increased $499.7 million from December 31, 2015 to December 31, 2016. The increases occurred across several loans types, primarily in other residential (multi-family) loans, commercial real estate loans, one- to four-family residential loans, consumer loans and home equity lines of credit. The increase was primarily due to loan growth in our existing banking center network, and also due to the loans acquired from Fifth Third Bank during the year. 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 2016 or prior years. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels.

Loan growth has occurred in most loan types and has come from most of Great Southern's primary lending locations, including Springfield, St. Louis, Kansas City, Des Moines, and Minneapolis, as well as the loan production offices in Dallas and Tulsa. Net loan balances have increased primarily in the areas of commercial construction, consumer, and commercial real estate (including multi-family). Generally, the Company considers these types of loans to involve a higher degree of risk compared to some other types of loans, such as first mortgage loans on one- to four-family, owner-occupied residential properties, and has established certain minimum underwriting standards to help assure portfolio quality. For commercial real estate and construction loans, these standards and procedures include, but are not limited to, an analysis of the borrower's financial condition, collateral, repayment ability, verification of liquid assets and credit history as required by loan type. In addition, geographic diversity of collateral, lower loan-to-value ratios and limitations on speculative construction projects help to mitigate overall risk in these loans. It has been, and continues to be, Great Southern's practice to verify information from potential borrowers regarding assets, income or payment ability and credit ratings as applicable and as required by the authority approving the loan. Underwriting standards also include loan-to-value ratios which vary depending on collateral type, debt service coverage ratios or debt payment to income ratios, where applicable, credit histories, use of guaranties and other recommended terms relating to equity requirements, amortization, and maturity. Great Southern's loan committee reviews and approves all new loan originations in excess of lender approval authorities. Consumer loans are primarily secured by new and used motor vehicles and these loans are also subject to certain minimum underwriting standards to assure portfolio quality. Great Southern's consumer underwriting and pricing standards have been fairly consistent over the past several years. The underwriting standards employed by Great Southern for consumer loans include a determination of the applicant's payment history on other debts, credit scores, employment history and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is of primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, in relation to the proposed loan amount.

Of the total loan portfolio at December 31, 2016 and 2015, 75.9% and 73.5%, respectively, was secured by real estate, as this is the Bank's primary focus in its lending efforts. At December 31, 2016 and 2015, commercial real estate and commercial construction loans were 42.1% and 42.8% of the Bank's total loan portfolio (excluding loans acquired through FDIC-assisted transactions), respectively. Commercial real estate and commercial construction loans generally afford the Bank an opportunity to increase the yield on, and the proportion of interest rate sensitive loans in, its portfolio. They do, however, present somewhat greater risk to the Bank because they may be more adversely affected by conditions in the real estate markets or in the economy generally. At December 31, 2016 and 2015, loans made in the Springfield, Mo. metropolitan statistical area (Springfield MSA) were 12% and 15% of the Bank's total loan portfolio (excluding loans acquired through FDIC-assisted transactions), respectively. The Company's headquarters are located in Springfield and we have operated in this market since 1923. Because of our large presence and experience in the Springfield MSA, many lending opportunities exist. However, if the economic conditions of the Springfield MSA were worse than those of other market areas in which we operate or the national economy overall, the performance of these loans could decline comparatively. At December 31, 2016 and 2015, loans made in the St. Louis, Mo. metropolitan statistical area (St. Louis MSA) were 19% and 18% of the Bank's total loan portfolio (excluding loans acquired through FDIC-assisted transactions, but including loans acquired from Fifth Third Bank), respectively. The Company's expansion into the St. Louis MSA beginning in May 2009 has provided an opportunity to not only expand its markets and provide diversification from the Springfield MSA, but also has provided access to a larger economy with increased lending opportunities despite higher levels of competition. Loans made in the St. Louis MSA are primarily commercial real estate, commercial business and multi-family residential loans which are less likely to be impacted by the higher levels of unemployment rates, as mentioned above under "Current Economic Conditions," than if the focus were on one- to four-family residential and consumer loans. For further discussions of the Bank's loan portfolio, and specifically, commercial real estate and commercial construction loans, see "Item 1. Business – Lending Activities."

The percentage of fixed-rate loans in our loan portfolio has increased from 46% as of December 31, 2010 to 57% as of December 31, 2016 due to customer preference for fixed rate loans during this period of low interest rates. The majority of the increase in fixed rate loans was in commercial construction and consumer loans, both of which typically have loans with short durations. Of the total amount of fixed rate loans in our portfolio as of December 31, 2016, approximately 77% mature within one to five years and therefore are not considered to create significant long-term interest rate risk for the Company. Fixed rate loans make up only a portion of our balance sheet and our overall interest rate risk strategy. As of December 31, 2016, our interest rate risk models indicated a one-year interest rate earnings sensitivity position that is fairly neutral. For further discussion of our interest rate sensitivity gap and the processes used to manage our exposure to interest rate risk, see "Quantitative and Qualitative Disclosures About Market Risk – How We Measure the Risks to Us Associated with Interest Rate Changes." For discussion of the risk factors associated with interest rate changes, see "Risk Factors – We may be adversely affected by interest rate changes."

While our policy allows us to lend up to 95% of the appraised value on one-to four-family residential properties, originations of loans with loan-to-value ratios at that level are minimal. Private mortgage insurance is typically required for loan amounts above the 80% level. Few exceptions occur and would be based on analyses which determined minimal transactional risk to be involved. We consider these lending practices to be consistent with or more conservative than what we believe to be the norm for banks our size. At December 31, 2016 and December 31, 2015, an estimated 0.2% and 0.2%, respectively, of total owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination. At December 31, 2016 and December 31, 2015, an estimated 1.3% and 2.1%, respectively, of total non-owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination.

At December 31, 2016, troubled debt restructurings totaled $21.1 million, or 0.6% of total loans, down $23.9 million from $45.0 million, or 1.3% of total loans, at December 31, 2015. Concessions granted to borrowers experiencing financial difficulties may include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. During the years ended December 31, 2016 and 2015, respectively, no loans were restructured into multiple new loans. For further information on troubled debt restructurings, see Note 3 of the accompanying audited financial statements, which are included in Item 8 of this report.

The loss sharing agreement for InterBank with the FDIC is subject to limitations on the types of losses covered and the length of time losses are covered, and is conditioned upon the Bank complying with its requirements in the agreement with the FDIC, including requirements regarding servicing and other loan administration matters. The original terms of the loss sharing agreement extends for ten years for single family real estate loans and for five years for other loans. As noted above, the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank were terminated on April 26, 2016.

