GREAT SOUTHERN
BANCORP, INC.

greater expectations

2017
ANNUAL REPORT
FOR STOCKHOLDERS

CORPORATE HEADQUARTERS

1451 E. Battlefield
Springfield, MO 65804
800-749-7113

MAILING ADDRESS

P.O. Box 9009
Springfield, MO 65808

DIVIDEND REINVESTMENT

For details on the automatic reinvestment of dividends in common stock of the Company, call Computershare at
800-368-5948, (outside of the U.S.
781-575-4223), or visit computershare.com.

FORM 10-K

The Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained from the Company's website at GreatSouthernBank.com, the SEC website or without charge by request to:
Kelly Polonus
Great Southern Bancorp, Inc.
P.O. Box 9009
Springfield, MO 65808

INVESTOR RELATIONS

Kelly Polonus
Great Southern Bank
P.O. Box 9009
Springfield, MO 65808

AUDITORS

BKD, L.L.P.
P.O. Box 1190
Springfield, MO 65801-1190

LEGAL COUNSEL

Silver, Freedman, Taff and Tiernan, L.L.P.
3299 K St., N.W., Suite 100
Washington, DC 20007

Carnahan, Evans, Cantwell & Brown, P.C.
P.O. Box 10009
Springfield, MO 65808

TRANSFER AGENT AND REGISTRAR

Computershare
Shareholder correspondence:
Computershare
P.O. Box 505000
Louisville, KY 40233-5000

Overnight correspondence:
Computershare
462 S. 4th St., Suite 1600
Louisville, KY 40202

800-368-5948
781-575-4223 outside of the U.S.
Hearing Impaired # TDD: 800-952-9245

Questions and inquires via our website
computershare.com

29th Annual Meeting of Stockholders

MAY 9, 2018

Great Southern Operations Center
218 S. Glenstone, Springfield, MO

Corporate Profile

Great Southern Bank was founded in 1923, with a $5,000 investment, four employees and 936 customers. Today, it has grown to $4.4 billion in total assets, with nearly 1,300 dedicated associates serving 173,000 households.

Headquartered in Springfield, Mo., the Company operates 108 offices in nine states, including 104 retail banking centers in Missouri, Arkansas, Iowa, Kansas, Minnesota and Nebraska, three commercial loan offices in Dallas, Tex., Tulsa, Okla., and Chicago, Ill., and one home loan office in Springfield, Mo. Great Southern offers one-stop shopping with a comprehensive lineup of financial services that give customers more choices for their money. Customers can choose from a wide variety of checking accounts, savings accounts and lending options. With the understanding that convenient access to banking services is a top priority, customers can access the Bank when, where and how they prefer, whether it's through a banking center, an ATM, Online Banking, Mobile Banking, or by telephone.

Stock Information

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

As of December 31, 2017, there were 14,087,533 total shares of common stock outstanding and approximately 2,000 shareholders of record.

The last sale price of the Company's common stock on December 31, 2017, was $51.65.

High/Low Stock Price

	2017		2016		2015	
	High	Low	High	Low	High	Low
First Quarter	$55.45	$47.35	$45.00	$35.47	$40.44	$35.10
Second Quarter	55.10	47.25	41.29	34.56	42.95	37.44
Third Quarter	56.00	47.50	43.54	34.48	43.42	37.54
Fourth Quarter	58.45	50.55	56.70	38.35	52.94	42.11

Dividend Declarations

	2017	2016	2015
First Quarter	$.22	$.22	$.20
Second Quarter	.24	.22	.22
Third Quarter	.24	.22	.22
Fourth Quarter	.24	.22	.22

William V. Turner
Chairman of the Board

Joseph W. Turner
President and
Chief Executive Officer

To our Stockholders

> *Having greater expectations for ourselves helps us fulfill our Company's mission to build winning relationships with our customers, associates, communities and stockholders.*

It is our pleasure to present our 2017 Annual Report entitled Greater Expectations. The theme of Greater Expectations underscores our Company's desire to keep raising the bar to make Great Southern the bank of choice for customers and the investment of choice for investors. In 2017, as in every year, we challenged ourselves on many fronts to make Great Southern an even better company for those we serve. We also understand that those we serve have a similar view; they place greater expectations on us to serve their needs with better products and services, delivered when, where and how they desire.

In the following pages of our Annual Report, we provide you with highlights that showcase just a few examples of the work that we are doing to build customer relationships and to improve our Company. In 2017, you will see that we focused on improving our products and enhancing our delivery channels, especially in our suite of Mobile Banking services and ATM capabilities. Key technological upgrades, which included a new stream-lined commercial lending platform and a state-of-the-art debit card fraud prevention system, were also implemented to benefit our customers.

Another major 2017 project was the roll-out of a company-wide process improvement initiative we call Process Matters. Using the principles and tested methodology of Lean Six Sigma, Process Matters cross-functional teams in

Our financial performance **in 2017**

specific process workshops evaluate current end-to-end processes and identify issues that could cause inefficiencies or delays for our customers. To date, several operational processes have been reworked. Outcomes for each workshop have been impressive resulting in reduced customer wait times, decreased internal costs and overall increased efficiency. We are equally impressed with how our associates have embraced Process Matters and their motivation to make Great Southern work better for our customers.

In 2017, we also focused on better and more comprehensive training programs for our associates, whether in a traditional classroom setting or through online methods. We are strongly committed to provide our associates the tools and knowledge they need to successfully fulfill the requirements of their current position with the Company and to progress in their career.

Finally, you will see in this Annual Report some illustrations of the work we do to help our communities be even greater places to live, work and play. We share this information about our work and investments not to be self-promoting, but to showcase just a few of the endless possibilities of how we all can work together to address community needs.

We are pleased with the performance of our Company in 2017. We'll provide a general summary here, but we invite you to review the financial information in this Annual Report, or in our other Company filings.

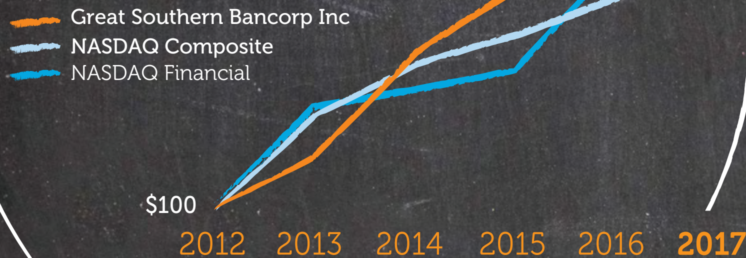
Earnings for the year ended December 31, 2017, were $51.6 million, or $3.64 per diluted common share. Return on average common equity was 11.32%, return on average assets was 1.16%, and net interest margin was 3.74%. The Company ended the year with assets of $4.4 billion. Total stockholders' equity was $471.7 million, or 10.7% of assets, equivalent to a book value of $33.48 per common share.

During 2017, we experienced strong commercial and construction loan production, solid credit quality, a stable core net interest margin, and consistent expense containment. For the second year in a row, our commercial lenders originated more than $1 billion in new loans. Total gross loans, including the undisbursed portion of loans and excluding FDIC-assisted acquired loans and mortgages held for sale, increased $248.9 million, or 6.1%, from the end of 2016. This increase was partially offset by expected decreases in the consumer loan portfolio (down about $144 million) and one- to four-family residential loans. Outstanding loan balances were also negatively impacted by significant loan payoffs during 2017, resulting in our outstanding loan balance at the end of 2017 being down slightly from the end of 2016.

Total Return

*5 year cumulative**

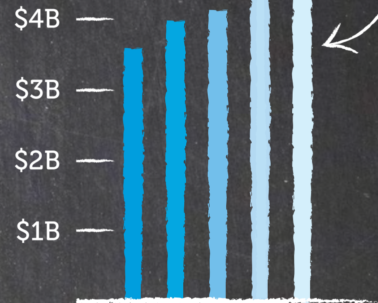
$225.71



* The graph above compares the cumulative total stockholder return on GSBC Common Stock to the cumulative total returns of the NASDAQ U.S. Stock Index and the NASDAQ Financial Stocks Index for the period from December 31, 2012, through December 31, 2017. The graph assumes that $100 was invested in GSBC Common Stock on December 31, 2012, and that all dividends were reinvested.

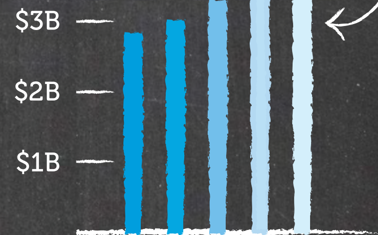
TOTAL ASSETS

$4.41B



TOTAL DEPOSITS

$3.60B

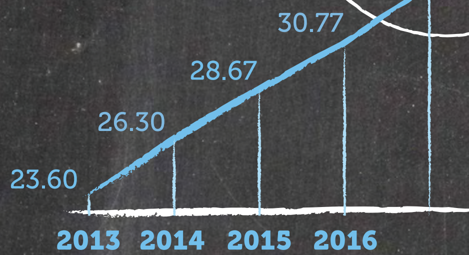


per common share

Book Value

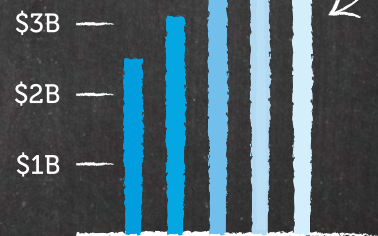
$33.48

2017



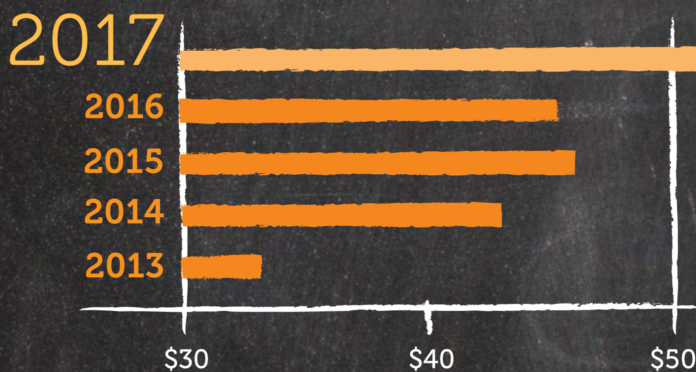
TOTAL LOANS

$3.73B



2013 2014 2015 2016 2017

TOTAL NET INCOME **$51.56M**



Total loan production occurred across several loan types, primarily multi-family loans, commercial real estate loans, and commercial construction loans and came from most of Great Southern's primary lending locations, including St. Louis, Kansas City, Tulsa, Dallas, Chicago, Minneapolis, and Springfield. Since the end of 2016, our largest increases in outstanding balances by loan type were in non-speculative commercial construction loans at $101 million, multi-family residential mortgages at $67 million, and commercial real estate loans at $55 million. While loan production was strong in 2017, it was not produced by succumbing to price pressures or other competitive forces. Our underwriting criteria remains conservative and we grow the loan portfolio one quality relationship at a time. It is important to note that our overall loan growth will not occur evenly over time. There will be years that economic conditions and the competitive landscape will allow for stronger growth, and years where growth may not be so robust. What will remain constant is our commitment to conduct our credit activities with a long-term view and the interest of our stockholders in mind.

Credit quality continued to improve in 2017. At December 31, 2017, non-performing assets, excluding FDIC-acquired non-performing assets, were $27.8 million, a decrease of $11.5 million from $39.3 million at December 31, 2016. Non-performing assets as a percentage of total assets were 0.63% at December 31, 2017, compared to 0.86% at December 31, 2016. Total net charge-offs were $10.0 million during 2017. Approximately $6.1 million of the $10.0 million of net charge-offs were in the consumer auto category. Four commercial loan relationships, which were originated prior to 2008, made up $2.5 million of the net charge-off total in 2017.

In response to a more challenging consumer credit environment, the Company tightened its underwriting guidelines on automobile lending in the latter part of 2016. Management took this step in an effort to improve credit quality in the portfolio and lower delinquencies and charge-offs. Charge-offs in the auto loan portfolio that occurred during 2017 were primarily related to loans originated prior to the change in underwriting guidelines. This change in underwriting also resulted in a lower level of origination volume and, as such, the outstanding balance of the Company's automobile loans declined approximately $144 million in the year ended December 31, 2017. We expect to see further declines in the automobile loan totals through 2018 as well.

Also, in 2017, the Company executed an agreement with the Federal Deposit Insurance Corporation (FDIC) to terminate the loss sharing agreements related to the 2012 FDIC-assisted acquisition of Maple Grove, Minn.-based Inter Savings Bank. The termination of the loss sharing agreements for the Inter Savings Bank transaction have 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 be recognized entirely by Great Southern Bank since the FDIC will no longer be sharing in such gains or losses. This agreement terminated the last outstanding loss sharing agreements related to the Bank's four FDIC-assisted acquisitions from 2009 through 2012. In April 2016, 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.

Our core net interest margin for the year ended December 31, 2017, decreased by two basis points compared to the year ended December 31, 2016. The core net interest margin excludes the impact of the additional yield accretion

Greater expectations in 2018 and beyond

recognized in conjunction with updated estimates of the fair value of the loan pools acquired in FDIC-assisted transactions. Expense containment remains a major focus for the Company. Total non-interest expenses were $114.2 million in 2017 compared to $120.2 million in 2016.

In December 2017, the new federal tax reform legislation was signed into law. We expect the tax reform package to have positive implications for the U.S. economy, which we anticipate will benefit the banking industry, including Great Southern. Included with the tax reform, the corporate federal income tax rate was permanently lowered to 21% from the prior maximum rate of 35%, effective for tax years commencing January 1, 2018. We currently expect our effective tax rate (combined federal and state) to decrease from approximately 26.7% in 2017 to approximately 15.5% to 17.5% in 2018, mainly as a result of the lower federal corporate tax rate. Our effective income tax rate is expected to continue to be less than the statutory rate due primarily to investments in low-income housing tax credit projects and tax-exempt obligations. The effective tax rate could change in future periods based on changes in the level of investments in tax credit projects and tax-exempt obligations, as well as changes in the level of overall pre-tax earnings.

In 2018, we mark a milestone anniversary by celebrating 95 years of service. Just like we have since the day we were founded in 1923, we will approach 2018 and beyond by capitalizing on our strengths and preparing for challenges that lie ahead. The current U.S. economic expansion is already more than 100 months long, the longest expansion since World War II. The length of this expansion and the stated intent of the Federal Reserve Board to increase short-term interest rates creates a fair amount of uncertainty as to how much longer this expansion can endure. As such, we must be positioned to mitigate risks associated with the present rising rate environment and the possibility of a falling interest rate environment at any time. Mitigating the risks of fluctuating interest rates is a normal function of our asset and liability management; the uniqueness of current economic conditions makes it more interesting and challenging. The Company's interest rate risk models indicate that, generally, rising interest rates are expected to have a positive impact on the Company's net interest income, while declining interest rates would have a negative impact on net interest income. Strategies for rising and falling rate scenarios are in place and reviewed continually.

Our priorities in 2018 are straight-forward and consistent with previous years' priorities. We will maintain a sharp focus on developing and expanding customer relationships, sustain a strong credit discipline and drive operational

efficiencies. Our geographic footprint is a proven strength for our lending team as it allows us to make loans in many different market areas, giving us the ability to grow at a reasonable rate with rational pricing and structure. We are exploring opportunities to open additional loan production offices in metropolitan markets, if the right local talent can be found. On the retail side, we are optimistic about developing relationships in our banking center network, which has the capacity to bring on considerably more business without commensurate growth in our expense base. We anticipate that increased competition for deposits to support loan demand and the possibility of rising interest rates will create a more challenging funding environment. Again, the size and scope of our Company should prove advantageous.

In 2018, we already have several major improvement initiatives in motion. We are developing a new deposit platform for our banking centers to enhance the account opening experience for our customers. A new and upgraded Online Banking platform will be launched in late 2018, which will provide our Online Banking customers with a better and more user-friendly experience. In addition, a new centralized call center for all product lines will be implemented so that our customers will have one place to call for assistance for any of their banking needs.

Moving forward, we pledge to keep in mind the long-term interests of those we serve. For our associates, we want to make our Company a great place to work and grow professionally. For our customers, it is our mission to build winning and lasting relationships by providing the right products and services with the access they prefer. For our many communities, we strive to support causes and address needs to help them be even better places to live and work. And finally, for our stockholders, we desire to provide a superior long-term return on their investment in our Company. It is not realistic to expect our Company, or any company, to significantly increase earnings year after year. In any given year, we may be subject to competitive and economic forces, interest rate fluctuations and other variables that may affect earnings. We will not be pressured into making short-sighted decisions that could hurt the long-term prospects for our Company. Finally, we owe a debt of gratitude to our Board of Directors for their guidance and support. We value the diversity of talent, knowledge and experience that our Board members bring to Great Southern.

> *"We must continually work to remain relevant to our customers and to compete in an ever-increasing competitive landscape."*

Thank you for your support of Great Southern. We look to the future with greater expectations. We invite your feedback at any time.

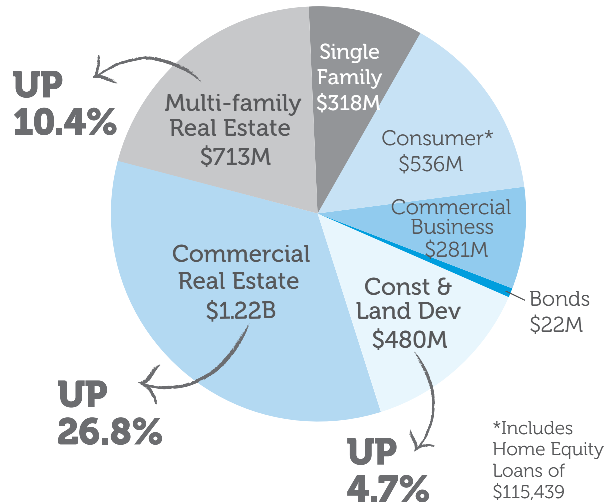
Sincerely yours,

William V. Turner

Joseph W. Turner

POSITIVE results

Commercial lending achieved another record year for production, originating $1.26 billion in loans during 2017. We saw strong growth in the commercial real estate, multi-family real estate and commercial construction and land development areas. We're excited about the future growth potential in all of our markets and confident that our experienced commercial lending teams will continue building strong relationships with existing and potential clients.



Financing

affordable places for living and attractive places for working

We financed a 48-unit apartment building project in Ankeny, Iowa, which includes 43 units that are earmarked for senior citizens whose income is at or below 60% of the area's median income. A 42-unit duplex community in Ozark, Mo., was also financed and offers 33 units for low to moderate income families earning at or below 60% of the area's median income.

We recognize the need for affordable housing in many of our communities and are committed to providing financing for these types of developments in the future.

The Chicago team surpassed their first year's production goal and financed several commercial real estate projects. One example is the acquisition and renovation of a 200,000+ square foot, 11-story office building in Schaumburg, Ill., just 26 miles northwest of downtown Chicago. The developer plans to update this building to position it as an attractive place to do business and increase occupancy.

RECORD YEAR

$1.26 B

COMMERCIAL LENDING PRODUCTION

LENDING STRENGTH

Minneapolis
$166+ MILLION

Chicago
First year **STRONG START**
$55+ MILLION

Other markets
$200+ MILLION

St. Louis
$289+ MILLION

Dallas
MORE THAN DOUBLED production goal
$190+ MILLION

Tulsa
$163+ MILLION

Kansas City
$159+ MILLION

Better process, better time

TWICE AS FAST

We started a process improvement initiative, called Process Matters, to enhance our customer experience and overall process efficiency. The commercial loan approval process was examined during an improvement workshop and inefficiencies were corrected. As a result, the average commercial loan approval time frame was reduced by nearly 50% without sacrificing our strong credit discipline or oversight by the Bank's Loan Committee.

n.Cino

n.Cino is a cloud-based lending platform that will provide a streamlined application-to-closing experience. This platform will reduce our redundant and inefficient efforts, allow us to better analyze application data and provide better communication between our lending team and borrowers.

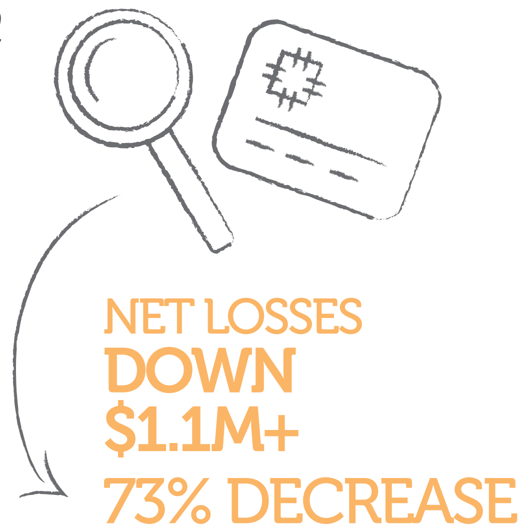
RAISING our own bars

Stronger fraud protection

Fraud prevention is top of mind for our Company. In 2016, we experienced one of our worst years in debit card fraud losses. Several major merchant breaches and widespread regional fraud activity played primary roles in net losses of more than $1.56 million.

In response, we introduced Chip Debit Cards and Fraud Watch, a new, sophisticated fraud prevention system. We've seen incredible results with both Chip Debit Card and Fraud Watch in place; our net debit card fraud losses decreased by 73% to $415,000, despite again experiencing multiple merchant breaches throughout the year.

As we continue to fine tune the Fraud Watch system, we're able to better identify potentially fraudulent transactions and minimize the negative impact to our customers. We've heard positive feedback about these security features.



More Mobile Banking

Our Mobile Banking services are a part of what makes banking with us easy and convenient. Almost 5,000 new users enrolled in Mobile Check Deposit (MCD) in 2017, and all MCD users completed 114,515 transactions – an increase of 30% from MCD transactions in 2016. We integrated Send Money, a person-to-person payment service, into our Mobile Banking app; with a few taps, our customers can send funds to any mobile phone number or email address instantly.

Building it better ourselves

We continue to identify ways to improve the customer experience. By investing in associates with the skills to develop customized programs, we're making it easier and even more secure to bank with Great Southern.

Dispute Manager

When customers have unauthorized transactions on their account, we want our dispute process to be simple and efficient. When we couldn't find a program that fit our needs and wants, we developed our own internally. Dispute Manager is customized to our Company and streamlines the process so we can provide credit to our customers faster.

CUSTOM BUILT

LOWER EXPENSES

FASTER RESOLUTION

HAPPIER CUSTOMERS

Training upgrade

Associate training is essential to providing excellent customer service. Genius, our new interactive training portal, allows us to develop courses internally which are personalized to our processes and systems, integrates professional courses that offer certification opportunities for our associates and documents all training completed externally. By having an holistic view of an associate's training history, we are positioned to better understand their strengths and place them in roles where they can best assist customers.

CUSTOM BUILT

MORE CLASSES

BETTER TRACKING

Delivering *MORE*

We're focused on continuing to build stronger relationships with our customers so we can better understand their financial needs.

Above and beyond, every time

Lauren Vogeler, our manager in Olathe, Kan., is more than just a banker for her customers. In October, Lauren completed a full financial review for an individual and discovered she was behind on many of her bills and at risk of losing her home. Lauren developed a budgeting financial plan to get this customer back on track and they spoke weekly for several months to discuss which bills to pay and how much money was available for spending.

As of February 2018, this customer is current on her mortgage payments and other bills because she followed the plan. Based on what she learned about budgeting and finances, they no longer speak weekly – she felt comfortable enough to take over her finances alone. She knows Lauren is available if help or advice is needed in the future. Lauren gives all credit to her customer, saying, "All I can do is make suggestions. It's up to them to follow that advice and this customer did."

> *"I'm thankful for a career that allows me to make a difference by helping people with their finances. I care about my customers and want them to succeed."*
>
> *Lauren Vogeler*

Community Hero Home Loan program

This home loan program offers special benefits to all active and retired law enforcement officers, firefighters, EMTs, nurses and educators. We appreciate these everyday heroes who make our communities safer, stronger and more prosperous places to live. It's one way we can return the favor.

building a better HELOC

$11.7M new lines

170 new lines with new and existing customers

AS OF DEC 31, 2017

We introduced a new Home Equity Line of Credit (HELOC) in September. Our goal was to create a HELOC that was both more efficient and affordable for our customers. To do so, we changed how we obtain the value of a home, which lowered fees and expedited the valuation process. Our low, fixed introductory rate for the first 24 months is competitive and exceeds the average term of our competitors' introductory rates.

LONGER INTRO TERM
LOWER FEES

Future potential

More appealing products

Expanding access

More convenience

DEPOSIT ATMS

24 hr DEPOSITS

We identified 70 outdated ATMs throughout our footprint and began replacing them during the third quarter of 2017 and continued into 2018. The replacement model selected provides updated technology, including deposit capabilities, which offers our customers the ability to complete transactions beyond our banking center hours.

DIGITAL *Wallet*

We now offer all four digital wallet services: Apple Pay, Google Pay, Samsung Pay and Masterpass. These digital wallets provide our customers with the convenience of paying for purchases, using their Great Southern Debit Card, through their mobile device.

HIGHER
standards

We want to do more than donate time and money; we aim to make a meaningful impact. Associates at all levels are empowered to get involved with organizations and projects that fit their passion and meet the needs of their communities.

Perfect example: Lynn Hinkle

Our annual Bill and Ann Turner Distinguished Community Service Award honors an outstanding associate who demonstrates excellence in service to their community. The 2018 recipient was Lynn Hinkle, regional banking center manager from Lee's Summit, Mo. Lynn's leadership by example and willingness to improve her community demonstrates the true spirit of this award. Lynn donates her time to several organizations, including Lee's Summit Cares, a group dedicated to helping women rebuild and improve their lives. Lynn teaches financial education and conducts mock interviews for these women who want to reenter the workforce.

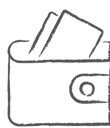
> *"No matter how small an act of service may seem, it can have an incredible impact on someone's life."*
>
> *Lynn Hinkle*

Volunteerism is so deeply rooted in her character that it comes naturally for Lynn to motivate those around her to find their passion. She sees the value in teamwork and regularly steps in to run a banking center so the entire staff can volunteer together.

combined impact

VOLUNTEER HOURS

8,800+

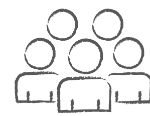


ASSOCIATE DONATIONS

$94,000+

CORPORATE DONATIONS & SPONSORSHIPS

$1,000,000+



ORGANIZATIONS BENEFITED

700+

Teachers for a day, lessons for life

We participate in the American Bankers Association's Teach Children to Save and Get Smart About Credit programs for elementary and high school students. Through this partnership, our bankers present fun, interactive lessons to local schools and non-profit organizations to help young people understand financial concepts like saving, budgeting and credit.

150+ PRESENTATIONS
3,500+ STUDENTS REACHED

$30,000 DONATED
$6,000+ RAISED

HURRICANE & FLOOD RELIEF

Several of our communities experienced significant devastation from flooding related to storms and hurricanes. In addition to working locally with our customers and associates affected by the flooding, our donation of $30,000 to the American Red Cross helped provide food, water, clothing, medical supplies and damage assessments for victims. We also collected more than $6,000 in donations from our communities and associates.

CORE 4

Examples of how we focus our efforts and funds:

Education

Health & Human Services

Community & Economic Development

Arts & Culture

Helping with homeownership

We recently started a new partnership with Neighborhood Finance Corporation (NFC), a group that provides unique lending options to facilitate neighborhood revitalization in the Des Moines, Iowa area. NFC introduced a new down payment assistance program for homebuyers called Project Reinvest. As a new Project Reinvest approved lender, we look forward to offering this down payment assistance program to applicable customers!

20,000 ATTENDEES
140 ARTISTS

BOOSTING ARTISTS & ECONOMIES

As the title sponsor of Artsfest, the largest fine arts festival in southwest Missouri, our investment supports arts and culture in the region while also promoting economic growth. More than 20,000 patrons browse artwork, enjoy live performances and indulge in a variety of local culinary all on Historic Walnut Street in Springfield, Mo. Revenue from the event supports the Springfield Regional Arts Council, whose mission is to transform lives and enrich the community through the arts. Many area associates also volunteer during the weekend event.

Great Southern Bancorp, Inc.

Directors

Left to right:

Earl A. Steinert, Jr. Board Member, Co-owner, EAS Investment, Enterprises, Inc.; CPA

Kevin R. Ausburn Board Member, Chairman and CEO, SMC Packaging Group

Julie Turner Brown Board Member, Shareholder, Carnahan, Evans, Cantwell & Brown, P.C.

Larry D. Frazier Board Member, Retired – Hollister, Mo.

William V. Turner Chairman of the Board

Joseph W. Turner President and Chief Executive Officer

Debra Mallonee (Shantz) Hart Board Member, Attorney; Owner, Housing Plus, LLC and Sustainable Housing Solutions

Douglas M. Pitt Board Member, Business Owner and Care To Learn Founder

Thomas J. Carlson Board Member, President, Mid America Management, Inc.

