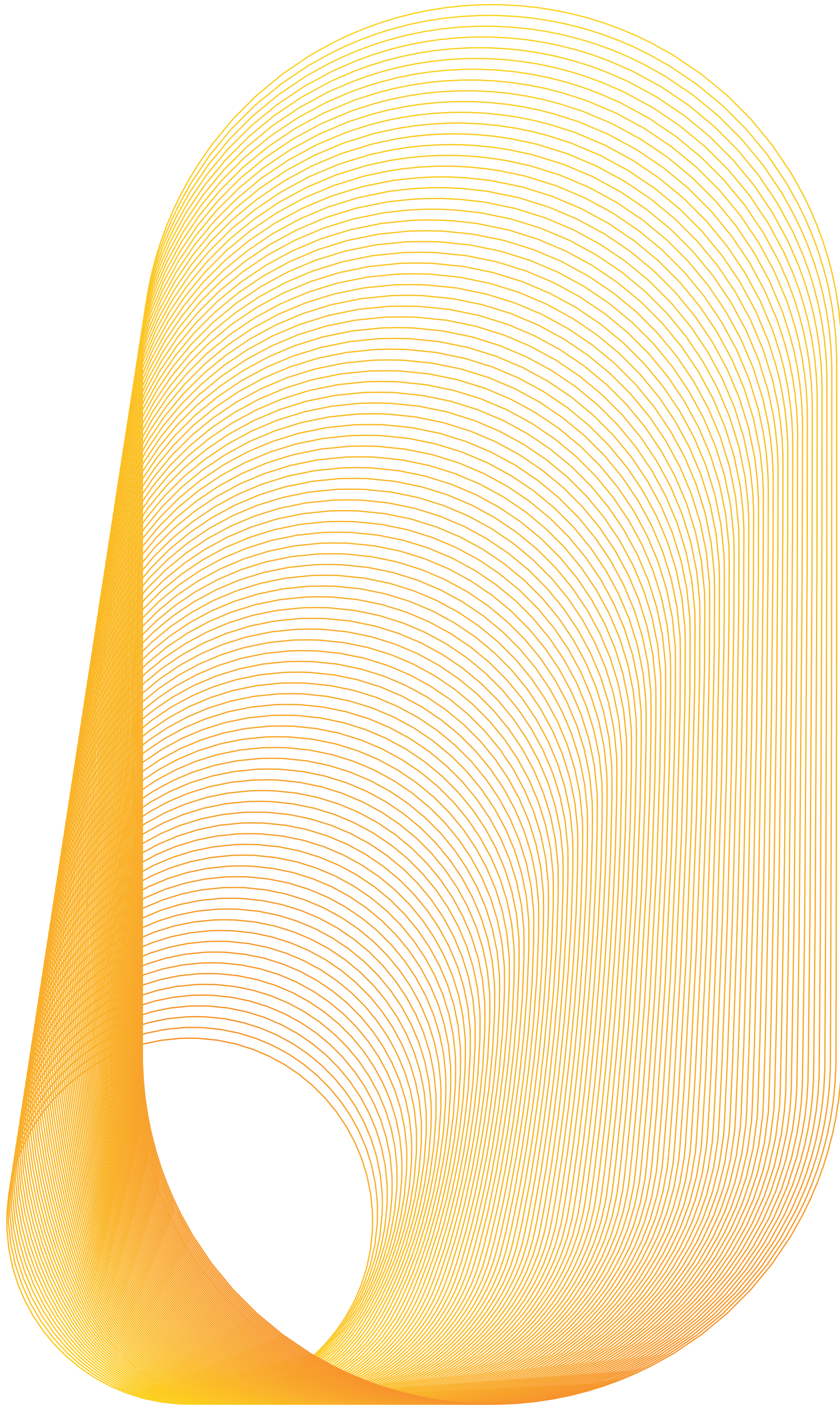


STRENGTH THAT BUILDS

2021 ANNUAL REPORT FOR STOCKHOLDERS

GREAT SOUTHERN
BANCORP, INC.

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, 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

33RD ANNUAL MEETING OF STOCKHOLDERS

MAY 11, 2022 • VIRTUAL MEETING – 10 AM CDT

Corporate Profile

Great Southern Bank was founded in 1923 with a $5,000 investment, four employees and 936 customers. Today, it has grown to $5.4 billion in total assets, with more than 1,100 dedicated associates serving 137,000 households.

Headquartered in Springfield, Missouri, the Company operates 101 offices in 12 states, including 93 retail banking centers in Missouri, Arkansas, Iowa, Kansas, Nebraska and Minnesota, seven commercial loan offices in Atlanta, Chicago, Dallas, Denver, Omaha, Nebraska, Phoenix and Tulsa, and one home loan office in Springfield, Missouri. 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, Digital Banking, an ATM 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, 2021, there were 13,128,493 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, 2021 was $59.25.

HIGH/LOW STOCK PRICE

	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	$60.55	$47.22	$63.55	$32.23	$57.95	$45.44
Second Quarter	58.48	52.81	46.35	32.62	60.92	52.24
Third Quarter	57.01	49.53	41.42	34.32	60.94	54.33
Fourth Quarter	59.90	55.00	50.72	35.79	64.48	54.87

REGULAR DIVIDEND DECLARATIONS

	2021	2020	2019
First Quarter	$.34	$.34	$.32
Second Quarter	.34	.34	.32
Third Quarter	.36	.34	.34
Fourth Quarter	.36	.34	.34

SPECIAL DIVIDEND DECLARATIONS

	2021	2020	2019
First Quarter	----	$1.00	$.75

WILLIAM V. TURNER
Chairman of the Board

JOSEPH W. TURNER
President and
Chief Executive Officer

STRENGTH THAT BUILDS

TO OUR STOCKHOLDERS:

It is our pleasure to share with you the 2021 Great Southern Annual Report. We begin this letter by thanking our more than 1,100 associates for their extraordinary efforts over the past year, and for everything they do to support our customers, and each other, every day. Our strong results in 2021 underscore our associates hard work and commitment.

We would also like to thank our Board of Directors for their leadership and guidance throughout 2021. We value the diversity of talent, knowledge and experience that our Board members bring to our Company.

In 2021, the COVID-19 pandemic and its ripple effects continued to present new and ongoing challenges to the economy and society, including the "Great Resignation," from which we were not immune. During these difficult times, we relied heavily on our Company's many strengths built through the years - our dedicated and talented team of associates, our culture of resilience, our pride in service excellence, our conservative business practices and our strong financial footing. We continually work on building and nurturing these strengths as a foundation for our long-term success. Managing through a pandemic underscored the significance of doing so.

2021 Results

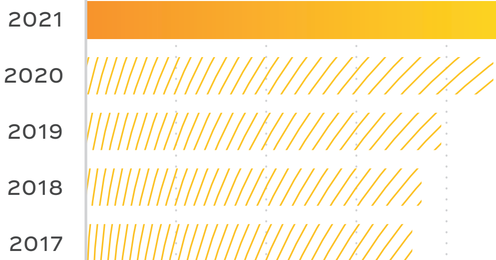
We're pleased to report that we ended 2021 in a strong financial position, providing good momentum as we enter 2022. You can find details on our financial results in the following pages of this Annual Report. In summary, earnings in 2021 were $74.6 million, or $5.46 per diluted common share, significantly higher than 2020 earnings of $59.3 million, or $4.21 per diluted common share. The increase in earnings over 2020 results was primarily driven by negative provision for credit losses and higher non-interest income, coupled with continued strong expense control. Net interest income, our primary source of income, was $177.9 million for the year 2021, up modestly from $177.1 million for 2020. Earnings performance ratios in 2021 were solid with return on average common equity of 11.89%, return on average assets of 1.36%, an efficiency ratio of 59.03%.