At December 31, 2016, approximately five and one half years remained on the loss sharing agreement for single family real estate loans acquired from InterBank and the remaining loans had an estimated average life of four to twelve years. At December 31, 2016, approximately six months remained on the loss sharing agreement for non-single-family loans acquired from InterBank and the remaining loans had an estimated average life of one to two years. While the expected repayments for certain of the acquired loans extend beyond the terms of the loss sharing agreement, the Bank has identified and will continue to identify problem loans and will make every effort to resolve them within the time limits of the agreement. The Company may sell any loans remaining at the end of the loss sharing agreement subject to the approval of the FDIC.

Loans that were acquired through FDIC-assisted transactions, which are accounted for in pools, are currently included in the analysis and estimation of the allowance for loan losses. If expected cash flows to be received on any given pool of loans decreases from previous estimates, then a determination is made as to whether the loan pool should be charged down or the allowance for loan losses should be increased (through a provision for loan losses). This is true of all acquired loan pools regardless of whether or not they are covered by a loss sharing agreement. If a charge down occurs to a loan pool that is covered by the loss sharing agreement, the full amount of the charge down will be reflected in the allowance for loan losses and a separate asset will be recorded for the amount to be recovered from the FDIC. The loss sharing agreements (both current and terminated) and their related limitations are described in detail in Note 4 of the accompanying audited financial statements, included in Item 8 of this Report. For acquired loan pools that currently are not covered by loss sharing agreements, the Company may allocate, and at December 31, 2016, has allocated, a portion of its allowance for loan losses related to these loan pools in a manner similar to how it allocates its allowance for loan losses to those loans which are collectively evaluated for impairment.

The level of non-performing loans and foreclosed assets affects our net interest income and net income. 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.

Available-for-sale Securities. In the year ended December 31, 2016, available-for-sale securities decreased $49.0 million, or 18.6%, from $262.9 million at December 31, 2015, to $213.9 million at December 31, 2016. The decrease was primarily due to calls of municipal securities, sales of certain mortgage-backed securities, the sale of an investment in a managed equity fund held by the Company, and normal monthly payments received related to the portfolio of mortgage-backed securities, partially offset by the purchase of certain mortgage-backed securities. The Company was required to divest the investment it held in the managed equity fund as a result of regulations recently adopted by the Federal Reserve Board. Other investment securities were reduced because they were no longer needed for pledging for public fund deposits.

Premises and Equipment, net. Great Southern had net premises and equipment of $140.6 million at December 31, 2016, an increase of $10.9 million, or 8.4%, from $129.7 million at December 31, 2015. The increase in premises and equipment was primarily due to the acquisition of 12 branches from Fifth Third Bank in January 2016. For further information on the acquisition, see the Company's March 31, 2016 Quarterly Report on Form 10-Q.

Goodwill and Other Intangible Assets. The Company's goodwill and other intangible assets totaled $12.5 million at December 31, 2016, an increase of $6.7 million, or 117.1%, compared to $5.8 million at December 31, 2015. The increase was due to the goodwill and core deposit intangible amounts recorded during the three months ended March 31, 2016 related to the Fifth Third Bank branch acquisition, as discussed above in the "Goodwill and Intangible Assets" section of this report.

Deposits. 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 FHLBank advances and other borrowings, to meet loan demand or otherwise fund its activities. In the year ended December 31, 2016, total deposit balances increased $408.6 million, or 12.5%. Transaction account balances increased $212.0 million, while retail certificates of deposit increased $156.1 million. These increases were primarily a result of the Bank's assumption of deposits as part of the Fifth Third Bank branch acquisition in January 2016, as well as growth at existing branches and new retail certificate of deposit product offerings. Great Southern Bank customer deposits totaling $14.0 million and $12.2 million, at December 31, 2016 and December 31, 2015, 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. Brokered deposits, including CDARS program purchased funds, were $310.3 million at December 31, 2016, an increase of $38.8 million from $271.5 million at December 31, 2015.

Our deposit balances may fluctuate depending on customer preferences and our relative need for funding. We do not consider our retail certificates of deposit to be guaranteed long-term funding because customers can withdraw their funds at any time with minimal interest penalty. When loan demand trends upward, we can increase rates paid on deposits to increase deposit balances and utilize brokered deposits to provide additional funding. The level of competition for deposits in our markets is high. It is our goal to gain deposit market share, particularly checking accounts, in our branch footprint. To accomplish this goal, increasing rates to attract deposits may be necessary, which could negatively impact the Company's net interest margin.

Our ability to fund growth in future periods may also depend 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 either fixed or variable rate funding, as desired, which more closely matches the interest 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 could have a material adverse effect on our business, financial condition and results of operations.

Short-term Borrowings and Federal Home Loan Bank Advances. Federal Home Loan Bank advances decreased $232.0 million from $263.5 million at December 31, 2015 to $31.5 million at December 31, 2016. The decreased advances were replaced with overnight fed funds borrowings through the FHLBank based on funding needs. As such, short-term borrowings increased by $171.0 million, from $1.3 million at December 31, 2015 to $172.3 million at December 31, 2016. The overnight fed funds borrowing rate was lower than the one week or longer term rates for FHLBank advances, so the Company elected to utilize the overnight borrowings.

Subordinated Notes. In August 2016, the Company issued $75 million of 5.25% fixed-to-floating rate Subordinated Notes due August 15, 2026. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of approximately $73.5 million. The Company intends to use the net proceeds of the offering for general corporate purposes.

Net Interest Income and Interest Rate Risk Management. Our net interest income may be affected positively or negatively by changes in market interest rates. A 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 "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 described in Note 4 of the accompanying audited financial statements, which are included in Item 8 of this report, 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. Prior to its increases of 0.25% on December 16, 2015 and 0.25% on December 14, 2016, the FRB last changed interest rates on December 16, 2008. Great Southern has a substantial portion of its loan portfolio ($1.02 billion at December 31, 2016) which is tied to the one-month LIBOR index and will adjust at least once within 90 days after December 31, 2016. Of these loans, $471 million had interest rate floors.
Great Southern also has a significant portfolio of loans ($387 million at December 31, 2016) which are tied to a "prime rate" of interest and will adjust immediately with changes to the "prime rate" of interest. Most of these loans are tied to some national index of "prime," while some are indexed to "Great Southern Bank prime" (GSB prime). The Company had elected to leave its GSB prime rate at 5.00%, but increased this rate to 5.25% in December 2015 following the FRB rate increase. The GSB prime rate was not changed following the FRB rate increase in December 2016. This does not affect a large number of customers, as there is no longer a significant portion of the loan portfolio indexed to the GSB prime rate. 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, however, subject to the risk that

borrowers will seek to refinance elsewhere at the lower market rate. 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 significantly lower its funding costs in the current competitive rate 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 certain of 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 and pay higher rates on borrowings. The impact of the low rate environment on our net interest margin in future periods is expected to be fairly neutral. Any margin gained by rate increases on loans may be somewhat offset by reduced yields from our investment securities and our existing loan portfolio as payments are made and the proceeds are potentially reinvested at lower rates. Interest rates on certain adjustable rate mortgage-backed securities and loans may reset lower according to their contractual terms and index rate to which they are tied and new loans may be originated at lower market rates than the overall portfolio rate. For further discussion of the processes used to manage our exposure to interest rate risk, see "Quantitative and Qualitative Disclosures About Market Risk – How We Measure the Risks to Us Associated with Interest Rate Changes."