Great Southern Bank

Leadership Team

Kevin Baker* Chief Credit Officer

Tammy Baurichter Controller

John Bugh* Chief Lending Officer

Kris Conley Director of Retail Banking

Rex Copeland* Chief Financial Officer

Debbie Flowers Director of Credit Risk Administration

Doug Marrs* Director of Operations

Kelly Polonus Director of Communications and Marketing

Lin Thomason* Director of Information Services

Bryan Tiede Director of Risk Management

Joseph W. Turner* President and Chief Executive Officer

Matt Snyder Director of Human Resources

*Denotes Executive Officer

Selected Financial Data

The tables on pages 18, 19 and 20 set forth selected consolidated financial information and other financial data of the Company. The summary statement of financial condition information and statement of operations information are derived from our consolidated financial statements, which have been audited by BKD, LLP. See Item 6. "Selected Financial Data," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8. "Financial Statements and Supplementary Information" in the Company's Annual Report on Form 10-K. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Summary Statement of Financial Condition Information:	(Dollars in Thousands)				
Assets	$4,414,521	$4,550,663	$4,104,189	$3,951,334	$3,560,250
Loans receivable, net	3,734,505	3,776,411	3,352,797	3,053,427	2,446,769
Allowance for loan losses	36,492	37,400	38,149	38,435	40,116
Available-for-sale securities	179,179	213,872	262,856	365,506	555,281
Other real estate and repossessions, net	22,002	32,658	31,893	45,838	53,514
Deposits	3,597,144	3,677,230	3,268,626	2,990,840	2,808,626
Total borrowings	324,097	416,786	406,797	514,014	343,795
Stockholders' equity (retained earnings substantially restricted)	471,662	429,806	398,227	419,745	380,698
Common stockholders' equity	471,662	429,806	398,227	361,802	322,755
Average loans receivable	3,814,560	3,659,360	3,235,787	2,784,106	2,403,544
Average total assets	4,460,196	4,370,793	4,067,399	3,824,493	3,789,876
Average deposits	3,598,579	3,475,887	3,203,262	3,007,588	2,996,941
Average stockholders' equity	455,704	414,799	438,683	402,670	378,650
Number of deposit accounts	230,456	231,272	217,139	217,877	192,323
Number of full-service offices	104	104	110	108	96

Summary Statement of Operations Information:	2017	2016	2015	2014	2013
	For the Year Ended December 31, (In Thousands)				
Interest income:					
Loans	$ 176,654	$ 178,883	$ 177,240	$ 172,569	$ 163,903
Investment securities and other	6,407	6,292	7,111	10,793	14,892
	183,061	185,175	184,351	183,362	178,795
Interest expense:					
Deposits	20,595	17,387	13,511	11,225	12,346
Federal Home Loan Bank advances	1,516	1,214	1,707	2,910	3,972
Short-term borrowings and repurchase agreements	747	1,137	65	1,099	2,324
Subordinated debentures issued to capital trust	949	803	714	567	561
Subordinated notes	4,098	1,578	—	—	—
	27,905	22,119	15,997	15,801	19,203
Net interest income	155,156	163,056	168,354	167,561	159,592
Provision for loan losses	9,100	9,281	5,519	4,151	17,386
Net interest income after provision for loan losses	146,056	153,775	162,835	163,410	142,206
Noninterest income:					
Commissions	1,041	1,097	1,136	1,163	1,065
Service charges and ATM fees	21,628	21,666	19,841	19,075	18,227
Net realized gains on sales of loans	3,150	3,941	3,888	4,133	4,915
Net realized gains on sales of available-for-sale securities	—	2,873	2	2,139	243
Late charges and fees on loans	2,231	1,747	2,129	1,400	1,264
Gain (loss) on derivative interest rate products	28	66	(43)	(345)	295
Gain recognized on business acquisitions	—	—	—	10,805	—
Gain (loss) on termination of loss sharing agreements	7,705	(584)	—	—	—
Amortization of income/expense related to business acquisition	(486)	(6,351)	(18,345)	(27,868)	(25,260)
Other income	3,230	4,055	4,973	4,229	4,566
	38,527	28,510	13,581	14,731	5,315
Noninterest expense:					
Salaries and employee benefits	60,034	60,377	58,682	56,032	52,468
Net occupancy expense	24,613	26,077	25,985	23,541	20,658
Postage	3,461	3,791	3,787	3,578	3,315
Insurance	2,959	3,482	3,566	3,837	4,189
Advertising	2,311	2,228	2,317	2,404	2,165
Office supplies and printing	1,446	1,708	1,333	1,464	1,303
Telephone	3,188	3,483	3,235	2,866	2,868
Legal, audit and other professional fees	2,862	3,191	2,713	3,957	4,348
Expense on other real estate and repossessions	3,929	4,111	2,526	5,636	4,068
Partnership tax credit investment amortization	930	1,681	1,680	1,720	2,108
Acquired deposit intangible asset amortization	1,650	1,910	1,750	1,519	1,228
Other operating expenses	6,878	8,388	6,776	14,305	6,900
	114,261	120,427	114,350	120,859	105,618
Income before income taxes	70,322	61,858	62,066	57,282	41,903
Provision for income taxes	18,758	16,516	15,564	13,753	8,174
Net income	51,564	45,342	46,502	43,529	33,729
Preferred stock dividends and discount accretion	—	—	554	579	579
Net income available to common shareholders	$ 51,564	$ 45,342	$ 45,948	$ 42,950	$ 33,150

	At or For the Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Number of shares in thousands)				
Per Common Share Data:					
Basic earnings per common share	$ 3.67	$ 3.26	$ 3.33	$ 3.14	$ 2.43
Diluted earnings per common share	3.64	3.21	3.28	3.10	2.42
Cash dividends declared	0.94	0.88	0.86	0.80	0.72
Book value per common share	33.48	30.77	28.67	26.30	23.60
Average shares outstanding	14,032	13,912	13,818	13,700	13,635
Year-end actual shares outstanding	14,088	13,968	13,888	13,755	13,674
Average fully diluted shares outstanding	14,180	14,141	14,000	13,876	13,715
Earnings Performance Ratios:					
Return on average assets(1)	1.16%	1.04%	1.14%	1.14%	0.89%
Return on average stockholders' equity(2)	11.32	10.93	12.13	12.63	10.52
Non-interest income to average total assets	0.86	0.65	0.33	0.39	0.14
Non-interest expense to average total assets	2.56	2.76	2.81	3.16	2.79
Average interest rate spread(3)	3.59	3.93	4.44	4.74	4.60
Year-end interest rate spread	3.67	3.60	3.80	3.86	3.88
Net interest margin(4)	3.74	4.05	4.53	4.84	4.70
Efficiency ratio(5)	58.99	62.86	62.85	66.30	64.05
Net overhead ratio(6)	1.70	2.10	2.48	2.77	2.66
Common dividend pay-out ratio(7)	25.82	27.41	26.22	25.81	29.75
Asset Quality Ratios					
Allowance for loan losses/year-end loans	1.01%	1.04%	1.20%	1.34%	1.92%
Non-performing assets/year-end loans and foreclosed assets	0.73	1.02	1.28	1.39	2.46
Allowance for loan losses/non-performing loans	324.23	265.60	230.24	471.77	201.53
Net charge-offs/average loans	0.26	0.29	0.20	0.24	0.91
Gross non-performing assets/year end assets	0.63	0.86	1.07	1.11	1.75
Non-performing loans/year-end loans	0.30	0.37	0.49	0.26	0.80
Balance Sheet Ratios:					
Loans to deposits	103.82%	102.70%	102.58%	102.09%	87.12%
Average interest-earning assets as a percentage	123.74	121.33	121.60	120.95	116.03
Capital Ratios:					
Average common stockholders' equity to average assets	10.2%	9.5%	9.4%	9.0%	8.5%
Year-end tangible common stockholders' equity to tangible assets(9)	10.5	9.2	9.6	9.0	8.9
Great Southern Bancorp, Inc.:					
Tier 1 capital ratio	11.4	10.8	11.5	13.3	15.6
Total capital ratio	14.1	13.6	12.6	14.5	16.9
Tier 1 leverage ratio	10.9	9.9	10.2	11.1	11.3
Common equity Tier 1 ratio	10.9	10.2	10.8	—	—
Great Southern Bank:					
Tier 1 capital ratio	12.3	11.8	11.0	11.4	14.2
Total capital ratio	13.2	12.7	12.1	12.6	15.4
Tier 1 leverage ratio	11.7	10.8	9.8	9.5	10.2
Common equity Tier 1 ratio	12.3	11.8	11.0	—	—
Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirement(10):					
Including deposit interest	3.52x	3.80x	4.66x	4.41x	3.07x
Excluding deposit interest	10.62x	14.07x	20.01x	11.59x	6.44x

(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 FDIC-acquired assets.
(9) Non-GAAP Financial Measure. For additional information, including a reconciliation to GAAP, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" in the Company's Annual Report on Form 10-K.
(10) 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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) the possibility that the actual reduction in the Company's effective tax rate expected to result from H.R. 1, formerly known as the "Tax Cuts and Jobs Act" (the "Tax Reform Legislation") might be different from the reduction estimated by the Company; (ii) expected revenues, cost savings, earnings accretion, synergies and other benefits from the Company's merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (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 of 2010 and its implementing regulations, the overdraft protection regulations and customers' responses thereto and the Tax Reform Legislation; (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 limit its business activities, changes its business mix, increase its allowance for loan losses, write-down assets or increase its capital levels, or affect its ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; (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" in the Company's 2017 Annual Report on Form 10-K. 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, prior to June 30, 2017, the FDIC indemnification asset reflect management's best ongoing estimates of the amounts to be realized on each of these assets. The Company has now terminated all loss sharing agreements with the FDIC and, accordingly, no longer has an indemnification asset. 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 its acquired loan 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 did not expect to 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 was generally 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 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, 2017, 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, 2017, 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, 2017, the amortizable intangible assets consisted of core deposit intangibles of $5.4 million, including $3.2 million related to the Fifth Third Bank transaction in January 2016, $1.4 million related to the Valley Bank transaction in June 2014 and $397,000 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, 2017. While the Company believes no impairment existed at December 31, 2017, 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 housing and mortgage crisis and correction beginning in mid-2007, 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 since as indicated by increasing consumer confidence levels, increased economic activity and low unemployment levels.

The national unemployment rate at December 2017 remained at 4.1% for the third consecutive month. Employment levels continued at the highest point since December 2000 and the U.S. economy added 148,000 non-farm jobs in December 2017. The health-care, construction and manufacturing sectors added the most new jobs while the retail store sector showed losses of over 67,000 during 2017, with many retailers going out of business altogether as more people shop online. The U.S. labor force participation rate (the share of working-age Americans who are either employed or are actively looking for a job) remained steady at 62.7% for the third consecutive month. As of December 2017, the unemployment rate for the Midwest, where most of the Company's business is conducted, was at 4.0%, which is in line with the national unemployment rate of 4.1%. Unemployment rates at December 31, 2017, for the states in which the Company operates were: Missouri at 3.5%, Arkansas at 3.7%, Kansas at 3.4%, Iowa at 2.8%, Nebraska at 2.7%, Minnesota at 3.1%, Illinois at 4.8%, Oklahoma at 4.1% and Texas at 3.9%. Of the metropolitan areas in which Great Southern Bank does business, the Chicago area had the highest unemployment level at 4.7% as of December 2017. The Tulsa market area unemployment rate at 4.0% was down significantly from the 5.0% rate estimated as of June 2017. The December 2017 unemployment rate at 2.8% for the Springfield market area was well below the national average. Metropolitan areas in Arkansas, Iowa, Nebraska and Minnesota had unemployment levels among the lowest in the nation.

Sales of newly built, single-family homes were at a seasonally adjusted annual rate of 625,000 units in December 2017, according to the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This represented a decrease of 9.3% from the revised November rate of 689,000 units, but 14.1% above the December 2016 estimate of 548,000 units. The inventory of new homes for sale was 295,000 at the end of December 2017, which is a 5.7 month supply at the current sales pace. In the Midwest, new home sales decreased 3.1% from December 2016 to December 2017. Nationally, the median sales price of new houses sold in December 2017 was $335,400, up from $331,500 in September 2017 and $327,000 a year earlier. The average sales price was $398,900, up from $379,300 in September 2017 and $382,500 in December 2016.

In December 2017, existing home sales slipped to a seasonally adjusted annual rate of 5.57 million units from 5.78 million in November. As a whole, sales edged up 1.1% in 2017, which ended up being the best year for sales in 11 years, according to the National Association of Realtors. The national median existing home price for all housing types was $246,800 in December 2017, up 5.8% from a year ago. This marks the 70th consecutive month of year over year gains as prices reached an all-time high. The Midwest region existing home median sale price was $191,400, representing an increase of 5.8% from a year ago. Total housing inventory at the end of December 2017 has dropped for the 31st consecutive month to 1.65 million units; 10.3% lower than a year ago. Unsold inventory of existing homes as of December 2017 is a 3.2 month supply at the current sales pace, which is down from a 3.6 month supply a year ago.

The multi-family sector rebounded in 2017 after a slowdown in demand in 2016. National vacancy rates were 6.3% while our market areas reflected the following vacancy levels; Springfield, Mo. at 6.4%, St. Louis at 5.6%, Kansas City at 7.8%, Minneapolis at 4.5%, Tulsa, Okla. at 11.4%, Dallas-Fort Worth at 7.9% and Chicago at 6.7%. Despite supply-side pressure, rent growth in 2017 had not slowed materially from the previous year's pace. Demand reached its highest level on record with transaction value continuing to be strong, and cap rates appearing to have leveled off. Supply is expected to outpace demand in 2018, putting upward pressure on vacancies and slowing rent growth.

Nationally, approximately one-half of the suburban office markets are in an expansion market cycle -- characterized by decreasing vacancy rates, moderate/high new construction, high absorption, moderate/high employment growth and medium/high rental rate growth. The Company's larger market areas in the suburban office expansion market cycle include Minneapolis, Dallas-Ft. Worth, and St. Louis. Tulsa, Okla. and Kansas City are currently in the recovery market cycle -- typified by decreasing vacancy rates, low new construction, moderate absorption, low/moderate employment growth and negative/low rental rate growth. Included in the retail expansion market segment are the Company's larger market areas -- Chicago, Minneapolis, Kansas City, Dallas-Ft. Worth, and St. Louis. All of the Company's larger industrial market areas are categorized as in the expansion cycle with prospects of continuing good economic growth.

Occupancy, absorption and rental income levels of commercial real estate properties located throughout the Company's market areas remain stable according to information provided by real estate services firm CoStar Group. There continues to be moderate real estate sales and financing activity.

While current economic indicators show improvement nationally in employment, housing starts and prices, commercial real estate occupancy, absorption and rental rates, 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, net of impairment, at March 31, 2016, became $0 as a result of the receipt of funds from the FDIC as outlined in the termination agreement.

On June 9, 2017, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for InterBank, effective immediately. Pursuant to the termination agreement, the FDIC paid $15.0 million to the Bank to settle all outstanding items related to the terminated loss sharing agreements. The Company recorded a pre-tax gain on the termination of $7.7 million. As a result of entering into the termination agreement, assets that were covered by the terminated loss sharing arrangements, including covered loans in the amount of $138.8 million and covered other real estate owned in the amount of $2.9 million as of March 31, 2017, were reclassified as non-covered assets effective June 9, 2017.

The termination of the loss sharing agreements for the TeamBank, Vantus Bank, Sun Security Bank and InterBank transactions have no impact on the yields for the loans that were previously covered under these agreements, as the remaining accretable yield adjustments that affect interest income have not been changed and will continue to be recognized for all FDIC-assisted transactions in the same manner as they have been previously. All post-termination recoveries, gains, losses and expenses related to these previously covered assets are recognized entirely by Great Southern Bank since the FDIC no longer shares in such gains or losses. Accordingly, the Company's future earnings are 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. There will be no future effects on non-interest income (expense) related to adjustments or amortization of the indemnification assets for TeamBank, Vantus Bank, Sun Security Bank or InterBank. All rights and obligations of the Bank and the FDIC under the terminated loss sharing agreements, including the settlement of all existing loss sharing and expense reimbursement claims, have been resolved and terminated.

General

The profitability of the Company and, more specifically, the profitability of its primary subsidiary, the Bank, depend 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 portfolios, 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, 2017, Great Southern's total assets decreased $136.1 million, or 3.0%, from $4.55 billion at December 31, 2016, to $4.41 billion at December 31, 2017. Full details of the current year changes in total assets are provided in the "Comparison of Financial Condition at December 31, 2017 and December 31, 2016" section.

Loans. In the year ended December 31, 2017, Great Southern's net loans decreased $33.7 million, or 0.9%, from $3.76 billion at December 31, 2016, to $3.73 billion at December 31, 2017. Contributing to the decrease in loans were reductions of $73.5 million in the FDIC-acquired loan portfolios. In addition, there were higher than usual unscheduled significant paydowns on loans during 2017. Total loan paydowns in excess of $1.0 million exceeded $600 million during 2017. Despite this, excluding FDIC-assisted acquired loans and mortgage loans held for sale, total gross loans increased $248.9 million, or 6.1%, from December 31, 2016 to December 31, 2017. This increase was primarily in construction loans, other residential (multi-family) real estate loans and commercial real estate loans. These increases were offset by decreases in consumer loans and one- to four-family residential loans. 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 2017 or prior years. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels.

Recent loan growth has occurred in several loan types, primarily construction loans, other residential (multi-family) real estate loans and commercial real estate loans and in 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 Chicago, Dallas and Tulsa. Certain minimum underwriting standards and monitoring help assure the Company's portfolio quality. Great Southern's loan committee reviews and approves all new loan originations in excess of lender approval authorities. Generally, the Company considers commercial construction, consumer, and commercial real estate 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. For commercial real estate, commercial business and construction loans, the credits are subject to an analysis of the borrower's and guarantor's financial condition, credit history, verification of liquid assets, collateral, market analysis and repayment ability. 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. To minimize construction risk, projects are monitored as construction draws are requested by comparison to budget and with progress verified through property inspections. The geographic and product diversity of collateral, equity requirements and limitations on speculative construction projects help to mitigate overall risk in these loans. Underwriting standards for all loans also include loan-to-value ratio limitations which vary depending on collateral type, debt service coverage ratios or debt payment to income ratio guidelines, where applicable, credit histories, use of guaranties and other recommended terms relating to equity requirements, amortization, and maturity. 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 through the first half of 2016. In response to a more challenging consumer credit environment, the Company tightened its underwriting guidelines on automobile lending in the latter part of 2016. Management took this step in an effort to improve credit quality in the portfolio and lower delinquencies and charge-offs. 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.

Of the total loan portfolio at December 31, 2017 and 2016, 79.9% and 75.9%, respectively, was secured by real estate, as this is the Bank's primary focus in its lending efforts. At December 31, 2017 and 2016, commercial real estate and commercial construction loans were 48.0% and 42.1% 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, 2017 and 2016, loans made in the Springfield, Mo. metropolitan statistical area (Springfield MSA) were 11% and 12% 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, 2017 and 2016, loans made in the St. Louis, Mo. metropolitan statistical area (St. Louis MSA) were 19% and 19% of the Bank's total loan portfolio (excluding loans acquired through FDIC-assisted transactions), 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" in the Company's 2017 Annual Report on Form 10-K.

The percentage of fixed-rate loans in our loan portfolio has increased from 46% as of December 31, 2010 to 54% as of December 31, 2017 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 short durations. Of the total amount of fixed rate loans in our portfolio as of December 31, 2017, approximately 83% 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, 2017, our interest rate risk models indicated a one-year interest rate earnings sensitivity position that is modestly positive in an increasing rates environment. 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, 2017 and 2016, an estimated 0.1% 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, 2017 and 2016, an estimated 1.5% and 1.3%, respectively, of total non-owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination.

At December 31, 2017, troubled debt restructurings totaled $15.0 million, or 0.4% of total loans, down $6.1 million from $21.1 million, or 0.6% of total loans, at December 31, 2016. 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, 2017 and 2016, 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.

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). As noted above, the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank were terminated on April 26, 2016 and the loss sharing agreements for InterBank were terminated on June 9, 2017. Acquired loans are described in detail in Note 4 of the accompanying audited financial statements. For acquired loan pools, the Company may allocate, and at December 31, 2017, 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, 2017, available-for-sale securities decreased $34.7 million, or 16.2%, from $213.9 million at December 31, 2016, to $179.2 million at December 31, 2017. The decrease was primarily due to calls of municipal securities and normal monthly payments received related to the portfolio of mortgage-backed securities.

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, 2017, total deposit balances decreased $80.1 million, or 2.2%. Transaction account balances increased $34.8 million to $2.23 billion at December 31, 2017, while retail certificates of deposit decreased $50.6 million compared to December 31, 2016, to $1.11 billion at December 31, 2017. The increases in transaction accounts were primarily a result of increases in money market deposit accounts. Certificates of deposit opened through the Company's internet deposit acquisition channels decreased $67.3 million during 2017, as most maturing deposits were not renewed by the customer and fewer new such deposits were generated as a result of our rates intentionally not being in the top tier compared to our competitors in the internet channels. These decreases were partially offset by an increase in retail certificates generated through our banking centers. Brokered deposits, including CDARS program purchased funds, were $260.0 million at December 31, 2017, a decrease of $64.3 million from $324.3 million at December 31, 2016.

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.

Federal Home Loan Bank Advances and Short Term Borrowings. The Company's Federal Home Loan Bank advances totaled $127.5 million at December 31, 2017, an increase of $96.0 million, or 305.4%, compared to $31.5 million at December 31, 2016. The balance of $31.5 million at December 31, 2016, which consisted of long-term advances, were repaid prior to maturity during June 2017, resulting in expense of $340,000, which is included in the Consolidated Statements of Income under "Noninterest Expense – Other operating expenses" during the year ended December 31, 2017, in order to reduce higher rate advances. The funds were replaced primarily with lower rate, short-term FHLBank advances.

Short term borrowings decreased $155.7 million from $172.3 million at December 31, 2016 to $16.6 million at December 31, 2017. The short term borrowings included overnight FHLBank borrowings of $171.0 million at December 31, 2016 and $15.0 million at December 31, 2017. The Company utilizes both overnight borrowings and short-term FHLBank advances depending on relative interest rates.

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 large portion of our loan portfolio is tied to one-month LIBOR, three-month LIBOR or the "prime rate" and adjusts immediately or shortly after the index rate adjusts (subject to the effect of contractual interest rate floors on some of the loans, 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, 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 increase of 0.25% on December 16, 2015, the Federal Reserve Board had last changed interest rates on December 16, 2008. This was the first rate increase since September 29, 2006. The FRB has now also implemented rate increases of 0.25% on December 14, 2016, 0.25% on March 15, 2017, 0.25% on June 14, 2017 and 0.25% on December 13, 2017. Great Southern has a substantial portion of its loan portfolio ($1.31 billion at December 31, 2017) which is tied to the one-month or three-month LIBOR index and will adjust at least once within 90 days after December 31, 2017. Of these loans, $934 million had interest rate floors. Great Southern also has a significant portfolio of loans ($318 million at December 31, 2017) 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 a small portion is 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, but was increased to 5.50% following the FRB rate increase in March 2017. The GSB prime rate was not changed following the FRB rate increase in June 2017, but was increased to 5.75% following the FRB rate increase in December 2017, and remained at that level at December 31, 2017. 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 generally 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 LIBOR-based and 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, which could negatively impact net interest margin. 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 (to the extent investment securities are purchased) and our existing loan portfolio as payments are made and the proceeds are potentially reinvested at lower rates on new loans originated. Interest rates on certain adjustable rate 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."

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 early 2016 and all of 2015, 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 were 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) and for the InterBank transaction subsequent to June 2017 (due to the termination of the related loss sharing agreements effective as of that date). Therefore, no further amortization (expense) will be recorded relating to the reductions of expected reimbursements under the loss sharing agreements with the FDIC as all Indemnification Assets and other balances due to/from the FDIC have been settled. The Company recorded a gain in non-interest income during 2017 related to the termination of the InterBank loss sharing agreements. 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, 2017 and 2016."

Business Initiatives

The Company completed several initiatives to expand and enhance the franchise in 2017.

A person-to-person (P2P) electronic payment service, called Send Money, was implemented for retail customers in February 2017. Available 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.

A commercial loan production office opened in April 2017 in downtown Chicago in a leased office at 2 North Riverside Plaza in the West Loop. In early 2017, a 30-year banking veteran in the Chicago area was hired to manage this office. The Company also operates commercial loan production offices in Tulsa, Okla., and Dallas.

The Company's chief lending officer, Steve Mitchem, retired from the Company in April 2017. Mitchem joined Great Southern in 1990. During his tenure, the Company's loan portfolio grew from $360 million primarily in the southwest Missouri region to $3.8 billion operating in nine states. Mitchem announced his retirement more than a year prior to his official retirement date 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 has two separate areas of responsibility – loan production led by John Bugh and credit administration led by Kevin Baker. Bugh and Baker are long-term Great Southern lenders, who each have more than 28 years of banking experience.

In April 2017, Great Southern entered into a new partnership with Lenexa, Kan.-based BASYS to serve the merchant services needs of the Bank's business customers. In the partnership, BASYS provides all customer support and servicing, while Great Southern is responsible for sales production throughout the Bank's franchise. The Bank has offered merchant services solutions for many years, with the last vendor offering both sales and servicing support to customers. The relationship with BASYS represents a business model change so that Great Southern can manage the sales process with its customers.

In June 2017, Great Southern Bank entered into an agreement with the FDIC that terminated loss sharing agreements related to the Bank's 2012 acquisition of Maple Grove, Minn.-based Inter Savings Bank through an FDIC-assisted transaction. Under the termination agreement, the FDIC paid $15.0 million to the Bank to settle all outstanding items related to the terminated loss sharing agreements. More information about this termination agreement can be found in the Company's Form 10-Q for the quarter ended June 30, 2017. In April 2016, 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. More information about that termination agreement can be found in the Company's Form 10-Q for the quarter ended March 31, 2016. All loss sharing agreements related to the Bank's FDIC-assisted acquisitions have now been terminated.

At the end of October 2017, a new banking center at 1320 W. Battlefield in Springfield, Mo., opened that replaced a nearby leased office at 1580 W. Battlefield. The new office offers better access and convenience for customers.

The Company continually evaluates its various customer access channels to ensure that customers are being effectively served when, where and how they prefer. The Company's ATM network is a part of this ongoing evaluation, which may include upgrading or adding ATM units or removing units from certain sites. Starting at the end of the third quarter of 2017 and during 2018, a total of 70 ATMs located primarily at Great Southern banking centers will be replaced with upgraded multi-functional deposit-taking machines. In addition, twenty off-site ATMs with low customer usage have been removed in the last few months. Further evaluation of the ATM network is anticipated in the future. Great Southern customers can also access surcharge-free ATMs worldwide through the Allpoint ATM Network.

On January 31, 2018, the Company distributed special cash bonuses to its more than 1,200 employees, following the enactment of the new federal tax reform legislation. A $1,000 cash payment was made to all full-time employees and a $500 cash payment was made to all part-time employees who were employed by the Company on December 31, 2017, and remained employed at January 31, 2018.

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.

Certain aspects of the Dodd-Frank Act remain subject to rulemaking and will take effect over a number of years. Provisions in the legislation that affect deposit insurance assessments and payment of interest on demand deposits could increase the costs associated with deposits. Provisions in the legislation that required 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.

Capital Rules. The federal banking agencies have adopted regulatory capital rules that substantially amended 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 on January 1, 2016 when a buffer greater than 0.625% of risk-weighted assets was required, which amount increases 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 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, 2017 and December 31, 2016

During the year ended December 31, 2017, total assets decreased by $136.1 million to $4.41 billion. The decrease was primarily attributable to decreases in cash and cash equivalents, available-for-sale investment securities, loans receivable, FDIC indemnification asset, other real estate owned and mortgage loans held for sale.

Cash and cash equivalents were $242.3 million at December 31, 2017, a decrease of $37.5 million, or 13.4%, from $279.8 million at December 31, 2016. During 2017, cash and cash equivalents decreased primarily due to a decrease in deposits and a decrease in total borrowings, partially offset by a decrease in available for sale securities.

The Company's available for sale securities decreased $34.7 million, or 16.2%, compared to December 31, 2016. The decrease was primarily due to calls of municipal securities and normal monthly payments received related to the portfolio of mortgage-backed securities. The available-for-sale securities portfolio was 4.1% and 4.7% of total assets at December 31, 2017 and 2016, respectively.

Net loans decreased $33.7 million from December 31, 2016 to $3.73 billion at December 31, 2017. Net loans acquired through the FDIC-assisted transactions decreased $73.5 million, or 26.0%, during 2017 primarily because of loan repayments. Excluding FDIC-assisted acquired loans and mortgage loans held for sale, total gross loans increased $248.9 million from December 31, 2016 to December 31, 2017. Outstanding and undisbursed balances of commercial construction loans increased $281.0 million, or 32.3%, other residential (multi-family) loans increased $82.3 million, or 12.4%, and commercial real estate loans increased $48.4 million, or 4.1%. Partially offsetting the increases in gross loans were decreases of consumer auto loans of $137.1 million, or 27.7%, and decreases of owner occupied and non-owner occupied one- to four-family residential loans of $27.3 million, or 8.1%.

The FDIC indemnification asset, which was $13.1 million at December 31, 2016, was $-0- at December 31, 2017 due to the termination during 2017 of the FDIC loss sharing agreement for InterBank, as discussed in Note 4 of the accompanying audited financial statements.

Total liabilities decreased $178.0 million from $4.12 billion at December 31, 2016 to $3.94 billion at December 31, 2017. The decrease was primarily attributable to a decrease in deposits and short-term borrowings, partially offset by an increase in FHLB advances. In the year ended December 31, 2017, total deposit balances decreased $80.1 million, or 2.2%. Retail certificates of deposit decreased $50.6 million and brokered deposits decreased $64.3 million during the year ended December 31, 2017. Transaction account balances increased $34.8 million during the year ended December 31, 2017.

The Company's Federal Home Loan Bank advances totaled $127.5 million at December 31, 2017, an increase of $96.0 million, or 305.4%, compared to $31.5 million at December 31, 2016. The balance of $31.5 million at December 31, 2016, which consisted of long-term advances, were repaid prior to maturity during June 2017, resulting in expense of $340,000, which is included in the Consolidated Statements of Income under "Noninterest Expense – Other operating expenses" during the year ended December 31, 2017. The funds were replaced during 2017 primarily with lower rate, shorter-term FHLBank advances. The Company utilizes both overnight borrowings and short-term FHLBank advances depending on relative interest rates.

Short term borrowings decreased $155.7 million from $172.3 million at December 31, 2016 to $16.6 million at December 31, 2017. The short term borrowings included overnight FHLBank borrowings of $171.0 million at December 31, 2016 and $15.0 million at December 31, 2017.

Securities sold under reverse repurchase agreements with customers decreased $33.2 million, or 29.2%, from December 31, 2016 to December 31, 2017 as these balances fluctuate over time based on customer demand for this product.

Total stockholders' equity increased $41.9 million from $429.8 million at December 31, 2016 to $471.7 million at December 31, 2017. The Company recorded net income of $51.6 million for the year ended December 31, 2017, and dividends declared on common stock were $13.2 million. Accumulated other comprehensive income decreased $317,000 due to changes in the fair value of available-for-sale investment securities. The decrease in accumulated other comprehensive income resulted from decreases in the fair value of the Company's available-for-sale investment securities and changes in the fair value of cash flow hedges. In addition, total stockholders' equity increased $3.8 million due to stock option exercises.

Results of Operations and Comparison for the Years Ended December 31, 2017 and 2016

General

Net income increased $6.3 million, or 13.7%, during the year ended December 31, 2017, compared to the year ended December 31, 2016. Net income was $51.6 million for the year ended December 31, 2017 compared to $45.3 million for the year ended December 31, 2016. This increase was due to an increase in non-interest income of $10.0 million, or 35.1%, a decrease in non-interest expense of $6.2 million, or 5.1%, and a decrease in the provision for loan losses of $181,000, or 2.0%, partially offset by a decrease in net interest income of $7.9 million, or 4.8%, and an increase in provision for income taxes of $2.2 million, or 13.6%. Net income available to common shareholders was $51.6 million for the year ended December 31, 2017 compared to $45.3 million for the year ended December 31, 2016.

Total Interest Income

Total interest income decreased $2.1 million, or 1.1%, during the year ended December 31, 2017 compared to the year ended December 31, 2016. The decrease was due to a $2.2 million, or 1.2%, decrease in interest income on loans, partially offset by a $115,000, or 1.8%, increase in interest income on investment securities and other interest-earning assets. Interest income on loans decreased in 2017 due to lower average rates of interest, partially offset by higher average balances of loans. The decrease in average interest rates on loans was primarily the result of a reduction in the additional yield accretion recognized in conjunction with updated estimates of the fair value of the acquired loan pools compared to the prior year. Interest income from investment securities and other interest-earning assets increased during 2017 compared to 2016 primarily due to higher average rates of interest, partially offset by lower average balances.

Interest Income – Loans

During the year ended December 31, 2017 compared to the year ended December 31, 2016, interest income on loans decreased due to lower average interest rates, partially offset by higher average balances. Interest income decreased $9.6 million as the result of lower average interest rates on loans. The average yield on loans decreased from 4.89% during the year ended December 31, 2016 to 4.63% during the year ended December 31, 2017. This decrease was due to 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. The decrease was partially offset by higher overall average loan balances. Interest income increased $7.4 million as the result of higher average loan balances, which increased from $3.66 billion during the year ended December 31, 2016, to $3.81 billion during the year ended December 31, 2017. The higher average balances were primarily due to organic loan growth.

On an on-going basis, the Company estimates the cash flows expected to be collected from the acquired loan pools. For each of the loan portfolios acquired, the cash flow estimates have 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 loss sharing agreements for InterBank were terminated in June 2017, and the related indemnification asset was reduced to $-0- at that time. The Valley Bank transaction does not include a loss sharing agreement with the FDIC. Therefore, there was no remaining indemnification asset for FDIC-assisted transactions as of December 31, 2017. The entire amount of the discount adjustment has been and will be accreted to interest income over time with no further offsetting impact to non-interest income. For the years ended December 31, 2017 and 2016, the adjustments increased interest income by $5.0 million and $16.4 million, respectively, and decreased non-interest income by $634,000 and $7.0 million, respectively. The net impact to pre-tax income was $4.4 million and $9.4 million, respectively, for the years ended December 31, 2017 and 2016.

As of December 31, 2017, the remaining accretable yield adjustment that will affect interest income is $2.6 million. As there is no longer, nor will there be in the future, indemnification asset amortization related to Team Bank, Vantus Bank, Sun Security Bank or InterBank due to the termination or expiration of the related loss sharing agreements for those transactions, there is no remaining indemnification asset or related adjustments that will affect non-interest income (expense). Of the remaining adjustments affecting interest income, we expect to recognize $1.7 million of interest income during 2018. Additional adjustments may be recorded in future periods from the FDIC-assisted transactions, 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 4.50% during the year ended December 31, 2017, compared to 4.44% during the year ended December 31, 2016, as a result of higher current market rates on adjustable rate loans and new loans originated during the year.