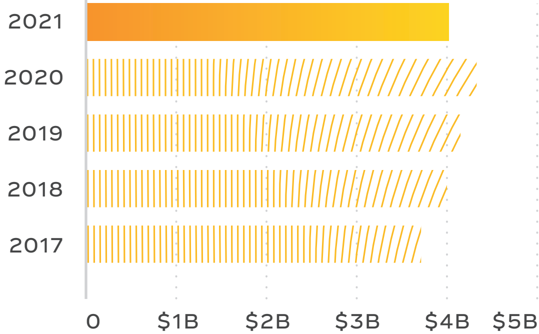
The Company ended the year with assets of $5.4 billion. Total stockholders' equity was $617 million, or 11.3% of total assets, equivalent to a book value of $46.98 per common share. A key objective for our Company is to always maintain sufficient capital to allow for organic growth and other corporate initiatives. We also look for opportunities to return capital to our stockholders, both through dividends and opportunistic share repurchases. During 2021, the Company declared regular cash dividends of $1.40 per common share. The Company also repurchased approximately 715,000 shares of stock at an average price of $54.69 during 2021, in an effort to increase stockholder value.

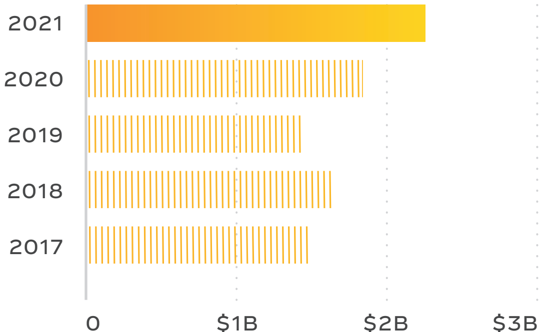
During 2021, loan growth was extremely challenging, despite record-setting loan production. We fought significant headwinds of loan repayments, including approximately $169 million of debt forgiveness of the Small Business Administration-managed Paycheck Protection Program portfolio. Total gross loan balances, including the undisbursed portion of loans but excluding the FDIC-assisted acquired loans and mortgage loans held for sale, decreased $2.0 million, or 0.04%, from the end of 2020. This decrease was primarily in multi-family loans, commercial real estate loans, commercial business loans and consumer auto loans. This decrease was partially offset by increases in construction loans and single family real estate loans. Outstanding net loan receivable balances decreased $289 million, from $4.30 billion at December 31, 2020 to $4.01 billion at December 31, 2021.

Our loan production (funded and unfunded portions) totaled nearly $2.3 billion in 2021. Our pipeline of loan commitments and unfunded loans remained strong at the end of 2021, increasing by $409 million from December 31, 2020. For the sixth year in a row, our commercial lenders originated more than $1 billion in new loans - $1.6 billion in 2021 - with 39% of the production generated through our six loan production offices (LPOs) in Atlanta, Chicago, Dallas, Denver, Omaha and Tulsa. Our Residential Lending team had record production in 2021, driven by historically low interest rates. Some of these residential loans were retained in the Company's loan portfolio and some were sold in the secondary market.

Credit quality metrics remained excellent and at historic levels during 2021. Non-performing assets to period-end assets were 0.11% at the end of 2021 and we recorded net recoveries during the year of $116,000.







Total deposits increased $35 million from the end of 2020, which included expected significant decreases in time deposits, but offset with strong checking account balance growth. This overall deposit balance increase in 2021 came off of 2020's significant COVID-fueled deposit surge of $557 million, or 15% growth. Our deposit mix is a source of strength for our Company with checking and savings accounts representing approximately 79% of the deposit portfolio and retail certificates of deposit making up about 19%.

Building Bench Strength

Succession planning and grooming our future leaders is critical to the success of our Company. Succession planning is all about ensuring that we develop our "bench" – recruiting and developing the talent that represents the future – and instilling our associates with the knowledge, skills and abilities that will enable them to be successful in their current roles and be well positioned to take on increasing areas of responsibility and more challenging positions.

In 2021, our work in this area was exemplified with the retirements of two key long-term executive team members, each with more than 20 years with Great Southern and more than four decades in the banking industry. Both announced their retirements at least a year in advance to ensure an orderly leadership transition. Chief Operating Officer Doug Marrs retired from the Company in July. His successor, Mark Maples, is a banking veteran with 39 years of banking experience, 16 years of which have been with Great Southern. Chief Information Officer Linton J. Thomason retired at the end of 2021. His successor, Eric Johnson, joined Great Southern in 2008 and worked for 12 years in information technology at a regional healthcare provider before joining the Company.

Doug and Lin played integral roles in the growth and success of our Company over the last two decades. We greatly appreciate their commitment and their effort to leave the Company ready to build on a solid foundation.

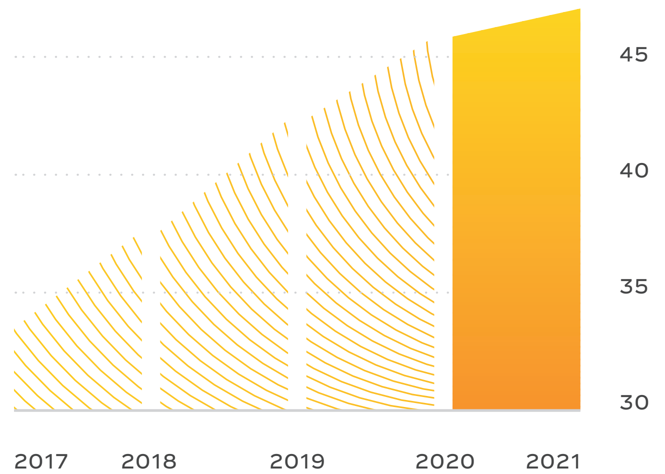
Building Strength – For Today and Tomorrow

Banking as an industry is rapidly evolving, with continuous technological advances and changing customer demands and expectations. To remain competitive, we consistently analyze all of our customer access channels and services to ensure that we are properly positioned for both the current and next generations of customers. We also use J.D. Power, a leader in consumer satisfaction research, and other leading customer experience organizations to help us better understand our customers' desires and their perceptions of our service quality through all of our delivery channels.