The negative impact of declining loan interest rates had been mitigated by the positive effects of the Company's loans which have interest rate floors. At December 31, 2016, the Company had a portfolio (excluding the loans acquired in the FDIC-assisted transactions) of prime-based loans totaling approximately $387 million with rates that change immediately with changes to the prime rate of interest. Of those loans, $382 million also had interest rate floors. These floors were at varying rates, with $8 million of these loans having floor rates of 7.0% or greater and another $76 million of these loans having floor rates between 5.0% and 7.0%. In addition, $298 million of these loans have floor rates between 2.75% and 5.0%. At December 31, 2016, $93 million of these loans were at their floor rates. Also included in these prime-based loans at December 31, 2016, the Company had a portfolio (excluding the loans acquired in the FDIC-assisted transactions) of GSB prime-based loans totaling approximately $60 million with rates that change immediately with changes to the GSB prime rate of interest. Of those loans, $58 million also had interest rate floors. At December 31, 2016, $16 million of the $58 million GSB prime rate loans with interest rate floors were at their floor rates. The loan yield for the total loan portfolio was approximately 83 basis points, 106 basis points and 141 basis points higher than the national "prime rate of interest" at December 31, 2016, 2015 and 2014, respectively, partly because of these interest rate floors. 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 risk that borrowers will seek to refinance their loans increases.

Non-Interest Income and Operating Expenses. 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, 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 2014, 2012, 2011 and 2009, non-interest income was also affected by the gains recognized on the FDIC-assisted transactions. In early 2016 and all of 2015 and 2014, 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. This is no longer the case for the TeamBank, Vantus Bank and Sun Security Bank transactions, subsequent to April 26, 2016 (due to the termination of the related loss sharing agreements effective as of that date). It is still the case for InterBank loans. Non-interest income may also be affected by the Company's interest rate derivative activities, if the Company chooses to implement derivatives.

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 under "Results of Operations and Comparison for the Years Ended December 31, 2016 and 2015."

Business Initiatives

The Company completed several initiatives to expand and enhance the franchise in 2016.

During 2016, the Company decreased its banking center network from 110 to 104 full-service retail offices. The Company regularly evaluates its banking center network and lines of business to ensure that it is serving customers in the best way possible. The banking center network constantly evolves with changes in customer needs and preferences, emerging technology and local market developments. In response to these changes, the Company opens banking centers and invests resources where customer demand leads, and from time to time, consolidates banking centers when market conditions dictate.

On January 29, 2016, Great Southern completed the acquisition of 12 branches and related deposits and loans from Cincinnati-based Fifth Third Bank in the St. Louis market area. This acquisition increased Great Southern's St. Louis-area banking center total from eight to ultimately 19 offices and doubled its customer deposit base in this market. The deposits assumed totaled approximately $228 million and the loans acquired totaled approximately $159 million.

Throughout 2016, the Company consolidated operations of 16 banking centers into other nearby Great Southern offices. Each consolidated office was evaluated on a number of criteria, including access and availability of services to affected customers, the proximity of other Great Southern banking centers, profitability and transaction volumes and market dynamics. Of these 16 consolidated banking centers, eleven were in Missouri, four in Iowa and one was in Kansas. Nine of these banking centers were acquired as part of various FDIC-assisted acquisitions. In addition, the Company also sold two Missouri banking centers, with associated deposits, to separate buyers in early 2016. The Great Southern banking center located in Thayer, Mo., was sold on February 19, 2016, and the office in Buffalo, Mo., was sold on March 18, 2016.

In addition, in January 2017, two leased banking centers were replaced by two new owned offices in the Omaha, Neb., metropolitan market area. Both new locations offer better convenience and access to area customers. Great Southern operates four offices in the Omaha market area.

The Company executed an agreement with the FDIC to terminate loss sharing agreements related to the FDIC-assisted acquisitions of TeamBank, Vantus Bank and Sun Security Bank in April 2016. The agreement required the FDIC to pay $4.4 million to settle all outstanding items related to the terminated loss sharing agreements. As a result of entering into the agreement, assets that were covered by the terminated loss sharing agreements, including covered loans in the amount of $61.5 million and covered other real estate owned in the amount of $468,000 as of March 31, 2016, were reclassified as non-covered assets effective April 26, 2016. More information about this agreement can be found in the Company's Form 10-Q for the quarter ended March 31, 2016.

In July 2016, the Company filed a universal shelf registration statement (Form S-3) with the Securities and Exchange Commission. This registration allows the Company to expeditiously offer investors up to a total of $250 million in common stock, preferred stock, trust preferred securities or debt obligations. With the Board's prior approval, public offerings can be made at various times and for various amounts depending on the needs of the Company.

In August 2016, utilizing the shelf registration statement, the Company completed the public offering and sale of $75 million of its 5.25% Fixed-to-Floating Rate Subordinated Notes due August 15, 2026. The Notes were sold at par, resulting in net proceeds, after underwriting discounts, commissions and expenses, of approximately $73.5 million. The Company intends to use the net proceeds of the offering for general corporate purposes.

In October 2016, the Company began mass issuing chip-enabled debit cards in phases to its deposit customer base. The mass issuance was completed in February 2017. Chip debit cards offer customers an added layer of security, providing enhanced protection against fraud. Chip debit cards are also available instantly at all Great Southern banking centers.

The Company expects to open a commercial loan production office in downtown Chicago in the first quarter of 2017. A local and highly experienced commercial lender has been hired to manage that office. The Company also operates commercial loan production offices in Tulsa, Okla., and Dallas.

A person-to-person (P2P) electronic payment service was introduced in early February 2017. Available for retail customers through the Company's smartphone mobile banking applications, the P2P service allows Great Southern debit card customers to send one-time transfers to recipients at any financial institution.

The Company's chief lending officer, Steve Mitchem, previously announced his plans to retire from the Company in April 2017. Mr. Mitchem joined Great Southern in 1990. During his tenure, the Company's loan portfolio grew from $360 million, with lending operations primarily in the southwest Missouri region, to $3.8 billion with lending operations in eight states. Mr. Mitchem and the Company began planning for his pending retirement more than a year ago to ensure a smooth management transition. At that time, the Company restructured the lending division to better reflect the Company's size and scope. The lending division now has two separate areas of responsibility – loan production led by John Bugh and credit administration led by Kevin Baker. Mr. Bugh and Mr. Baker are long-term Great Southern lenders, who each have more than 27 years of banking experience.