Interest Income - Investments and Other Interest-earning Assets

Interest income on investments and other interest-earning assets increased $115,000 in the year ended December 31, 2017 compared to the year ended December 31, 2016. Interest income increased $1.1 million due to an increase in average interest rates from 1.72% during the year ended December 31, 2016 to 2.05% during the year ended December 31, 2017, due to higher market rates of interest on investment securities and other interest-bearing deposits in financial institutions. Interest income decreased $1.0 million as a result of a decrease in average balances from $366.3 million during the year ended December 31, 2016, to $329.4 million during the year ended December 31, 2017. Average balances of securities decreased due to certain U. S. government agency securities and municipal securities being called and the normal monthly payments received related to the portfolio of mortgage-backed securities.

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, 2017, the Company had cash and cash equivalents of $242.3 million compared to $279.8 million at December 31, 2016. See "Net Interest Income" for additional information on the impact of this interest activity.

Total Interest Expense

Total interest expense increased $5.8 million, or 26.2%, during the year ended December 31, 2017, when compared with the year ended December 31, 2016, due to an increase in interest expense on deposits of $3.2 million, or 18.5%, an increase in interest expense on the subordinated notes issued during 2016 of $2.5 million, or 159.7%, an increase in interest expense on FHLBank advances of $302,000, or 24.9%, and an increase in interest expense on subordinated debentures issued to capital trust of $146,000, or 18.2%, partially offset by a decrease in interest expense on short-term and repurchase agreement borrowings of $390,000, or 34.3%.

Interest Expense - Deposits

Interest on demand deposits increased $653,000 due to an increase in average rates from 0.26% during the year ended December 31, 2016, to 0.30% during the year ended December 31, 2017. Interest on demand deposits increased $157,000 due to an increase in average balances from $1.50 billion in the year ended December 31, 2016, to $1.56 billion in the year ended December 31, 2017. The increase in average balances of interest-bearing demand deposits was primarily a result of increased balances in money market accounts. Market interest rates on these types of accounts have increased since December 2016.

Interest expense on time deposits increased $2.0 million as a result of an increase in average rates of interest from 0.98% during the year ended December 31, 2016, to 1.12% during the year ended December 31, 2017. Interest expense on time deposits increased $437,000 due to an increase in average balances of time deposits from $1.37 billion during the year ended December 31, 2016, to $1.41 billion during the year ended December 31, 2017. The increase in average balances of time deposits was primarily a result of organic growth of retail deposits. 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. Older certificates of deposit that renewed or were replaced with new deposits generally had a higher rate of interest due to market interest rate increases since December 2016.

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 increased due to higher average balances, partially offset by lower average rates of interest. Interest expense on FHLBank advances increased $416,000 due to an increase in average balances from $68.3 million during the year ended December 31, 2016, to $93.5 million during the year ended December 31, 2017. This increase was primarily due to the replacement of overnight borrowings with short-term three week FHLBank advances due to the short-term advances having a more favorable interest rate from time to time. The $31.5 million of the Company's long-term higher fixed-rate FHLBank advances were repaid during June 2017. Partially offsetting the increase due to higher average balances was a decrease in interest expense of $114,000 due to a decrease in average interest rates from 1.78% in the year ended December 31, 2016, to 1.62% in the year ended December 31, 2017. The decrease in the average rate was due to the repayment of the fixed-rate term FHLBank advances during June 2017 and the borrowing of shorter term FHLBank advances at a lower rate.

Interest expense on short-term borrowings and repurchase agreements decreased $546,000 due to a decrease in average balances from $327.7 million during the year ended December 31, 2016, to $186.4 million during the year ended December 31, 2017, which is primarily due to changes in the Company's funding needs and the mix of funding, which can fluctuate. The Company had a much higher amount of overnight borrowings from the FHLBank in 2016. Partially offsetting that decrease was an increase in interest expense on short-term borrowings and repurchase agreements of $156,000 due to average rates that increased from 0.35% in the year ended December 31, 2016, to 0.40% in the year ended December 31, 2017. The increase was due to increases in market interest rates and a change in the mix of funding during the period, with a lower percentage of the total made up of customer repurchase agreements, which have a lower interest rate.

During the year ended December 31, 2017, compared to the year ended December 31, 2016, interest expense on subordinated debentures issued to capital trusts increased $146,000 due to higher average interest rates. The average interest rate was 3.12% in 2016, compared to 3.68% in 2017. 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 effectively increased the rates for each year. The 2017 average interest rate was higher than 3.68% until the three months ended September 30, 2017, when the interest rate cap terminated based on its contractual terms, as a result of the amortization of the cost of the interest rate cap. There was no change in the average balance of the subordinated debentures between the 2017 and the 2016 years.

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, 2017, was $4.1 million, an increase of $2.5 million over the $1.6 million of interest expense for the year ended December 31, 2016. The increase was due to the fact that the notes were issued during the second half of 2016 and did not incur interest expense for the entire year in 2016.

Net Interest Income

Net interest income for the year ended December 31, 2017 decreased $7.9 million, to $155.2 million, compared to $163.1 million for the year ended December 31, 2016. Net interest margin was 3.74% for the year ended December 31, 2017, compared to 4.05% in 2016, a decrease of 31 basis points. In both years, the Company's net interest income and margin were significantly impacted by 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. The positive impact of these changes on the years ended December 31, 2017 and 2016 were increases in interest income of $5.0 million and $16.4 million, respectively, and increases in net interest margin of 12 basis points and 41 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin decreased 2 basis points during the year ended December 31, 2017. The decrease in net interest margin is primarily due to the interest expense associated with the issuance of $75.0 million of subordinated notes in August 2016 and an increase in the average interest rate on deposits and other borrowings.

The Company's overall interest rate spread decreased 34 basis points, or 8.6%, from 3.93% during the year ended December 31, 2016, to 3.59% during the year ended December 31, 2017. The decrease was due to an 18 basis point decrease in the weighted average yield on interest-earning assets and a 16 basis point increase in the weighted average rate paid on interest-bearing liabilities. In comparing the two years, the yield on loans decreased 26 basis points while the yield on investment securities and other interest-earning assets increased 23 basis points. The rate paid on deposits increased 8 basis points, the rate paid on subordinated debentures issued to capital trust increased 56 basis points, the rate paid on short-term borrowings increased 5 basis points, the rate paid on subordinated notes increased 4 basis points and the rate paid on FHLBank advances decreased 16 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 for the year ended December 31, 2017 decreased $181,000, to $9.1 million, compared with $9.3 million for the year ended December 31, 2016. At December 31, 2017 and December 31, 2016, the allowance for loan losses was $36.5 million and $37.4 million, respectively. Total net charge-offs were $10.0 million and $10.0 million for the years ended December 31, 2017 and 2016, respectively. During the year ended December 31, 2017, $6.1 million of the $10.0 million of net charge-offs were in the consumer auto category. Five commercial loan relationships amounted to $2.9 million of the net charge-off total for the year ended December 31, 2017. In response to a more challenging consumer credit environment, the Company tightened its underwriting guidelines on automobile lending beginning in the latter part of 2016. Management took this step in an effort to improve credit quality in the portfolio and lower delinquencies and charge-offs. This action also resulted in a lower level of origination volume and, as such, the outstanding balance of the Company's automobile loans declined approximately $137 million in the year ended December 31, 2017. We expect to see further declines in the automobile loan totals through 2018 as well. General market conditions and unique circumstances related to individual borrowers and projects contributed to the level of provisions and charge-offs. As assets 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.

In June 2017, the loss sharing agreements for Inter Savings Bank were terminated. 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 review of financial information, collateral valuations and customer interaction to determine if additional reserves are warranted.

The Bank's allowance for loan losses as a percentage of total loans, excluding acquired loans that were previously covered by the FDIC loss sharing agreements, was 1.01% and 1.04% at December 31, 2017 and December 31, 2016, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Bank's loan portfolio at December 31, 2017, based on recent reviews of the Bank'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, InterBank and Valley Bank 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. These assets were initially recorded at their estimated fair values as of their acquisition dates and are accounted for in pools; therefore, these loan pools are analyzed rather than the individual loans. The performance of the loan pools acquired in the five transactions has been better than original expectations as of the acquisition dates.

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 all FDIC-assisted acquired assets, at December 31, 2017, were $27.8 million, a decrease of $11.5 million from $39.3 million at December 31, 2016. Non-performing assets, excluding all FDIC-assisted acquired assets, as a percentage of total assets were 0.63% at December 31, 2017, compared to 0.86% at December 31, 2016.

Compared to December 31, 2016, non-performing loans decreased $2.8 million to $11.3 million at December 31, 2017, and foreclosed assets decreased $8.7 million to $16.6 million at December 31, 2017. Non-performing consumer loans comprised $3.3 million, or 29.1%, of the total $11.3 million of non-performing loans at December 31, 2017. Non-performing one-to four-family residential loans comprised $2.7 million, or 24.2%, of the total non-performing loans at December 31, 2017. Non-performing commercial business loans were $2.1 million, or 18.3%, of total non-performing loans at December 31, 2017. The decrease in non-performing commercial business loans was primarily due to one relationship totaling $2.9 million which was transferred to foreclosed assets during 2017. Non-performing other residential loans were $1.9 million, or 16.7%, of total non-performing loans at December 31, 2017. The increase in non-performing other residential loans was primarily due to the additional of one loan initially totaling $2.4 million, which was charged down upon being added to Non-performing Loans. Non-performing commercial real estate loans comprised $1.2 million, or 10.9%, of total non-performing loans at December 31, 2017. The majority of the decrease in the commercial real estate category was due to one relationship incurring charge-offs of $1.2 million during 2017, and two separate relationship with transfers to foreclosed assets totaling approximately $500,000 each. Non-performing land development loans were $-0- at December 31, 2017. The decrease in non-performing land development loans was primarily due to the payoff of two significant relationships.

Non-performing Loans. Activity in the non-performing loans category during the year ended December 31, 2017, 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	$ —	$ 381	$ —	$ —	$ —	$ —	$ (381)	$ —
Subdivision construction	109	—	—	—	—	—	(11)	98
Land development	1,718	4,060	—	—	(185)	(125)	(5,468)	—
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	1,825	2,487	(36)	(840)	(242)	(37)	(437)	2,720
Other residential	162	2,442	(77)	—	(161)	(488)	(1)	1,877
Commercial real estate	2,727	2,550	(394)	(347)	(1,060)	(1,649)	(601)	1,226
Other commercial	4,765	1,256	—	—	(2,883)	(829)	(246)	2,063
Consumer	2,775	5,923	(217)	(329)	(1,081)	(2,075)	(1,725)	3,271
Total	$ 14,081	$ 19,099	$ (724)	$ (1,516)	$ (5,612)	$ (5,203)	$ (8,870)	$ 11,255

Commercial real estate collateral that secured one relationship, totaling $1.7 million, was either transferred to foreclosed assets or sold; therefore, the balance was reclassified from commercial real estate to commercial business in the Beginning Balance, January 1 presentation in the table above.

At December 31, 2017, the non-performing one- to four-family residential category included 28 loans, 18 of which were added during 2017. The largest relationship in this category, which was added during 2017, included nine loans totaling $1.4 million, or 50.6% of the total category, which are collateralized by residential rental homes in the Springfield, Mo. area. The non-performing commercial business category included five loans. The largest relationship in this category totaled $1.5 million, or 73.2% of the total category. This relationship, discussed in the paragraph above, was previously collateralized by commercial real estate which has been foreclosed and subsequently sold. Collection efforts are currently being pursued against the guarantors of the credit relationship. One loan in this category, totaling $2.9 million and secured by the borrower's interest in a condo project in Branson, Mo, was transferred to foreclosed assets during 2017. One loan totaling $970,000 was transferred from potential problem loans during 2017. This loan was added to potential problem loans earlier in 2017 and was subsequently transferred to non-performing loans. The loan was charged down $470,000 and the remaining balance at December 31, 2017 is $500,000. The loan is collateralized by the business assets of an entity in the St. Louis, Mo. area. The non-performing other residential category included one loan, which was added during 2017. This loan is collateralized by an apartment project in the central Missouri area and was originated in 2004. The non-performing

commercial real estate category included six loans, three of which were added during the year. The largest relationship in this category, which was added during 2017, totaled $667,000, or 54.4% of the total category. This loan is collateralized by commercial property in the St. Louis, Mo., area. One relationship in this category, which included two loans, had $358,000 of charge-offs during 2017 and the remaining balance of $465,000 was transferred to foreclosed assets. The relationship was collateralized by commercial entertainment property and other property in Branson, Mo. One loan in this category with a balance of $498,000 was transferred to foreclosed assets during the period. One relationship in this category, which was collateralized by a theatre property in Branson, Mo., incurred charge-offs of $1.2 million and received payments of $480,000 during the year, which paid off the remaining balance of that loan. The non-performing consumer category included 255 loans, 204 of which were added during the current year, and the majority of which are indirect used automobile loans. Compared to previous years, in 2016 and 2017 the Company has experienced increased levels of delinquencies and repossessions in consumer loans, primarily indirect used automobile loans. The non-performing land development category was zero at December 31, 2017. During the year, one loan, which is the same relationship as one of the loans discussed in the commercial real estate category, and was collateralized by land in the Branson, Mo. area had charge-offs of $92,000 and received payments of $3.8 million, which paid off the remaining balance of that loan. Also during 2017, one loan in this category received payments of $1.6 million, which paid off the remaining balance of that loan.

Foreclosed Assets. Of the total $22.0 million of other real estate owned at December 31, 2017, $2.1 million represents the fair value of foreclosed assets previously covered by FDIC loss sharing agreements, $1.7 million represents foreclosed assets related to Valley Bank and not previously covered by loss sharing agreements, and $1.6 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 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, 2017, 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	6,360	350	(1,297)	—	—	5,413
Land development	10,886	—	(2,431)	—	(1,226)	7,229
Commercial construction	—	—	—	—	—	—
One- to four-family residential	1,217	374	(1,470)	—	(9)	112
Other residential	954	161	(1,071)	117	(21)	140
Commercial real estate	3,841	896	(2,843)	—	(200)	1,694
Commercial business	—	2,876	(2,876)	—	—	—
Consumer	1,991	15,728	(15,732)	—	—	1,987
Total	$ 25,249	$ 20,385	$ (27,720)	$ 117	$ (1,456)	$ 16,575

At December 31, 2017, the land development category of foreclosed assets included 17 properties, the largest of which was located in the Branson, Mo., area and had a balance of $1.2 million, or 17.2% of the total category. One property located in the northwest Arkansas area and totaling $1.4 million was sold during 2017. Of the total dollar amount in the land development category of foreclosed assets, 38.6% and 23.0% was located in the Branson, Mo. and the northwest Arkansas areas, respectively, including the largest property previously mentioned. The subdivision construction category of foreclosed assets included 15 properties, the largest of which was located in the Springfield, Mo. metropolitan area and had a balance of $1.2 million, or 22.8% of the total category. Of the total dollar amount in the subdivision construction category of foreclosed assets, 38.2% and 22.8% is located in Branson, Mo. and Springfield, Mo., respectively, including the largest property previously mentioned. The subdivision construction category of foreclosed assets had 16 properties with total or partial sales during 2017, totaling $1.3 million. The largest sale was a property in northwest Arkansas totaling $775,000. The commercial real estate category of foreclosed assets included four properties. The largest relationship in the commercial real estate category includes commercial properties in Springfield, Mo. and the surrounding area totaling $500,000, or 29.5% of the total category. The assets of one relationship in the commercial real estate category, which included one retail property located in Georgia and one retail property located in Texas totaling $1.5 million, were sold during 2017. One property in the commercial real estate category, which is a hotel located in the western United States totaling $1.1 million, was sold during the year. The commercial business category of other real estate has a balance of zero as of December 31, 2017, due to the sale of the one foreclosed property which was added to the category during the year totaling $2.9 million, which was collateralized by

the borrower's interest in a condominium project in Branson, Mo. The other residential category of foreclosed assets included one property which was added during 2017. All five properties which were held at the beginning of the year were sold, and included in those sales were four properties which were part of the same condominium community located in Branson, Mo. totaling $843,000. The larger amount of additions and sales under consumer loans are due to a higher volume of repossessions of automobiles, which generally are subject to a shorter repossession process. The Company experienced increased levels of delinquencies and repossessions in indirect used automobile loans throughout 2016 and 2017.

Potential Problem Loans. Potential problem loans increased $975,000 during the year ended December 31, 2017, from $7.0 million at December 31, 2016 to $7.9 million at December 31, 2017. This increase was due to the addition of $9.7 million of loans to potential problem loans, partially offset by $5.9 million in loans transferred to the non-performing category, $1.0 million in loans removed from potential problem loans due to improvements in the credits, $72,000 in charge-offs, $89,000 in loans transferred to foreclosed assets, and $1.7 million in payments on potential problem loans. Potential problem loans are loans which management has identified through routine internal review procedures as having possible credit problems that may cause the borrowers difficulty in complying with current repayment terms. These loans are not reflected in non-performing assets, but are considered in determining the adequacy of the allowance for loan losses. Activity in the potential problem loans category during the year ended December 31, 2017, was as follows:

	Beginning Balance, January 1	Additions	Removed from Potential Problem	Transfers to Non-Performing	Transfers to Foreclosed Assets	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	—	—	—	—	—	—	—	—
Land development	4,135	139	—	(3,980)	—	—	(290)	4
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	439	1,102	—	(131)	(89)	(72)	(127)	1,122
Other residential	—	—	—	—	—	—	—	—
Commercial real estate	2,062	6,569	(1,029)	(803)	—	—	(1,040)	5,759
Other commercial	204	1,387	—	(970)	—	—	(118)	503
Consumer	122	561	(10)	(28)	—	—	(96)	549
Total	$ 6,962	$ 9,758	$ (1,039)	$ (5,912)	$ (89)	$ (72)	$ (1,671)	$ 7,937

At December 31, 2017, the commercial real estate category of potential problem loans included three loans, all of which were part of the same customer relationship. This relationship, totaling $5.8 million, or 100.0% of the total category, is collateralized by theatre and retail property in Branson, Mo. This is a long-term customer of the Bank and these loans were all originated prior to 2008. The borrower is experiencing cash flow issues due to vacancies in some of the properties and the loans were added to potential problem loans during 2017. $963,000 of the payments in the category related to one relationship, the remainder of which was moved to non-performing loans during 2017. The one- to four-family residential category of potential problem loans included 16 loans, 10 of which were added during 2017. The commercial business category of potential problem loans included five loans, one of which was added during 2017. One loan in this category totaling $970,000 was added to potential problem loans during 2017 and then subsequently transferred to non-performing loans during the year, and is discussed above in non-performing loans. The consumer category of potential problem loans included 43 loans, 36 of which were added during 2017. The land development category of potential problem loans decreased from December 31, 2016 primarily due to the transfer of one loan totaling $3.8 million to the non-performing loans category, which is discussed above in non-performing loans.

Non-Interest Income

Non-interest income for the year ended December 31, 2017 was $38.5 million compared with $28.5 million for the year ended December 31, 2016. The increase of $10.0 million, or 35.1%, was primarily the result of the following items:

Gain on early termination of FDIC loss sharing agreement for Inter Savings Bank: As previously disclosed in the Company's Current Report on Form 8-K filed on June 9, 2017, the Company's loss sharing agreement with the FDIC related to Inter Savings Bank was terminated early and the Company received a payment of $15.0 million to settle all outstanding items related to the terminated agreement. The Company recognized a one-time gross gain in 2017 of $7.7 million related to the termination.

Amortization of income related to business acquisitions: Because of the termination of FDIC loss sharing agreements in previous periods, the net amortization expense related to business acquisitions was $486,000 for the year ended December 31, 2017, compared to $6.4 million for the year ended December 31, 2016. The amortization expense for the year ended December 31, 2017, consisted of the following items: $504,000 of amortization expense related to the changes in cash flows expected to be collected from the FDIC-covered loan portfolios acquired from InterBank and $140,000 of amortization of the clawback liability. Partially offsetting the expense was income from the accretion of the discount related to the indemnification asset for the InterBank acquisition of $158,000.

Late charges and fees on loans: Late charges and fees on loans increased $484,000 compared to the prior year. The increase was primarily due to fees totaling $632,000 on loan payoffs received on four loan relationships during 2017.

Net gains on loan sales: Net gains on loan sales decreased $791,000 compared to the prior year. The decrease was due to a decrease in originations of fixed-rate loans in 2017 compared to 2016, which resulted in fewer loan sales during 2017. Fixed rate single-family loans originated are generally subsequently sold in the secondary market.

Other income: Other income decreased $825,000 compared to the prior year. During 2016, the Company recognized gains of $367,000 on the sale of the two branches in Southwest Missouri. In addition, a gain of $238,000 was recognized on sales of fixed assets unrelated to the branch sales during 2016. There were no similar transactions during 2017. There were net losses on the disposal of certain fixed assets, including ATMs, during the year ended December 31, 2017 of approximately $114,000, with no significant losses on the disposal of fixed assets in the comparable prior year.

Net realized gains on sales of available-for-sale securities: During 2016, the Company sold an investment held by Bancorp for a gain of $2.7 million and sold other investment securities for a net gain of $144,000. There were no gains on sales of investments in the current year.

Non-Interest Expense

Total non-interest expense decreased $6.1 million, or 5.1%, from $120.4 million in the year ended December 31, 2016, to $114.3 million in the year ended December 31, 2017. The Company's efficiency ratio for the year ended December 31, 2017 was 58.99%, a decrease from 62.86% in 2016. The improvement in the ratio for 2017 was primarily due to the decrease in non-interest expense and the increase in non-interest income (significantly impacted by the gain on the termination of the loss sharing agreements for the Inter Savings Bank FDIC-assisted transaction), partially offset by the decrease in net interest income. The Company's ratio of non-interest expense to average assets decreased from 2.76% for the year ended December 31, 2016, to 2.56% for the year ended December 31, 2017. The decrease in the current year ratio was due to the decrease in non-interest expense and the increase in average assets in 2017 compared to 2016. Average assets for the year ended December 31, 2017, increased $89.4 million, or 2.0%, from the year ended December 31, 2016, primarily due to organic loan growth, partially offset by decreases in investment securities.

The following were key items related to the decrease in non-interest expense for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

Fifth Third Bank branch acquisition expenses: During 2016, the Company incurred approximately $1.4 million of one-time expenses related to the acquisition of certain branches from Fifth Third Bank. Those expenses included approximately $124,000 of compensation expense, approximately $385,000 of legal, audit and other professional fees expense, approximately $294,000 of computer license and support expense, approximately $436,000 in charges to replace former Fifth Third Bank customer checks with Great Southern Bank checks, and approximately $79,000 of travel, meals and other expenses related to the transaction.

Salaries and employee benefits: Salaries and employee benefits decreased $343,000 from the prior year. In 2016, the Company incurred one-time acquisition related net salary and retention bonus and other compensation expenses paid as part of the Fifth Third branch transaction totaling $124,000. Subsequent to the transaction, some employees related to those operations left the Company and many were not replaced. Compensation expense also decreased due to a reduction in incentive compensation for loan originators and staff due to fewer residential loan originations in 2017 than in 2016. The Company also recently reorganized some staff functions in certain areas to operate more efficiently. In addition, there are budgeted but unfilled positions in various areas of the Company that have resulted in lower compensation costs in these areas. These decreases were partially offset by the increase of $1.1 million related to the special employee bonuses paid to all employees who were employed by the Company on December 31, 2017. These bonuses were in response to the new federal tax reform legislation.

Net occupancy expense: Net occupancy expense decreased $1.5 million in the year ended December 31, 2017 compared to 2016. The decrease was primarily due to furniture, fixtures and equipment, and computer equipment which became fully depreciated during the past year resulting in less depreciation expense during the current year. During 2016, the Company had one-time expenses as part of the acquisition of the Fifth Third banking centers of $279,000 and increased computer license and support costs of $247,000 with no similar expenses in the current year.

Partnership tax credit: Partnership tax credit expense decreased $751,000 in the year ended December 31, 2017 compared to 2016. The decrease was primarily due to the end of the amortization period for some of the Company's new market tax credits and the investment in those tax credits has been written off.

Insurance expense: Insurance expense decreased $523,000 in the year ended December 31, 2017 compared to the prior year primarily due to a reduction in FDIC insurance premiums resulting from a change in the FDIC insurance assessment rates, which went into effect during the fourth quarter of 2016.

Postage: Postage decreased $330,000 from the prior year. During 2016, the Company incurred significant postage costs due to branch acquisitions and sales and the mailing of chip-enabled debit cards.

Legal, audit and other professional fees: Legal, audit and other professional fees decreased $329,000 from the prior year due to additional expenses in 2016 related to the Fifth Third transaction, as noted in the Fifth Third Bank branch acquisition expenses above.

Other operating expenses: Other operating expenses decreased $1.5 million in the year ended December 31, 2017 compared to the prior year. The decrease in other operating expenses was primarily due to higher levels of debit card and check fraud losses in the prior year. In 2016, the Company experienced debit card and check fraud losses totaling $1.9 million, a significant portion of which resulted from a data security breach at a national retail merchant which operates stores in many of our markets, affecting some of our debit card customers who transacted business with the merchant. In the 2017 period, the Company experienced debit card and check fraud losses totaling $1.0 million. Additionally, $436,000 of the decrease in operating expenses is the charge in 2016 to replace Fifth Third customer checks as discussed above.

Provision for Income Taxes

For the years ended December 31, 2017 and 2016, the Company's effective tax rate was 26.7% and 26.7%, respectively. These effective rates were lower than the statutory federal tax rate of 35%, due primarily to the utilization of certain investment tax credits and to tax-exempt investments and tax-exempt loans which reduced the Company's effective tax rate. The Company's effective tax rate may fluctuate as it is impacted by the level and timing of the Company's utilization of tax credits and the level of tax-exempt investments and loans and the overall level of pre-tax income. The Company's effective tax rate was higher than its typical effective tax rate in the 2016 and 2017 years due to increased net income resulting from the gain on termination of the loss sharing agreements for the Inter Savings Bank FDIC-assisted transaction (2017) and gains on the sales of investments (2016).

On December 22, 2017, the H.R.1, originally known as the "Tax Cuts and Jobs Act" (the "Act") was signed into law. Among other things, the Act permanently lowers the corporate federal income tax rate to 21% from the prior maximum rate of 35%, effective for tax years including or commencing January 1, 2018. As a result of the reduction of the corporate federal income tax rate to 21%, U.S. generally accepted accounting principles require companies to perform a revaluation of their deferred tax assets and liabilities as of the date of enactment, with the resulting tax effects accounted for in the reporting period of enactment (the year ended December 31, 2017). Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

Based upon current accounting guidance and the utilization and recognition of the timing differences referred to above, the Company recorded a net decrease in income tax expense of approximately $250,000. This net decrease in income tax expense was comprised of a $2.1 million decrease from the adjustment of net deferred tax liabilities resulting from enactment of the Act, partially offset by the impacts of other tax planning strategies implemented. This impact on the Company's net deferred tax liabilities, which includes, among other things, the timing of recognition of various revenues and expenses, is based upon a review and analysis of the Company's net deferred tax liabilities at December 31, 2017, as well as expected adjustments to various deferred tax assets and deferred tax liabilities in the three months and year ended December 31, 2017, including those accounted for in accumulated other comprehensive income.

In addition, the Company currently expects its effective tax rate (combined federal and state) to decrease from approximately 26.7% in 2017 to approximately 15.5% to 17.5% in 2018, mainly as a result of the Act. The Company's effective income tax rate is expected to continue to be less than the statutory rate due primarily to investments in low-income housing tax credit projects and tax-exempt obligations. The Company's effective tax rate could change in future periods based on changes in the level of investments in tax credit projects and tax-exempt obligations, as well as changes in the level of overall pre-tax earnings.

Average Balances, Interest Rates and Yields

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Average balances of loans receivable include the average balances of non-accrual loans for each period. Interest income on loans includes interest received on non-accrual loans on a cash basis. Interest income on loans includes the amortization of net loan fees which were deferred in accordance with accounting standards. Fees included in interest income were $2.9 million, $5.0 million and $4.4 million for 2017, 2016 and 2015, respectively. Tax-exempt income was not calculated on a tax equivalent basis. The table does not reflect any effect of income taxes.

	Dec. 31, 2017[2]	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
					(Dollars In Thousands)					
Interest-earning assets:										
Loans receivable:										
One- to four-family residential	4.16%	$ 459,227	$ 22,102	4.81%	$ 538,776	$ 28,674	5.32%	$ 459,378	$ 34,653	7.54%
Other residential	4.51	706,217	31,970	4.53	535,793	25,052	4.68	423,476	21,236	5.01
Commercial real estate	4.42	1,240,017	54,911	4.43	1,146,983	53,516	4.67	1,071,765	50,952	4.75
Construction	4.40	454,907	21,099	4.64	394,051	18,059	4.58	340,666	15,538	4.56
Commercial business	4.71	295,379	14,666	4.97	316,526	17,389	5.49	328,319	19,137	5.83
Other loans	6.04	632,968	30,356	4.80	693,550	34,176	4.93	569,873	33,377	5.86
Industrial revenue bonds (1)	5.20	25,845	1,550	6.00	33,681	2,017	5.99	42,310	2,347	5.55
Total loans receivable	4.74	3,814,560	176,654	4.63	3,659,360	178,883	4.89	3,235,787	177,240	5.48
Investment securities (1)	2.95	207,803	5,195	2.50	249,484	5,741	2.30	330,328	6,797	2.06
Other interest-earning assets	1.44	121,604	1,212	1.00	116,812	551	0.47	152,720	314	0.21
Total interest-earning assets	4.56	4,143,967	183,061	4.42	4,025,656	185,175	4.60	3,718,835	184,351	4.96
Non-interest-earning assets:										
Cash and cash equivalents		103,505			108,593			106,326		
Other non-earning assets		212,724			236,544			242,238		
Total assets		$4,460,196			$4,370,793			$4,067,399		
Interest-bearing liabilities:										
Interest-bearing demand and savings	0.32	$ 1,555,375	4,698	0.30	$ 1,496,837	3,888	0.26	$ 1,404,489	2,858	0.20
Time deposits	1.24	1,414,189	15,897	1.12	1,370,935	13,499	0.98	1,257,059	10,653	0.85
Total deposits	0.75	2,969,564	20,595	0.69	2,867,772	17,387	0.61	2,661,548	13,511	0.51
Short-term borrowings and repurchase agreements	0.30	186,364	747	0.40	327,658	1,137	0.35	192,055	65	0.03
Subordinated debentures issued to capital trust	2.98	25,774	949	3.68	25,774	803	3.12	28,754	714	2.48
Subordinated notes	5.57	73,613	4,098	5.57	28,526	1,578	5.53	—	—	—
FHLB advances	1.53	93,524	1,516	1.62	68,325	1,214	1.78	175,873	1,707	0.97
Total interest-bearing liabilities	0.89	3,348,839	27,905	0.83	3,318,055	22,119	0.67	3,058,230	15,997	0.52
Non-interest-bearing liabilities:										
Demand deposits		629,015			608,115			541,714		
Other liabilities		26,638			29,824			28,772		
Total liabilities		4,004,492			3,955,994			3,628,716		
Stockholders' equity		455,704			414,799			438,683		
Total liabilities and stockholders' equity		$4,460,196			$4,370,793			$4,067,399		
Net interest income:										
Interest rate spread	3.67%		$155,156	3.59%		$163,056	3.93%		$168,354	4.44%
Net interest margin*				3.74%			4.05%			4.53%
Average interest-earning assets to average interest-bearing liabilities		123.7%			121.3%			121.6%		

* Defined as the Company's net interest income divided by total interest-earning assets.

(1) Of the total average balances of investment securities, average tax-exempt investment securities were $61.5 million, $72.0 million and $79.9 million for 2017, 2016 and 2015, respectively. In addition, average tax-exempt industrial revenue bonds were $28.6 million, $32.0 million and $36.1 million in 2017, 2016 and 2015, respectively. Interest income on tax-exempt assets included in this table was $3.3 million, $3.8 million and $4.4 million for 2017, 2016 and 2015, respectively. Interest income net of disallowed interest expense related to tax-exempt assets was $3.1 million, $3.7 million and $4.2 million for 2017, 2016 and 2015, respectively.