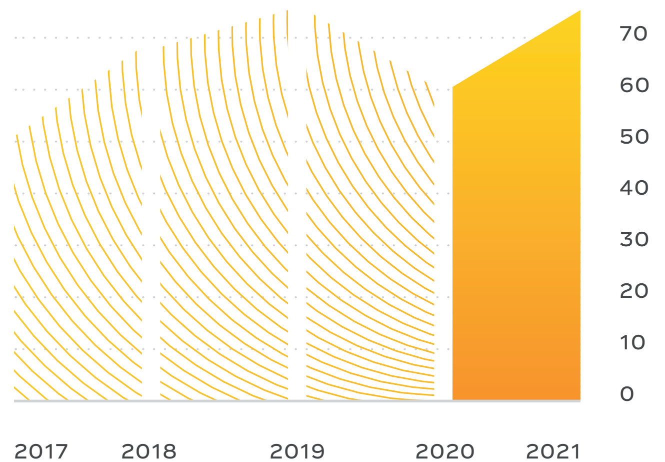
We continue to believe that banking centers are an important delivery channel for our customers. The majority of our customer relationships begin and are developed in our banking centers. Our banking centers will evolve in response to changing customer preferences. Going forward, we expect our offices to be utilized by our customers more for advice and help with complex interactions and less as a primary way to conduct banking transactions like making a deposit or cashing a check.

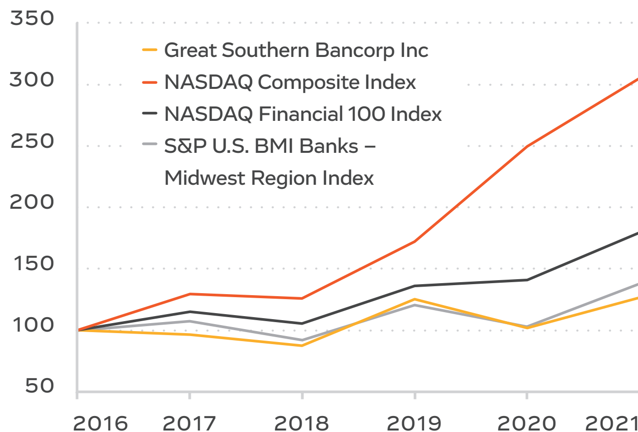
While banking centers are significant in serving our customers, we also understand this delivery channel is the most expensive and dynamic.

BOOK VALUE PER COMMON SHARE | $46.98



2021 TOTAL NET INCOME | $74.63 MILLION

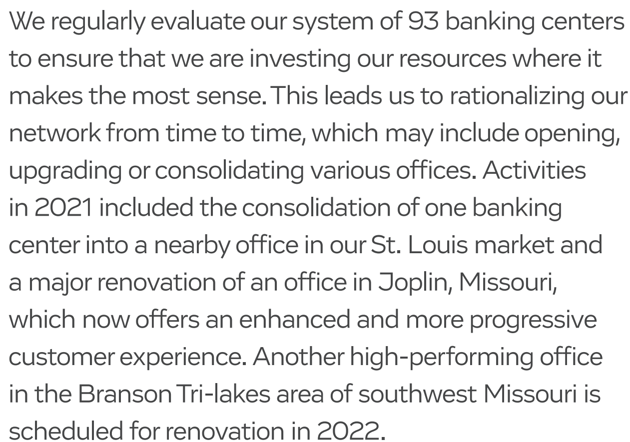




TOTAL RETURN
5 YEAR CUMULATIVE

$126.47

The graph at left compares the cumulative total stockholder return on GSBC Common Stock to the cumulative total returns on the NASDAQ Composite Index, the NASDAQ Financial 100 Index, and the S&P U.S. BMI Banks – Midwest Region Index for the period December 31, 2016 through December 31, 2021. The graph assumes that $100 was invested in GSBC Common Stock and in each of the indices on December 31, 2016 and that all dividends were reinvested. In future such graphs, the NASDAQ Financial 100 Index will be replaced with the S&P U.S. BMI Banks – Midwest Region Index. We believe that the S&P U.S. BMI Banks – Midwest Region Index provides a more representative comparison, as it comprises only banks headquartered in the Midwest Region of the U.S., including GSBC. The NASDAQ Financial 100 Index is a much broader index and includes a number of non-banks.



We regularly evaluate our system of 93 banking centers to ensure that we are investing our resources where it makes the most sense. This leads us to rationalizing our network from time to time, which may include opening, upgrading or consolidating various offices. Activities in 2021 included the consolidation of one banking center into a nearby office in our St. Louis market and a major renovation of an office in Joplin, Missouri, which now offers an enhanced and more progressive customer experience. Another high-performing office in the Branson Tri-lakes area of southwest Missouri is scheduled for renovation in 2022.

Our LPO network plays a significant role in developing the commercial loan portfolio, representing nearly 40% of 2021 commercial lending production. In the first quarter of 2022, we added a seventh office in the network with our entry into the Phoenix market. Entering new markets with LPOs has proven to be a successful business strategy in serving commercial loan customers. The key to a successful LPO is that each office is led by a seasoned commercial lender, who has years of lending experience in the local market. These office leaders are usually teamed with a more junior lender who has several years of tenure with Great Southern. Loan decisions are made through a central loan committee to ensure a consistent credit culture. Additional lending offices in other markets are being considered as conditions and opportunities warrant.

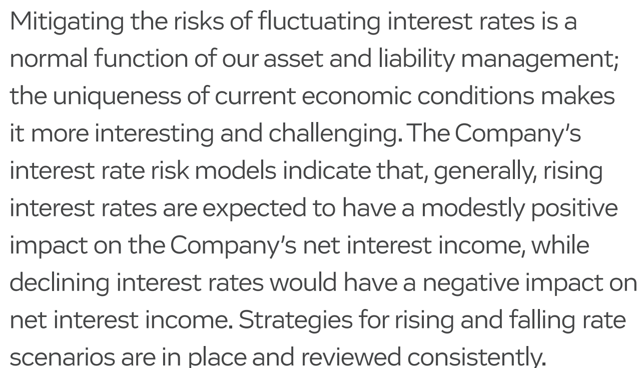
In tandem with fine-tuning our physical offices, we have an intense focus on the digital banking experience for our customers and the necessity to enhance this channel frequently to meet customer expectations. The pandemic helped accelerate an already growing demand and desire for self-service banking options. Since the beginning of the pandemic in 2020, many more of our customers of all ages discovered the convenience and ease of digital banking services through our mobile app, with a 20% increase in downloads and a 31% increase in usage of the app.

To ensure we meet or preferably exceed the expectations of our customers, it is imperative that we have a modern and progressive information technology platform. In 2021, we spent a considerable amount of time evaluating industry-leading core banking platforms and other information technology systems. Ultimately at the end of the year, we made the decision to replace our current core banking system and ancillary software with a more modern, futuristic and long-term solution. In 2022, we will be heavily focused on getting prepared to convert to our new platform, expected to occur in the third quarter of 2023. This upgrade in our operational platform will help us provide our customers with a superior banking experience, both in-person and digitally. Our associates will also benefit with new and advanced tools and access to more meaningful information to help our customers.

2022 Priorities

As we look to 2022 and beyond, we will capitalize on our strengths and prepare for the challenges of continued economic and political uncertainty. Our priorities for 2022 are straightforward: maintain a sharp focus on developing and expanding customer relationships, closely manage interest rate risk, sustain a strong credit discipline and drive continuous improvement throughout our Company.

At the time of this writing, the Federal Open Market Committee strongly indicated it would likely raise interest rates multiple times during 2022 in response to current economic conditions, including high inflation.



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 modestly 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 consistently.