Effect of Federal Laws and Regulations

General. Federal legislation and regulation significantly affect the 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 banking organizations 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.

Significant Legislation Impacting the Financial Services Industry. On July 21, 2010, sweeping financial regulatory reform legislation entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act") was signed into law. The Dodd-

Frank Act implements far-reaching changes across the financial regulatory landscape, including provisions that, among other things, centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, with broad rulemaking authority for a wide range of consumer protection laws that apply to all banks, require new capital rules (discussed below), 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 to examine the Company and its non-bank subsidiaries.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over a number of 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.

A provision of the Dodd-Frank Act, commonly referred to as the "Durbin Amendment," directed the FRB to analyze the debit card payments system and fix the interchange rates based upon their estimate of actual costs. The FRB has established the interchange rate for all debit transactions for issuers with over $10 billion in assets at $0.21 per transaction. An additional five basis points of the transaction amount and an additional $0.01 may be collected by the issuer for fraud prevention and recovery, provided the issuer performs certain actions. The Bank is currently exempt from the rule on the basis of asset size.

New Capital Rules. The federal banking agencies have adopted new regulatory capital rules that substantially amend the risk-based capital rules applicable to the Bank and the Company. The new rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to various documents released by the Basel Committee on Banking Supervision. For the Company and the Bank, the general effective date of the new rules was January 1, 2015, and, for certain provisions, various phase-in periods and later effective dates apply. The chief features of the new rules are summarized below.

The new rules refine the definitions of what constitutes regulatory capital and add a new regulatory capital element, common equity Tier 1 capital. The minimum capital ratios are (i) a common equity Tier 1 ("CET1") risk-based capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6%; (iii) a total risk-based capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. In addition to the minimum capital ratios, the new rules include a capital conservation buffer, under which a banking organization must have CET1 more than 2.5% above each of its minimum risk-based capital ratios in order to avoid restrictions on paying dividends, repurchasing shares, and paying certain discretionary bonuses. The new capital conservation buffer requirement began phasing in beginning on January 1, 2016 when a buffer greater than 0.625% of risk-weighted assets was required, which amount will increase an equal amount each year until the buffer requirement of greater than 2.5% of risk-weighted assets is fully implemented on January 1, 2019.

Effective January 1, 2015, the new rules also revised the prompt corrective action framework, which is designed to place restrictions on insured depository institutions if their capital levels show signs of weakness. Under the new prompt corrective action requirements, insured depository institutions are required to meet the following in order to qualify as "well capitalized:" (i) a common equity Tier 1 risk-based capital ratio of at least 6.5%, (ii) a Tier 1 risk-based capital ratio of at least 8%, (iii) a total risk-based capital ratio of at least 10% and (iv) a Tier 1 leverage ratio of 5%, and must not be subject to an order, agreement or directive mandating a specific capital level.

Recent Accounting Pronouncements

See Note 1 to the accompanying audited financial statements, which are included in Item 8 of this Report, for a description of recent accounting pronouncements including the respective dates of adoption and expected effects on the Company's financial position and results of operations.

Comparison of Financial Condition at December 31, 2016 and December 31, 2015

During the year ended December 31, 2016, total assets increased by $446.5 million to $4.55 billion. The increase was primarily attributable to the loan, premises and equipment and intangible assets related to the Fifth Third Bank branch acquisition, as well as an increase in loans originated by the Bank and cash and cash equivalents, partially offset by reductions in available-for-sale investment securities and the FDIC indemnification asset.

Net loans increased $419.4 million to $3.76 billion at December 31, 2016. Outstanding and undisbursed balances of other residential (multi-family) loans increased $243.8 million, or 58.1%, commercial construction loans increased $179.8 million, or 29.9%, commercial real estate loans increased $143.4 million, or 13.7%, owner occupied one- to four-family residential loans increased $90.1 million, or 81.7%, and consumer auto loans increased $54.3 million, or 12.4%. Partially offsetting these increases was a decrease in net loans acquired through the FDIC-assisted transactions of $79.7 million, or 22.0%, primarily because of loan repayments.

Related to the loans purchased in the 2012, 2011 and 2009 FDIC-assisted transactions, the Company originally recorded indemnification assets which represented payments expected to be received from the FDIC through loss sharing agreements. As noted previously, the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank, and the related remaining indemnification assets were terminated during 2016. The remaining balance of the FDIC indemnification is related to InterBank, and the total amount at December 31, 2016 was $13.1 million, a decrease of $11.0 million from $24.1 million at December 31, 2015, $21.1 million of which related to InterBank. The 2014 Valley Bank acquisition did not include a loss sharing agreement with the FDIC; therefore, no indemnification asset was recorded as part of the transaction.

Securities available for sale decreased $49.0 million, or 18.6%, as compared to December 31, 2015. The decrease was primarily due to calls of municipal securities and U. S. government agency securities, sales of certain mortgage-backed securities, the sale of an investment in a managed equity fund held by the Company, and normal monthly payments received related to the portfolio of mortgage-backed securities, partially offset by the purchase of certain mortgage-backed securities. The Company was required to divest the investment it held in the managed equity fund as a result of regulations recently adopted by the Federal Reserve Board. Other investment securities were reduced because they were no longer needed for pledging for public fund deposits. The available-for-sale securities portfolio was 4.7% and 6.4% of total assets at December 31, 2016 and 2015, respectively.

Cash and cash equivalents were $279.8 million at December 31, 2016, an increase of $80.6 million, or 40.5%, from $199.2 million at December 31, 2015. During the year ended December 31, 2016, cash and cash equivalents increased primarily due to the cash received in the Fifth Third Bank transaction, sales of and payments received on available-for-sale securities, increases in deposits and the net proceeds of the issuance of $75.0 million of subordinated notes. This increase in cash and cash equivalents was partially offset by using a portion of the cash to fund loan growth.

Net premises and equipment increased $10.9 million from December 31, 2015, primarily due to the branches acquired in the Fifth Third Bank transaction, partially offset by the transfer of branch properties closed in January 2016 to other real estate owned and the sale of two branches.

The Company's goodwill and other intangible assets totaled $12.5 million at December 31, 2016, an increase of $6.7 million, or 117.1%, compared to $5.8 million at December 31, 2015. The increase was due to the goodwill and core deposit intangible amounts recorded during the three months ended March 31, 2016 related to the Fifth Third Bank branch acquisition, as discussed above in the "Goodwill and Intangible Assets" section of this report.

Total liabilities increased $414.9 million from $3.71 billion at December 31, 2015 to $4.12 billion at December 31, 2016. The increase was primarily attributable to an increase in deposits and the issuance of subordinated notes. Deposits increased due to the deposits assumed in the Fifth Third Bank branch transaction, as well as growth in the Company's existing deposits and brokered deposits. In the year ended December 31, 2016, total deposit balances increased $408.6 million, or 12.5%. Transaction account balances increased $212.0 million during the year ended December 31, 2016, while retail certificates of deposit increased $156.1 million during the year ended December 31, 2016.