(2) The yield/rate on loans at December 31, 2017 does not include the impact of the accretable yield (income) on loans acquired in the FDIC-assisted transactions. See "Net Interest Income" for a discussion of the effect on 2017 results of operations.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities for the periods shown. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in rate (i.e., changes in rate multiplied by old volume) and (ii) changes in volume (i.e., changes in volume multiplied by old rate). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to volume and rate. Tax-exempt income was not calculated on a tax equivalent basis.

	Year Ended December 31, 2017 vs. December 31, 2016			Year Ended December 31, 2016 vs. December 31, 2015		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Rate	Volume		Rate	Volume	
	(In Thousands)					
Interest-earning assets:						
Loans receivable	$ (9,638)	$ 7,409	$ (2,229)	$ (20,188)	$ 21,831	$ 1,643
Investment securities	468	(1,014)	(546)	740	(1,796)	(1,056)
Other interest-earning assets	638	23	661	326	(89)	237
Total interest-earning assets	(8,532)	6,418	(2,114)	(19,122)	19,946	824
Interest-bearing liabilities:						
Demand deposits	653	157	810	832	198	1,030
Time deposits	1,961	437	2,398	1,825	1,021	2,846
Total deposits	2,614	594	3,208	2,657	1,219	3,876
Short-term borrowings and repurchase agreements	156	(546)	(390)	996	76	1,072
Subordinated debentures issued to capital trust	146	—	146	168	(79)	89
Subordinated notes	216	2,304	2,520	—	1,578	1,578
FHLBank advances	(114)	416	302	919	(1,412)	(493)
Total interest-bearing liabilities	3,018	2,768	5,786	4,740	1,382	6,122
Net interest income	$ (11,550)	$ 3,650	$ (7,900)	$ (23,862)	$ 18,564	$ (5,298)

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 year ended December 31, 2016 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.

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 related loss sharing agreements with the FDIC, which were recorded as indemnification assets prior to the termination of the loss sharing agreements in 2017. Therefore, the expected indemnification asset also was reduced in 2016, resulting in adjustments that were to be amortized on a comparable basis until the loss sharing agreements were terminated or the remaining expected life of the loan pools, whichever was 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.

Apart from the yield accretion from the acquired loan pools, 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 subordinated notes issued in August 2016 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.

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.

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 were 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. 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 subordinated notes issued in August 2016 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

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 loss sharing agreements between the FDIC and Great Southern Bank, which afforded Great Southern Bank at least 80% protection from losses in the acquired portfolio of loans. The FDIC loss sharing agreements were subject to limitations on the types of losses covered and the length of time losses were covered and was 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. In April 2016, the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank were terminated and in June 2017 the loss sharing agreements for InterBank 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 considered 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 then-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 were subject to loss sharing agreements with the FDIC, which covered at least 80% of principal losses that could 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 and the loss sharing agreements for InterBank were terminated in June 2017.

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 properties, four of which were part of the same condominium community, located in Branson, Mo. and had a balance of $694,000, or 72.7% of the total category. The sales of $1.3 million in the other residential category were from six additional properties that were part of the same condominium community which were sold during 2016. The larger amount of additions and sales under consumer loans are due to a higher volume of repossessions of automobiles, which generally are subject to a shorter repossession process. Compared to previous years, in 2016 the Company experienced increased levels of delinquencies and repossessions in consumer loans, primarily indirect used automobile loans.

Potential Problem Loans. Potential problem loans decreased $5.8 million during the year ended December 31, 2016, from $12.8 million at December 31, 2015 to $7.0 million at December 31, 2016. This decrease was due to $6.0 million in loans transferred to the non-performing category, $2.6 million in loans removed from potential problem loans due to improvements in the credits, $2.2 million in charge-offs, $65,000 in loans transferred to foreclosed assets, and $3.4 million in payments on potential problem loans, partially offset by the addition of $8.5 million of loans to potential problem loans. Potential problem loans are loans which management has identified through routine internal review procedures as having possible credit problems that may cause the borrowers difficulty in complying with current repayment terms. These loans are not reflected in non-performing assets, but are considered in determining the adequacy of the allowance for loan losses. Activity in the potential problem loans category during the year ended December 31, 2016, was as follows:

	Beginning Balance, January 1	Additions	Removed from Potential Problem	Transfers to Non-Performing	Transfers to Foreclosed Assets	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	288	—	(141)	(143)	—	—	(4)	—
Land development	4,130	5	—	—	—	—	—	4,135
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	844	196	(410)	(101)	(65)	(2)	(23)	439
Other residential	1,956	178	—	(178)	—	—	(1,956)	—
Commercial real estate	5,286	7,626	(1,802)	(5,544)	—	(2,142)	(1,362)	2,062
Other commercial	181	284	(153)	—	—	(68)	(40)	204
Consumer	134	221	(126)	(75)	—	—	(32)	122
Total	$ 12,819	$ 8,510	$ (2,632)	$ (6,041)	$ (65)	$ (2,212)	$ (3,417)	$ 6,962

At December 31, 2016, the land development category of potential problem loans included three loans. The largest loan in this category, which was added prior to 2016 and is collateralized by property in the Branson, Mo., area, totaled $3.8 million, or 92.9% of the total category. The commercial real estate category of potential problem loans included four loans, all of which were added prior to 2016. The largest relationship in this category contains two loans, with a total balance of $1.3 million, or 63.4% of the commercial real estate category. This relationship is collateralized by commercial entertainment property and other property in Branson, Mo. Two relationships made up $4.5 million in transfers to non-performing assets and $1.8 million in charge-offs in the commercial real estate category during 2016. These relationships are discussed above under non-performing loans. Of the $1.4 million in payments in this category, 95% was related to one loan, which was paid in full during 2016. The other residential category of potential problem loans has a balance of zero at December 31, 2016. During the year, payment was received in full on one loan which was previously included in the other residential category of potential problem loans totaling $2.0 million. This loan was to the same borrower that was referenced above in the land development category.

Non-Interest Income

Non-interest income for the year ended December 31, 2016 was $28.5 million compared with $13.6 million for the year ended December 31, 2015. The increase of $14.9 million, or 109.9 %, was primarily the result of the following items:

Amortization of income related to business acquisitions: The net amortization expense related to business acquisitions was reduced to $6.9 million for the year ended December 31, 2016, compared to $18.3 million for the year ended December 31, 2015. The amortization expense for the year ended December 31, 2016, consisted of the following items: $5.8 million of amortization expense related to the changes in cash flows expected to be collected from the FDIC-covered loan portfolios, $584,000 of impairment to certain indemnification assets and $1.4 million of amortization of the clawback liability. The impairment of the indemnification asset was recorded pursuant to the expected loss on the FDIC loss share termination agreements that occurred in April 2016, as discussed in the Company's March 31, 2016 Quarterly Report on Form 10-Q. Partially offsetting the expense was income from the accretion of the discount related to the indemnification asset for the InterBank acquisition of $896,000.

Net realized gains on sales of available-for-sale securities: During 2016, the Company sold an investment held at the holding company level for a gain of $2.7 million. This investment, the original amount of which was $1.0 million, was made in a managed equity fund. The Company was required to divest this investment as a result of recent regulations enacted by the Federal Reserve Board. There were no material gains on sales of investments in 2015.

Service charges and ATM fees: Service charges and ATM fees increased $1.8 million compared to the prior year, primarily due to the additional accounts acquired in the Fifth Third Bank transaction in January 2016, which have had high levels of debit card activity, and overall higher levels of point-of-sale card activity.

Other income: Other income decreased $918,000 compared to the prior year. During 2015, the Company recorded a $1.1 million gain when it redeemed the trust preferred securities previously issued by Great Southern Capital Trust III at a discount. Also in 2015, the Company sold a banking center building in Nebraska at a net gain of $671,000. In addition, during 2015, the Company recognized a $300,000 gain on the sale of a non-marketable investment. The Company recognized a $257,000 gain on the sale of the Thayer, Mo., branch and deposits during the first quarter of 2016 and a $110,000 gain was recognized on the sale of the Buffalo, Mo., branch and deposits during the first quarter of 2016. In addition, in 2016, a gain of $238,000 was recognized on sales of fixed assets unrelated to the branch sales.

Non-Interest Expense

Total non-interest expense increased $6.0 million, or 5.3%, from $114.4 million in the year ended December 31, 2015, to $120.4 million in the year ended December 31, 2016. The Company's efficiency ratio for the year ended December 31, 2016 was 62.86%, slightly higher than the 62.85% in 2015. The 2016 ratio was negatively affected by the increase in non-interest expense and the decrease in net interest income, offset by an increase in non-interest income. The Company's ratio of non-interest expense to average assets decreased from 2.81% for the year ended December 31, 2015, to 2.76% for the year ended December 31, 2016. The decrease in the ratio for the year ended December 31, 2016 was due to the increase in average assets in 2016 compared to 2015, partially offset by the increase in non-interest expense. Average assets for the year ended December 31, 2016, increased $303.4 million, or 7.5%, from the year ended December 31, 2015. The following were key items related to the increase in non-interest expense for the year ended December 31, 2016 as compared to the year ended December 31, 2015:

Fifth Third Bank branch acquisition expenses: The Company incurred approximately $1.4 million of expenses during 2016 related to the acquisition of certain branches of Fifth Third Bank, versus approximately $482,000 in acquisition related expenses in the prior year. Those expenses for 2016 (net of prior year expense, if applicable), included approximately $317,000 of legal, audit and other professional fees expense, approximately $294,000 of computer license and support expense, approximately $436,000 in charges to replace former Fifth Third Bank customer checks with Great Southern Bank checks, and approximately $54,000 of travel, meals and other expenses related to the transaction and similar costs incurred during the year. A number of these increases are discussed in the related categories below.

Salaries and employee benefits: Salaries and employee benefits increased $1.7 million over the prior year period. Salaries increased due to additional employee costs related to the branches acquired from Fifth Third Bank during the first quarter of 2016 ($2.3 million during 2016), which was partially offset by the reduction in expenses related to the 16 banking centers which were closed or sold during the first quarter of 2016 ($1.7 million during the prior year). The remaining increase was due to increased staffing due to growth in lending and other operational areas.

Expense on foreclosed assets: Expense on foreclosed assets increased $1.6 million compared to the prior year due to expenses and valuation write-downs of foreclosed assets, and the loss on final disposition of certain assets during the current year. During 2016, expenses and loss on final disposition of two related properties totaling $320,000 were incurred. In addition, approximately $912,000 in valuation write-downs, primarily related to these two properties, were taken during 2016. Collection expenses and losses on sales of non-real estate assets (primarily automobiles) increased $652,000 in 2016 compared to 2015. The Company has increased its consumer lending, primarily in indirect automobile lending, significantly in the past few years though the Company's consumer loan portfolio decreased in 2017.

Other operating expenses: Other operating expenses increased $1.6 million in the year ended December 31, 2016 compared to 2015. Of this amount, $436,000 relates to check charges to replace Fifth Third customer checks as part of the acquisition in the first quarter of 2016. There was also increased expense due to higher levels of debit card and check fraud losses in 2016. These losses totaled $1.9 million in 2016 compared to $619,000 in 2015. A large portion of the increase related to debit card fraud that resulted from a data security breach at a national retail merchant which operates stores in many of our markets, affecting some of our debit card customers who transacted business with the merchant. The losses incurred by the Company resulted from regulatory requirements that banks reimburse debit card customers for unauthorized transactions.

Legal, audit and other professional fees: Legal, audit and other professional fees increased $478,000 from the prior year due to legal and professional fees related to the Fifth Third transaction, legal fees related to the resolution of two large non-performing loan relationships, and increased audit and accounting fees.

Supplies expense: Supplies expense increased $375,000 compared to the prior year primarily due to approximately $318,000 of one-time costs incurred to stock a supply of chip-enabled debit cards. In October 2016, the Company began mass issuing chip-enabled debit cards to its deposit customer base.

Provision for Income Taxes

The Company's effective tax rate was 26.7% and 25.1% for the years ended December 31, 2016 and 2015, respectively, which was lower than the statutory federal tax rate of 35%, due primarily to the utilization of certain investment tax credits and to tax-exempt investments and tax-exempt loans which reduced the Company's effective tax rate. In future periods, the Company expects its effective tax rate typically will be 26-28% of pre-tax net income, assuming it continues to maintain or increase its use of investment tax credits and maintain or increase its pre-tax net income. The Company's effective tax rate may fluctuate as it is impacted by the level and timing of the Company's utilization of tax credits and the level of tax-exempt investments and loans and the overall level of pretax income.

Liquidity

Liquidity is a measure of the Company's ability to generate sufficient cash to meet present and future financial obligations in a timely manner through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. These obligations include the credit needs of customers, funding deposit withdrawals and the day-to-day operations of the Company. Liquid assets include cash, interest-bearing deposits with financial institutions and certain investment securities and loans. As a result of the Company's management of the ability to generate liquidity primarily through liability funding, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors' requirements and meet its customers' credit needs. At December 31, 2017, the Company had commitments of approximately $184.8 million to fund loan originations, $1.05 billion of unused lines of credit and unadvanced loans, and $20.0 million of outstanding letters of credit.

The following table summarizes the Company's fixed and determinable contractual obligations by payment date as of December 31, 2017. Additional information regarding these contractual obligations is discussed further in Notes 8, 9, 10, 11, 12, 13, 16 and 19 of the accompanying audited financial statements.

	Payments Due In:			
	One Year or Less	Over One to Five Years	Over Five Years	Total
	(In Thousands)			
Deposits without a stated maturity	$ 2,227,300	$ —	$ —	$ 2,227,300
Time and brokered certificates of deposit	1,013,814	353,857	2,173	1,369,844
Federal Home Loan Bank advances	127,500	—	—	127,500
Short-term borrowings	97,135	—	—	97,135
Subordinated debentures	—	—	25,774	25,774
Subordinated notes	—	—	73,688	73,688
Operating leases	877	1,795	473	3,145
Dividends declared but not paid	3,381	—	—	3,381
	$ 3,470,007	$ 355,652	$ 102,108	$ 3,927,767

The Company's primary sources of funds are customer deposits, FHLBank advances, other borrowings, loan repayments, unpledged securities, proceeds from sales of loans and available-for-sale securities and funds provided from operations. The Company utilizes particular sources of funds based on the comparative costs and availability at the time. The Company has from time to time chosen not to pay rates on deposits as high as the rates paid by certain of its competitors and, when believed to be appropriate, supplements deposits with less expensive alternative sources of funds.

At December 31, 2017 and 2016, the Company had these available secured lines and on-balance sheet liquidity:

	December 31, 2017	December 31, 2016
Federal Home Loan Bank line	$570.5 million	$551.0 million
Federal Reserve Bank line	528.9 million	602.0 million
Interest-Bearing and Non-Interest-Bearing Deposits	242.3 million	279.8 million
Unpledged Securities	46.4 million	50.7 million

Statements of Cash Flows. During the years ended December 31, 2017, 2016 and 2015, the Company had positive cash flows from operating activities. The Company experienced positive cash flows from investing activities during the year ended December 31, 2017 and negative cash flows from investing activities during the years ended December 31, 2016 and 2015. The Company experienced negative cash flows from financing activities during the year ended December 31, 2017 and positive cash flows from financing activities during the years ended December 31, 2016 and 2015.

Cash flows from operating activities for the periods covered by the Statements of Cash Flows have been primarily related to changes in accrued and deferred assets, credits and other liabilities, the provision for loan losses, realized gains on the sale of investment securities and loans, depreciation and amortization, gains or losses on the termination of loss sharing agreements and the amortization of deferred loan origination fees and discounts (premiums) on loans and investments, all of which are non-cash or non-operating adjustments to operating cash flows. Net income adjusted for non-cash and non-operating items and the origination and sale of loans held-for-sale were the primary sources of cash flows from operating activities. Operating activities provided cash flows of $62.8 million, $80.6 million and $71.4 million during the years ended December 31, 2017, 2016 and 2015, respectively.

During the year ended December 31, 2017, investing activities provided cash of $81.4 million, primarily due to the cash received from the FDIC loss sharing termination reimbursement, proceeds from the sale of other real estate owned and the net repayment of investment securities. During the years ended December 31, 2016 and 2015, investing activities used cash of $198.7 million and $196.2 million, respectively, primarily due to the net increases and purchases of loans, partially offset by the net repayment or sales of investment securities.

Changes in cash flows from financing activities during the periods covered by the Statements of Cash Flows are primarily due to changes in deposits after interest credited, changes in FHLBank advances, changes in short-term borrowings, dividend payments to stockholders, issuance of subordinated notes (2016) and redemption of preferred stock (2015). Financing activities used cash flows of $181.7 million during the year ended December 31, 2017, primarily due to reduction of customer certificate of deposit balances, net increases or decreases in various borrowings and dividend payments to stockholders. Financing activities provided cash flows of $198.7 million and $105.3 million during the years ended December 31, 2016 and 2015, respectively, primarily due to increases in customer deposit balances, partially offset by net increases or decreases in various borrowings, dividend payments to stockholders, issuance of subordinated notes and redemption of preferred stock.

Capital Resources

Management continuously reviews the capital position of the Company and the Bank to ensure compliance with minimum regulatory requirements, as well as to explore ways to increase capital either by retained earnings or other means.

As of December 31, 2017, total stockholders' equity and common stockholders' equity were each $471.7 million, or 10.7% of total assets, equivalent to a book value of $33.48 per common share. As of December 31, 2016, total stockholders' equity and common stockholders' equity were each $429.8 million, or 9.4% of total assets, equivalent to a book value of $30.77 per common share. At December 31, 2017, the Company's tangible common equity to tangible assets ratio was 10.5% as compared to 9.2% at December 31, 2016.

Banks are required to maintain minimum risk-based capital ratios. These ratios compare capital, as defined by the risk-based regulations, to assets adjusted for their relative risk as defined by the regulations. Under current guidelines, which became effective January 1, 2015, banks must have a minimum common equity Tier 1 capital ratio of 4.50%, a minimum Tier 1 risk-based capital ratio of 6.00%, a minimum total risk-based capital ratio of 8.00%, and a minimum Tier 1 leverage ratio of 4.00%. To be considered "well capitalized," banks must have a minimum common equity Tier 1 capital ratio of 6.50%, a minimum Tier 1 risk-based capital ratio of 8.00%, a minimum total risk-based capital ratio of 10.00%, and a minimum Tier 1 leverage ratio of 5.00%. On December 31, 2017, the Bank's common equity Tier 1 capital ratio was 12.3%, its Tier 1 capital ratio was 12.3%, its total capital ratio was 13.2% and its Tier 1 leverage ratio was 11.7%. As a result, as of December 31, 2017, the Bank was well capitalized, with capital ratios in excess of those required to qualify as such. On December 31, 2016, the Bank's common equity Tier 1 capital ratio was 11.8%, its Tier 1 capital ratio was 11.8%, its total capital ratio was 12.7% and its Tier 1 leverage ratio was 10.8%. As a result, as of December 31, 2016, the Bank was well capitalized, with capital ratios in excess of those required to qualify as such.

The FRB has established capital regulations for bank holding companies that generally parallel the capital regulations for banks. On December 31, 2017, the Company's common equity Tier 1 capital ratio was 10.9%, its Tier 1 capital ratio was 11.4%, its total capital ratio was 14.1% and its Tier 1 leverage ratio was 10.9%. To be considered well capitalized, a bank holding company must have a Tier 1 risk-based capital ratio of at least 6.00% and a total risk-based capital ratio of at least 10.00%. As of December 31, 2017, the Company was considered well capitalized, with capital ratios in excess of those required to qualify as such. On December 31, 2016, the Company's common equity Tier 1 capital ratio was 10.2%, its Tier 1 capital ratio was 10.8%, its total capital ratio was 13.6% and its Tier 1 leverage ratio was 9.9%. As of December 31, 2016, the Company was considered well capitalized, with capital ratios in excess of those required to qualify as such.

In addition to the minimum common equity Tier 1 capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio, the Company and the Bank have to maintain a capital conservation buffer consisting of additional common equity Tier 1 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. This 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 increased by an additional 0.625% as of January 1, 2017, and increases 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.

On August 18, 2011, the Company entered into a Small Business Lending Fund-Securities Purchase Agreement ("Purchase Agreement") with the Secretary of the Treasury, pursuant to which the Company sold 57,943 shares of the Company's Senior Non-Cumulative Perpetual Preferred Stock, Series A (the "SBLF Preferred Stock") to the Secretary of the Treasury for a purchase price of $57.9 million. The SBLF Preferred Stock was issued pursuant to Treasury's SBLF program, a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small businesses by providing Tier 1 capital to qualified community banks and holding companies with assets of less than $10 billion. As required by the SBLF Purchase Agreement, the proceeds from the sale of the SBLF Preferred Stock were used in connection with the redemption of all 58,000 shares of the Company's preferred stock, issued to Treasury in December 2008 pursuant to Treasury's TARP Capital Purchase Program (the "CPP"). The shares of CPP Preferred Stock were redeemed at their liquidation amount of $1,000 per share plus the accrued but unpaid dividends to the redemption date.

The SBLF Preferred Stock qualified as Tier 1 capital. The holders of SBLF Preferred Stock were entitled to receive noncumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1. The dividend rate, as a percentage of the liquidation amount, could fluctuate between one percent (1%) and five percent (5%) per annum on a quarterly basis during the first 10 quarters during which the SBLF Preferred Stock was outstanding, based upon changes in the level of "Qualified Small Business Lending" or "QSBL" (as defined in the SBLF Purchase Agreement) by the Bank over the adjusted baseline level calculated under the terms of the SBLF Preferred Stock $(249.7 million). Based upon the increase in the Bank's level of QSBL over the adjusted baseline level, the dividend rate had been 1.0%. For the tenth calendar quarter through four and one-half years after issuance, the dividend rate was fixed at one percent (1%) based upon the level of qualifying loans. After four and one half years from issuance, the dividend rate would have increased to 9% (including a quarterly lending incentive fee of 0.5%).

On December 15, 2015, the Company (with the approval of its federal banking regulator) redeemed all 57,943 shares of the SBLF Preferred Stock at their liquidation amount of $1,000 per share plus accrued but unpaid dividends to the redemption date. The redemption of the SBLF Preferred Stock was completed using internally available funds.

Dividends. During the year ended December 31, 2017, the Company declared common stock cash dividends of $0.94 per share (25.8% of net income per common share) and paid common stock cash dividends of $0.92 per share. During the year ended December 31, 2016, the Company declared common stock cash dividends of $0.88 per share (27.4% of net income per common share) and paid common stock cash dividends of $0.88 per share. The Board of Directors meets regularly to consider the level and the timing of dividend payments. The $0.24 per share dividend declared but unpaid as of December 31, 2017, was paid to stockholders in January 2018. In addition, the Company paid preferred dividends as described below in years prior to 2016.

While the SBLF Preferred Stock was outstanding, the terms of the SBLF Preferred Stock limited the ability of the Company to pay dividends and repurchase shares of common stock. Under the terms of the SBLF Preferred Stock, no repurchases could be effected, and no dividends could be declared or paid on preferred shares ranking pari passu with the SBLF Preferred Stock, junior preferred shares, or other junior securities (including the common stock) during the current quarter and for the next three quarters following the failure to declare and pay dividends on the SBLF Preferred Stock, except that, in any such quarter in which the dividend is paid, dividend payments on shares ranking pari passu may be paid to the extent necessary to avoid any resulting material covenant breach.

Under the terms of the SBLF Preferred Stock, the Company could only declare and pay a dividend on the common stock or other stock junior to the SBLF Preferred Stock, or repurchase shares of any such class or series of stock, if, after payment of such dividend, or after giving effect to such repurchase, (i) the dollar amount of the Company's Tier 1 Capital would be at least equal to the "Tier 1 Dividend Threshold" and (ii) full dividends on all outstanding shares of SBLF Preferred Stock for the most recently completed dividend period have been or are contemporaneously declared and paid. We satisfied this condition through the redemption date of the SBLF Preferred Stock.

Common Stock Repurchases and Issuances. The Company has been in various buy-back programs since May 1990. Our ability to repurchase common stock was limited, but allowed, under the terms of the SBLF Preferred Stock as noted above, under "-Dividends" and was previously generally precluded due to our participation in the CPP from December 2008 through August 2011. During the years ended December 31, 2017 and 2016, the Company did not repurchase any shares of its common stock. During the years ended December 31, 2017 and 2016, the Company issued 119,147 shares of stock at an average price of $27.35 per share and 80,454 shares of stock at an average price of $26.47 per share, respectively, to cover stock option exercises.

Management has historically utilized stock buy-back programs from time to time as long as management believed that repurchasing the stock would contribute to the overall growth of shareholder value. The number of shares of stock that will be repurchased at any particular time and the prices that will be paid are subject to many factors, several of which are outside of the control of the Company. The primary factors, however, are the number of shares available in the market from sellers at any given time, the price of the stock within the market as determined by the market and the projected impact on the Company's earnings per share and capital.

Non-GAAP Financial Measures

This document contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States ("GAAP"). These non-GAAP financial measures include tangible common equity to tangible assets ratio.

In calculating the ratio of tangible common equity to tangible assets, we subtract period-end intangible assets from common equity and from total assets. Management believes that the presentation of these measures excluding the impact of intangible assets provides useful supplemental information that is helpful in understanding our financial condition and results of operations, as they provide a method to assess management's success in utilizing our tangible capital as well as our capital strength. Management also believes that providing measures that exclude balances of intangible assets, which are subjective components of valuation, facilitates the comparison of our performance with the performance of our peers. In addition, management believes that these are standard financial measures used in the banking industry to evaluate performance.

These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Because not all companies use the same calculation of non-GAAP measures, this presentation may not be comparable to other similarly titled measures as calculated by other companies.

Non-GAAP Reconciliation: Ratio of Tangible Common Equity to Tangible Assets

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
			(Dollars in thousands)		
Common equity at period end	$ 471,662	$ 429,806	$ 398,227	$ 361,802	$ 322,755
Less: Intangible assets at period end	10,850	12,500	5,758	7,508	4,583
Tangible common equity at period end (a)	$ 460,812	$ 417,306	$ 392,469	$ 354,294	$ 318,172
Total assets at period end	$ 4,414,521	$ 4,550,663	$ 4,104,189	$ 3,951,334	$ 3,560,250
Less: Intangible assets at period end	10,850	12,500	5,758	7,508	4,583
Tangible assets at period end (b)	$ 4,403,671	$ 4,538,163	$ 4,098,431	$ 3,943,826	$ 3,555,667
Tangible common equity to tangible assets (a) / (b)	10.46%	9.20%	9.58%	8.98%	8.95%

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Asset and Liability Management and Market Risk

A principal operating objective of the Company is to produce stable earnings by achieving a favorable interest rate spread that can be sustained during fluctuations in prevailing interest rates. The Company has sought to reduce its exposure to adverse changes in interest rates by attempting to achieve a closer match between the periods in which its interest-bearing liabilities and interest-earning assets can be expected to reprice through the origination of adjustable-rate mortgages and loans with shorter terms to maturity and the purchase of other shorter term interest-earning assets.

Our Risk When Interest Rates Change

The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure the Risk to Us Associated with Interest Rate Changes

In an attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor Great Southern's interest rate risk. In monitoring interest rate risk we regularly analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities and their sensitivity to actual or potential changes in market interest rates.

The ability to maximize net interest income is largely dependent upon the achievement of a positive interest rate spread that can be sustained despite fluctuations in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference, or the interest rate repricing "gap," provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing during the same period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets during the same period. Generally, during a period of rising interest rates, a negative gap within shorter repricing periods would adversely affect net interest income, while a positive gap within shorter repricing periods would result in an increase in net interest income. During a period of falling interest rates, the opposite would be true. As of December 31, 2017, Great Southern's interest rate risk models indicate that, generally, rising interest rates are expected to have a positive impact on the Company's net interest income, while declining interest rates would have a negative impact on net interest income. We model various interest rate scenarios for rising and falling rates, including both parallel and non-parallel shifts in rates. The results of our modeling indicate that net interest income is not likely to be materially affected either positively or negatively in the first twelve months following a rate change, regardless of any changes in interest rates, because our portfolios are relatively well matched in a twelve-month horizon. The effects of interest rate changes, if any, are expected to be more impacting to net interest income in the 12 to 36 months following a rate change.

The current level and shape of the interest rate yield curve poses challenges for interest rate risk management. Prior to its increase of 0.25% on December 16, 2015, the Federal Reserve Board had last changed interest rates on December 16, 2008. This was the first rate increase since September 29, 2006. The FRB has now also implemented rate increases of 0.25% on December 14, 2016, March 15, 2017, June 14, 2017 and December 13, 2017. A substantial portion of Great Southern's loan portfolio ($1.31 billion at December 31, 2017) is tied to the one-month or three-month LIBOR index and will adjust at least once within 90 days after December 31, 2017. Of these loans, $934 million as of December 31, 2017 had interest rate floors. Great Southern also has a significant portfolio of loans ($318 million at December 31, 2017) which are tied to a "prime rate" of interest and will adjust immediately with changes to the "prime rate" of interest.

Interest rate risk exposure estimates (the sensitivity gap) are not exact measures of an institution's actual interest rate risk. They are only indicators of interest rate risk exposure produced in a simplified modeling environment designed to allow management to gauge the Bank's sensitivity to changes in interest rates. They do not necessarily indicate the impact of general interest rate movements on the Bank's net interest income because the repricing of certain categories of assets and liabilities is subject to competitive and other factors beyond the Bank's control. As a result, certain assets and liabilities indicated as maturing or otherwise repricing within a stated period may in fact mature or reprice at different times and in different amounts and cause a change, which potentially could be material, in the Bank's interest rate risk.

In order to minimize the potential for adverse effects of material and prolonged increases and decreases in interest rates on Great Southern's results of operations, Great Southern has adopted asset and liability management policies to better match the maturities and repricing terms of Great Southern's interest-earning assets and interest-bearing liabilities. Management recommends and the Board of Directors sets the asset and liability policies of Great Southern which are implemented by the Asset and Liability Committee. The Asset and Liability Committee is chaired by the Chief Financial Officer and is comprised of members of Great Southern's senior management. The purpose of the Asset and Liability Committee is to communicate, coordinate and control asset/liability management consistent with Great Southern's business plan and board-approved policies. The Asset and Liability Committee establishes and monitors the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk and profitability goals. The Asset and Liability Committee meets on a monthly basis to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital positions and anticipated changes in the volume and mix of assets and liabilities. At each meeting, the Asset and Liability Committee recommends appropriate strategy changes based on this review. The Chief Financial Officer or his designee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the Board of Directors at their monthly meetings.

In order to manage its assets and liabilities and achieve the desired liquidity, credit quality, interest rate risk, profitability and capital targets, Great Southern has focused its strategies on originating adjustable rate loans or loans with fixed rates that mature in less than five years, and managing its deposits and borrowings to establish stable relationships with both retail customers and wholesale funding sources.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, we may determine to increase our interest rate risk position somewhat in order to maintain or increase our net interest margin.

The Asset and Liability Committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity, which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and market value of portfolio equity that are authorized by the Board of Directors of Great Southern.

In the normal course of business, the Company may use derivative financial instruments (primarily interest rate swaps) from time to time to assist in its interest rate risk management. In 2011, the Company began executing interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. 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. Because 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. These interest rate derivatives result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

In 2013, the Company entered into two interest rate cap agreements related to its floating rate debt associated with its trust preferred securities. The agreements provide that the counterparty will reimburse the Company if interest rates rise above a certain threshold, thus creating a cap on the effective interest rate paid by the Company. These agreements are classified as hedging instruments, and 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. During 2015, the Company redeemed $5.0 million of the total $30.0 million of its trust preferred securities. The interest rate cap related to this $5.0 million trust preferred security was terminated and the remaining cost of this interest rate cap was amortized to interest expense in 2015. The interest rate cap related to the $25.0 million trust preferred security terminated per its contractual terms in the third quarter of 2017.

The Company's interest rate derivatives and hedging activities are discussed further in Note 17 of the accompanying audited financial statements.

The following tables illustrate the expected maturities and repricing, respectively, of the Bank's financial instruments at December 31, 2017. These schedules do not reflect the effects of possible prepayments or enforcement of due-on-sale clauses. The tables are based on information prepared in accordance with generally accepted accounting principles.