As a bank and public company, we are accustomed to changing expectations and demands from interest groups, such as regulators, other governing bodies, investors and other professional institutions, and we understand the need for this oversight. Our Board and management team are increasing our focus on environmental, social and governance (ESG – also often referred to as "sustainability") considerations as ESG policies and standards emerge. As always, we are committed to building a diverse, equitable and inclusive workplace that best represents the communities we serve. We fully appreciate the benefits of a diverse staff and are working to address challenges in recruiting and retention by broadening recruitment efforts, establishing relationships with student groups and professional organizations, and providing training on unconscious bias. Racism and discrimination have no place in banking or anywhere else.

Finally, as we move forward, we pledge to keep in mind the long-term interests of all the constituents we serve. Our long-standing mission is to build winning relationships with our customers, associates, stockholders and communities. We believe a winning relationship means that both parties receive benefit or value from the relationship. For our associates, we want to make our Company a great place to work and grow professionally, and they, in turn, provide extraordinary service for those they serve. For our customers, we want to develop lasting relationships by providing the right products and services, at a fair price and delivered how and when 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, with the understanding that our Company can only be as strong as the communities we serve. And, for our stockholders, we desire to provide a superior long-term return on their investment in our Company, and we support this objective by fostering winning relationships with our associates, customers and communities.

We wish you good health and prosperity in 2022. Thank you for your support of Great Southern. Your feedback is welcome at any time.

Respectfully yours,

William V. Turner

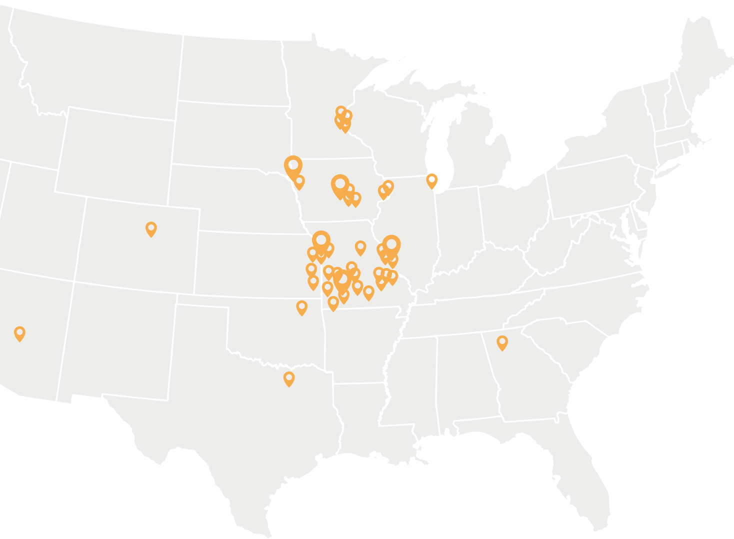
Joseph W. Turner

STRENGTH THAT BUILDS

CUSTOMER LOYALTY

Banking Center Network

Banking centers remain a pivotal piece of the banking experience. While adoption and usage of our convenient Digital Banking options has grown, transaction volume in our banking centers remained steady throughout 2021. Our customers are choosing to visit a banking center when they need to complete a transaction or have questions about their accounts; a testament to the strong relationships our banking center associates form with customers. Our continued commitment to providing excellent customer service and understanding our customers' financial needs strengthens loyalty and builds trust.



Branch Refresh Program

We completed the remodel of our banking center in Joplin, Missouri, the first in our Banking Center Refresh Program. The new Joplin office officially opened in September and offers better ease of access for our customers and features a simplistic, modern design with ample space for our banking center associates to collaborate with customers.

We've selected our Kimberling City banking center, located in the Tri-Lakes area of southwest Missouri, as the next to undergo a refresh. Construction of a new office is underway and we will introduce the larger and more accessible banking center to Kimberling City customers later this year.

Westfall Plaza Consolidation

We evaluate our banking center network on a regular basis to ensure we are best meeting the needs of our customers and investing our resources wisely. At times, based on these evaluations, we must make the difficult decision to close or consolidate an office. In later 2021, we consolidated one banking center, located in the St. Louis area, into a nearby office just a few miles away.

Customer Experience

Our customer experience program helps us gather a wealth of service data directly from customers through short, touchpoint surveys. Analyzing this data helps us identify trends and hone in on opportunities for improving the customer experience. We share the data and collaborate with our various lines of business to implement improvements.

With 33,000 survey responses received to date, more than 91% reflect positive experiences. The benchmark in measuring customer experience is Net Promoter Score® (NPS), a reflection of customer loyalty to a brand. Scores range from -100 to 100, with -100 representing no customer loyalty and 100 representing strong customer loyalty. Industry average NPS for financial institutions is 34, our NPS is 70.

We are proud of the success we've achieved, and recognize that the driving force behind that success is what our associates do each day to care for and help our customers.

Forbes' World's Best Banks List

Further emphasizing the significance of customer experience, Great Southern Bank was ranked by our customers and recognized as the number one bank in the U.S. on Forbes' annual World's Best Banks list in 2021. We were previously recognized as the sixth best bank in the U.S. on the 2020 list. The award is presented by Forbes and Statista, Inc., the world-leading statistics portal and industry ranking provider, and is the direct result of feedback from our customers. We take great pride in knowing we provide our customers with a world-class experience at our bank.

Digital Banking Trends

Our Digital Banking services make it easy for our customers to bank when and where they prefer. We continue to prioritize providing the banking services our customers want and need to make their banking experience smooth. As we shared in last year's report, customer adoption and usage of our Digital Banking services grew during the pandemic, and this trend continued in 2021. While our customers remain interested in visiting our banking centers when they need assistance, they have embraced our convenient digital services as another option to stay connected with their finances.

In 2021, we added nearly 3,000 new users to our Online Banking system and grew active Mobile Banking users by more than 6,100 – an increase of nearly 14%. Total annual logins, for both our Online Banking website and Mobile Banking App, increased by 19% and 16%, respectively. In total, our customers logged in 53 million times to check their balance, view transactions, and access our Digital Banking services such as Mobile Check Deposit, Bill Pay, and Debit On/Off.

Mobile Check Deposit remains a popular feature within our Mobile Banking App. We added approximately 3,700 new users. In total, our customers processed more than 236,000 Mobile Check Deposit transactions.

We look forward to offering our customers even more convenient Digital Banking options and services as we migrate to our new software provider next year.

YEAR OVER YEAR NUMBERS

STRENGTH THAT BUILDS

LENDING SUCCESS

Commercial Lending

Commercial lending is a decades-long area of expertise for our Bank. In 2021, the commercial lending team achieved a new record for loan production, originating more than $1.6 billion in new loans. It is also the sixth year in a row that production has exceeded $1 billion. This success is attributable to our talented lending team, led by market managers with an average of more than 25 years of lending experience, and their focus on establishing strong client relationships across our markets.

Our commercial loan production offices (LPOs) strategically position us in attractive markets with unique opportunities focused on commercial real estate lending. These LPOs are very successful; accounting for nearly 40% of the Bank's commercial loan production in 2021. With the continued success and cost effectiveness of LPOs, the Bank is expanding its commercial lending breadth to include Phoenix. We have hired a local commercial lending expert with extensive knowledge of the Phoenix market to lead this new office.