Federal Home Loan Bank advances decreased $232.0 million, from $263.5 million at December 31, 2015 to $31.5 million at December 31, 2016. The decreased advances were replaced with overnight fed funds borrowings through the FHLBank based on funding needs. As such, short-term borrowings increased by $171.0 million, from $1.3 million at December 31, 2015 to $172.3 million at December 31, 2016. The overnight fed funds borrowing rate was lower than the one week or longer term rates for FHLBank advances, so the Company elected to utilize the overnight borrowings.

In August 2016, the Company issued $75 million of 5.25% fixed-to-floating rate Subordinated Notes due August 15, 2026. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of approximately $73.5 million. The Company intends to use the net proceeds of the offering for general corporate purposes.

Total stockholders' equity increased $31.6 million from $398.2 million at December 31, 2015 to $429.8 million at December 31, 2016. The Company recorded net income of $45.3 million for the year ended December 31, 2016, and dividends declared on common stock were $12.2 million. Accumulated other comprehensive income decreased $4.1 million. The decrease in accumulated other comprehensive income resulted from decreases in the fair value of the Company's available-for-sale investment securities. In addition, total stockholders' equity increased $2.6 million due to stock option exercises.

Results of Operations and Comparison for the Years Ended December 31, 2016 and 2015

General

Net income decreased $1.2 million, or 2.5%, during the year ended December 31, 2016, compared to the year ended December 31, 2015. Net income was $45.3 million for the year ended December 31, 2016 compared to $46.5 million for the year ended December 31, 2015. This decrease was due to an increase in non-interest expense of $6.1 million, or 5.3%, a decrease in net interest income of $5.3 million, or 3.1%, an increase in the provision for loan losses of $3.8 million, or 68.2% and an increase in provision for income taxes of $952,000, or 6.1%, partially offset by an increase in non-interest income of $14.9 million, or 109.9%. Net income available to common shareholders was $45.3 million for the year ended December 31, 2016 compared to $45.9 million for the year ended December 31, 2015.

Total Interest Income

Total interest income increased $824,000, or 0.4%, during the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was due to a $1.6 million, or 0.9%, increase in interest income on loans, partially offset by an $819,000, or 11.5%, decrease in interest income on investment securities and other interest-earning assets. Interest income on loans increased in 2016 due to higher average balances on loans, partially offset by lower average rates of interest. Interest income from investment securities and other interest-earning assets decreased during 2016 compared to 2015 primarily due to lower average balances, partially offset by higher average rates of interest.

Interest Income - Loans

During the year ended December 31, 2016 compared to the year ended December 31, 2015, interest income on loans increased due to higher average balances, partially offset by lower average interest rates. Interest income increased $21.8 million as the result of higher average loan balances, which increased from $3.24 billion during the year ended December 31, 2015, to $3.66 billion during the year ended December 31, 2016. The higher average balances were primarily due to organic loan growth, in addition to the loans obtained as part of the Fifth Third Bank branch acquisition. Interest income decreased $20.2 million as the result of lower average interest rates on loans. The average yield on loans decreased from 5.48% during the year ended December 31, 2015 to 4.89% during the year ended December 31, 2016. This decrease was due to lower overall loan rates, and a lower amount of accretion income in the current year resulting from the increases in expected cash flows to be received from the FDIC-acquired loan pools, which is discussed in Note 4 of the accompanying audited financial statements, which are included in Item 8 of this report.

On an on-going basis, the Company estimates the cash flows expected to be collected from the acquired loan pools. This cash flows estimate has increased, based on the payment histories and the collection of certain loans, thereby reducing loss expectations of certain loan pools, resulting in adjustments to be spread on a level-yield basis over the remaining expected lives of the loan pools. The loss sharing agreements for the Team Bank, Vantus Bank and Sun Security Bank transactions were terminated in April 2016, and the related indemnification assets were reduced to $-0- at that time. The Valley Bank transaction does not include a loss sharing agreement with the FDIC. Therefore, for these four acquisition transactions, there is no related indemnification asset. The entire amount of the discount adjustment has been and will be accreted to interest income over time with no offsetting impact to non-interest income. For the loan pools acquired in the InterBank transaction, the increases in expected cash flows also reduce the amount of expected reimbursements under the loss sharing agreement with the FDIC, which is recorded as an indemnification asset. Therefore, the expected indemnification asset has also been reduced, resulting in adjustments to be amortized on a comparable basis over the remainder of the loss sharing agreement or the remaining expected life of the loan pools, whichever is shorter. For the years ended December 31, 2016 and 2015, the adjustments increased interest income by $16.4 million and $28.5 million, respectively, and decreased non-interest income by $7.0 million and $19.5 million, respectively. The net impact to pre-tax income was $9.4 million and $9.0 million, respectively, for the years ended December 31, 2016 and 2015.

As of December 31, 2016, the remaining accretable yield adjustment that will affect interest income is $6.3 million and the remaining adjustment to the indemnification assets related to InterBank, including the effects of the clawback liability, that will affect non-interest income (expense) is $(2.5) million. The $6.3 million of accretable yield adjustment relates to Team Bank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank. The expense, as noted, is only related to InterBank, as there is no longer, nor will there be in the future, indemnification asset amortization expense related to Team Bank, Vantus Bank or Sun Security Bank due to the early termination of the remaining related loss sharing agreements for those transactions in April 2016. Of the remaining adjustments, we expect to recognize $4.3 million of interest income and $(1.7) million of non-interest income (expense) during 2017. Additional adjustments may be recorded in future periods from the FDIC-assisted acquisitions, as the Company continues to estimate expected cash flows from the acquired loan pools. Apart from the yield accretion, the average yield on loans was 4.44% during the year ended December 31, 2016, compared to 4.60% during the year ended December 31, 2015, as a result of loan pay-offs, normal amortization of higher-rate loans and new loans that were made at current lower market rates. Interest income also decreased due to significant interest recoveries in the prior year period, as discussed in the paragraph below.

In the year ended December 31, 2015, the Company collected $891,000 on certain acquired loans which had previously not been expected to be collectible. These collections were recorded as interest income in 2015 and had a positive impact on the net interest margin in that year of approximately three basis points. As the loans were subject to loss sharing agreements at that time, 80% of the amounts collected, or $713,000, was recorded in 2015 and included in non-interest income under "accretion (amortization) of income related to business acquisitions."