Maturities

	December 31,							December 31, 2017
	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
	(Dollars In Thousands)							
Financial Assets:								
Interest bearing deposits	$ 126,653	—	—	—	—	—	$ 126,653	$ 126,653
Weighted average rate	1.44%	—	—	—	—	—	1.44%	
Available-for-sale debt securities(1)	$ 6,003	$ 14,201	$ 17,910	$ 6,186	$ 1,719	$ 133,160	$ 179,179	$ 179,179
Weighted average rate	4.78%	4.84%	5.04%	4.79%	5.41%	2.31%	2.96%	
Held-to-maturity securities	$ 130	—	—	—	—	—	$ 130	$ 131
Weighted average rate	6.14%	—	—	—	—	—	6.14%	
Adjustable rate loans	$ 430,055	$ 362,139	$ 235,854	$ 371,304	$ 246,470	$ 464,260	$ 2,110,082	$ 2,114,901
Weighted average rate	4.64%	4.43%	4.54%	4.32%	4.47%	3.93%	4.36%	
Fixed rate loans	$ 248,559	$ 215,898	$ 339,025	$ 327,824	$ 266,806	$ 292,126	$ 1,690,238	$ 1,694,334
Weighted average rate	4.14%	4.82%	4.88%	5.26%	6.18%	5.63%	5.17%	
Federal Home Loan Bank stock	—	—	—	—	—	$ 11,182	$ 11,182	$ 11,182
Weighted average rate	—	—	—	—	—	2.78%	2.78%	
Total financial assets	$ 811,400	$ 592,238	$ 592,789	$ 705,314	$ 514,995	$ 900,728	$ 4,117,464	
Financial Liabilities:								
Time deposits	$ 1,013,814	$ 220,813	$ 58,811	$ 48,365	$ 25,868	$ 2,173	$ 1,369,844	$ 1,379,100
Weighted average rate	1.13%	1.43%	1.79%	1.95%	1.79%	1.79%	1.25%	
Interest-bearing demand	$ 1,565,711	—	—	—	—	—	$ 1,565,711	$ 1,565,711
Weighted average rate	0.32%	—	—	—	—	—	0.32%	
Non-interest-bearing demand	$ 661,589	—	—	—	—	—	$ 661,589	$ 661,589
Weighted average rate	—	—	—	—	—	—	—	
Federal Home Loan Bank	$ 127,500	—	—	—	—	—	$ 127,500	$ 127,840
Weighted average rate	1.53%	—	—	—	—	—	1.53%	
Short-term borrowings	$ 97,135	—	—	—	—	—	$ 97,135	$ 97,135
Weighted average rate	0.30%	—	—	—	—	—	0.30%	
Subordinated notes	—	—	—	—	—	$ 75,000	$ 75,000	$ 76,500
Weighted average rate	—	—	—	—	—	5.56%	5.56%	
Subordinated debentures	—	—	—	—	—	$ 25,774	$ 25,774	$ 25,774
Weighted average rate	—	—	—	—	—	2.98%	2.98%	
Total financial liabilities	$ 3,465,749	$ 220,813	$ 58,811	$ 48,365	$ 25,868	$ 102,947	$ 3,922,553	

(1) Available-for-sale debt securities include approximately $122.5 million of mortgage-backed securities which pay interest and principal monthly to the Company. Of this total, $105.6 million represents securities that have variable rates of interest after a fixed interest period. These securities will experience rate changes at varying times over the next ten years. This table does not show the effect of these monthly repayments of principal or rate changes.

Repricing

	December 31,							December 31, 2017
	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
				(Dollars In Thousands)				
Financial Assets:								
Interest bearing deposits	$ 126,653	—	—	—	—	—	$ 126,653	$ 126,653
Weighted average rate	1.44%	—	—	—	—	—	1.44%	
Available-for-sale debt securities(1)	$ 34,019	$ 23,862	$ 17,910	$ 14,813	$ 30,233	$ 58,342	$ 179,179	$ 179,179
Weighted average rate	2.72%	3.71%	5.04%	2.94%	2.23%	2.58%	2.96%	
Held-to-maturity securities	$ 130	—	—	—	—	—	$ 130	$ 131
Weighted average rate	6.14%	—	—	—	—	—	6.14%	
Adjustable rate loans	$ 1,904,666	$ 83,431	$ 38,010	$ 41,607	$ 27,343	$ 15,025	$ 2,110,082	$ 2,114,901
Weighted average rate	4.41%	3.71%	4.27%	4.08%	3.83%	3.74%	4.36%	
Fixed rate loans	$ 248,559	$ 215,898	$ 339,025	$ 327,824	$ 266,806	$ 292,126	$ 1,690,238	$ 1,694,334
Weighted average rate	4.14%	4.82%	4.88%	5.26%	6.18%	5.63%	5.17%	
Federal Home Loan Bank stock	$ 11,182	—	—	—	—	—	$ 11,182	$ 11,182
Weighted average rate	2.78%	—	—	—	—	—	2.78%	
Total financial assets	$ 2,325,209	$ 323,191	$ 394,945	$ 384,244	$ 324,382	$ 365,493	$ 4,117,464	
Financial Liabilities:								
Time deposits	$ 1,013,814	$ 220,813	$ 58,811	$ 48,365	$ 25,868	$ 2,173	$ 1,369,844	$ 1,379,100
Weighted average rate	1.13%	1.43%	1.79%	1.95%	1.79%	1.79%	1.25%	
Interest-bearing demand	$ 1,565,711	—	—	—	—	—	$ 1,565,711	$ 1,565,711
Weighted average rate	0.32%	—	—	—	—	—	0.32%	
Non-interest-bearing demand(2)	—	—	—	—	—	$ 661,589	$ 661,589	$ 661,589
Weighted average rate	—	—	—	—	—	—		
Federal Home Loan Bank advances	$ 127,500	—	—	—	—	—	$ 127,500	$ 127,840
Weighted average rate	1.53%	—	—	—	—	—	1.53%	
Short-term borrowings	$ 97,135	—	—	—	—	—	$ 97,135	$ 97,135
Weighted average rate	0.30%	—	—	—	—	—	0.30%	
Subordinated notes	—	—	—	—	—	$ 75,000	$ 75,000	$ 76,500
Weighted average rate	—	—	—	—	—	5.57%	5.57%	
Subordinated debentures	$ 25,774	—	—	—	—	—	$ 25,774	$ 25,774
Weighted average rate	2.98%	—	—	—	—	—	2.98%	
Total financial liabilities	$ 2,829,934	$ 220,813	$ 58,811	$ 48,365	$ 25,868	$ 738,762	$ 3,922,553	
Periodic repricing GAP	$ (504,725)	$ 102,378	$ 336,134	$ 335,879	$ 298,514	$ (373,269)	$ 194,911	
Cumulative repricing GAP	$ (504,725)	$ (402,347)	$ (66,213)	$ 269,666	$ 568,180	$ 194,911		

(1) Available-for-sale debt securities include approximately $122.5 million of mortgage-backed securities which pay interest and principal monthly to the Company. Of this total, $105.6 million represents securities that have variable rates of interest after a fixed interest period. These securities will experience rate changes at varying times over the next ten years. This table does not show the effect of these monthly repayments of principal or rate changes.

(2) Non-interest-bearing demand is included in this table in the column labeled "Thereafter" since there is no interest rate related to these liabilities and therefore there is nothing to reprice.

Great Southern Bancorp, Inc.

Auditor’s Report and Consolidated Financial Statements

December 31, 2017 and 2016

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Great Southern Bancorp, Inc.
Springfield, Missouri

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Great Southern Bancorp, Inc. (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 6, 2018, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

BKD, LLP
BKD, LLP

We have served as the Company's auditor since 1975.

Springfield, Missouri
March 6, 2018

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Great Southern Bancorp, Inc.
Consolidated Statements of Financial Condition
December 31, 2017 and 2016
(In Thousands, Except Per Share Data)

Assets

	2017	2016
Cash	$ 115,600	$ 120,203
Interest-bearing deposits in other financial institutions	126,653	159,566
Cash and cash equivalents	242,253	279,769
Available-for-sale securities	179,179	213,872
Held-to-maturity securities	130	247
Mortgage loans held for sale	8,203	16,445
Loans receivable, net of allowance for loan losses of $36,492 and $37,400 at December 31, 2017 and 2016, respectively	3,726,302	3,759,966
FDIC indemnification asset	—	13,145
Interest receivable	12,338	11,875
Prepaid expenses and other assets	47,122	45,649
Other real estate owned and repossessions, net	22,002	32,658
Premises and equipment, net	138,018	140,596
Goodwill and other intangible assets	10,850	12,500
Federal Home Loan Bank stock	11,182	13,034
Current and deferred income taxes	16,942	10,907
Total assets	$ 4,414,521	$ 4,550,663

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Financial Condition

December 31, 2017 and 2016

(In Thousands, Except Per Share Data)

Liabilities and Stockholders' Equity

	2017	2016
Liabilities		
Deposits	$ 3,597,144	$ 3,677,230
Federal Home Loan Bank advances	127,500	31,452
Securities sold under reverse repurchase agreements with customers	80,531	113,700
Short-term borrowings	16,604	172,323
Subordinated debentures issued to capital trust	25,774	25,774
Subordinated notes	73,688	73,537
Accrued interest payable	2,904	2,723
Advances from borrowers for taxes and insurance	5,319	4,643
Accrued expenses and other liabilities	13,395	19,475
Total liabilities	3,942,859	4,120,857
Commitments and Contingencies	—	—
Stockholders' Equity		
Capital stock		
Serial preferred stock, $.01 par value; authorized 1,000,000 shares; issued and outstanding 2017 and 2016 – -0- shares	—	—
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding 2017 – 14,087,533 shares, 2016 – 13,968,386 shares	141	140
Additional paid-in capital	28,203	25,942
Retained earnings	442,077	402,166
Accumulated other comprehensive income, net of income taxes of $708 and $887 at December 31, 2017 and 2016, respectively	1,241	1,558
Total stockholders' equity	471,662	429,806
Total liabilities and stockholders' equity	$ 4,414,521	$ 4,550,663

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Income

Years Ended December 31, 2017, 2016 and 2015

(In Thousands, Except Per Share Data)

	2017	2016	2015
Interest Income			
Loans	$ 176,654	$ 178,883	$ 177,240
Investment securities and other	6,407	6,292	7,111
	183,061	185,175	184,351
Interest Expense			
Deposits	20,595	17,387	13,511
Federal Home Loan Bank advances	1,516	1,214	1,707
Short-term borrowings and repurchase agreements	747	1,137	65
Subordinated debentures issued to capital trust	949	803	714
Subordinated notes	4,098	1,578	—
	27,905	22,119	15,997
Net Interest Income	155,156	163,056	168,354
Provision for Loan Losses	9,100	9,281	5,519
Net Interest Income After Provision for Loan Losses	146,056	153,775	162,835
Noninterest Income			
Commissions	1,041	1,097	1,136
Service charges and ATM fees	21,628	21,666	19,841
Net gains on loan sales	3,150	3,941	3,888
Net realized gains on sales of available-for-sale securities	—	2,873	2
Late charges and fees on loans	2,231	1,747	2,129
Gain (loss) on derivative interest rate products	28	66	(43)
Gain (loss) on termination of loss sharing agreements	7,705	(584)	—
Amortization of income/expense related to business acquisitions	(486)	(6,351)	(18,345)
Other income	3,230	4,055	4,973
	38,527	28,510	13,581
Noninterest Expense			
Salaries and employee benefits	60,034	60,377	58,682
Net occupancy expense	24,613	26,077	25,985
Postage	3,461	3,791	3,787
Insurance	2,959	3,482	3,566
Advertising	2,311	2,228	2,317
Office supplies and printing	1,446	1,708	1,333
Telephone	3,188	3,483	3,235
Legal, audit and other professional fees	2,862	3,191	2,713
Expense on other real estate and repossessions	3,929	4,111	2,526
Partnership tax credit investment amortization	930	1,681	1,680
Acquired deposit intangible asset amortization	1,650	1,910	1,750
Other operating expenses	6,878	8,388	6,776
	114,261	120,427	114,350

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.
Consolidated Statements of Income
Years Ended December 31, 2017, 2016 and 2015
(In Thousands, Except Per Share Data)

	2017	2016	2015
Income Before Income Taxes	$ 70,322	$ 61,858	$ 62,066
Provision for Income Taxes	18,758	16,516	15,564
Net Income	51,564	45,342	46,502
Preferred Stock Dividends	—	—	554
Net Income Available to Common Shareholders	$ 51,564	$ 45,342	$ 45,948
Earnings Per Common Share			
Basic	$ 3.67	$ 3.26	$ 3.33
Diluted	$ 3.64	$ 3.21	$ 3.28

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2017, 2016 and 2015
(In Thousands)

	2017	2016	2015
Net Income	$ 51,564	$ 45,342	$ 46,502
Unrealized depreciation on available-for-sale securities, net of taxes (credit) of $(272), $(1,346) and $(528) for 2017, 2016 and 2015, respectively	(478)	(2,363)	(1,321)
Less: reclassification adjustment for gains included in net income, net of taxes of $0, $(1,043) and $(1) for 2017, 2016 and 2015, respectively	—	(1,830)	(1)
Change in fair value of cash flow hedge, net of taxes (credit) of $93, $50 and $(34) for 2017, 2016 and 2015, respectively	161	87	(50)
Other comprehensive loss	(317)	(4,106)	(1,372)
Comprehensive Income	$ 51,247	$ 41,236	$ 45,130

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2017, 2016 and 2015

(In Thousands, Except Per Share Data)

	SBLF Preferred Stock	Common Stock
Balance, January 1, 2015	$ 57,943	$ 138
Net income	—	—
Stock issued under Stock Option Plan	—	—
Common dividends declared, $.86 per share	—	—
SBLF preferred stock dividends accrued (1.0%)	—	—
Other comprehensive loss	—	—
Reclassification of treasury stock per Maryland law	—	1
Redemption of SBLF preferred stock	(57,943)	—
Balance, December 31, 2015	—	139
Net income	—	—
Stock issued under Stock Option Plan	—	—
Common dividends declared, $.88 per share	—	—
Other comprehensive loss	—	—
Reclassification of treasury stock per Maryland law	—	1
Balance, December 31, 2016	—	140
Net income	—	—
Stock issued under Stock Option Plan	—	—
Common dividends declared, $.94 per share	—	—
Other comprehensive loss	—	—
Reclassification of treasury stock per Maryland law	—	1
Balance, December 31, 2017	$ —	$ 141

See Notes to Consolidated Financial Statements

Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
$ 22,345	$ 332,283	$ 7,036	$ —	$ 419,745
—	46,502	—	—	46,502
2,026	—	—	1,718	3,744
—	(11,896)	—	—	(11,896)
—	(553)	—	—	(553)
—	—	(1,372)	—	(1,372)
—	1,717	—	(1,718)	—
—	—	—	—	(57,943)
24,371	368,053	5,664	—	398,227
—	45,342	—	—	45,342
1,571	—	—	1,022	2,593
—	(12,250)	—	—	(12,250)
—	—	(4,106)	—	(4,106)
—	1,021	—	(1,022)	—
25,942	402,166	1,558	—	429,806
—	51,564	—	—	51,564
2,261	—	—	1,550	3,811
—	(13,202)	—	—	(13,202)
—	—	(317)	—	(317)
—	1,549	—	(1,550)	—
$ 28,203	$ 442,077	$ 1,241	$ —	$ 471,662

Great Southern Bancorp, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2017, 2016 and 2015

(In Thousands)

	2017	2016	2015
Operating Activities			
Net income	$ 51,564	$ 45,342	$ 46,502
Proceeds from sales of loans held for sale	138,659	156,835	158,730
Originations of loans held for sale	(126,215)	(156,036)	(155,680)
Items not requiring (providing) cash			
Depreciation	9,120	9,816	10,465
Amortization	2,731	3,656	3,430
Compensation expense for stock option grants	564	483	382
Provision for loan losses	9,100	9,281	5,519
Net gains on loan sales	(3,150)	(3,941)	(3,888)
Net realized gains on available-for-sale securities	—	(2,873)	(2)
Gain on sale of non-marketable securities	—	—	(301)
Gain on redemption of trust preferred securities	—	—	(1,115)
(Gain) loss on sale of premises and equipment	297	(249)	(465)
(Gain) loss on sale/write-down of other real estate and respossessions	(449)	489	(1,132)
Gain on sale of business units	—	(368)	—
(Gain) loss realized on termination of loss sharing agreements	(7,705)	584	—
(Accretion) amortization of deferred income, premiums, discounts and other	(1,947)	4,423	10,595
(Gain) loss on derivative interest rate products	(28)	(66)	43
Deferred income taxes	9,423	(3,621)	(4,670)
Changes in			
Interest receivable	(463)	(535)	289
Prepaid expenses and other assets	(5,227)	12,655	3,982
Accrued expenses and other liabilities	1,821	(2,720)	3,354
Income taxes refundable/payable	(15,278)	7,484	(4,609)
Net cash provided by operating activities	62,817	80,639	71,429

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2017, 2016 and 2015

(In Thousands)

	2017	2016	2015
Investing Activities			
Net change in loans	$ 136,596	$ (145,101)	$ (190,154)
Purchase of loans	(133,018)	(145,600)	(117,634)
Proceeds from sale of student loans	—	368	—
Cash received from purchase of additional business units	—	44,363	—
Cash received from FDIC loss sharing reimbursements	16,246	247	2,599
Cash paid for sale of business units	—	(17,821)	—
Purchase of premises and equipment	(7,404)	(10,878)	(16,697)
Proceeds from sale of premises and equipment	565	1,178	1,883
Proceeds from sale of other real estate and repossessions	33,640	28,362	23,497
Capitalized costs on other real estate owned	(117)	(146)	(20)
Proceeds from sale of non-marketable securities	—	—	351
Proceeds from maturities, calls and repayments of held-to-maturity securities	117	106	97
Proceeds from sale of available-for-sale securities	—	55,000	56,169
Proceeds from maturities, calls and repayments of available-for-sale securities	36,754	60,827	63,463
Purchase of available-for-sale securities	(3,852)	(71,904)	(21,339)
Redemption of Federal Home Loan Bank stock	1,852	2,269	1,590
Net cash provided by (used in) investing activities	81,379	(198,730)	(196,195)

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2017, 2016 and 2015
(In Thousands)

	2017	2016	2015
Financing Activities			
Net increase (decrease) in certificates of deposit	$ (114,714)	$ 162,763	$ 191,224
Net increase in checking and savings accounts	34,796	36,126	87,113
Proceeds from Federal Home Loan Bank advances	1,420,500	1,793,000	6,509,500
Repayments of Federal Home Loan Bank advances	(1,324,435)	(2,025,070)	(6,517,564)
Net increase (decrease) in short-term borrowings	(188,888)	168,546	(93,967)
Proceeds from issuance of subordinated notes	—	73,472	—
Advances from (to) borrowers for taxes and insurance	676	(38)	(248)
Redemption of trust preferred securities	—	—	(3,885)
Redemption of preferred stock	—	—	(57,943)
Dividends paid	(12,894)	(12,232)	(12,290)
Stock options exercised	3,247	2,110	3,362
Net cash provided by (used in) financing activities	(181,712)	198,677	105,302
Increase (Decrease) in Cash and Cash Equivalents	(37,516)	80,586	(19,464)
Cash and Cash Equivalents, Beginning of Year	279,769	199,183	218,647
Cash and Cash Equivalents, End of Year	$ 242,253	$ 279,769	$ 199,183

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Operating Segments

Great Southern Bancorp, Inc. ("GSBC" or the "Company") operates as a one-bank holding company. GSBC's business primarily consists of the operations of Great Southern Bank (the "Bank"), which provides a full range of financial services to customers primarily located in Missouri, Iowa, Kansas, Minnesota, Nebraska and Arkansas. The Bank also originates commercial loans from lending offices in Dallas, Texas, Tulsa, Oklahoma and Chicago, Illinois. The Company and the Bank are subject to regulation by certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

The Company's banking operation is its only reportable segment. The banking operation is principally engaged in the business of originating residential and commercial real estate loans, construction loans, commercial business loans and consumer loans and funding these loans by attracting deposits from the general public, accepting brokered deposits and borrowing from the Federal Home Loan Bank and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance. Selected information is not presented separately for the Company's reportable segment, as there is no material difference between that information and the corresponding information in the consolidated financial statements.

Use of Estimates

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans acquired with indication of impairment, the valuation of the FDIC indemnification asset (prior to December 31, 2017) and other-than-temporary impairments (OTTI) and fair values of financial instruments. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties. The valuation of the FDIC indemnification asset was determined in relation to the fair value of assets acquired through FDIC-assisted transactions for which cash flows are monitored on an ongoing basis. In addition, the Company considers that the determination of the carrying value of goodwill and intangible assets involves a high degree of judgment and complexity.

Principles of Consolidation

The consolidated financial statements include the accounts of Great Southern Bancorp, Inc., its wholly owned subsidiary, the Bank, and the Bank's wholly owned subsidiaries, Great Southern Real Estate Development Corporation, GSB One LLC (including its wholly owned subsidiary, GSB Two LLC), Great Southern Financial Corporation, Great Southern Community Development Company, LLC (including its wholly owned subsidiary, Great Southern CDE, LLC), GS, LLC, GSSC, LLC, GSTC Investments, LLC, GS-RE Holding, LLC (including its wholly owned subsidiary, GS RE Management, LLC), GS-RE Holding II, LLC, GS-RE Holding III, LLC, VFP Conclusion Holding, LLC and VFP Conclusion Holding II, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain prior periods' amounts have been reclassified to conform to the 2017 financial statements presentation. These reclassifications had no effect on net income.

Federal Home Loan Bank Stock

Federal Home Loan Bank common stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Securities

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Held-to-maturity securities, which include any security for which the Company has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

For debt securities with fair value 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 other-than-temporary impairment ("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 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 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 OTTI 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.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Write-downs to fair value are recognized as a charge to earnings at the time the decline in value occurs. Nonbinding forward commitments to sell individual mortgage loans are generally obtained to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Fees received from borrowers to guarantee the funding of mortgage loans held for sale and fees paid to investors to ensure the ultimate sale of such mortgage loans are recognized as income or expense when the loans are sold or when it becomes evident that the commitment will not be used.

Loans Originated by the Company

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Past due status is based on the contractual terms of a loan. Generally, loans are placed on nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection. Payments received on nonaccrual loans are applied to principal until the loans are returned to accrual status. Loans are returned to accrual status when all payments contractually due are brought current, payment performance is sustained for a period of time, generally six months, and future payments are reasonably assured. With the exception of consumer loans, charge-offs on loans are recorded when available information indicates a loan is not fully collectible and the loss is reasonably quantifiable. Consumer loans are charged-off at specified delinquency dates consistent with regulatory guidelines.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This

evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For loans classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for certain loan segments after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that not all of the principal and interest due under the loan agreement will be collected in accordance with contractual terms. For non-homogeneous loans, such as commercial loans, management determines which loans are reviewed for impairment based on information obtained by account officers, weekly past due meetings, various analyses including annual reviews of large loan relationships, calculations of loan debt coverage ratios as financial information is obtained and periodic reviews of all loans over $1.0 million. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower's prior payment record and the amount of any collateral shortfall in relation to the principal and interest owed.

Large groups of smaller balance homogenous loans, such as consumer and residential loans, are collectively evaluated for impairment. In accordance with regulatory guidelines, impairment in the consumer and mortgage loan portfolio is primarily identified based on past-due status. Consumer and mortgage loans which are over 90 days past due or specifically identified as troubled debt restructurings will generally be individually evaluated for impairment.

Impairment is measured on a loan-by-loan basis for both homogeneous and non-homogeneous loans by either the present value of expected future cash flows or the fair value of the collateral if the loan is collateral dependent. Payments made on impaired loans are treated in accordance with the accrual status of the loan. If loans are performing in accordance with their contractual terms but the ultimate collectability of principal and interest is questionable, payments are applied to principal only.

Loans Acquired in Business Combinations

Loans acquired in business combinations under ASC Topic 805, *Business Combinations*, require the use of the purchase method of accounting. Therefore, such loans are initially recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820, *Fair Value Measurements and Disclosures*. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

For loans not acquired in conjunction with an FDIC-assisted transaction that are not considered to be purchased credit-impaired loans, the Company evaluates those loans acquired in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount on

these loans is accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluates purchased credit-impaired loans in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Loans acquired in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of the purchase dates may include information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Acquired credit-impaired loans that are accounted for under the accounting guidance for loans acquired with deteriorated credit quality are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans.

The Company evaluates all of its loans acquired in conjunction with its FDIC-assisted transactions in accordance with the provisions of ASC Topic 310-30. For purposes of applying ASC 310-30, loans acquired in FDIC-assisted business combinations are aggregated into pools of loans with common risk characteristics. All loans acquired in the FDIC transactions, both covered and not covered by loss sharing agreements, were deemed to be purchased credit-impaired loans as there is general evidence of credit deterioration since origination in the pools and there is some probability that not all contractually required payments will be collected. As a result, related discounts are recognized subsequently through accretion based on changes in the expected cash flows of these acquired loans.

The expected cash flows of the acquired loan pools in excess of the fair values recorded is referred to as the accretable yield and is recognized in interest income over the remaining estimated lives of the loan pools for impaired loans accounted for under ASC Topic 310-30. The Company continues to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. Increases in the Company's cash flow expectations are recognized as increases to the accretable yield while decreases are recognized as impairments through the allowance for loan losses.

FDIC Indemnification Asset

Through two FDIC-assisted transactions during 2009, one during 2011 and one during 2012, the Bank acquired certain loans and foreclosed assets which were covered under loss sharing agreements with the FDIC. These agreements committed the FDIC to reimburse the Bank for a portion of realized losses on these covered assets. Therefore, as of the dates of acquisitions, the Company calculated the amount of such reimbursements it expected to receive from the FDIC using the present value of anticipated cash flows from the covered assets based on the credit adjustments estimated for each pool of loans and the estimated losses on foreclosed assets. In accordance with FASB ASC 805, each FDIC Indemnification Asset was initially recorded at its fair value, and was measured separately from the loan assets and foreclosed assets because the loss sharing agreements were not contractually embedded in them or transferrable with them in the event of disposal. The balance of the FDIC Indemnification Asset increased and decreased as the expected and actual cash flows from the covered assets fluctuated, as loans were paid off or impaired and as loans and foreclosed assets were sold. There were no contractual interest rates on the contractual receivables from the FDIC; however, a discount was recorded against the initial balance of the FDIC Indemnification Asset in conjunction with the fair value measurement as the receivable was to be collected over the terms of the loss sharing agreements. This discount was accreted to income up until the termination of the loss sharing agreements. During 2016 and 2017, the Company and the FDIC mutually agreed to terminate all of these loss sharing

agreements prior to their contractual termination dates. These acquisitions and agreements are more fully discussed in *Note 4*.

Other Real Estate Owned and Repossessions

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expense on foreclosed assets. Other real estate owned also includes bank premises formerly, but no longer, used for banking, as well as property originally acquired for future expansion but no longer intended to be used for that purpose.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized using the straight-line and accelerated methods over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

A valuation allowance of $1.2 million related to bank premises and furniture, fixtures and equipment was recorded during the year ended December 31, 2015, due to the Company’s announced plans to consolidate operations of 14 banking centers into other nearby Great Southern banking center locations. The closing of these 14 facilities occurred at the close of business on January 8, 2016. During 2016, these assets were moved from furniture, fixtures and equipment to other real estate owned. A further valuation allowance of $430,000 related to these properties in other real estate owned not acquired through foreclosure was recorded during the year ended December 31, 2016, as the Company believed that the market value of some of these properties had declined further. No asset impairment was recognized during the year ended December 31, 2017.

Goodwill and Intangible Assets

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill fair value are not recognized in the financial statements.

Intangible assets are being amortized on the straight-line basis generally over a period of seven years. Such assets are periodically evaluated as to the recoverability of their carrying value.

A summary of goodwill and intangible assets is as follows:

	December 31,	
	2017	2016
	(In Thousands)	
Goodwill – Branch acquisitions	$ 5,396	$ 5,396
Deposit intangibles		
Sun Security Bank	263	613
InterBank	181	327
Boulevard Bank	397	519
Valley Bank	1,400	1,800
Fifth Third Bank	3,213	3,845
	5,454	7,104
	$ 10,850	$ 12,500

Loan Servicing and Origination Fee Income

Loan servicing income represents fees earned for servicing real estate mortgage loans owned by various investors. The fees are generally calculated on the outstanding principal balances of the loans serviced and are recorded as income when earned. Loan origination fees, net of direct loan origination costs, are recognized as income using the level-yield method over the contractual life of the loan.

Stockholders' Equity

The Company is incorporated in the State of Maryland. Under Maryland law, there is no concept of "Treasury Shares." Instead, shares purchased by the Company constitute authorized but unissued shares under Maryland law. Accounting principles generally accepted in the United States of America state that accounting for treasury stock shall conform to state law. The cost of shares purchased by the Company has been allocated to common stock and retained earnings balances.

Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares outstanding during each year. Diluted earnings per common share are computed using the weighted average common shares and all potential dilutive common shares outstanding during the period.

Earnings per common share (EPS) were computed as follows:

	2017	2016	2015
	(In Thousands, Except Per Share Data)		
Net income	$ 51,564	$ 45,342	$ 46,502
Net income available to common shareholders	$ 51,564	$ 45,342	$ 45,948
Average common shares outstanding	14,032	13,912	13,818
Average common share stock options outstanding	148	229	182
Average diluted common shares	14,180	14,141	14,000
Earnings per common share – basic	$ 3.67	$ 3.26	$ 3.33
Earnings per common share – diluted	$ 3.64	$ 3.21	$ 3.28

Options outstanding at December 31, 2017, 2016 and 2015, to purchase 253,711, 108,450 and 117,600 shares of common stock, respectively, were not included in the computation of diluted earnings per common share for each of the years because the exercise prices of such options were greater than the average market prices of the common stock for the years ended December 31, 2017, 2016 and 2015, respectively.

Stock Compensation Plans

The Company has stock-based employee compensation plans, which are described more fully in *Note 21*. In accordance with FASB ASC 718, *Compensation – Stock Compensation,* compensation cost related to share-based payment transactions is recognized in the Company's consolidated financial statements based on the grant-date fair value of the award using the modified prospective transition method. For the years ended December 31, 2017, 2016 and 2015, share-based compensation expense totaling $564,000, $483,000 and $382,000, respectively, was included in salaries and employee benefits expense in the consolidated statements of income.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted of interest-bearing deposits in other financial institutions. At December 31, 2017, nearly all of the interest-bearing deposits were uninsured with nearly all of these balances held at the Federal Home Loan Bank or the Federal Reserve Bank.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. At December 31, 2017 and 2016, no valuation allowance was established.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries.

Derivatives and Hedging Activities

FASB ASC 815, *Derivatives and Hedging*, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments. For detailed disclosures on derivatives and hedging activities, see *Note 17*.

As required by FASB ASC 815, the Company records all derivatives in the statement of financial condition at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting.

Restriction on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2017 and 2016, respectively, was $59.1 million and $53.8 million.