As we look ahead, we will continue to prioritize a strong credit discipline under the guidance of the Bank's Loan Committee, which has kept classified problem assets at all-time lows and credit quality metrics strong.

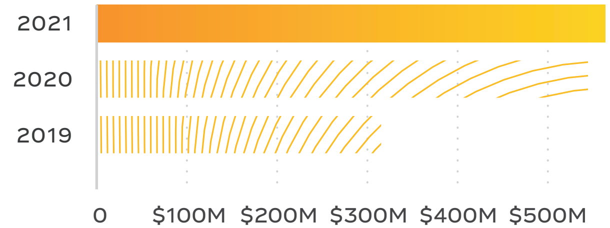
Commercial Lending Project

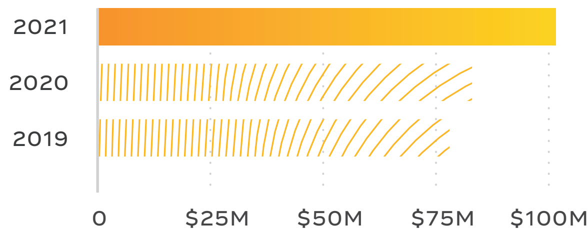
As a community-minded Company, we're proud that several of the developments we finance each year have positive implications for the communities in which we serve. One such development, Forest Park North Apartments, will provide affordable housing options to families and veterans with disabilities in Joplin, Missouri.

Featuring a total of 40 units in one, two, and three bedroom configurations with impressive amenities, Forest Park North Apartments will fulfill a need for affordable housing in this community.

New Record Year for Residential Lending

Fueled by historically low interest rates and a very competitive purchase market, our residential lending team achieved a new record year for production in 2021, originating approximately 2,000 home purchase and refinance loans totaling more than $565 million – $23 million greater than 2020's record production.





Consumer Lending

Our consumer lending team originated more than $102 million in new loans, up $19 million compared to 2020. Consumer lending production was a healthy mix of automobile loans, personal lines of credit and loans, and home equity lines of credit (HELOC).

HELOCs saw the largest growth, up 43% from the year prior, and likely a result of the very competitive housing market. Rather than selling their current home and trying to purchase another, some homeowners opted to use their current home's equity to make improvements.

While the majority of consumer loan applications are submitted from our banking center network, we are actively updating our online consumer loan application to make it easy to submit an application when and where it is convenient for our customers. We will introduce the updated online consumer loan application later this year.

STRENGTH THAT BUILDS

STRONGER COMMUNITIES

MARY DUNAVANT
Regional Banking Center Manager

Community Matters

Since we established our Community Matters program in 2014, our focus has been to address the needs of each of our communities and make them better, more prosperous places to live and work. We've long recognized that the strength of our Company correlates with the strength of the communities we serve.

We want the impact of our Community Matters program to go beyond making financial donations, so we encourage our associates, and provide them with paid time off, to get involved and volunteer with organizations that align with their passions and help meet the needs of their communities.

Our regional Community Matters Teams help us understand the unique needs of our various communities. These regional teams are comprised of local associates with diverse perspectives and experiences; and they are committed to building strong relationships with community partners to meet area needs.

ASSOCIATE DONATIONS	$70K+
ASSOCIATE VOLUNTEER HOURS	3,700+
CORPORATE SPONSORSHIPS	$1.8M+
ORGANIZATIONS SUPPORTED	650+

Bill and Ann Turner Award Recipient

Each year we honor and recognize an outstanding Great Southern associate who has demonstrated excellence in volunteer service to their community. The Bill and Ann Turner Distinguished Community Service Award exemplifies the community leadership, civic engagement, and spirit of giving of our Chairman, Bill Turner, and his wife Ann.

The 2022 Community Service Award recipient is Mary Dunavant, regional banking center manager for our St. Louis market. Mary volunteers at a wide variety of organizations and events. Whether serving meals to grieving families through Annie's Hope or partnering with the Sons of the American Legion to raise funds for several veteran-focused organizations, she seeks to better the lives of others simply because it is the right thing to do.

Her dedication to volunteering is an inspiration to her associates. She regularly gathers members of her team to participate in group volunteer events, viewing them as opportunities to better their community and strength their bond as teammates.

Mary's dedication to making a difference around the St. Louis community and helping those in need aligns with the spirit of our Community Matters program and the integrity of the Bill and Ann Turner Distinguished Community Service Award.

We're so proud to have Mary leading our St. Louis banking center teams!

Springfield Symphony

The pandemic has impacted each of us in unique ways, but has been especially difficult on senior generations. Due to the pandemic and health restrictions, many who resided in assisted living facilities and nursing homes were unable to travel around the community as they once could – restricting them from participating in events or activities. The Springfield Symphony was one of those events.

While the Springfield Symphony was silent to in-person performances in 2020, in-person gatherings returned in 2021 with appropriate precautions to keep their patrons healthy and safe. Many residents in assisted living facilities and nursing homes, who were long-term patrons and supporters of the Springfield Symphony, wished to return to the Springfield Symphony. And we wanted to help.

We partnered with the Springfield Symphony to sponsor the transportation of residents from various facilities throughout our community to and from these performances. We're so proud of this partnership and the opportunity to support local seniors.

Crittenton Center

An often stressful task of being a parent or caregiver is finding safe and reliable childcare. Knowing that your child may spend as much, if not more, time in the care of someone else makes it even more stressful.

The Crittenton Center, in Sioux City, Iowa, is a childcare and preschool center that provides assistance to parents in need. In addition to providing basic childcare, the center also provides resources to parents and helps assess developmental milestones and learning readiness. To fit the schedules of working parents, The Crittenton Center offers evening childcare options, giving parents and caregivers peace of mind as they go to work or school.

Our donation, combined with other corporate donations, helped to purchase iPads and computers, sensory equipment for classrooms, and outdoor playground equipment. With the understanding that every child deserves a good start in life, we're honored to be a part of their journey.

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, P.C.

LARRY D. FRAZIER
Board Member; Retired – Springfield, 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

LEADERSHIP TEAM

JOSEPH W. TURNER
President and Chief Executive Officer

KELLY POLONUS
Chief Communications and Marketing Officer

JOHN BUGH
Chief Lending Officer

TAMMY BAURICHTER
Controller

DEBBIE FLOWERS
Director of Credit Risk Administration

MATT SNYDER
Chief Human Resources Officer

HENRY HEIMSOTH
Director of Commercial Lending

BRYAN TIEDE
Chief Risk Officer

KRIS CONLEY
Chief Retail Banking Officer

MARK MAPLES
Chief Operations Officer

REX COPELAND
Chief Financial Officer

ERIC JOHNSON
Chief Information Officer

KEVIN BAKER
Chief Credit Officer

JEFF PATRICK
Director of Physical Operations

SELECTED
FINANCIAL DATA

The following table sets forth selected consolidated financial information and other financial data of the Company. The summary statement of financial condition information and statement of income information are derived from our consolidated financial statements, which have been audited by BKD, LLP. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8. "Financial Statements and Supplementary Information" 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.