Interest Income - Investments and Other Interest-earning Assets
Interest income on investments and other interest-earning assets decreased $819,000 in the year ended December 31, 2016 compared to the year ended December 31, 2015. Interest income decreased $1.9 million as a result of a decrease in average balances from $483.0 million during the year ended December 31, 2015, to $366.3 million during the year ended December 31, 2016. Average balances of securities decreased due to certain U. S. government agency securities and municipal securities being called, the sale of certain mortgage-backed securities, normal monthly payments received related to the portfolio of mortgage-backed securities, and the sale during the year of an investment in a managed equity fund held by the Company. Interest income increased $1.1 million due to an increase in average interest rates from 1.47% during the year ended December 31, 2015 to 1.72% during the year ended December 31, 2016, due to a higher portion of the investment portfolio in tax-exempt municipal bonds and higher market rates of interest on other interest-bearing deposits in financial institutions.

The Company's interest-earning deposits and non-interest-earning cash equivalents currently earn very low or no yield and therefore negatively impact the Company's net interest margin. At December 31, 2016, the Company had cash and cash equivalents of $279.8 million compared to $199.2 million at December 31, 2015. See "Net Interest Income" for additional information on the impact of this interest activity.

Total Interest Expense
Total interest expense increased $6.1 million, or 38.3%, during the year ended December 31, 2016, when compared with the year ended December 31, 2015, due to an increase in interest expense on deposits of $3.9 million, or 28.7%, an increase in interest expense on the newly issued subordinated notes of $1.6 million, an increase in interest expense on short-term and structured repo borrowings of $1.1 million, or 1,649.2%, and an increase in interest expense on subordinated debentures issued to capital trust of $89,000, or 12.5%, partially offset by a decrease in interest expense on FHLBank advances of $493,000, or 28.9%.

Interest Expense - Deposits
Interest on demand deposits increased $832,000 due to an increase in average rates from 0.20% during the year ended December 31, 2015, to 0.26% during the year ended December 31, 2016. Interest on demand deposits increased $198,000 due to an increase in average balances from $1.40 billion in the year ended December 31, 2015, to $1.50 billion in the year ended December 31, 2016. The increase in average balances of interest-bearing demand deposits was primarily a result of the deposits assumed as part of the Fifth Third Bank branch acquisition, partially offset by decreases in certain deposit types, such as public funds.
Interest expense on time deposits increased $1.8 million as a result of an increase in average rates of interest from 0.85% during the year ended December 31, 2015, to 0.98% during the year ended December 31, 2016. Interest expense on time deposits increased $1.0 million due to an increase in average balances of time deposits from $1.26 billion during the year ended December 31, 2015, to $1.37 billion during the year ended December 31, 2016. The increase in average balances of time deposits was primarily a result of increased balances of brokered deposits and time deposits opened through the Company's internet deposit acquisition channels. A large portion of the Company's certificate of deposit portfolio matures within six to eighteen months and therefore reprices fairly quickly; this is consistent with the portfolio over the past several years.

Interest Expense - FHLBank Advances, Short-term Borrowings and Structured Repurchase Agreements, Subordinated Debentures Issued to Capital Trust and Subordinated Notes

Interest expense on FHLBank advances decreased due to lower average balances, partially offset by higher average rates of interest. Interest expense on FHLBank advances decreased $1.4 million due to a decrease in average balances from $175.9 million during the year ended December 31, 2015, to $68.3 million during the year ended December 31, 2016. This decrease was primarily due to the paydown and partial replacement of short-term FHLBank advances with overnight fed funds borrowings from the FHLBank. Partially offsetting the decrease due to reduced average balances was an increase in interest expense of $919,000 due to an increase in average interest rates from 0.97% in the year ended December 31, 2015, to 1.78% in the year ended December 31, 2016. The increase in the average rate was due to a change in the mix of advances compared to the prior year. Short-term advances with very low interest rates were utilized more significantly in the prior year, which caused the overall average rate to be lower. In the current year, the Company utilized more overnight borrowings from the FHLBank which are included in short-term borrowings, with the remaining balance of FHLBank advances being longer term at a higher rate.

Interest expense on short-term borrowings and repurchase agreements increased $996,000 due to average rates that increased from 0.03% in the year ended December 31, 2015, to 0.35% in the year ended December 31, 2016. The increase was due to a change in the mix of borrowings in the current period, during which overnight fed funds borrowings from the FHLBank were increased, which are at a higher interest rate than customer repurchase agreements. Interest expense on short-term borrowings and repurchase agreements increased $76,000 due to an increase in average balances from $192.1 million during the year ended December 31, 2015, to $327.7 million during the year ended December 31, 2016, which is primarily due to an increase in short-term borrowings from the FHLBank.

During the year ended December 31, 2016, compared to the year ended December 31, 2015, interest expense on subordinated debentures issued to capital trusts increased $168,000 due to higher average interest rates. The average interest rate was 2.48% in 2015, compared to 3.12% in 2016. The increase in the interest rate resulted from the amortization of the cost of interest rate caps the Company purchased in 2013 to limit the interest rate risk from rising LIBOR rates related to the Company's subordinated debentures issued to capital trusts. Interest expense on subordinated debentures issued to capital trusts decreased $79,000 due to a decrease in average balances from $28.8 million for the year ended December 31, 2015 to $25.8 million during the year ended December 31, 2016. The average balance decreased because the Company redeemed $5.0 million of its subordinated debentures issued to capital trust during 2015. The remaining debentures are variable-rate debentures which bear interest at an average rate of three-month LIBOR plus 1.60%, adjusting quarterly. The average interest rate will continue to be higher than this until the third quarter of 2017 as a result of the amortization of the cost of the interest rate cap.

In August 2016, the Company issued $75 million of 5.25% fixed-to-floating rate subordinated notes due August 15, 2026. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of approximately $73.5 million. Interest expense on the subordinated notes for the year ended December 31, 2016 was $1.6 million.

Net Interest Income

Net interest income for the year ended December 31, 2016 decreased $5.3 million to $163.1 million compared to $168.4 million for the year ended December 31, 2015. Net interest margin was 4.05% for the year ended December 31, 2016, compared to 4.53% in 2015, a decrease of 48 basis points. In both years, the Company's net interest income and margin have been significantly impacted by the increases in expected cash flows to be received from the FDIC-acquired loan pools and the resulting increase to accretable yield, which was discussed previously in "Interest Income – Loans" and is discussed in Note 4 of the accompanying audited financial statements, which are included in Item 8 of this Report. The positive impact of these changes on the years ended December 31, 2016 and 2015 were increases in interest income of $16.4 million and $28.5 million, respectively, and increases in net interest margin of 41 basis points and 77 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin decreased 12 basis points during the year ended December 31, 2016. The decrease in net interest margin was primarily due to a decrease in average interest rate on loans (primarily due to decreased interest income on loans acquired in the FDIC-assisted transactions) and an increase in the average interest rate on time deposits and borrowings, partially offset by an increase in the average interest rate on investment securities.