Recent Accounting Pronouncements

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs--Contracts with Customers (Subtopic 340-40)*. The guidance in this Update supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the industry topics of the codification. These Updates were effective beginning January 1, 2018. Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. We have completed our evaluation of the impact of ASU 2014-09 on components of our non-interest income and have determined that certain components contain revenue streams which are included in the scope of these updates, such as deposit-related fees, service charges, debit card interchange fees and other charges and fees, and revenue from the sale of other real estate owned; however the adoption of these updates did not materially impact the Company's consolidated statements of income. We adopted the guidance using the modified retrospective adoption method, and no cumulative effect adjustment to opening retained earnings was required as a result of the adoption. The guidance in these Updates may result in new disclosure requirements, which will be included in the Company's March 31, 2018 Quarterly Report on Form 10-Q.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The Update requires investments in equity securities, except for those under the equity method of accounting, to be measured at fair value with changes in fair value recognized through net income. In addition, the Update requires separate presentation of financial assets and liabilities by measurement category, such as fair value through net income, fair value through other comprehensive income, or amortized cost on the balance sheet or in the notes to the financial statements. The Update also clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The Update was effective for the Company on January 1, 2018 and did not have a material impact on the Company's consolidated statements of financial condition or our consolidated statements of income. The Company does not currently hold any equity investments.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this Update revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The Update is effective for the Company beginning in the first quarter of 2019, with early adoption permitted. Adoption of the standard requires the use of a modified retrospective transition approach for all periods presented at the time of

adoption. Based on the Company's leases outstanding at December 31, 2017, which total less than 20 leased properties, we do not expect the new standard to have a material impact on our consolidated statements of financial condition or our consolidated statements of income, although an increase to assets and liabilities will occur at the time of adoption. The Company's new leases and lease modifications and renewals prior to the implementation date could impact the level of materiality.

In March 2016, the FASB issued ASU No. 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The Update amends several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Update was effective for the Company beginning January 1, 2017, and did not have a material effect on the Company's income taxes or the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The Update amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. This Update affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public companies, the update is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted beginning after December 15, 2018. An entity will apply the amendments in this update on a modified retrospective basis, through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company has formed a cross functional committee to oversee the system, data, reporting and other considerations for the purposes of meeting the requirements of this standard. We have assessed our data and system needs and are in the process of uploading the necessary historical loan data to the software that will be used in meeting certain requirements of this standard. The Company is evaluating the impact of adopting the new guidance, including the implementation of new data systems to capture the information needed to comply with the new standard. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment, or the overall impact of the new guidance on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*. The Update provides guidance on how certain cash receipts and payments are presented and classified in the statement of cash flows. These items include: cash payments for debt prepayment or debt extinguishment costs; cash outflows for the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; and beneficial interests acquired in securitization transactions. The amendments in the Update are to be applied retrospectively. The Update was effective for the Company on January 1, 2018 and did not result in a material impact on the Company's consolidated financial statements, including the statement of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740)*. The Update provides guidance on the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, companies will be required to recognize the income tax consequences of an intra-entity asset transfer when the transfer occurs. The Update was effective for the Company on January 1, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations - Clarifying the Definition of a Business (Topic 805)*. The amendments in this Update provide a more robust framework to use in determining when a set of assets and activities is a business. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments in this Update were effective for the Company on January 1, 2018. The adoption of this new guidance must be applied on a prospective basis and did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350)*. To simplify the subsequent measurement of goodwill, the amendments eliminate Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test should be performed by comparing the fair value of a reporting unit with its carrying amount and an impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. The nature of and reason for the change in accounting principle should be disclosed upon transition. The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. We are currently evaluating the impact of adopting the new guidance, including consideration of early adoption, on the consolidated financial statements, but it is not expected to have a material impact.

In March 2017, the FASB issued ASU No. 2017-08, *Premium Amortization on Purchased Callable Debt Securities.* The amendment shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date, rather than the contractual life of the security, which is typically used under current GAAP. The new guidance does not change the accounting for purchased callable debt securities held at a discount; the discount continues to be amortized to maturity. The amendments in this Update were to become effective for the Company for interim and annual reporting periods beginning after December 15, 2018; however, early adoption is permitted, and the Company elected to early adopt the ASU effective January 1, 2017. The adoption of the ASU did not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation --Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendment provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 7l8. The amendments clarify that modification accounting only applies to an entity if the fair value, vesting conditions, or classification of the award changes as a result of changes in the terms or conditions of a share-based payment award. The ASU should be applied prospectively to awards modified on or after the adoption date. The guidance was effective for the Company on January 1, 2018. The adoption of the ASU did not impact the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The objective of ASU 2017-12 is to improve the financial reporting of hedging relationships by better aligning an entity's risk management activity with the economic objectives in undertaking those activities. In addition, the amendments in this update simplify the application of hedge accounting for preparers of financial statements, as well as improve the understandability of an entity's risk management activities being conveyed to financial statement users. The new guidance becomes effective for periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the new guidance and timing of adoption to determine the impact this standard may have on its financial statements.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220).* The amendment allows an entity to elect to reclassify the stranded tax effects resulting from the change in income tax rate from H.R.1, originally known as the "Tax Cuts and Jobs Act," from accumulated other comprehensive income to retained earnings. The amendments in this update are effective for periods beginning after December 15, 2018. Early adoption is permitted. The Company is still reviewing the amendments in the Update; however we anticipate that we could early adopt ASU 2018-02 in the first quarter of 2018. Our stranded tax amount which will be reclassified from other comprehensive income to retained earnings at the time of adoption is estimated to be approximately $273,000.

Note 2: Investments in Securities

The amortized cost and fair values of securities classified as available-for-sale were as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Mortgage-backed securities	$ 123,300	$ 871	$ 1,638	$ 122,533
States and political subdivisions	53,930	2,716	—	56,646
	$ 177,230	$ 3,587	$ 1,638	$ 179,179

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

At December 31, 2017, the Company's mortgage-backed securities portfolio consisted of FHLMC securities totaling $47.3 million, FNMA securities totaling $43.6 million and GNMA securities totaling $31.6 million. At December 31, 2017, $105.6 million of the Company's mortgage-backed securities had variable rates of interest and $16.9 million had fixed rates of interest.

The amortized cost and fair value of available-for-sale securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
After one through five years	$ 813	$ 893
After five through ten years	6,404	6,641
After ten years	46,713	49,112
Securities not due on a single maturity date	123,300	122,533
	$ 177,230	$ 179,179

The amortized cost and fair values of securities classified as held to maturity were as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
States and political subdivisions	$ 130	$ 1	$ —	$ 131

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
States and political subdivisions	$ 247	$ 11	$ —	$ 258

The held-to-maturity securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$ 130	$ 131

The amortized cost and fair values of securities pledged as collateral was as follows at December 31, 2017 and 2016:

	2017		2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Public deposits	$ 10,958	$ 11,490	$ 57,841	$ 59,082
Collateralized borrowing accounts	120,622	119,776	98,787	97,498
Other	1,579	1,601	6,599	6,813
	$ 133,159	$ 132,867	$ 163,227	$ 163,393

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2017 and 2016, was approximately $89.7 million and $104.5 million, respectively, which is approximately 50.0% and 48.8% of the Company's available-for-sale and held-to-maturity investment portfolio, respectively.

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

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and 2016:

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

	2016					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
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)

Other-than-Temporary Impairment

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

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

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

During 2017, 2016 and 2015, no securities were determined to have impairment that had become other than temporary.

Credit Losses Recognized on Investments

During 2017, 2016 and 2015, there were no debt securities that have experienced fair value deterioration due to credit losses, as well as due to other market factors, but are not otherwise other-than-temporarily impaired.

Note 3: Loans and Allowance for Loan Losses

Classes of loans at December 31, 2017 and 2016, included:

	2017	2016
	(In Thousands)	
One- to four-family residential construction	$ 20,793	$ 21,737
Subdivision construction	18,062	17,186
Land development	43,971	50,624
Commercial construction	1,068,352	780,614
Owner occupied one- to four-family residential	190,515	200,340
Non-owner occupied one- to four-family residential	119,468	136,924
Commercial real estate	1,235,329	1,186,906
Other residential	745,645	663,378
Commercial business	353,351	348,628
Industrial revenue bonds	21,859	25,065
Consumer auto	357,142	494,233
Consumer other	63,368	70,001
Home equity lines of credit	115,439	108,753
Acquired FDIC-covered loans, net of discounts	—	134,356
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	155,224	72,569
Acquired non-covered loans, net of discounts	54,445	76,234
	4,562,963	4,387,548
Undisbursed portion of loans in process	(793,669)	(585,313)
Allowance for loan losses	(36,492)	(37,400)
Deferred loan fees and gains, net	(6,500)	(4,869)
	$ 3,726,302	$ 3,759,966

Classes of loans by aging were as follows:

	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$ 250	$ —	$ —	$ 250	$ 20,543	$ 20,793	$ —
Subdivision construction	—	—	98	98	17,964	18,062	—
Land development	54	37	—	91	43,880	43,971	—
Commercial construction	—	—	—	—	1,068,352	1,068,352	—
Owner occupied one- to four-family residential	1,927	71	904	2,902	187,613	190,515	—
Non-owner occupied one- to four-family residential	947	190	1,816	2,953	116,515	119,468	58
Commercial real estate	8,346	993	1,226	10,565	1,224,764	1,235,329	—
Other residential	540	353	1,877	2,770	742,875	745,645	—
Commercial business	2,623	1,282	2,063	5,968	347,383	353,351	—
Industrial revenue bonds	—	—	—	—	21,859	21,859	—
Consumer auto	5,196	1,230	2,284	8,710	348,432	357,142	12
Consumer other	464	64	557	1,085	62,283	63,368	—
Home equity lines of credit	58	—	430	488	114,951	115,439	26
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	4,015	1,774	7,847	13,636	141,588	155,224	116
Acquired non-covered loans, net of discounts	434	177	2,828	3,439	51,006	54,445	156
	24,854	6,171	21,930	52,955	4,510,008	4,562,963	368
Less acquired loans no longer covered by FDIC loss sharing agreements and acquired non-covered loans, net of discounts	4,449	1,951	10,675	17,075	192,594	209,669	272
Total	$ 20,405	$ 4,220	$ 11,255	$ 35,880	$ 4,317,414	$ 4,353,294	$ 96

	December 31, 2016						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$ —	$ —	$ —	$ —	$ 21,737	$ 21,737	$ —
Subdivision construction	—	—	109	109	17,077	17,186	—
Land development	413	584	1,718	2,715	47,909	50,624	—
Commercial construction	—	—	—	—	780,614	780,614	—
Owner occupied one- to four-family residential	1,760	388	1,125	3,273	197,067	200,340	—
Non-owner occupied one- to four-family residential	309	278	404	991	135,933	136,924	—
Commercial real estate	1,969	1,988	4,404	8,361	1,178,545	1,186,906	—
Other residential	4,632	—	162	4,794	658,584	663,378	—
Commercial business	1,741	24	3,088	4,853	343,775	348,628	—
Industrial revenue bonds	—	—	—	—	25,065	25,065	—
Consumer auto	8,252	2,451	1,989	12,692	481,541	494,233	—
Consumer other	1,103	278	649	2,030	67,971	70,001	—
Home equity lines of credit	136	158	433	727	108,026	108,753	—
Acquired FDIC-covered loans, net of discounts	4,476	1,201	8,226	13,903	120,453	134,356	301
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	1,356	552	1,401	3,309	69,260	72,569	222
Acquired non-covered loans, net of discounts	851	173	2,854	3,878	72,356	76,234	—
	26,998	8,075	26,562	61,635	4,325,913	4,387,548	523
Less FDIC-supported loans, and acquired non-covered loans, net of discounts	6,683	1,926	12,481	21,090	262,069	283,159	523
Total	$ 20,315	$ 6,149	$ 14,081	$ 40,545	$ 4,063,844	$ 4,104,389	$ —

Nonaccruing loans are summarized as follows:

	December 31,	
	2017	2016
	(In Thousands)	
One- to four-family residential construction	$ —	$ —
Subdivision construction	98	109
Land development	—	1,718
Commercial construction	—	—
Owner occupied one- to four-family residential	904	1,125
Non-owner occupied one- to four-family residential	1,758	404
Commercial real estate	1,226	2,727
Other residential	1,877	162
Commercial business	2,063	4,765
Industrial revenue bonds	—	—
Consumer auto	2,272	1,989
Consumer other	557	649
Home equity lines of credit	404	433
Total	$ 11,159	$ 14,081

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2017, 2016 and 2015, respectively. Also presented are the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of the years ended December 31, 2017, 2016, and 2015, respectively:

	December 31, 2017						
	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for Loan Losses							
Balance, January 1, 2017	$ 2,322	$ 5,486	$ 15,938	$ 2,284	$ 3,015	$ 8,355	$ 37,400
Provision (benefit) charged to expense	(158)	(2,356)	4,234	(643)	1,475	6,548	9,100
Losses charged off	(165)	(488)	(1,656)	(420)	(1,489)	(11,859)	(16,077)
Recoveries	109	197	123	546	580	4,514	6,069
Balance, December 31, 2017	$ 2,108	$ 2,839	$ 18,639	$ 1,767	$ 3,581	$ 7,558	$ 36,492
Ending balance:							
Individually evaluated for impairment	$ 513	$ —	$ 599	$ —	$ 2,140	$ 699	$ 3,951
Collectively evaluated for impairment	$ 1,564	$ 2,813	$ 17,843	$ 1,690	$ 1,369	$ 6,802	$ 32,081
Loans acquired and accounted for under ASC 310-30	$ 31	$ 26	$ 197	$ 77	$ 72	$ 57	$ 460
Loans							
Individually evaluated for impairment	$ 6,950	$ 2,907	$ 8,315	$ 15	$ 3,018	$ 4,129	$ 25,334
Collectively evaluated for impairment	$ 341,888	$ 742,738	$ 1,227,014	$ 1,112,308	$ 372,192	$ 531,820	$4,327,960
Loans acquired and accounted for under ASC 310-30	$ 120,295	$ 14,877	$ 39,210	$ 3,806	$ 5,275	$ 26,206	$ 209,669

	December 31, 2016						
	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for Loan Losses							
Balance, January 1, 2016	$ 4,900	$ 3,190	$ 14,738	$ 3,019	$ 4,203	$ 8,099	$ 38,149
Provision (benefit) charged to expense	(2,407)	2,260	5,632	(827)	(926)	5,549	9,281
Losses charged off	(229)	(16)	(5,653)	(31)	(589)	(8,751)	(15,269)
Recoveries	58	52	1,221	123	327	3,458	5,239
Balance, December 31, 2016	$ 2,322	$ 5,486	$ 15,938	$ 2,284	$ 3,015	$ 8,355	$ 37,400
Ending balance:							
Individually evaluated for impairment	$ 570	$ —	$ 2,209	$ 1,291	$ 1,295	$ 997	$ 6,362
Collectively evaluated for impairment	$ 1,628	$ 5,396	$ 13,507	$ 953	$ 1,681	$ 7,248	$ 30,413
Loans acquired and accounted for under ASC 310-30	$ 124	$ 90	$ 222	$ 40	$ 39	$ 110	$ 625
Loans							
Individually evaluated for impairment	$ 6,015	$ 3,812	$ 10,507	$ 6,023	$ 4,539	$ 3,385	$ 34,281
Collectively evaluated for impairment	$ 370,172	$ 659,566	$ 1,176,399	$ 825,215	$ 369,154	$ 669,602	$4,070,108
Loans acquired and accounted for under ASC 310-30	$ 155,378	$ 29,600	$ 54,208	$ 2,191	$ 6,429	$ 35,353	$ 283,159

	December 31, 2015						
	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for Loan Losses							
Balance, January 1, 2015	$ 3,455	$ 2,941	$ 19,773	$ 3,562	$ 3,679	$ 5,025	$ 38,435
Provision (benefit) charged to expense	1,428	193	(2,753)	(619)	1,450	5,820	5,519
Losses charged off	(80)	(2)	(2,584)	(329)	(1,202)	(5,315)	(9,512)
Recoveries	97	58	302	405	276	2,569	3,707
Balance, December 31, 2015	$ 4,900	$ 3,190	$ 14,738	$ 3,019	$ 4,203	$ 8,099	$ 38,149
Ending balance:							
Individually evaluated for impairment	$ 731	$ —	$ 2,556	$ 1,391	$ 1,115	$ 300	$ 6,093
Collectively evaluated for impairment	$ 3,464	$ 3,122	$ 11,888	$ 1,570	$ 2,862	$ 7,647	$ 30,553
Loans acquired and accounted for under ASC 310-30	$ 705	$ 68	$ 294	$ 58	$ 226	$ 152	$ 1,503
Loans							
Individually evaluated for impairment	$ 6,129	$ 9,533	$ 34,629	$ 7,555	$ 2,365	$ 1,950	$ 62,161
Collectively evaluated for impairment	$ 316,052	$ 410,016	$ 1,008,845	$ 651,679	$ 392,577	$ 596,740	$3,375,909
Loans acquired and accounted for under ASC 310-30	$ 194,697	$ 35,945	$ 73,148	$ 4,981	$ 10,500	$ 43,574	$ 362,845

The portfolio segments used in the preceding three tables correspond to the loan classes used in all other tables in *Note 3* as follows:

- The one- to four-family residential and construction segment includes the one- to four-family residential construction, subdivision construction, owner occupied one- to four-family residential and non-owner occupied one- to four-family residential classes.
- The other residential segment corresponds to the other residential class.
- The commercial real estate segment includes the commercial real estate and industrial revenue bonds classes.
- The commercial construction segment includes the land development and commercial construction classes.
- The commercial business segment corresponds to the commercial business class.
- The consumer segment includes the consumer auto, consumer other and home equity lines of credit classes.

The weighted average interest rate on loans receivable at December 31, 2017 and 2016, was 4.74% and 4.58%, respectively.

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of loans serviced for others were $254.0 million and $266.2 million at December 31, 2017 and 2016, respectively. In addition, available lines of credit on these loans were $37.8 million and $60.5 million at December 31, 2017 and 2016, respectively.

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16) when, based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include not only nonperforming loans but also loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties.

The following summarizes information regarding impaired loans at and during the years ended December 31, 2017, 2016 and 2015:

	December 31, 2017			Year Ended December 31, 2017	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
			(In Thousands)		
One- to four-family residential construction	$ —	$ —	$ —	$ 193	$ —
Subdivision construction	349	367	114	584	22
Land development	15	18	—	1,793	24
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,405	3,723	331	3,405	166
Non-owner occupied one- to four-family residential	3,196	3,465	68	2,419	165
Commercial real estate	8,315	8,490	599	9,075	567
Other residential	2,907	2,907	—	3,553	147
Commercial business	3,018	4,222	2,140	5,384	173
Industrial revenue bonds	—	—	—	—	—
Consumer auto	2,713	2,898	484	2,383	222
Consumer other	825	917	124	906	69
Home equity lines of credit	591	648	91	498	33
Total	$ 25,334	$ 27,655	$ 3,951	$ 30,193	$ 1,588

	December 31, 2016			Year Ended December 31, 2016	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)				
One- to four-family residential construction	$ —	$ —	$ —	$ —	$ —
Subdivision construction	818	829	131	948	46
Land development	6,023	6,120	1,291	8,020	304
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,290	3,555	374	3,267	182
Non-owner occupied one- to four-family residential	1,907	2,177	65	1,886	113
Commercial real estate	10,507	12,121	2,209	23,928	984
Other residential	3,812	3,812	—	6,813	258
Commercial business	4,539	4,652	1,295	2,542	185
Industrial revenue bonds	—	—	—	—	—
Consumer auto	2,097	2,178	629	1,307	141
Consumer other	812	887	244	884	70
Home equity lines of credit	476	492	124	417	32
Total	$ 34,281	$ 36,823	$ 6,362	$ 50,012	$ 2,315

	December 31, 2015			Year Ended December 31, 2015	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)				
One- to four-family residential construction	$ —	$ —	$ —	$ 633	$ 35
Subdivision construction	1,061	1,061	214	3,533	109
Land development	7,555	7,644	1,391	7,432	287
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,166	3,427	389	3,587	179
Non-owner occupied one- to four-family residential	1,902	2,138	128	1,769	100
Commercial real estate	34,629	37,259	2,556	28,610	1,594
Other residential	9,533	9,533	—	9,670	378
Commercial business	2,365	2,539	1,115	2,268	138
Industrial revenue bonds	—	—	—	—	—
Consumer auto	791	829	119	576	59
Consumer other	802	885	120	672	74
Home equity lines of credit	357	374	61	403	27
Total	$ 62,161	$ 65,689	$ 6,093	$ 59,153	$ 2,980

At December 31, 2017, $12.7 million of impaired loans had specific valuation allowances totaling $4.0 million. At December 31, 2016, $18.1 million of impaired loans had specific valuation allowances totaling $6.4 million. At December 31, 2015, $25.1 million of impaired loans had specific valuation allowances totaling $6.1 million. For impaired loans which were nonaccruing, interest of approximately $1.2 million, $1.5 million and $1.0 million would have been recognized on an accrual basis during the years ended December 31, 2017, 2016 and 2015, respectively.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. Troubled debt restructurings are loans that are modified by granting concessions to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. The types of concessions made are factored into the estimation of the allowance for loan losses for troubled debt restructurings primarily using a discounted cash flows or collateral adequacy approach.

The following table presents newly restructured loans during 2017, 2016 and 2015 by type of modification:

	2017			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Commercial	$ —	$ —	$ 5,759	$ 5,759
Commercial business	—	16	274	290
Consumer	—	245	—	245
	$ —	$ 261	$ 6,033	$ 6,294

	2016			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Residential one-to-four family	$ 60	$ —	$ —	$ 60
Commercial	2,946	—	—	2,946
Construction and land development	429	—	—	429
Commercial business	—	38	—	38
Consumer	—	59	—	59
	$ 3,435	$ 97	$ —	$ 3,532

	2015			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Residential one-to-four family	$ —	$ 407	$ 164	$ 571
Commercial	—	115	—	115
Commercial business	—	1,095	—	1,095
Consumer	—	97	—	97
	$ —	$ 1,714	$ 164	$ 1,878

At December 31, 2017, the Company had $15.0 million of loans that were modified in troubled debt restructurings and impaired, as follows: $266,000 of construction and land development loans, $6.2 million of single family and multi-family residential mortgage loans, $7.1 million of commercial real estate loans, $867,000 million of commercial business loans and $617,000 of consumer loans. Of the total troubled debt restructurings at December 31, 2017, $12.3 million were accruing interest and $8.8 million were classified as substandard using the Company's internal grading system which is described below. The Company had no troubled debt restructurings which were modified in the previous 12 months and subsequently defaulted during the year ended December 31, 2017. When loans modified as troubled debt restructuring have subsequent payment defaults, the defaults are factored into the determination of the allowance for loan losses to ensure specific valuation allowances reflect amounts considered uncollectible. At December 31, 2016, the Company had $21.1 million of loans that were modified in troubled debt restructurings and impaired, as follows: $5.0 million of construction and land development loans, $7.4 million of single family and multi-family residential mortgage loans, $7.1 million of commercial real estate loans, $1.3 million of commercial business loans and $296,000 of consumer loans. Of the total troubled debt restructurings at December 31, 2016, $18.6 million were accruing interest and $7.9 million were classified as substandard using the Company's internal grading system. At December 31, 2015, the Company had $45.0 million of loans that were modified in troubled debt restructurings and impaired, as follows: $7.9 million of construction and land development loans, $13.5 million of single family and multi-family residential mortgage loans, $21.3 million of commercial real estate loans, $2.0 million of commercial business loans and $311,000 of consumer loans. Of the total troubled debt restructurings at December 31, 2015, $39.0 million were accruing interest and $12.2 million were classified as substandard using the Company's internal grading system.

During the year ended December 31, 2017, borrowers with loans designated as troubled debt restructurings totaling $998,000 met the criteria for placement back on accrual status. This criteria is generally a minimum of six months of consistent and timely payment performance under original or modified terms. The $998,000 was made up of $629,000 of residential mortgage loans, $285,000 of commercial real estate loans and $84,000 of consumer loans.

The Company reviews the credit quality of its loan portfolio using an internal grading system that classifies loans as "Satisfactory," "Watch," "Special Mention," "Substandard" and "Doubtful." Loans classified as watch are being monitored because of indications of potential weaknesses or deficiencies that may require future classification as special mention or substandard. Special mention loans possess potential weaknesses that deserve management's close attention but do not expose the Bank to a degree of risk that warrants substandard classification. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if certain deficiencies are not corrected. Doubtful loans

are those having all the weaknesses inherent to those classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans not meeting any of the criteria previously described are considered satisfactory. The FDIC-assisted acquired loans are evaluated using this internal grading system. These loans are accounted for in pools. Minimal adverse classification in these acquired loan pools was identified as of December 31, 2017 and 2016, respectively. See *Note 4* for further discussion of the acquired loan pools and termination of the loss sharing agreements.

The Company evaluates the loan risk internal grading system definitions and allowance for loan loss methodology on an ongoing basis. The general component of the allowance for loan losses is affected by several factors, including, but not limited to, average historical losses, average life of the loans, the current composition of the loan portfolio, current and expected economic conditions, collateral values and internal risk ratings. Management considers all these factors in determining the adequacy of the Company's allowance for loan losses. No significant changes were made to the loan risk grading system definitions and allowance for loan loss methodology during the past year.

The loan grading system is presented by loan class below:

	December 31, 2017					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$ 20,275	$ 518	$ —	$ —	$ —	$ 20,793
Subdivision construction	15,602	2,362	—	98	—	18,062
Land development	39,171	4,800	—	—	—	43,971
Commercial construction	1,068,352	—	—	—	—	1,068,352
Owner occupied one- to-four-family residential	188,706	—	—	1,809	—	190,515
Non-owner occupied one- to-four-family residential	117,103	389	—	1,976	—	119,468
Commercial real estate	1,218,431	9,909	—	6,989	—	1,235,329
Other residential	742,237	1,532	—	1,876	—	745,645
Commercial business	344,479	6,306	—	2,066	500	353,351
Industrial revenue bonds	21,859	—	—	—	—	21,859
Consumer auto	354,588	—	—	2,554	—	357,142
Consumer other	62,682	—	—	686	—	63,368
Home equity lines of credit	114,860	—	—	579	—	115,439
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	155,212	—	—	12	—	155,224
Acquired non-covered loans, net of discounts	54,445	—	—	—	—	54,445
Total	$ 4,518,002	$ 25,816	$ —	$ 18,645	$ 500	$ 4,562,963

	December 31, 2016					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$ 20,771	$ 966	$ —	$ —	$ —	$ 21,737
Subdivision construction	14,059	2,729	—	398	—	17,186
Land development	39,925	5,140	—	5,559	—	50,624
Commercial construction	780,614	—	—	—	—	780,614
Owner occupied one- to-four-family residential	198,835	67	—	1,438	—	200,340
Non-owner occupied one- to-four-family residential	135,930	465	—	529	—	136,924
Commercial real estate	1,160,280	20,154	—	6,472	—	1,186,906
Other residential	658,846	4,370	—	162	—	663,378
Commercial business	342,685	2,651	—	3,292	—	348,628
Industrial revenue bonds	25,065	—	—	—	—	25,065
Consumer auto	492,165	—	—	2,068	—	494,233
Consumer other	69,338	—	—	663	—	70,001
Home equity lines of credit	108,290	—	—	463	—	108,753
Acquired FDIC-covered loans, net of discounts	134,356	—	—	—	—	134,356
Acquired loans no longer covered by FDIC loss sharing agreements, net of discounts	72,552	—	—	17	—	72,569
Acquired non-covered loans, net of discounts	76,234	—	—	—	—	76,234
Total	$ 4,329,945	$ 36,542	$ —	$ 21,061	$ —	$ 4,387,548

Certain of the Bank's real estate loans are pledged as collateral for borrowings as set forth in *Notes 9* and *11*.

Certain directors and executive officers of the Company and the Bank are customers of and had transactions with the Bank in the ordinary course of business. Except for the interest rates on loans secured by personal residences, in the opinion of management, all loans included in such transactions were made on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties. Generally, residential first mortgage loans and home equity lines of credit to all employees and directors have been granted at interest rates equal to the Bank's cost of funds, subject to annual adjustments in the case of residential first mortgage loans and monthly adjustments in the case of home equity lines of credit. At December 31, 2017 and 2016, loans outstanding to these directors and executive officers are summarized as follows:

	2017	2016
	(In Thousands)	
Balance, beginning of year	$ 24,793	$ 14,287
New loans	19,734	14,299
Payments	(4,486)	(3,793)
Balance, end of year	$ 40,041	$ 24,793

Note 4: Acquired Loans, Loss Sharing Agreements and FDIC Indemnification Assets

TeamBank

On March 20, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits (excluding brokered deposits) and acquire certain assets of TeamBank, N.A., a full service commercial bank headquartered in Paola, Kansas.

The loans, commitments and foreclosed assets purchased in the TeamBank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans. The five-year period ended March 31, 2014 and the ten-year period was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

Vantus Bank

On September 4, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Vantus Bank, a full service thrift headquartered in Sioux City, Iowa.

The loans, commitments and foreclosed assets purchased in the Vantus Bank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans. The five-year period ended September 30, 2014 and the ten-year period was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

Sun Security Bank

On October 7, 2011, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Sun Security Bank, a full service bank headquartered in Ellington, Missouri.

The loans and foreclosed assets purchased in the Sun Security Bank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans but was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC.

See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

InterBank

On April 27, 2012, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Inter Savings Bank, FSB ("InterBank"), a full service bank headquartered in Maple Grove, Minnesota.

The loans and foreclosed assets purchased in the InterBank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. Under the loss sharing agreement, the FDIC agreed to cover 80% of the losses on the loans (excluding approximately $60,000 of consumer loans) and foreclosed assets purchased subject to certain limitations. Realized losses covered by the loss sharing agreement included loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by Great Southern. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans but was terminated early, effective June 9, 2017, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A premium was recorded in conjunction with the fair value of the acquired loans and the amount amortized to yield during 2017, 2016 and 2015 was $269,000, $359,000 and $459,000, respectively.

Valley Bank

On June 20, 2014, Great Southern Bank entered into a purchase and assumption agreement with the FDIC to purchase a substantial portion of the loans and investment securities, as well as certain other assets, and assume all of the deposits, as well as certain other liabilities, of Valley Bank, a full-service bank headquartered in Moline, Illinois, with significant operations in Iowa. This transaction did not include a loss sharing agreement.

Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A premium was recorded in conjunction with the fair value of the acquired loans and the amount amortized to yield during 2017, 2016 and 2015 was $217,000, $491,000 and $794,000, respectively.

Loss Sharing Agreements

On April 26, 2016, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for TeamBank, 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 TeamBank, Vantus Bank and Sun Security Bank, which totaled $4.4 million, net of impairment, 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 TeamBank, Vantus Bank or Sun Security Bank; however, adjustments and amortization related to the InterBank indemnification asset and loss sharing agreement continued until their termination discussed below. The remaining accretable yield adjustments that affect interest income are not changed by this transaction and will continue to be recognized for all FDIC-assisted transactions in the same manner as they have been previously.

On June 9, 2017, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for InterBank, effective immediately. Pursuant to the termination agreement, the FDIC paid $15.0 million to the Bank to settle all outstanding items related to the terminated loss sharing agreements. The Company recorded a pre-tax gain on the termination of $7.7 million. As a result of entering into the termination agreement, assets that were covered by the terminated loss sharing arrangements, including covered loans in the amount of $138.8 million and covered other real estate owned in the amount of $2.9 million as of March 31, 2017, were reclassified as non-covered assets effective June 9, 2017. All rights and obligations of the Bank and the FDIC under the terminated loss sharing agreements, including the settlement of all existing loss sharing and expense reimbursement claims, have been resolved and terminated.

The termination of the loss sharing agreements for the TeamBank, Vantus Bank, Sun Security Bank and InterBank transactions have no impact on the yields for the loans that were previously covered under these agreements. All post-termination recoveries, gains, losses and expenses related to these previously covered assets are recognized entirely by Great Southern Bank since the FDIC no longer shares in such gains or losses. Accordingly, the Company's earnings are 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.