Summary Statement of Financial Condition Information:

(Dollars In Thousands)

	DECEMBER 31,				
	2021	2020	2019	2018	2017
Assets	$ 5,449,944	$ 5,526,420	$ 5,015,072	$ 4,676,200	$ 4,414,521
Loans receivable, net	4,016,235	4,314,584	4,163,224	3,990,651	3,734,505
Allowance for credit losses on loans	60,754	55,743	40,294	38,409	36,492
Available-for-sale securities	501,032	414,933	374,175	243,968	179,179
Other real estate and repossessions, net	2,087	1,877	5,525	8,440	22,002
Deposits	4,552,101	4,516,903	3,960,106	3,725,007	3,597,144
Total borrowings and other interest- bearing liabilities	238,713	339,863	412,374	397,594	324,097
Stockholders' equity (retained earnings substantially restricted)	616,752	629,741	603,066	531,977	471,662
Common stockholders' equity	616,752	629,741	603,066	531,977	471,662
Average loans receivable	4,274,176	4,399,259	4,155,780	3,910,819	3,814,560
Average total assets	5,502,356	5,323,426	4,855,007	4,503,326	4,460,196
Average deposits	4,539,740	4,330,271	3,889,910	3,556,240	3,598,579
Average stockholders' equity	627,516	622,437	571,637	498,508	455,704
Number of deposit accounts	229,942	229,470	228,247	227,240	230,456
Number of full-service offices	93	94	97	99	104

Summary Statement of Income Information:

(In Thousands)

	FOR THE YEAR ENDED DECEMBER 31,				
	2021	2020	2019	2018	2017
INTEREST INCOME:					
Loans	$ 186,269	$ 204,964	$ 223,047	$ 198,226	$ 176,654
Investment securities and other	12,404	12,739	11,947	7,723	6,407
	198,673	217,703	234,994	205,949	183,061
INTEREST EXPENSE:					
Deposits	13,102	32,431	45,570	27,957	20,595
Federal Home Loan Bank advances	—	—	—	3,985	1,516
Short-term borrowings and repurchase agreements	37	675	3,635	765	747
Subordinated debentures issued to capital trust	448	628	1,019	953	949
Subordinated notes	7,165	6,831	4,378	4,097	4,098
	20,752	40,565	54,602	37,757	27,905
Net interest income	177,921	177,138	180,392	168,192	155,156
Provision (credit) for credit losses on loans	(6,700)	15,871	6,150	7,150	9,100
Provision for unfunded commitments	939	—	—	—	—
Net interest income after provision (credit) for credit losses and provision for unfunded commitments	183,682	161,267	174,242	161,042	146,056
NONINTEREST INCOME:					
Commissions	1,263	892	889	1,137	1,041
Overdraft and insufficient funds fees	6,686	6,481	8,249	8,688	8,946
Point-of-sale and ATM fee income and service charges	15,029	12,203	12,649	13,007	12,682
Net gain on loan sales	9,463	8,089	2,607	1,788	3,150
Net realized gain (loss) on sales of available-for-sale securities	—	78	(62)	2	—
Late charges and fees on loans	1,434	1,419	1,432	1,622	2,231
Gain (loss) on derivative interest rate products	312	(264)	(104)	25	28
Gain recognized on sale of business units	—	—	—	7,414	—
Gain on termination of loss sharing agreements	—	—	—	—	7,705
Amortization of income/expense related to business acquisition	—	—	—	—	(486)
Other income	4,130	6,152	5,297	2,535	3,230
	38,317	35,050	30,957	36,218	38,527
NONINTEREST EXPENSE:					
Salaries and employee benefits	70,290	70,810	63,224	60,215	60,034
Net occupancy and equipment expense	29,163	27,582	26,217	25,628	24,613
Postage	3,164	3,069	3,198	3,348	3,461
Insurance	3,061	2,405	2,015	2,674	2,959
Advertising	3,072	2,631	2,808	2,460	2,311
Office supplies and printing	848	1,016	1,077	1,047	1,446
Telephone	3,458	3,794	3,580	3,272	3,188
Legal, audit and other professional fees	6,555	2,378	2,624	3,423	2,862
Expense on other real estate and repossessions	627	2,023	2,184	4,919	3,929
Acquired deposit intangible asset amortization	863	1,154	1,190	1,562	1,650
Other operating expenses	6,534	6,363	7,021	6,762	7,808
	127,635	123,225	115,138	115,310	114,261
Income before income taxes	94,364	73,092	90,061	81,950	70,322
Provision for income taxes	19,737	13,779	16,449	14,841	18,758
Net income and net income available to common shareholders	$ 74,627	$ 59,313	$ 73,612	$ 67,109	$ 51,564

(Number of shares in thousands)

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	2021	2020	2019	2018	2017
PER COMMON SHARE DATA:					
Basic earnings per common share	$ 5.50	$ 4.22	$ 5.18	$ 4.75	$ 3.67
Diluted earnings per common share	5.46	4.21	5.14	4.71	3.64
Cash dividends declared	1.40	2.36	2.07	1.20	0.94
Book value per common share	46.98	45.79	42.29	37.59	33.48
Average shares outstanding	13,558	14,043	14,201	14,132	14,032
Year-end actual shares outstanding	13,128	13,753	14,261	14,151	14,088
Average fully diluted shares outstanding	13,674	14,104	14,330	14,260	14,180
EARNINGS PERFORMANCE RATIOS:					
Return on average assets(1)	1.36%	1.11%	1.52%	1.49%	1.16%
Return on average stockholders' equity(2)	11.89	9.53	12.88	13.46	11.32
Non-interest income to average total assets	0.70	0.66	0.64	0.80	0.86
Non-interest expense to average total assets	2.32	2.31	2.37	2.56	2.56
Average interest rate spread(3)	3.22	3.23	3.62	3.75	3.59
Year-end interest rate spread	3.20	3.08	3.28	3.60	3.67
Net interest margin(4)	3.37	3.49	3.95	3.99	3.74
Efficiency ratio(5)	59.03	58.07	54.48	56.41	58.99
Net overhead ratio(6)	1.62	1.66	1.73	1.76	1.70
Common dividend pay-out ratio(7)	25.64	56.06	40.27	25.48	25.82
ASSET QUALITY RATIOS (8):					
Allowance for credit losses/year-end loans	1.49%	1.32%	1.00%	0.98%	1.01%
Non-performing assets/year-end loans and foreclosed assets	0.15	0.09	0.19	0.29	0.73
Allowance for credit losses/non-performing loans	1,120.31	1,831.86	891.66	609.67	324.23
Net charge-offs/average loans	0.00	0.01	0.10	0.13	0.26
Gross non-performing assets/year end assets	0.11	0.07	0.16	0.25	0.63
Non-performing loans/year-end loans	0.13	0.07	0.11	0.16	0.30
BALANCE SHEET RATIOS:					
Loans to deposits	88.23%	95.52%	105.13%	107.13%	103.82%
Average interest-earning assets as a percentage of average interest-bearing liabilities	139.94	132.49	127.50	126.47	123.74
CAPITAL RATIOS:					
Average common stockholders' equity to average assets	11.4%	11.7%	11.8%	11.1%	10.2%
Year-end tangible common stockholders' equity to tangible assets(9)	11.2	11.3	11.9	11.2	10.5
Great Southern Bancorp, Inc.:					
Tier 1 capital ratio	13.4	12.7	12.5	11.9	11.4
Total capital ratio	16.3	17.2	15.0	14.4	14.1
Tier 1 leverage ratio	11.3	10.9	11.8	11.7	10.9
Common equity Tier 1 ratio	12.9	12.2	12.0	11.4	10.9
Great Southern Bank:					
Tier 1 capital ratio	14.1	13.7	13.1	12.4	12.3
Total capital ratio	15.4	14.9	14.0	13.3	13.2
Tier 1 leverage ratio	11.9	11.8	12.3	12.2	11.7
Common equity Tier 1 ratio	14.1	13.7	13.1	12.4	12.3

(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) Prior to January 1, 2021, the ratio excluded the FDIC-assisted acquired loans.
(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.