The Company's overall interest rate spread decreased 51 basis points, or 11.5%, from 4.44% during the year ended December 31, 2015, to 3.93% during the year ended December 31, 2016. The decrease was due to a 36 basis point decrease in the weighted average yield on interest-earning assets and a 15 basis point increase in the weighted average rate paid on interest-bearing liabilities. In comparing the two years, the yield on loans decreased 59 basis points while the yield on investment securities and other interest-earning assets increased 25 basis points. The rate paid on deposits increased 10 basis points, the rate paid on FHLBank advances increased 81 basis points, the rate paid on short-term borrowings increased 32 basis points and the rate paid on subordinated debentures issued to capital trust increased 64 basis points. In addition, the new subordinated notes paid interest at an average rate of 553 basis points.

For additional information on net interest income components, refer to the "Average Balances, Interest Rates and Yields" table in this Report.

Provision for Loan Losses and Allowance for Loan Losses

Management records a provision for loan losses in an amount it believes sufficient to result in an allowance for loan losses that will cover current net charge-offs as well as risks believed to be inherent in the loan portfolio of the Bank. The amount of provision charged against current income is based on several factors, including, but not limited to, past loss experience, current portfolio mix, actual and potential losses identified in the loan portfolio, economic conditions, and internal as well as external reviews. The levels of non-performing assets, potential problem loans, loan loss provisions and net charge-offs fluctuate from period to period and are difficult to predict.

Weak economic conditions, higher inflation or interest rates, or other factors may lead to increased losses in the portfolio and/or requirements for an increase in loan loss provision expense. Management maintains various controls in an attempt to limit future losses, such as a watch list of possible problem loans, documented loan administration policies and a loan review staff to review the quality and anticipated collectability of the portfolio. Additional procedures provide for frequent management review of the loan portfolio based on loan size, loan type, delinquencies, financial analysis, on-going correspondence with borrowers and problem loan work-outs. Management determines which loans are potentially uncollectible, or represent a greater risk of loss, and makes additional provisions to expense, if necessary, to maintain the allowance at a satisfactory level.

The provision for loan losses increased $3.8 million, to $9.3 million, during the year ended December 31, 2016, when compared with the year ended December 31, 2015. At December 31, 2016, the allowance for loan losses was $37.4 million, a decrease of $749,000 from December 31, 2015. Total net charge-offs were $10.0 million and $5.8 million for the years ended December 31, 2016 and 2015, respectively. Excluding those related to loans covered by loss sharing agreements, six relationships made up $5.5 million of the total $10.0 million in net charge-offs for the year ended December 31, 2016. Gross charge-offs for the year were partially offset by recoveries, including recoveries on two separate relationships totaling $1.1 million, which had previously been charged off. During the year ended December 31, 2016, $3.8 million of the $10.0 million of net charge-offs were in the consumer auto category. General market conditions and unique circumstances related to individual borrowers and projects contributed to the level of provisions and charge-offs. As properties were categorized as potential problem loans, non-performing loans or foreclosed assets, evaluations were made of the values of these assets with corresponding charge-offs as appropriate.

At December 31, 2016, loans acquired in the InterBank FDIC-assisted transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank, which affords Great Southern Bank at least 80% protection from losses in the acquired portfolio of loans. The FDIC loss sharing agreement is subject to limitations on the types of losses covered and the length of time losses are covered and is conditioned upon the Bank complying with its requirements in the agreement with the FDIC. These limitations are described in detail in Note 4 of the accompanying financial statements, which are included in Item 8 of this report. In April 2016, the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank were terminated. Loans acquired from the FDIC related to Valley Bank did not have a loss sharing agreement. All acquired loans were grouped into pools based on common characteristics and were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition date. These loan pools are systematically reviewed by the Company to determine the risk of losses that may exceed those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to those used to determine the risk of loss for the legacy Great Southern Bank portfolio, with most focus being placed on those loan pools which include the larger loan relationships and those loan pools which exhibit higher risk characteristics. Review of the acquired loan portfolio also includes meetings with customers, review of financial information and collateral valuations to determine if any additional losses are apparent.

The allowance for loan losses as a percentage of total loans, excluding acquired covered and non-covered loans, was 1.04% and 1.20% at December 31, 2016 and 2015, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at December 31, 2016, based on recent reviews of the Company's loan portfolio and current economic conditions. If economic conditions were to deteriorate or management's assessment of the loan portfolio were to change, it is possible that additional loan loss provisions would be required, thereby adversely affecting future results of operations and financial condition.

Non-performing Assets

Former TeamBank, Vantus Bank, Sun Security Bank and InterBank non-performing assets, including foreclosed assets and potential problem loans, are not included in the totals or in the discussion of non-performing loans, potential problem loans and foreclosed assets below as they are, or were, subject to loss sharing agreements with the FDIC, which cover at least 80% of principal losses that may be incurred in these portfolios for the applicable terms under the agreements. In addition, these assets were initially recorded at their estimated fair values as of their acquisition dates. The overall performance of the loan pools acquired in 2009, 2011 and 2012 in FDIC-assisted transactions has been better than original expectations as of the acquisition dates. Former Valley Bank loans are also excluded from the totals and the discussion of non-performing loans, potential problem loans and foreclosed assets below, although they are not covered by a loss sharing agreement. Former Valley Bank loans are accounted for in pools and were recorded at their fair value at the time of the acquisition; therefore, these loan pools are analyzed rather than the individual loans.

As previously discussed, the remaining loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank were terminated in April 2016. Loss sharing agreements covering single-family loans and foreclosed assets and non-single-family loans and foreclosed assets related to the Inter Savings Bank FDIC-assisted acquisition are still in place in accordance with their contractual terms.

As a result of changes in balances and composition of the loan portfolio, changes in economic and market conditions that occur from time to time, and other factors specific to a borrower's circumstances, the level of non-performing assets will fluctuate.

Non-performing assets, excluding FDIC-covered and formerly covered non-performing assets and other FDIC-assisted acquired assets, at December 31, 2016, were $39.3 million, a decrease of $4.7 from $44.0 million at December 31, 2015. Non-performing assets, excluding FDIC-covered and formerly covered non-performing assets and other FDIC-assisted acquired assets, as a percentage of total assets were 0.86% at December 31, 2016, compared to 1.07% at December 31, 2015.

Compared to December 31, 2015, non-performing loans decreased $2.5 million to $14.1 million at December 31, 2016, and foreclosed assets decreased $2.1 million to $25.2 million at December 31, 2016. Non-performing commercial real estate loans comprised $4.4 million, or 31.3%, of the total of $14.1 million of non-performing loans at December 31, 2016. The majority of the decrease in the commercial real estate category was due to one relationship where the notes were sold and the loans paid off after charge-offs of $2.0 million during 2016. Another relationship totaling $982,000 was transferred to foreclosed assets. In addition, $3.1 million of the transfers to foreclosed assets in the commercial real estate category and approximately $670,000 of the charge-offs were related to another relationship. Non-performing commercial business loans were $3.1 million, or 21.9%, of total non-performing loans at December 31, 2016. The increase in non-performing commercial business loans was primarily due to the addition of one relationship in 2016. Non-performing consumer loans were $2.6 million, or 18.7%, of total non-performing loans at December 31, 2016. Non-performing one-to four-family residential loans comprised $2.0 million, or 13.9%, of the total non-performing loans at December 31, 2016. Non-performing land development loans were $1.7 million, or 12.2%, of total non-performing loans at December 31, 2016. The increase in non-performing land development loans was primarily due to the addition of one relationship in 2016.