Fair Value and Expected Cash Flows

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

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. The Company continues to evaluate the fair value of the loans including cash flows expected to be collected. Increases in the Company's cash flow expectations are recognized as increases to the accretable yield while decreases are recognized as impairments through the allowance for loan losses. During the years ended December 31, 2017, 2016 and 2015, improvements in expected cash flows related to the acquired loan portfolios resulted in adjustments to the accretable yield to be spread over the estimated remaining lives of the loans on a level-yield basis. The increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements, when applicable, until they were terminated or expired. This resulted in corresponding adjustments during the years ended December 31, 2017, 2016 and 2015, to the indemnification assets (which have now been reduced to $-0- due to the termination of the loss sharing agreements). The amounts of these adjustments were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Increase in accretable yield due to increased cash flow expectations	$ 1,333	$ 10,598	$ 13,720
Decrease in FDIC indemnification asset as a result of accretable yield increase	—	(2,744)	(5,056)

The adjustments, along with those made in previous years, impacted the Company's Consolidated Statements of Income as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Interest income	$ 5,014	$ 16,393	$ 28,531
Noninterest income	(634)	(7,033)	(19,534)
Net impact to pre-tax income	$ 4,380	$ 9,360	$ 8,997

On an on-going basis the Company estimates the cash flows expected to be collected from the acquired loan pools. For each of the loan portfolios acquired, the cash flow estimates have increased, based on payment histories and reduced credit loss expectations. This resulted in increased income that has been spread, on a level-yield basis, over the remaining expected lives of the loan pools (and, therefore, has decreased over time). The increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements with the FDIC (when such agreements were in place), which were recorded as indemnification assets. Therefore, the expected indemnification assets had also been reduced each quarter since the fourth quarter of 2010, resulting in adjustments to be amortized on a comparable basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever was shorter. Additional estimated cash flows totaling approximately $1.3 million were recorded in the year ended December 31, 2017 related to these loan pools, with no corresponding reduction in expected reimbursement from the FDIC as the remaining loss sharing agreements were terminated in 2017.

Because these adjustments will be recognized generally over the remaining lives of the loan pools, they will impact future periods as well. The remaining accretable yield adjustment that will affect interest income is $2.6 million. As there is no longer, nor will there be in the future, indemnification asset amortization related to TeamBank, Vantus Bank, Sun Security Bank or InterBank due to the termination or expiration of the related loss sharing agreements for those transactions, there is no remaining indemnification asset or related adjustments that will affect non-interest income (expense). Of the remaining adjustments affecting interest income, we expect to recognize $1.7 million of interest income during 2018. 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.

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

The loss sharing agreement on the InterBank transaction included a clawback provision whereby if credit loss performance was better than certain pre-established thresholds, then a portion of the monetary benefit was to be shared with the FDIC. The pre-established threshold for credit losses was $115.7 million for this transaction. The monetary benefit required to be paid to the FDIC under the

clawback provision, if any, was to occur shortly after the termination of the loss sharing agreement, which in the case of InterBank was to be 10 years from the acquisition date.

At December 31, 2016 and 2015, the Bank's internal estimate of credit performance was expected to be better than the threshold set by the FDIC in the loss sharing agreement. Therefore, a separate clawback liability totaling $6.6 million and $6.6 million was recorded as of December 31, 2016 and 2015, respectively. This clawback liability was included in the calculation of the final settlement payment related to the termination of the InterBank loss sharing agreements.

TeamBank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the TeamBank transaction at December 31, 2017 and 2016. Through December 31, 2017, gross loan balances (due from the borrower) were reduced approximately $422.5 million since the transaction date because of $289.7 million of repayments by the borrower, $61.7 million of transfers to foreclosed assets and $71.1 million of charge-downs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results 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 as described above.

	December 31, 2017	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 13,668	$ 35
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(589)	—
Original estimated fair value of assets, net of activity since acquisition date	(12,948)	(35)
Expected loss remaining	$ 131	$ —

	December 31, 2016	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 18,838	$ 14
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(846)	—
Original estimated fair value of assets, net of activity since acquisition date	(17,833)	(14)
Expected loss remaining	$ 159	$ —

Vantus Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Vantus Bank transaction at December 31, 2017 and 2016. Through December 31, 2017, gross loan balances (due from the borrower) were reduced approximately $312.6 million since the transaction date because of $266.9 million of repayments by the borrower, $16.7 million of transfers to foreclosed assets and $29.0 million of charge-downs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results 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 as described above.

	December 31, 2017	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 18,965	$ 15
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(131)	—
Original estimated fair value of assets, net of activity since acquisition date	(18,605)	(15)
Expected loss remaining	$ 229	$ —

	December 31, 2016	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 23,712	$ 15
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(239)	—
Original estimated fair value of assets, net of activity since acquisition date	(23,232)	(15)
Expected loss remaining	$ 241	$ —

Sun Security Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Sun Security Bank transaction at December 31, 2017 and 2016. Through December 31, 2017, gross loan balances (due from the borrower) were reduced approximately $207.7 million since the transaction date because of $148.4 million of repayments by the borrower, $28.4 million of transfers to foreclosed assets and $30.9 million of charge-downs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results 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 as described above.

	December 31, 2017	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 26,787	$ 306
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(494)	—
Original estimated fair value of assets, net of activity since acquisition date	(25,348)	(299)
Expected loss remaining	$ 945	$ 7

	December 31, 2016	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 33,579	$ 365
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(1,086)	—
Original estimated fair value of assets, net of activity since acquisition date	(31,499)	(286)
Expected loss remaining	$ 994	$ 79

InterBank Loans, Foreclosed Assets and Indemnification Asset. The following tables present the balances of the acquired loans, foreclosed assets and FDIC indemnification asset (for periods prior to the termination of the loss sharing agreements) related to the InterBank transaction at December 31, 2017 and 2016. Through December 31, 2017, gross loan balances (due from the borrower) were reduced approximately $280.9 million since the transaction date because of $239.4 million of repayments by the borrower, $19.1 million of transfers to foreclosed assets and $22.4 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results 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 as described above.

	December 31, 2017	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 112,399	$ 2,012
Noncredit premium/(discount), net of activity since acquisition date	274	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(972)	—
Original estimated fair value of assets, net of activity since acquisition date	(98,321)	(1,785)
Expected loss remaining	$ 13,380	$ 227

	December 31, 2016	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$ 149,657	$ 1,417
Noncredit premium/(discount), net of activity since acquisition date	543	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(1,984)	—
Original estimated fair value of assets, net of activity since acquisition date	(134,355)	(1,417)
Expected loss remaining	13,861	—
Assumed loss sharing recovery percentage	84%	—
Expected loss sharing value	11,644	—
FDIC loss share clawback	953	—
Indemnification asset to be amortized resulting from change in expected losses	1,586	—
Accretable discount on FDIC indemnification asset	(1,038)	—
FDIC indemnification asset	$ 13,145	$ —

Valley Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Valley Bank transaction at December 31, 2017 and 2016. Through December 31, 2017, gross loan balances (due from the borrower) were reduced approximately $133.2 million since the transaction date because of $121.4 million of repayments by the borrower, $4.0 million of transfers to foreclosed assets and $7.8 million of charge-offs to customer loan balances. The Valley Bank transaction did not include a loss sharing agreement; however, the loans were recorded at a discount, which is accreted to yield over the life of the loans. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results 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 as described above.

	December 31, 2017	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis, net of activity since acquisition date	$ 59,997	$ 1,673
Noncredit premium/(discount), net of activity since acquisition date	11	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(411)	—
Original estimated fair value of assets, net of activity since acquisition date	(54,442)	(1,667)
Expected loss remaining	$ 5,155	$ 6

	December 31, 2016	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis, net of activity since acquisition date	$ 84,283	$ 1,973
Noncredit premium/(discount), net of activity since acquisition date	228	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(2,121)	—
Original estimated fair value of assets, net of activity since acquisition date	(76,231)	(1,952)
Expected loss remaining	$ 6,159	$ 21

Changes in the accretable yield for acquired loan pools were as follows for the years ended December 31, 2017, 2016 and 2015:

	TeamBank	Vantus Bank	Sun Security Bank	InterBank	Valley Bank
			(In Thousands)		
Balance, January 1, 2015	$ 6,865	$ 4,453	$ 7,952	$ 36,092	$ 11,132
Accretion	(3,265)	(2,541)	(5,487)	(28,767)	(10,975)
Reclassification from nonaccretable difference(1)	205	1,448	3,459	9,022	8,159
Balance, December 31, 2015	3,805	3,360	5,924	16,347	8,316
Accretion	(1,834)	(1,877)	(3,832)	(13,964)	(11,933)
Reclassification from nonaccretable difference(1)	506	1,064	2,185	6,129	8,414
Balance, December 31, 2016	2,477	2,547	4,277	8,512	4,797
Accretion	(1,563)	(1,373)	(2,251)	(7,505)	(5,823)
Reclassification from nonaccretable difference(1)	1,157	676	875	4,067	3,721
Balance, December 31, 2017	$ 2,071	$ 1,850	$ 2,901	$ 5,074	$ 2,695

(1) Represents increases in estimated cash flows expected to be received from the acquired loan pools, primarily due to lower estimated credit losses. The numbers also include changes in expected accretion of the loan pools for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank for the year ended December 31, 2017, totaling $1.1 million, $663,000, $850,000, $3.5 million and $3.0 million, respectively; for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank for the year ended December 31, 2016, totaling $506,000, $1.0 million, $1.8 million, $2.7 million and $1.6 million, respectively; and for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank for the year ended December 31, 2015, totaling $40,000, $1.1 million, $2.0 million, $4.8 million and $759,000, respectively.

Note 5: Other Real Estate Owned and Repossessions

Major classifications of other real estate owned at December 31, 2017 and 2016, were as follows:

	2017	2016
	(In Thousands)	
Foreclosed assets held for sale and repossessions		
One- to four-family construction	$ —	$ —
Subdivision construction	5,413	6,360
Land development	7,229	10,886
Commercial construction	—	—
One- to four-family residential	112	1,217
Other residential	140	954
Commercial real estate	1,694	3,841
Commercial business	—	—
Consumer	1,987	1,991
	16,575	25,249
FDIC-supported foreclosed assets, net of discounts	—	1,426
Acquired foreclosed assets no longer covered by FDIC loss sharing agreements, net of discounts	2,133	316
Acquired foreclosed assets not covered by FDIC loss sharing agreements, net of discounts (Valley Bank)	1,666	1,952
Foreclosed assets held for sale and repossessions, net	20,374	28,943
Other real estate owned not acquired through foreclosure	1,628	3,715
Other real estate owned and repossessions	$ 22,002	$ 32,658

At December 31, 2017, other real estate owned not acquired through foreclosure included 10 properties, nine of which were branch locations that were closed and are held for sale, and one of which is land acquired for a potential branch location. During the year ended December 31, 2017, seven former branch locations were sold at an aggregate gain of $250,000, which is included in the gain on sales of other real estate owned amount in the table below.

At December 31, 2016, other real estate owned not acquired through foreclosure included 17 properties, 16 of which were branch locations that were closed and are held for sale, and one of which is land acquired for a potential branch location. During the year ended December 31, 2016, 15 former branch locations were added to other real estate owned not acquired through foreclosure due to the closing of those branches. Seven former branch locations were sold during the year ended December 31, 2016, at an aggregate net gain of $858,000, which is included in the gain on sales of other real estate owned amount in the table below.

At December 31, 2017, residential mortgage loans totaling $3.2 million were in the process of foreclosure, $3.0 million of which were acquired loans. Of the $3.0 million of acquired loans, $2.8 million were previously covered by loss sharing agreements and $208,000 were acquired in the Valley Bank transaction.

Expenses applicable to other real estate owned and repossessions for the years ended December 31, 2017, 2016 and 2015, included the following:

	2017	2016	2015
	(In Thousands)		
Net gain on sales of real estate and repossessions	$ (2,212)	$ (68)	$ (397)
Valuation write-downs	1,585	431	890
Operating expenses, net of rental income	4,556	3,748	2,033
	$ 3,929	$ 4,111	$ 2,526

Note 6: Premises and Equipment

Major classifications of premises and equipment at December 31, 2017 and 2016, stated at cost, were as follows:

	2017	2016
	(In Thousands)	
Land	$ 42,312	$ 42,322
Buildings and improvements	97,464	96,429
Furniture, fixtures and equipment	53,841	57,217
	193,617	195,968
Less accumulated depreciation	55,599	55,372
	$ 138,018	$ 140,596

Note 7: Investments in Limited Partnerships

Investments in Affordable Housing Partnerships

The Company has invested in certain limited partnerships that were formed to develop and operate apartments and single-family houses designed as high-quality affordable housing for lower income tenants throughout Missouri and contiguous states. At December 31, 2017, the Company had 16 investments, with a net carrying value of $18.2 million. At December 31, 2016, the Company had 13 investments, with a net carrying value of $21.8 million. Due to the Company's inability to exercise any significant influence over any of the investments in Affordable Housing Partnerships, they all are accounted for using the proportional amortization method. Each of the partnerships must meet the regulatory requirements for affordable housing for a minimum 15-year compliance period to fully utilize the tax credits. If the partnerships cease to qualify during the compliance period, the credits may be denied for any period in which the projects are not in compliance and a portion of the credits previously taken may be subject to recapture with interest.

The remaining federal affordable housing tax credits to be utilized through 2023 were $40.0 million as of December 31, 2017, assuming no tax credit recapture events occur and all projects currently under construction are completed as planned. Amortization of the investments in partnerships is expected to be approximately $34.9 million, assuming all projects currently under construction are completed and funded as planned. The Company's usage of federal affordable housing tax credits approximated $6.6

million, $6.2 million and $6.3 million during 2017, 2016 and 2015, respectively. Investment amortization amounted to $5.2 million, $4.4 million and $4.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Investments in Community Development Entities

The Company has invested in certain limited partnerships that were formed to develop and operate business and real estate projects located in low-income communities. At December 31, 2017, the Company had two investments, with a net carrying value of $940,000. At December 31, 2016, the Company had two investments, with a net carrying value of $1.9 million. Due to the Company's inability to exercise any significant influence over any of the investments in qualified Community Development Entities, they are all accounted for using the cost method. Each of the partnerships provides federal New Market Tax Credits over a seven-year credit allowance period. In each of the first three years, credits totaling five percent of the original investment are allowed on the credit allowance dates and for the final four years, credits totaling six percent of the original investment are allowed on the credit allowance dates. Each of the partnerships must be invested in a qualified Community Development Entity on each of the credit allowance dates during the seven-year period to utilize the tax credits. If the Community Development Entities cease to qualify during the seven-year period, the credits may be denied for any credit allowance date and a portion of the credits previously taken may be subject to recapture with interest. The investments in the Community Development Entities cannot be redeemed before the end of the seven-year period.

The remaining federal New Market Tax Credits to be utilized through 2019 were $960,000 as of December 31, 2017. Amortization of the investments in partnerships is expected to be approximately $730,000. The Company's usage of federal New Market Tax Credits approximated $1.2 million, $2.3 million and $2.3 million during 2017, 2016 and 2015, respectively. Investment amortization amounted to $930,000, $1.7 million and $1.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Investments in Limited Partnerships for Federal Rehabilitation/Historic Tax Credits

From time to time, the Company has invested in certain limited partnerships that were formed to provide certain federal rehabilitation/historic tax credits. The Company utilizes these credits in their entirety in the year the project is placed in service and the impact to the Consolidated Statements of Income has not been material.

Investments in Limited Partnerships for State Tax Credits

From time to time, the Company has invested in certain limited partnerships that were formed to provide certain state tax credits. The Company has primarily syndicated these tax credits and the impact to the Consolidated Statements of Income has not been material.

Note 8: Deposits

Deposits at December 31, 2017 and 2016, are summarized as follows:

	Weighted Average Interest Rate	2017	2016
		(In Thousands, Except Interest Rates)	
Noninterest-bearing accounts	—	$ 661,589	$ 653,288
Interest-bearing checking and savings accounts	0.32% - 0.26%	1,565,711	1,539,216
		2,227,300	2,192,504
Certificate accounts	0% - 0.99%	254,502	695,738
	1% - 1.99%	1,006,373	737,649
	2% - 2.99%	106,888	48,777
	3% - 3.99%	701	1,119
	4% - 4.99%	1,108	1,171
	5% and above	272	272
		1,369,844	1,484,726
		$ 3,597,144	$ 3,677,230

The weighted average interest rate on certificates of deposit was 1.24% and 1.01% at December 31, 2017 and 2016, respectively.

The aggregate amount of certificates of deposit originated by the Bank in denominations greater than $100,000 was approximately $598.2 million and $634.7 million at December 31, 2017 and 2016, respectively. The Bank utilizes brokered deposits as an additional funding source. The aggregate amount of brokered deposits was approximately $260.0 million and $324.3 million at December 31, 2017 and 2016, respectively.

At December 31, 2017, scheduled maturities of certificates of deposit were as follows:

	Retail	Brokered	Total
		(In Thousands)	
2018	$ 775,404	$ 238,410	$ 1,013,814
2019	199,252	21,561	220,813
2020	58,811	—	58,811
2021	48,365	—	48,365
2022	25,868	—	25,868
Thereafter	2,173	—	2,173
	$ 1,109,873	$ 259,971	$ 1,369,844

A summary of interest expense on deposits for the years ended December 31, 2017, 2016 and 2015, is as follows:

	2017	2016	2015
	(In Thousands)		
Checking and savings accounts	$ 4,699	$ 3,888	$ 2,858
Certificate accounts	16,009	13,598	10,739
Early withdrawal penalties	(113)	(99)	(86)
	$ 20,595	$ 17,387	$ 13,511

Note 9: Advances From Federal Home Loan Bank

Advances from the Federal Home Loan Bank at December 31, 2017 and 2016, consisted of the following:

	December 31, 2017		December 31, 2016	
Due In	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(In Thousands)			
2017	$ —	—%	$ 30,826	3.26%
2018	127,500	1.53	81	5.14
2019	—	—	28	5.14
2020	—	—	—	—
2021	—	—	—	—
2022	—	—	—	—
2023 and thereafter	—	—	500	5.54
	127,500	1.53	31,435	3.30
Unamortized fair value adjustment	—		17	
	$ 127,500		$ 31,452	

The Bank has pledged FHLB stock, investment securities and first mortgage loans free of pledges, liens and encumbrances as collateral for outstanding advances. No investment securities were specifically pledged as collateral for advances at December 31, 2017 and 2016. Loans with carrying values of approximately $1.11 billion and $1.12 billion were pledged as collateral for outstanding advances at December 31, 2017 and 2016, respectively. The Bank had potentially available $570.5 million remaining on its line of credit under a borrowing arrangement with the FHLB of Des Moines at December 31, 2017.

Note 10: Short-Term Borrowings

Short-term borrowings at December 31, 2017 and 2016, are summarized as follows:

	2017	2016
	(In Thousands)	
Notes payable – Community Development Equity Funds	$ 1,604	$ 1,323
Overnight borrowings from the Federal Home Loan Bank	15,000	171,000
Securities sold under reverse repurchase agreements	80,531	113,700
	$ 97,135	$ 286,023

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. All agreements are written on a term of one-month or less.

Short-term borrowings had weighted average interest rates of 0.30% and 0.50% at December 31, 2017 and 2016, respectively. Short-term borrowings averaged approximately $186.4 million and $327.7 million for the years ended December 31, 2017 and 2016, respectively. The maximum amounts outstanding at any month end were $297.4 million and $523.1 million, respectively, during those same periods.

The following table represents the Company's securities sold under reverse repurchase agreements, by collateral type and remaining contractual maturity at December 31, 2017 and 2016:

	2017	2016
	Overnight and Continuous	Overnight and Continuous
	(In Thousands)	
FHLBank CD	$ —	$ 16,202
Mortgage-backed securities – GNMA, FNMA, FHLMC	80,531	97,498
	$ 80,531	$ 113,700

Note 11: Federal Reserve Bank Borrowings

At December 31, 2017 and 2016, the Bank had $528.9 million and $602.0 million, respectively, available under a line-of-credit borrowing arrangement with the Federal Reserve Bank. The line is secured primarily by commercial loans. There were no amounts borrowed under this arrangement at December 31, 2017 or 2016.

Note 12: Subordinated Debentures Issued to Capital Trusts

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 a $25.0 million aggregate liquidation amount of floating rate cumulative trust preferred securities. The Trust II securities bear a floating distribution rate equal to 90-day LIBOR plus 1.60%. The Trust II securities became redeemable at the Company's option in February 2012, and if not sooner redeemed, mature on February 1, 2037. The Trust II securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended. The gross proceeds of the offering were used to purchase Junior Subordinated Debentures from the Company totaling $25.8 million and bearing an interest rate identical to the distribution rate on the Trust II securities. The initial interest rate on the Trust II debentures was 6.98%. The interest rate was 2.98% and 2.49% at December 31, 2017 and 2016, 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 a $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 October 2012, and if not sooner redeemed, matured 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.

At December 31, 2017 and 2016, subordinated debentures issued to capital trusts are summarized as follows:

	2017	2016
	(In Thousands)	
Subordinated debentures	$ 25,774	$ 25,774

Note 13: Subordinated Notes

On August 8, 2016, the Company completed the public offering and sale of $75.0 million of its subordinated notes. The notes are due August 15, 2026, and have a fixed interest rate of 5.25% until August 15, 2021, at which time the rate becomes floating at a rate equal to three-month LIBOR plus 4.087%. The Company may call the notes at par beginning on August 15, 2021, and on any scheduled interest payment date thereafter. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions, legal, accounting and other professional fees, of

approximately $73.5 million. Total debt issuance costs, totaling approximately $1.5 million, were deferred and are being amortized over the expected life of the notes, which is 10 years. Amortization of the debt issuance costs during the years ended December 31, 2017 and 2016, totaled $151,000 and $64,000, respectively, and is included in interest expense on subordinated notes in the consolidated statements of income, resulting in an imputed interest rate of 5.47%.

At December 31, 2017 and, 2016, subordinated notes are summarized as follows:

	2017	2016
	(In Thousands)	
Subordinated notes	$ 75,000	$ 75,000
Less: unamortized debt issuance costs	1,312	1,463
	$ 73,688	$ 73,537

Note 14: Income Taxes

The Company files a consolidated federal income tax return. As of December 31, 2017 and 2016, retained earnings included approximately $17.5 million for which no deferred income tax liability had been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $3.9 million and $6.5 million at December 31, 2017 and 2016, respectively.

During the years ended December 31, 2017, 2016 and 2015, the provision for income taxes included these components:

	2017	2016	2015
		(In Thousands)	
Taxes currently payable	$ 9,335	$ 20,137	$ 20,234
Deferred income taxes	7,318	(3,621)	(4,670)
Adjustment of deferred tax asset or liability for enacted changes in tax laws	2,105	—	—
Income taxes	$ 18,758	$ 16,516	$ 15,564

The tax effects of temporary differences related to deferred taxes shown on the statements of financial condition were:

	December 31,	
	2017	2016
	(In Thousands)	
Deferred tax assets		
Allowance for loan losses	$ 8,154	$ 13,576
Tax credit carryforward	5,816	—
Interest on nonperforming loans	288	364
Accrued expenses	684	1,288
Write-down of foreclosed assets	1,694	3,300
Write-down of fixed assets	207	535
Difference in basis for acquired assets and liabilities	4,725	4,533
	21,568	23,596
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	(4,483)	(6,425)
FHLB stock dividends	(356)	(1,805)
Partnership tax credits	(706)	(1,651)
Prepaid expenses	(775)	(728)
Unrealized gain on available-for-sale securities	(435)	(980)
Book revenue in excess of tax revenue	(12,177)	—
Other	(190)	(318)
	(19,122)	(11,907)
Net deferred tax asset (liability)	$ 2,446	$ 11,689

Reconciliations of the Company's effective tax rates from continuing operations to the statutory corporate tax rates were as follows:

	2017	2016	2015
Tax at statutory rate	35.0%	35.0%	35.0%
Nontaxable interest and dividends	(1.6)	(2.1)	(2.4)
Tax credits	(6.1)	(7.3)	(8.1)
State taxes	1.1	1.1	1.4
Initial impact of enactment of 2017 Tax Act	(0.4)	—	—
Other	(1.3)	—	(0.8)
	26.7%	26.7%	25.1%

The Tax Cuts and Jobs Act ("Tax Act") was signed into law on December 22, 2017, making several changes to U. S. corporate income tax laws, including reducing the corporate Federal income tax rate from 35% to 21% effective January 1, 2018. U. S. GAAP requires that the impact of the provisions of the Tax Act be accounted for in the period of enactment and the Company recognized the income tax effects of the Tax Act in its 2017 financial statements. The Tax Act is complex and requires

significant detailed analysis. During the preparation of the Company's 2017 income tax returns in 2018, additional adjustments related to enactment of the Tax Act may be identified. We do not currently expect significant adjustments will be necessary, but any further adjustments identified will be recognized in accordance with guidance contained in Staff Accounting Bulletin No. 118 from the U. S. Securities and Exchange Commission.

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service (IRS) and, as such, tax years through December 31, 2005, have been closed without audit. The Company, through one of its subsidiaries, is a partner in two partnerships which have been under Internal Revenue Service examination for 2006 and 2007. As a result, the Company's 2006 and subsequent tax years remain open for examination. The examinations of these partnerships advanced during 2016 and 2017. One of the partnerships has advanced to Tax Court and has entered a Motion for Entry of Decision with an agreed upon settlement. The other partnership examination was recently completed by the IRS with no change impacting the Company's tax positions. The Company does not currently expect significant adjustments to its financial statements from the partnership matter at the Tax Court.

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

Note 15: Disclosures About Fair Value of Financial Instruments

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

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

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

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

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

The Company considers transfers between the levels of the hierarchy to be recognized at the end of related reporting periods.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
December 31, 2017				
Mortgage-backed securities	$ 122,533	$ —	$ 122,533	$ —
States and political subdivisions	56,646	—	56,646	—
Interest rate derivative asset	981	—	981	—
Interest rate derivative liability	(1,030)	—	(1,030)	—
December 31, 2016				
Mortgage-backed securities	$ 146,035	$ —	$ 146,035	$ —
States and political subdivisions	67,837	—	67,837	—
Interest rate derivative asset	1,663	—	1,663	—
Interest rate derivative liability	(1,699)	—	(1,699)	—

The following is a description of inputs and valuation methodologies used for assets recorded at fair value on a recurring basis and recognized in the accompanying statements of financial condition at December 31, 2017 and 2016, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Available-for-Sale Securities

Investment securities available for sale are recorded at fair value on a recurring basis. The fair values used by the Company are obtained from an independent pricing service, which represent either quoted market prices for the identical asset or fair values determined by pricing models, or other model-based valuation techniques, that consider observable market data, such as interest rate volatilities, LIBOR yield curve, credit spreads and prices from market makers and live trading systems. Recurring Level 1 securities include exchange traded equity securities. Recurring Level 2 securities include U.S. government agency securities, mortgage-backed securities, state and municipal bonds and certain other

investments. Inputs used for valuing Level 2 securities include observable data that may include dealer quotes, benchmark yields, market spreads, live trading levels and market consensus prepayment speeds, among other things. Additional inputs include indicative values derived from the independent pricing service's proprietary computerized models. There were no recurring Level 3 securities at December 31, 2017 or 2016.

Interest Rate Derivatives

The fair value is estimated using forward-looking interest rate curves and is determined using observable market rates and, therefore, are classified within Level 2 of the valuation hierarchy.

Nonrecurring Measurements

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
December 31, 2017				
Impaired loans	$ 1,590	$ —	$ —	$ 1,590
Foreclosed assets held for sale	$ 1,758	$ —	$ —	$ 1,758
December 31, 2016				
Impaired loans	$ 8,280	$ —	$ —	$ 8,280
Foreclosed assets held for sale	$ 1,604	$ —	$ —	$ 1,604

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial condition, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Loans Held for Sale

Mortgage loans held for sale are recorded at the lower of carrying value or fair value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Company classifies mortgage loans held for sale as Nonrecurring Level 2. Write-downs to fair value typically do not occur as the Company generally enters into commitments to sell individual mortgage loans at the time the loan is originated to reduce market risk. The Company typically does not have commercial loans held for sale. At December 31, 2017 and 2016, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

Impaired Loans

A loan is considered to be impaired when it is probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a loan is considered impaired, the amount of reserve required under FASB ASC 310, *Receivables*, is measured based on the fair value of the underlying collateral. The Company makes such measurements on all material loans deemed impaired using the fair value of the collateral for collateral dependent loans. The fair value of collateral used by the Company is determined by obtaining an observable market price or by obtaining an appraised value from an independent, licensed or certified appraiser, using observable market data. This data includes information such as selling price of similar properties and capitalization rates of similar properties sold within the market, expected future cash flows or earnings of the subject property based on current market expectations, and other relevant factors. All appraised values are adjusted for market-related trends based on the Company's experience in sales and other appraisals of similar property types as well as estimated selling costs. Each quarter management reviews all collateral dependent impaired loans on a loan-by-loan basis to determine whether updated appraisals are necessary based on loan performance, collateral type and guarantor support. At times, the Company measures the fair value of collateral dependent impaired loans using appraisals with dates prior to one year from the date of review. These appraisals are discounted by applying current, observable market data about similar property types such as sales contracts, estimations of value by individuals familiar with the market, other appraisals, sales or collateral assessments based on current market activity until updated appraisals are obtained. Depending on the length of time since an appraisal was performed and the data provided through our reviews, these appraisals are typically discounted 10-40%. The policy described above is the same for all types of collateral dependent impaired loans.

The Company records impaired loans as Nonrecurring Level 3. If a loan's fair value as estimated by the Company is less than its carrying value, the Company either records a charge-off for the portion of the loan that exceeds the fair value or establishes a reserve within the allowance for loan losses specific to the loan. Loans for which such charge-offs or reserves were recorded during the years ended December 31, 2017 and 2016, are shown in the table above (net of reserves).

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are initially recorded at fair value less estimated cost to sell at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy. The foreclosed assets represented in the table above have been re-measured during the years ended December 31, 2017 and 2016, subsequent to their initial transfer to foreclosed assets.

The following disclosure relates to financial assets for which it is not practicable for the Company to estimate the fair value at December 31, 2017 and 2016.

FDIC Indemnification Asset

As part of certain Purchase and Assumption Agreements, the Bank and the FDIC entered into loss sharing agreements. These agreements covered realized losses on loans and foreclosed real estate subject to certain limitations which are more fully described in *Note 4*. All of these loss sharing agreements were mutually terminated by the Company and the FDIC during 2017 and 2016.

Under the InterBank agreement, the FDIC agreed to reimburse the Bank for 80% of realized losses. The indemnification asset was originally recorded at fair value on the acquisition date (April 27, 2012) and at December 31, 2017 and 2016, the carrying value of the FDIC indemnification asset was $-0- million and $13.1 million, respectively.

The loss sharing assets were measured separately from the loan portfolios because they were not contractually embedded in the loans and were not transferable with the loans should the Bank have chosen to dispose of them. Fair values on the acquisition dates were estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and the loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC. The loss sharing assets were also separately measured from the related foreclosed real estate. Although the assets were contractual receivables from the FDIC, they did not have effective interest rates. The Bank collected the assets over several years. The amount ultimately collected was dependent on the timing and amount of collections and charge-offs on the acquired assets covered by the loss sharing agreements. While the assets were recorded at their estimated fair values on the acquisition dates, it was not practicable to complete fair value analyses on a quarterly or annual basis. Estimating the fair value of the FDIC indemnification asset would involve preparing fair value analyses of the entire portfolios of loans and foreclosed assets covered by the loss sharing agreements from all four acquisitions on a quarterly or annual basis. The loss sharing agreements for TeamBank, Vantus Bank and Sun Security Bank were terminated on April 26, 2016, and the carrying value of the related indemnification assets became $-0-. The loss sharing agreements for InterBank were terminated on June 9, 2017, and the carrying value of the related indemnification asset became $-0-. The termination of the loss sharing agreements is discussed in *Note 4*.

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial condition at amounts other than fair value.

Cash and Cash Equivalents and Federal Home Loan Bank Stock

The carrying amount approximates fair value.

Loans and Interest Receivable

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

Deposits and Accrued Interest Payable

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

Federal Home Loan Bank Advances

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

Short-Term Borrowings

The carrying amount approximates fair value.

Subordinated Debentures Issued to Capital Trusts

The subordinated debentures have floating rates that reset quarterly. The carrying amount of these debentures approximates their fair value.

Subordinated Notes

The fair values used by the Company are obtained from independent sources and are derived from quoted market prices of the Company's subordinated notes and quoted market prices of other subordinated debt instruments with similar characteristics.