2021

Financial Information

CONTENTS

22 Management's Discussion and Analysis of Financial Condition and Results of Operations

66 Report of Independent Registered Public Accounting Firm

69 Consolidated Statements of Financial Condition

71 Consolidated Statements of Income

73 Consolidated Statements of Comprehensive Income

74 Consolidated Statements of Stockholders' Equity

76 Consolidated Statements of Cash Flows

78 Notes to Consolidated Financial Statements

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 Great Southern Bancorp, Inc. (the “Company”) with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases “may,” “might,” “could,” “should,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “believe,” “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. Forward-looking statements also include, but are not limited to, statements regarding plans, objectives, expectations or consequences of announced transactions, known trends and statements about future performance, operations, products and services of the Company. The Company’s ability to predict results or the actual effects of future plans or strategies is inherently uncertain, and the Company’s actual results could differ materially from those contained in the forward-looking statements. The novel coronavirus disease, or COVID-19, pandemic has adversely affected the Company, its customers, counterparties, employees, and third-party service providers, and the ultimate extent of the impacts on the Company’s business, financial position, results of operations, liquidity, and prospects is uncertain. While general business and economic conditions have improved, increases in unemployment rates, or turbulence in domestic or global financial markets could adversely affect the Company’s revenues and the values of its assets and liabilities, reduce the availability of funding, lead to a tightening of credit, and further increase stock price volatility. In addition, changes to statutes, regulations, or regulatory policies or practices as a result of, or in response to, COVID-19, could affect the Company in substantial and unpredictable ways.

Other factors that could cause or contribute to such differences include, but are not limited to: (i) 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; (ii) changes in economic conditions, either nationally or in the Company's market areas; (iii) fluctuations in interest rates; (iv) the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses; (v) the possibility of realized or unrealized losses on securities held in the Company's investment portfolio; (vi) the Company's ability to access cost-effective funding; (vii) fluctuations in real estate values and both residential and commercial real estate market conditions; (viii) the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; (ix) 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; (x) legislative or regulatory changes that adversely affect the Company's business; (xi) changes in accounting policies and practices or accounting standards; (xiii) results of examinations of the Company and Great Southern Bank by their regulators, including the possibility that the regulators may, among other things, require the Company to limit its business activities, change its business mix, increase its allowance for credit 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; (xiv) costs and effects of litigation, including settlements and judgments; (xv) competition; (xvi) uncertainty regarding the future of LIBOR and potential replacement indexes; and (xvii) natural disasters, war, terrorist activities or civil unrest and their effects on economic and business environments in which the Company operates. 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 Credit Losses and Valuation of Foreclosed Assets

The Company believes that the determination of the allowance for credit losses involves a higher degree of judgment and complexity than its other significant accounting policies. The allowance for credit losses is calculated with the objective of maintaining an allowance level believed by management to be sufficient to absorb estimated credit losses. The allowance for credit losses is measured using an average historical loss model which incorporates relevant information about past events (including historical credit loss experience on loans with similar risk characteristics), current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral and repayment types and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily classified and/or TDR loans with a balance greater than or equal to $100,000 which are classified or restructured troubled debt, are evaluated on an individual basis.

For loans evaluated for credit losses on a collective basis, average historical loss rates are calculated for each pool using the Company's historical net charge-offs (combined charge-offs and recoveries by observable historical reporting period) and outstanding loan balances during a lookback period. Lookback periods can be different based on the individual pool and represent management's credit expectations for the pool of loans over the remaining contractual life. In certain loan pools, if the Company's own historical loss rate is not reflective of the loss expectations, the historical loss rate is augmented by industry and peer data. The calculated average net charge-off rate is then adjusted for current conditions and reasonable and supportable forecasts. These adjustments increase or decrease the average historical loss rate to reflect expectations of future losses given economic forecasts of key macroeconomic variables including, but not limited to, unemployment rate, GDP, disposable income and market volatility. The adjustments are based on results from various regression models projecting the impact of the macroeconomic variables to loss rates. The forecast is used for a reasonable and supportable period before reverting back to historical averages using a straight-line method. The forecast adjusted loss rate is applied to the amortized cost of loans over the remaining contractual lives, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals and modifications unless there is a reasonable expectation that a troubled debt restructuring will be executed. Additionally, the allowance for credit losses considers other qualitative factors not included in historical loss rates or macroeconomic forecast such as changes in portfolio composition, underwriting practices, or significant unique events or conditions.

For additional discussion of the allowance for credit losses, see "Item 1. Business - Allowance for Credit Losses and Foreclosed Assets" in the Company's 2021 Annual Report on Form 10-K. Inherent in this process is the evaluation of individual significant credit relationships. 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. Significant changes were made to management's overall methodology for evaluating the allowance for credit losses during the periods presented in the financial statements in this report due to the adoption of ASU 2016-13.

On January 1, 2021, the Company adopted the new accounting standard related to the Allowance for Credit Losses. For assets held at amortized cost basis, this standard eliminates the probable initial recognition threshold in GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. See *Note 3* of the accompanying audited financial statements for additional information.

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.

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, 2021, 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, 2021, 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 and related deposits in the St. Louis market. 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, 2021, the amortizable intangible assets consisted of core deposit intangibles of $685,000 which is related to the branch transaction in January 2016. 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 the Company's goodwill or other intangible assets were impaired as of December 31, 2021. While management believes no impairment existed at December 31, 2021, 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 credit 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 an economic downturn. Unemployment rose from 4.7% in November 2007 to peak at 10.0% in October 2009. Economic conditions improved in the following years, as indicated by higher consumer confidence levels, increased economic activity and low unemployment levels. The U.S. economy continued to operate at historically strong levels until the impact of the COVID 19 pandemic began to take its toll in March 2020. While U.S. economic trends have rebounded, new COVID variants have emerged and the severity and extent of the coronavirus on the global, national and regional economies is still uncertain. Any long-term impact on the performance of the financial sector remains indeterminable.

The economy plunged into recession in the first quarter of 2020, as efforts to contain the spread of the coronavirus forced all but essential business activity, or any work that could not be done from home, to stop, shuttering factories, restaurants, entertainment, sports events, retail shops, personal services, and more.

More than 22 million jobs were lost in March and April 2020 as businesses closed their doors or reduced their operations, sending employees home on furlough or layoffs. With uncertain incomes and limited buying opportunities, consumer spending plummeted. As a result, gross domestic product (GDP), the broadest measure of the nation's economic output, plunged. Since then, significant improvements in consumer spending, GDP, and employment have occurred, greatly supported by the actions described below.