Non-performing Loans. Activity in the non-performing loans category during the year ended December 31, 2016, was as follows:

	Beginning Balance, January 1	Additions	Removed from Non-Performing	Transfers to Potential Problem Loans	Transfers to Foreclosed Assets	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$—	$—	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	—	143	—	—	—	—	(34)	109
Land development	139	1,635	—	—	—	(30)	(26)	1,718
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	1,357	1,834	(84)	(103)	(412)	(197)	(433)	1,962
Other residential	—	178	—	—	—	(16)	—	162
Commercial real estate	13,488	6,949	—	—	(7,249)	(3,455)	(5,329)	4,404
Other commercial	288	3,448	—	(78)	—	(185)	(385)	3,088
Consumer	1,297	4,842	(259)	(114)	(666)	(990)	(1,472)	2,638
Total	$16,569	$19,029	$ (343)	$ (295)	$ (8,327)	$ (4,873)	$ (7,679)	$ 14,081

At December 31, 2016, the non-performing commercial real estate category included 10 loans, seven of which were added during the year. The largest relationship in this category, which was added prior to 2016, totaled $1.7 million, or 38.5% of the total category, and is collateralized by a theatre property in Branson, Mo. One relationship in this category, which had a balance of $6.5 million at December 31, 2015, had $2.0 million in charge-offs and $5.1 million in payments (net of operating funds advanced) during the year. The relationship was collateralized by three operating long-term health care facilities in Missouri. These related notes were sold during 2016 for payment of the amount of the remaining balances after the charge-offs, resulting in a balance of zero at December 31, 2016. During 2016, $3.1

million of the transfers to foreclosed assets in the commercial real estate category and approximately $670,000 of the charge-offs were related to another relationship. This relationship is secured by property located in the Branson, Mo., area, and includes a lakefront resort, marina and related amenities, condominiums and lots. In addition to those relationships already discussed, $3.8 million of the transfers to foreclosed assets in the commercial real estate category during the year related to three additional relationships. The non-performing commercial business category included five loans, four of which were added during 2016. The largest loan in this category, which was added in 2016, totaled $3.0 million, or 95.6% of the total category, and is secured by the borrower's interest in a condo project in Branson, Mo. The Bank's lending involvement with this project dates back to 2005. This project had experienced some performance difficulties in the past and a new borrower became involved in this project during 2013. The non-performing one- to four-family residential category included 38 loans, 27 of which were added during 2016. The non-performing land development category included two loans. The largest loan in this category, which was originated in 2007, totaled $1.6 million, or 95.1% of the total category, and was collateralized by land in the St. Louis, Mo. area. The non-performing consumer category included 188 loans, 174 of which were added during 2016.

Foreclosed Assets. Of the total $32.7 million of other real estate owned at December 31, 2016, $1.4 million represents the fair value of foreclosed assets covered by FDIC loss sharing agreements, $316,000 represents the fair value of foreclosed assets previously covered by FDIC loss sharing agreements, $2.0 million represents foreclosed assets related to Valley Bank and not covered by loss sharing agreements, $9,000 represents other repossessed assets related to acquired loans, and $3.7 million represents properties which were not acquired through foreclosure, including former branch locations that have been closed and are held for sale and land which was acquired for a potential branch location . The acquired loss share covered and non-covered foreclosed and other assets acquired in the FDIC-assisted transactions and the properties not acquired through foreclosure are not included in the following table and discussion of other real estate owned. Because sales of foreclosed properties exceeded additions, total foreclosed assets decreased. Activity in foreclosed assets during the year ended December 31, 2016, was as follows:

	Beginning Balance, January 1	Additions	Proceeds from Sales	Capitalized Costs	ORE Expense Write-Downs	Ending Balance, December 31
	(In Thousands)					
One- to four-family construction	$—	$—	$—	$ —	$ —	$ —
Subdivision construction	7,016	—	(362)	—	(294)	6,360
Land development	12,133	—	(1,247)	—	—	10,886
Commercial construction	—	—	—	—	—	—
One- to four-family residential	1,375	477	(435)	—	(200)	1,217
Other residential	2,150	—	(1,252)	146	(90)	954
Commercial real estate	3,608	7,094	(6,170)	—	(691)	3,841
Commercial business	—	—	—	—	—	—
Consumer	1,109	13,332	(12,450)	—	—	1,991
Total	$27,391	$ 20,903	$(21,916)	$ 146	$ (1,275)	$ 25,249

At December 31, 2016, the land development category of foreclosed assets included 22 properties, the largest of which was located in northwest Arkansas and had a balance of $1.4 million, or 12.6% of the total category. Of the total dollar amount in the land development category of foreclosed assets, 39.1% and 33.1% was located in the Branson, Mo. area and in the northwest Arkansas area, respectively, including the largest property previously mentioned. The subdivision construction category of foreclosed assets included 27 properties, the largest of which was located in the Springfield, Mo. metropolitan area and had a balance of $1.2 million, or 19.4% of the total category. Of the total dollar amount in the subdivision construction category of foreclosed assets, 29.4% and 19.4% is located in Branson, Mo. and Springfield, Mo., respectively, including the largest property previously mentioned. The commercial real estate category of foreclosed assets included six properties. The largest relationship in the commercial real estate category, which includes two properties which were added during 2016, totaled $1.5 million, or 39.6% of the total category, and is made up of commercial retail property in Texas and Georgia, which was previously in non-performing loans. The second largest relationship in the commercial real estate category, which was added during 2016, totaled $1.3 million, or 33.3% of the total category, and is a hotel located in the western United States, which was previously in non-performing loans. The $6.2 million in sales in the commercial real estate category of foreclosed assets was primarily from three properties. Sales of $2.1 million related to a property which is located in southeast Missouri and was added in 2015. Sales of $2.9 million related to a property located in the Branson, Mo., area, and included a lakefront resort, marina and related amenities, condominiums and lots. Sales of $982,000 related to a motel property located in Springfield, Mo. The one-to four-family residential category of foreclosed assets included nine properties, of which the largest relationship, with one property in the southwest Missouri area, had a balance of $421,000, or 34.6% of the total category. Of the total dollar amount in the one-to-four-family category of foreclosed assets, 44.4% is located in the Branson, Mo., area. The other residential category of foreclosed assets included five