Commitments to Originate Loans, Letters of Credit and Lines of Credit

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

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

	December 31, 2017			December 31, 2016		
	Carrying Amount	Fair Value	Hierarchy Level	Carrying Amount	Fair Value	Hierarchy Level
	(Dollars in Thousands)					
Financial assets						
Cash and cash equivalents	$ 242,253	$ 242,253	1	$ 279,769	$ 279,769	1
Held-to-maturity securities	130	131	2	247	258	2
Mortgage loans held for sale	8,203	8,203	2	16,445	16,445	2
Loans, net of allowance for loan losses	3,726,302	3,735,216	3	3,759,966	3,766,709	3
Accrued interest receivable	12,338	12,338	3	11,875	11,875	3
Investment in FHLB stock	11,182	11,182	3	13,034	13,034	3
Financial liabilities						
Deposits	3,597,144	3,606,400	3	3,677,230	3,683,751	3
FHLB advances	127,500	127,500	3	31,452	32,379	3
Short-term borrowings	97,135	97,135	3	286,023	286,023	3
Subordinated debentures	25,774	25,774	3	25,774	25,774	3
Subordinated notes	73,688	76,500	2	73,537	76,031	2
Accrued interest payable	2,904	2,904	3	2,723	2,723	3
Unrecognized financial instruments (net of contractual value)						
Commitments to originate loans	—	—	3	—	—	3
Letters of credit	85	85	3	92	92	3
Lines of credit	—	—	3	—	—	3

Note 16: Operating Leases

The Company has entered into various operating leases at several of its locations. Some of the leases have renewal options.

At December 31, 2017, future minimum lease payments were as follows (in thousands):

2018	$ 877
2019	683
2020	540
2021	331
2022	241
Thereafter	473
	$ 3,145

Rental expense was $912,000, $973,000 and $1.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Note 17: Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its assets and liabilities. In the normal course of business, the Company may use derivative financial instruments (primarily interest rate swaps) from time to time to assist in its interest rate risk management. The Company has interest rate derivatives that result from a service provided to certain qualifying loan customers that are not used to manage interest rate risk in the Company's assets or liabilities and are not designated in a qualifying hedging relationship. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions. In addition, the Company has interest rate derivatives that are designated in a qualified hedging relationship.

Nondesignated Hedges

The Company has interest rate swaps that are not designated in a qualifying hedging relationship. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain loan customers, which the Company began offering during 2011. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. 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 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 $3.6 million at December 31, 2017. As of December 31, 2017, excluding the Valley Bank swaps, the Company had 22 interest rate swaps totaling $92.7 million in notional amount with commercial customers, and 22 interest rate swaps with the same notional amount with third parties related to its program. In addition, the Company has two participation loans purchased totaling $22.0 million, in which the lead institution has an interest rate swap with their customer and the economics of the counterparty swap are passed along to us through the loan participation. As of December 31, 2016, excluding the Valley Bank swaps, 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 its program. During the years ended December 31, 2017, 2016 and 2015, the Company recognized net gains and (losses) of $28,000, $66,000 and $(43,000), respectively, in noninterest income related to changes in the fair value of these swaps.

Cash Flow Hedges

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into two interest rate cap agreements for a portion of its floating rate debt associated with its trust preferred securities. One agreement, with a notional amount of $25 million, stated that the Company would pay interest on its trust preferred debt in

accordance with the original debt terms at a rate of 3-month LIBOR + 1.60%. Should interest rates rise above a certain threshold, the counterparty would reimburse the Company for interest paid such that the Company would have an effective interest rate on that portion of its trust preferred securities no higher than 2.37%. The agreement became effective on August 1, 2013 and had a term of four years, which terminated during 2017. The other agreement, with a notional amount of $5 million, was terminated when the Company purchased the related trust preferred securities in July 2015. See Item 8, Financial Statements and Supplementary Information, in the Company's December 31, 2015 Annual Report on Form 10-K for more information on the trust preferred securities purchase transaction.

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. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. During the years ended December 31, 2017, 2016 and 2015, the Company recognized $-0- in noninterest income related to changes in the fair value of these derivatives. During the years ended December 31, 2017, 2016 and 2015, the Company recognized $293,000, $225,000 and $187,000, respectively, in interest expense related to the amortization of the cost of these interest rate caps. During the year ended December 31, 2015, one of the agreements was terminated early as noted above. As part of this termination, the remaining cost of the cash flow hedge, $95,000, was recognized as interest expense in 2015 (included in the $187,000 discussed here).

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Statements of Financial Condition:

	Location in Consolidated Statements of Financial Condition	Fair Value	
		December 31, 2017	December 31, 2016
		(In Thousands)	
Derivatives designated as hedging instruments			
Interest rate caps	Prepaid expenses and other assets	$ —	$ 40
Total derivatives designated as hedging instruments		$ —	$ 40
Derivatives not designated as hedging instruments			
Asset Derivatives			
Derivatives not designated as hedging instruments			
Interest rate products	Prepaid expenses and other assets	$ 981	$ 1,623
Total derivatives not designated as hedging instruments		$ 981	$ 1,623
Liability Derivatives			
Derivatives not designated as hedging instruments			
Interest rate products	Accrued expenses and other liabilities	$ 1,030	$ 1,699
Total derivatives not designated as hedging instruments		$ 1,030	$ 1,699

The following tables present the effect of derivative instruments on the statements of comprehensive income:

Cash Flow Hedges	Year Ended December 31 Amount of Gain (Loss) Recognized in AOCI		
	2017	2016	2015
	(In Thousands)		
Interest rate cap, net of income taxes	$ 161	$ 87	$ (50)

Agreements with Derivative Counterparties

The Company has agreements with its derivative counterparties. If the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. If the Bank fails to maintain its status as a well-capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements. Similarly, the Company could be required to settle its obligations under certain of its agreements if certain regulatory events occurred, such as the issuance of a formal directive, or if the Company's credit rating is downgraded below a specified level.

As of December 31, 2017, the termination value of derivatives with our derivative dealer counterparties in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $336,000. The Company has minimum collateral posting thresholds with its derivative dealer counterparties. At December 31, 2017, the Company's activity with its derivative dealer counterparties had met the level at which the minimum collateral posting thresholds take effect and the Company had posted $809,000 of collateral to satisfy the agreement. As of December 31, 2016, the termination value of derivatives with our derivative dealer counterparties in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $1.6 million. At December 31, 2016, the Company's activity with its derivative dealer counterparties met the level in which the minimum collateral posting thresholds take effect and the Company had posted $6.0 million of collateral to satisfy the agreement. If the Company had breached any of these provisions at December 31, 2017 and 2016, it could have been required to settle its obligations under the agreements at the termination value.

Note 18: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a significant portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, commercial real estate and residential real estate.

At December 31, 2017 and 2016, the Bank had outstanding commitments to originate loans and fund commercial construction loans aggregating approximately $164.0 million and $126.1 million, respectively. The commitments extend over varying periods of time with the majority being disbursed within a 30- to 180-day period.

Mortgage loans in the process of origination represent amounts that the Bank plans to fund within a normal period of 60 to 90 days, many of which are intended for sale to investors in the secondary market. Total mortgage loans in the process of origination amounted to approximately $20.8 million and $15.9 million at December 31, 2017 and 2016, respectively.

Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit issued are initially recorded by the Bank as deferred revenue and are included in earnings at the termination of the respective agreements. Should the Bank be obligated to perform under the standby letters of credit, the Bank may seek recourse from the customer for reimbursement of amounts paid.

The Company had total outstanding standby letters of credit amounting to approximately $20.0 million and $26.4 million at December 31, 2017 and 2016, respectively, with $19.1 million and $25.1 million, respectively, of the letters of credit having terms up to five years and $885,000 and $1.3 million, respectively, of the letters of credit having terms over five years. Of the amount having terms over five years, $885,000 and $1.3 million at December 31, 2017 and 2016, respectively, consisted of an outstanding letter of credit to guarantee the payment of principal and interest on a Multifamily Housing Refunding Revenue Bond Issue.

Purchased Letters of Credit

The Company has purchased letters of credit from the Federal Home Loan Bank as security for certain public deposits. The amount of the letters of credit was $2.1 million and $2.1 million at December 31, 2017 and 2016, respectively, and they expire in less than one year from issuance.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. The Bank evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management’s credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, commercial real estate and residential real estate. The Bank uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At December 31, 2017, the Bank had granted unused lines of credit to borrowers aggregating approximately $912.2 million and $133.6 million for commercial lines and open-end consumer lines, respectively. At December 31, 2016, the Bank had granted unused lines of credit to borrowers aggregating approximately $658.4 million and $123.4 million for commercial lines and open-end consumer lines, respectively.

Credit Risk

The Bank grants collateralized commercial, real estate and consumer loans primarily to customers in its market areas. Although the Bank has a diversified portfolio, loans (excluding those covered by loss sharing agreements) aggregating approximately $674.0 million and $677.3 million at December 31, 2017 and 2016, respectively, are secured primarily by apartments, condominiums, residential and commercial land developments, industrial revenue bonds and other types of commercial properties in the St. Louis, Missouri, area.

Note 19: Additional Cash Flow Information

	2017	2016	2015
	(In Thousands)		
Noncash Investing and Financing Activities			
Real estate acquired in settlement of loans	$23,780	$26,076	$12,185
Sale and financing of foreclosed assets	603	3,334	3,316
Conversion of premises and equipment to foreclosed assets	—	6,985	—
Dividends declared but not paid	3,381	3,073	3,055
Additional Cash Payment Information			
Interest paid	27,724	20,476	15,984
Income taxes paid	17,563	9,554	13,096

Note 20: Employee Benefits

The Company participates in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra DB Plan), a multiemployer defined benefit pension plan covering all employees who have met minimum service requirements. Effective July 1, 2006, this plan was closed to new participants. Employees already in the plan continue to accrue benefits. The Pentegra DB Plan's Employer Identification Number is 13-5645888 and the Plan Number is 333. The Company's policy is to fund pension cost accrued. Employer contributions charged to expense for this plan for the years ended December 31, 2017, 2016 and 2015, were approximately $1.1 million, $725,000 and $742,000, respectively. The Company's contributions to the Pentegra DB Plan were not more than 5% of the total contributions to the plan. The funded status of the plan as of July 1, 2017 and 2016, was 98.2% and 98.5%, respectively. The funded status was calculated by taking the market value of plan assets, which reflected contributions received through June 30, 2017 and 2016, respectively, divided by the funding target. No collective bargaining agreements are in place that require contributions to the Pentegra DB Plan.

The Company has a defined contribution retirement plan covering substantially all employees. The Company matches 100% of the employee's contribution on the first 3% of the employee's compensation and also matches an additional 50% of the employee's contribution on the next 2% of the employee's compensation. Employer contributions charged to expense for this plan for the years ended December 31, 2017, 2016 and 2015, were approximately $1.3 million, $1.2 million and $951,000, respectively.

Note 21: Stock Compensation Plans

The Company established the 2003 Stock Option and Incentive Plan (the "2003 Plan") for employees and directors of the Company and its subsidiaries. Under the plan, stock options or other awards could be granted with respect to 598,224 shares of common stock. On May 15, 2013, the Company's stockholders approved the Great Southern Bancorp, Inc. 2013 Equity Incentive Plan (the "2013 Plan"). Upon the stockholders' approval of the 2013 Plan, the Company's 2003 Plan was frozen. As a result, no new stock options or other awards may be granted under the 2003 Plan; however, existing outstanding awards under the 2003 Plan were not affected. At December 31, 2017, 126,042 options were outstanding under the 2003 Plan.

The 2013 Plan provides for the grant from time to time to directors, emeritus directors, officers, employees and advisory directors of stock options, stock appreciation rights and restricted stock awards. The number of shares of Common Stock available for awards under the 2013 Plan is 700,000, all of which may be utilized for stock options and stock appreciation rights and no more than 100,000 of which may be utilized for restricted stock awards. At December 31, 2017, 556,757 options were outstanding under the 2013 Plan.

Stock options may be either incentive stock options or nonqualified stock options, and the option price must be at least equal to the fair value of the Company's common stock on the date of grant. Options generally are granted for a 10-year term and generally become exercisable in four cumulative annual installments of 25% commencing two years from the date of grant. The Stock Option Committee may accelerate a participant's right to purchase shares under the plan.

Stock awards may be granted to key officers and employees upon terms and conditions determined solely at the discretion of the Stock Option Committee.

The table below summarizes transactions under the Company's stock option plans:

	Available to Grant	Shares Under Option	Weighted Average Exercise Price
Balance, January 1, 2015	446,800	661,098	$ 26.560
Granted from 2013 plan	(129,350)	129,350	49.199
Exercised	—	(134,263)	25.403
Forfeited from terminated plan(s)	—	(8,453)	24.941
Forfeited from current plan(s)	14,000	(14,000)	33.389
Balance, December 31, 2015	331,450	633,732	31.297
Granted from 2013 plan	(131,000)	131,000	41.228
Exercised	—	(81,812)	26.472
Forfeited from terminated plan(s)	—	(2,692)	22.654
Forfeited from current plan(s)	19,025	(19,025)	39.123
Balance, December 31, 2016	219,475	661,203	33.672
Granted from 2013 Plan	(157,800)	157,800	52.118
Exercised	—	(119,692)	27.352
Forfeited from terminated plan(s)	—	(675)	24.690
Forfeited from current plan(s)	15,837	(15,837)	41.916
Balance, December 31, 2017	77,512	682,799	$ 38.860

The Company's stock option grants contain terms that provide for a graded vesting schedule whereby portions of the options vest in increments over the requisite service period. These options typically vest one-fourth at the end of years two, three, four and five from the grant date. As provided for under FASB ASC 718, the Company has elected to recognize compensation expense for options with graded vesting schedules on a straight-line basis over the requisite service period for the entire option grant. In addition, ASC 718 requires companies to recognize compensation expense based on the estimated number of stock options for which service is expected to be rendered. The Company's historical forfeitures of its share-based awards have not been material.

The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Expected dividends per share	$0.95	$0.88	$0.88
Risk-free interest rate	2.03%	1.27%	1.66%
Expected life of options	5 years	5 years	5 years
Expected volatility	23.49%	22.08%	24.42%
Weighted average fair value of options granted during year	$10.04	$6.59	$9.59

Expected volatilities are based on the historical volatility of the Company's stock, based on the monthly closing stock price. The expected term of options granted is based on actual historical exercise behavior of all employees and directors and approximates the graded vesting period of the options. Expected dividends are based on the annualized dividends declared at the time of the option grant. The risk-free interest rate is based on the five-year treasury rate on the grant date of the options.

The following table presents the activity related to options under all plans for the year ended December 31, 2017:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding, January 1, 2017	661,203	$33.672	7.23 years
Granted	157,800	52.118	
Exercised	(119,692)	27.352	
Forfeited	(16,512)	41.212	
Options outstanding, December 31, 2017	682,799	38.860	7.38 years
Options exercisable, December 31, 2017	240,862	27.884	5.20 years

For the years ended December 31, 2017, 2016 and 2015, options granted were 157,800, 131,000, and 129,350, respectively. The total intrinsic value (amount by which the fair value of the underlying stock exceeds the exercise price of an option on exercise date) of options exercised during the years ended December 31, 2017, 2016 and 2015, was $3.0 million, $1.4 million and $2.3 million, respectively. Cash received from the exercise of options for the years ended December 31, 2017, 2016 and 2015, was $3.3 million, $2.1 million and $3.4 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $2.7 million, $1.3 million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table presents the activity related to nonvested options under all plans for the year ended December 31, 2017.

	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Nonvested options, January 1, 2017	413,283	$39.253	$ 6.631
Granted	157,800	52.118	10.041
Vested this period	(112,659)	35.056	6.022
Nonvested options forfeited	(16,487)	41.242	7.229
Nonvested options, December 31, 2017	441,937	44.842	7.981

At December 31, 2017, there was $3.3 million of total unrecognized compensation cost related to nonvested options granted under the Company's plans. This compensation cost is expected to be recognized through 2022, with the majority of this expense recognized in 2018 and 2019.

The following table further summarizes information about stock options outstanding at December 31, 2017:

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Term	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
$8.360 to $19.530	48,152	3.56 years	$17.884	48,152	$17.884
$21.320 to $24.820	77,890	4.09 years	23.760	77,740	23.760
$26.640 to $29.640	73,833	5.95 years	29.491	50,374	29.493
$32.590 to $38.610	109,313	6.86 years	33.029	41,902	32.751
$41.300 to $47.800	121,200	8.80 years	41.370	325	47.800
$50.710 to $52.200	252,411	9.07 years	51.582	22,369	50.710
	682,799	7.38 years	38.860	240,862	27.884

Note 22: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in *Note 3*. Estimates used in valuing acquired loans, loss sharing agreements and FDIC indemnification assets and in continuing to monitor related cash flows of acquired loans are discussed in *Note 4*. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnotes on loans, deposits and on commitments and credit risk.

Other significant estimates not discussed in those footnotes include valuations of foreclosed assets held for sale. 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 in the near term from the carrying value reflected in these financial statements.

Note 23: Accumulated Other Comprehensive Income

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

	2017 (In Thousands)	2016 (In Thousands)
Net unrealized gain on available-for-sale securities	$ 1,949	$ 2,699
Net unrealized loss on derivatives used for cash flow hedges	—	(254)
	1,949	2,445
Tax effect	(708)	(887)
Net-of-tax amount	$ 1,241	$ 1,558

Amounts reclassified from AOCI and the affected line items in the statements of income during the years ended December 31, 2017, 2016 and 2015, were as follows:

	Amounts Reclassified from AOCI			Affected Line Item in the Statements of Income
	2017	2016	2015	
	(In Thousands)			
Unrealized gains on available-for-sale securities	$ —	$ 2,873	$ 2	Net realized gains on available-for-sale securities (total reclassified amount before tax)
Income taxes	—	(1,043)	(1)	Tax (expense) benefit
Total reclassifications out of AOCI	$ —	$ 1,830	$ 1	

Note 24: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct and material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting practices, and regulatory capital standards. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below as of December 31, 2017) of Total and Tier I Capital (as defined) to risk-weighted assets (as defined), of Tier I Capital (as defined) to adjusted tangible assets (as defined) and of Common Equity Tier 1 Capital (as defined) to risk-weighted assets (as defined). Management believes, as of December 31, 2017, that the Bank met all capital adequacy requirements to which it was then subject.

As of December 31, 2017, the most recent notification from the Bank's regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized as of December 31, 2017, the Bank must have maintained minimum Total capital, Tier I capital, Tier 1 Leverage capital and Common Equity Tier 1 capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company and the Bank are subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2017 and 2016, the Company and the Bank exceeded their minimum capital requirements then in effect. The entities may not pay dividends

which would reduce capital below the minimum requirements shown above. In addition to the minimum capital ratios, the new capital 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 net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

The Company's and the Bank's actual capital amounts and ratios are presented in the following table. No amount was deducted from capital for interest-rate risk.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars In Thousands)			
As of December 31, 2017						
Total capital						
Great Southern Bancorp, Inc.	$597,177	14.1%	≥ $339,649	≥ 8.0%	N/A	N/A
Great Southern Bank	$558,668	13.2%	≥ $339,575	≥ 8.0%	≥ $424,468	≥ 10.0%
Tier I capital						
Great Southern Bancorp, Inc.	$485,685	11.4%	≥ $254,737	≥ 6.0%	N/A	N/A
Great Southern Bank	$522,176	12.3%	≥ $254,681	≥ 6.0%	≥ $339,575	≥ 8.0%
Tier I leverage capital						
Great Southern Bancorp, Inc.	$485,685	10.9%	≥ $177,881	≥ 4.0%	N/A	N/A
Great Southern Bank	$522,176	11.7%	≥ $177,844	≥ 4.0%	≥ $222,305	≥ 5.0%
Common equity Tier I capital						
Great Southern Bancorp, Inc.	$460,661	10.9%	≥ $191,053	≥ 4.5%	N/A	N/A
Great Southern Bank	$522,152	12.3%	≥ $191,011	≥ 4.5%	≥ $275,904	≥ 6.5%
As of December 31, 2016						
Total capital						
Great Southern Bancorp, Inc.	$556,106	13.6%	≥ $327,610	≥ 8.0%	N/A	N/A
Great Southern Bank	$520,989	12.7%	≥ $327,505	≥ 8.0%	≥ $409,382	≥ 10.0%
Tier I capital						
Great Southern Bancorp, Inc.	$443,706	10.8%	≥ $245,707	≥ 6.0%	N/A	N/A
Great Southern Bank	$483,589	11.8%	≥ $245,629	≥ 6.0%	≥ $327,505	≥ 8.0%
Tier I leverage capital						
Great Southern Bancorp, Inc.	$443,706	9.9%	≥ $178,693	≥ 4.0%	N/A	N/A
Great Southern Bank	$483,589	10.8%	≥ $178,643	≥ 4.0%	≥ $223,304	≥ 5.0%
Common equity Tier I capital						
Great Southern Bancorp, Inc.	$418,687	10.2%	≥ $184,280	≥ 4.5%	N/A	N/A
Great Southern Bank	$483,569	11.8%	≥ $184,222	≥ 4.5%	≥ $266,098	≥ 6.5%

Note 25: Litigation Matters

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 certified a class of Bank customers who paid overdraft fees on their checking accounts pursuant to the Bank's automated overdraft program. On October 5, 2017, relying on a Missouri Court of Appeals decision addressing similar claims, the Court granted the Bank's motion for summary judgment and entered judgment in the Bank's favor on all of plaintiff's claims. The time for plaintiff to seek appellate review expired on November 14, 2017, with no further action taken by plaintiff.

Note 26: Summary of Unaudited Quarterly Operating Results

Following is a summary of unaudited quarterly operating results for the years 2017, 2016 and 2015:

	2017 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 45,413	$ 44,744	$ 46,368	$ 46,536
Interest expense	6,712	6,843	7,087	7,263
Provision for loan losses	2,250	1,950	2,950	1,950
Net realized gains (losses) and impairment on available-for-sale securities	—	—	—	—
Noninterest income	7,698	15,800	7,655	7,374
Noninterest expense	28,573	28,371	28,034	29,283
Provision (credit) for income taxes	4,058	7,204	4,289	3,207
Net income	11,518	16,176	11,663	12,207
Net income available to common shareholders	11,518	16,176	11,663	12,207
Earnings per common share – diluted	0.81	1.14	0.82	0.86

	2016 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 45,746	$ 45,636	$ 46,856	$ 46,937
Interest expense	4,627	4,974	5,828	6,690
Provision for loan losses	2,101	2,300	2,500	2,380
Net realized gains (losses) and impairment on available-for-sale securities	3	2,735	144	(9)
Noninterest income	4,974	8,916	7,090	7,530
Noninterest expense	30,920	29,807	30,657	29,043
Provision (credit) for income taxes	3,279	4,937	3,740	4,560
Net income	9,793	12,534	11,221	11,794
Net income available to common shareholders	9,793	12,534	11,221	11,794
Earnings per common share – diluted	0.70	0.89	0.80	0.83

	2015 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 47,906	$ 45,734	$ 45,755	$ 44,956
Interest expense	3,781	3,725	4,230	4,261
Provision for loan losses	1,300	1,300	1,703	1,216
Net realized gains (losses) and impairment on available-for-sale securities	—	—	2	—
Noninterest income	(56)	3,457	5,120	5,060
Noninterest expense	27,242	27,949	30,014	29,145
Provision (credit) for income taxes	3,874	4,214	3,732	3,744
Net income	11,653	12,003	11,196	11,650
Net income available to common shareholders	11,508	11,858	11,051	11,531
Earnings per common share – diluted	0.83	0.85	0.79	0.81

Note 27: Condensed Parent Company Statements

The condensed statements of financial condition at December 31, 2017 and 2016, and statements of income, comprehensive income and cash flows for the years ended December 31, 2017, 2016 and 2015, for the parent company, Great Southern Bancorp, Inc., were as follows:

	December 31,	
	2017	2016
	(In Thousands)	
Statements of Financial Condition		
Assets		
Cash	$ 41,977	$ 37,716
Investment in subsidiary bank	533,153	494,947
Deferred and accrued income taxes	133	89
Prepaid expenses and other assets	903	1,214
	$ 576,166	$ 533,966
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$ 5,042	$ 4,849
Subordinated debentures issued to capital trust	25,774	25,774
Subordinated notes	73,688	73,537
Common stock	141	140
Additional paid-in capital	28,203	25,942
Retained earnings	442,077	402,166
Accumulated other comprehensive income	1,241	1,558
	$ 576,166	$ 533,966

	2017	2016	2015
		(In Thousands)	
Statements of Income			
Income			
Dividends from subsidiary bank	$ 17,500	$ 12,000	$ 27,000
Interest and dividend income	48	—	5
Gain on redemption of trust preferred securities and sale of non-marketable securities	—	2,735	1,416
Other income (loss)	—	2	(7)
	17,548	14,737	28,414
Expense			
Operating expenses	1,330	1,322	1,139
Interest expense	5,047	2,381	714
	6,377	3,703	1,853
Income before income tax and equity in undistributed earnings of subsidiaries	11,171	11,034	26,561
Credit for income taxes	(1,709)	(241)	(91)
Income before equity in earnings of subsidiaries	12,880	11,275	26,652
Equity in undistributed earnings of subsidiaries	38,684	34,067	19,850
Net income	$ 51,564	$ 45,342	$ 46,502

	2017	2016	2015
		(In Thousands)	
Statements of Cash Flows			
Operating Activities			
Net income	$ 51,564	$ 45,342	$ 46,502
Items not requiring (providing) cash			
Equity in undistributed earnings of subsidiary	(38,684)	(34,067)	(19,850)
Compensation expense for stock option grants	564	483	382
Net realized gains on redemption of trust preferred securities	—	—	(1,115)
Net realized gains on sales of non-marketable securities	—	—	(301)
Net realized gains on sales of available-for-sale securities	—	(2,735)	—
Amortization of interest rate derivative and deferred costs on subordinated notes	441	289	204
Changes in			
Prepaid expenses and other assets	132	175	(27)
Accounts payable and accrued expenses	(115)	1,495	63
Income taxes	6	(206)	55
Net cash provided by operating activities	13,908	10,776	25,913
Investing Activities			
Proceeds from sales of available-for-sale securities	—	3,583	—
Investment in subsidiary	—	(60,000)	—
(Investment)/Return of principal - other investments	—	(2)	16
Net cash provided by (used in) investing activities	—	(56,419)	16
Financing Activities			
Proceeds from issuance of subordinated notes	—	73,472	—
Redemption of preferred stock	—	—	(57,943)
Redemption of trust preferred securities	—	—	(3,885)
Purchases of the Company’s common stock	—	—	—
Dividends paid	(12,894)	(12,232)	(12,290)
Stock options exercised	3,247	2,110	3,362
Net cash provided by (used in) financing activities	(9,647)	63,350	(70,756)
Increase (Decrease) in Cash	4,261	17,707	(44,827)
Cash, Beginning of Year	37,716	20,009	64,836
Cash, End of Year	$ 41,977	$ 37,716	$ 20,009
Additional Cash Payment Information			
Interest paid	$ 5,059	$ 846	$ 730

	2017	2016	2015
		(In Thousands)	
Statements of Comprehensive Income			
Net Income	$ 51,564	$ 45,342	$ 46,502
Unrealized appreciation on available-for-sale securities, net of taxes (credit) of $0, $(90) and $273, for 2017, 2016 and 2015, respectively	—	(158)	400
Reclassification adjustment for gains included in net income, net of (taxes) credit of $0, $(993) and $0, for 2017, 2016 and 2015, respectively	—	(1,742)	—
Change in fair value of cash flow hedge, net of taxes (credit) of $93, $50 and $(34) for 2017, 2016 and 2015, respectively	161	87	(50)
Comprehensive income (loss) of subsidiaries	(478)	(2,293)	(1,722)
Comprehensive Income	$ 51,247	$ 41,236	$ 45,130

Note 28: Preferred Stock

On August 18, 2011, the Company entered into a Small Business Lending Fund-Securities Purchase Agreement (the "SBLF Purchase Agreement") with the Secretary of the Treasury, pursuant to which the Company sold 57,943 shares of the Company's Senior Non-Cumulative Perpetual Preferred Stock, Series A (the "SBLF Preferred Stock") to the Secretary of the Treasury for a purchase price of $57.9 million. The SBLF Preferred Stock was issued pursuant to Treasury's SBLF program, a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small businesses by providing Tier 1 capital to qualified community banks and holding companies with assets of less than $10 billion. As required by the SBLF Purchase Agreement, the proceeds from the sale of the SBLF Preferred Stock were used in connection with the redemption of all 58,000 shares of the Company's preferred stock, issued to Treasury in December 2008 pursuant to Treasury's TARP Capital Purchase Program (the "CPP Preferred Stock"). The shares of CPP Preferred Stock were redeemed at their liquidation amount of $1,000 per share plus the accrued but unpaid dividends to the redemption date.

The SBLF Preferred Stock qualified as Tier 1 capital. The holders of SBLF Preferred Stock were entitled to receive noncumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1. The dividend rate, as a percentage of the liquidation amount, could fluctuate between one percent (1%) and five percent (5%) per annum on a quarterly basis during the first 10 quarters during which the SBLF Preferred Stock was outstanding, based upon changes in the level of "Qualified Small Business Lending" or "QSBL" (as defined in the SBLF Purchase Agreement) by the Bank over the adjusted baseline level calculated under the terms of the SBLF Preferred Stock $(249.7 million). Based upon the increase in the Bank's level of QSBL over the adjusted baseline level, the dividend rate had been 1.0%. For the tenth calendar quarter through four and one-half years after issuance, the

dividend rate was fixed at between one percent (1%) and seven percent (7%) based upon the level of qualifying loans. The Company's dividend rate was 1.0% during 2015, and was expected to remain at 1% until four and one half years after the issuance, which is March 2016. After four and one half years from issuance, the dividend rate would have increased to 9% (including a quarterly lending incentive fee of 0.5%).

On December 15, 2015, the Company (with the approval of its federal banking regulator) redeemed all 57,943 shares of the SBLF Preferred Stock at their liquidation amount of $1,000 per share plus accrued but unpaid dividends to the redemption date. The redemption of the SBLF Preferred Stock was completed using internally available funds.

Note 29: Consolidation of Banking Centers

On September 24, 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. This review culminated in the approval of the consolidation of these banking centers by the Great Southern Board of Directors. 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. The sale of one of the banking centers was completed on February 19, 2016 and the sale of the other banking center 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.

Note 30: Acquisition of Loans, Deposits and Branches

On September 30, 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 composition of which was: demand deposits and NOW accounts – 42%; money market accounts – 40%; and time deposits and IRAs – 18%.

The loans acquired totaled approximately $159 million and had a weighted average yield of approximately 3.92%, the composition of which was: one- to four-family residential – 75%; commercial real estate – 8%; home equity lines – 10%; commercial business – 5%; and consumer and other – 2%. The one- to four-family residential loans are primarily loans made to professional individuals in the St. Louis market, such as doctors and persons working in the field of medicine. Approximately 55% of the total balance of these loans have fixed rates of interest for varying terms up to 30 years. Approximately 45% of the total balance of these loans have rates of interest that are fixed for varying terms (generally three to seven years), with rates that adjust annually thereafter.

The fair values of the assets acquired and liabilities assumed in the transaction were as follows:

	January 29, 2016 (In Thousands)
Assets	
Cash and cash equivalents	$ 44,363
Loans receivable	157,524
Premises and equipment	17,990
Accrued interest receivable	410
Core deposit intangible	4,424
Deferred income taxes	100
Total assets acquired	224,811
Liabilities	
Total deposits	228,528
Accrued interest payable	50
Advances from borrowers for taxes and insurance	403
Accounts payable and accrued expenses	58
Total liabilities assumed	229,039
Goodwill recognized on business acquisition	$ 4,228

This acquisition was determined to constitute a business combination in accordance with FASB ASC 805. Based upon the acquisition date fair values of the net liabilities acquired, goodwill of $4.2 million was recorded. The goodwill is deductible for tax purposes. Details related to the purchase accounting adjustments are as follows:

	January 29, 2016 (In Thousands)
Deposit premium per Purchase and Assumption Agreement	$ (7,135)
Purchase accounting adjustments	
Deposits	(277)
Loans	(1,340)
Deferred income taxes	100
Core deposit intangible	4,424
Goodwill recognized on business acquisition	$ 4,228

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