The CARES Act, a fiscal relief bill passed by Congress in March 2020, injected approximately $3 trillion into the economy through direct payments to individuals and grants to small businesses that would keep employees on their payrolls, fueling a historic bounce-back in economic activity.

To help our customers navigate through the pandemic situation, we offered and supplied Paycheck Protection Program (PPP) loans and short-term modifications to loan terms. PPP loans and modifications were made in accordance with guidance from banking regulatory authorities. These modifications did not result in loans being classified as troubled debt restructurings, potential problem loans or non-performing loans. More severely impacted industries in our loan portfolio included retail, hotel and restaurants. At December 31, 2021, nearly all modified loans have returned to their original terms.

The Federal Reserve acted decisively, employing a wide arsenal of tools including slashing its benchmark interest rate to near zero and ensuring credit availability to businesses, households, and municipal governments. The Fed's efforts largely insulated the financial system from the problems in the economy, a significant difference from the financial crisis of 2007-2008. Purchases of Treasury and agency mortgage-backed securities totaling $120 billion each month by the Federal Reserve began shortly after the pandemic began. In November 2021, the Federal Reserve made the decision to taper its quantitative easing (QE) and is expected to steadily reduce its bond purchases in coming months, winding down its QE by March 2022. Additionally, Federal fund rates, which have been at zero lower bound since the pandemic began, are expected to increase in 2022. Financial markets are anticipating an aggressive increase in interest rates in 2022, with three to six hikes anticipated. Several factors prompting the Federal Reserve to possibly begin normalizing policy include: the strengthening economy, the recent surge in inflation, higher inflation expectations, upward trajectory of wages, reduced pandemic concerns and the strong housing market. However, the military hostilities in Ukraine have now created uncertainty regarding the world economy and the path of market interest rates, including the aggressiveness of Federal Reserve interest rate increases.

The "American Rescue Plan," an economic relief fiscal measure of approximately $1.9 trillion with an emphasis on vaccination and individual and small business relief, was passed early in 2021. The "Build Back Better" recovery package continues to be pursued with an emphasis on infrastructure, research and development, education and green energy transition.

Employment

The national unemployment rate dropped from 4.2% in November 2021 to 3.9% in December 2021 or with 6.3 million unemployed individuals, compared to February 2020, prior to the COVID-19 pandemic, at which time the unemployment rate was 3.5% and the unemployed persons numbered 5.7 million. The U.S. economy added 199,000 jobs in December 2021 down from 249,000 in November and was the smallest monthly gain during a year that nonetheless produced record job growth. Hiring slowed significantly at the end of 2021, indicating that employers are struggling to fill positions even as the United States remains millions of jobs short of pre-pandemic levels. Wages have continued to surge, rising 0.6% in December 2021 and 4.7% for the 2021 year, reflecting intense competition among employers for workers.

Across industries, the economic recovery remains uneven. Employment in the financial activities and transportation and warehousing sectors are now above pre-pandemic levels; however, employment in the leisure and hospitality industry, one of the largest major sectors in the country, continues to be more than 7% below where it was in February 2020. Most jobs in the leisure and hospitality industry cannot be done remotely, and many businesses closed or saw a sharp reduction in business at the onset of the health and economic crises.

As of December 2021, the labor force participation rate (the share of working-age Americans employed or actively looking for a job) was at 61.9% and has remained within a narrow range of 61.4% to 61.9% since September 2020. The unemployment rate for the Midwest, where the Company conducts most of its business, has decreased from 5.7% in December 2020 to 4.0% in December 2021. Unemployment rates for December 2021 in the states where the Company has branch or loan production offices were Arkansas at 3.1%, Colorado at 4.8%, Georgia at 2.6%, Illinois at 5.3%, Iowa at 3.5%, Kansas at 3.3%, Minnesota at 3.1%, Missouri at 3.3%, Nebraska at 1.7%, Oklahoma at 2.3%, and Texas at 5.0%. Of the metropolitan areas in which the Company does business, most are below the national unemployment rate of 3.9% for December 2021. Chicago has a higher unemployment rate of 4.3%, along with Denver at 4.2% at the end of December 2021.

Single Family Housing

Sales of new single-family homes in December 2021 were at a seasonally adjusted annual rate of 811,000, according to U.S. Census Bureau and Department of Housing and Urban Development estimates.

The median sales price of new houses sold in December 2021 was $377,700, up from $344,400 a year earlier, and the average sales price of $457,300 was up from $405,100 a year ago in December 2020. The inventory of new homes for sale, at an estimated 403,000

at the end of December 2021, would support a 6 months' supply at the current sales rate, up from 3.5 months at the end of December 2020.

The 2021 annual existing-home sales hit its highest level since 2006 with sales reaching a 6.18 million seasonally adjusted annual rate. December existing-home sales declined 4.6% from November 2021, after three consecutive months of increases. There were a record low of 910,000 previously owned homes on the market in December 2021, supporting 1.8 months' supply at the current sales rate.

The strongest home price appreciation recorded occurred in 2021, with the median existing-home sales price reaching $346,900, a gain of $50,200 compared to 2020. The December 2021 existing home sales price marks the 118th straight month of year-over-year increases, the longest running streak on record. Prices increased in every region of the U.S., with the Midwest showing an increase of 10% with prices increasing from $233,500 in December 2020 to $256,900 in December 2021.

Homes are being quickly snapped up as demand remains elevated. Currently it takes approximately 19 days for a home to go from listing to contract compared to 21 days a year ago. Underbuilding over the last 15 years and a shrinking inventory of existing homes for sale has led to a significant housing shortage. Existing home sales are expected to slow slightly in the coming months due to higher mortgage rates; however, recent employment gains and stricter underwriting standards should prevent home sales from crashing.

First-time buyers accounted for 30% of sales in December 2021, up from 28% of sales in September 2021 and down from 31% in December 2020.

According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 3.1% in December 2021, up slightly from 2.90% in September 2021. The average commitment rate for all of 2021 was 2.96%, down from 3.10% for 2020.

Multi-Family Housing and Commercial Real Estate

CoStar indicates demand for apartments totaled roughly 700,000 units for 2021, nearly matching full-year totals for both 2020 and 2019 with the national apartment vacancy rate to a two-decade low 4.7%. Both suburban and downtown areas are recording strong gains across a wide range of diverse markets. The use of concessions has come back down to normal levels, although many downtown properties continue to utilize them to attract tenants. With demand and rent growth indicators surging, investors have renewed confidence in the sector, and sales volume has returned to more normal levels. Values are back on the rise with investors gravitating toward Sun Belt markets and increased sales volume observed in metros like Dallas-Fort Worth, Atlanta, and Phoenix.

Our market areas reflected the following apartment vacancy levels as of December 31, 2021: Springfield, Missouri at 2.8%, St. Louis at 6.4%, Kansas City at 6.3%, Minneapolis at 6.0%, Tulsa, Oklahoma at 6.6%, Dallas-Fort Worth at 5.7%, Chicago at 5.6%, Atlanta at 5.8%, and Denver at 6.5%. Two of our market areas; Dallas-Fort Worth and Atlanta were in the top ten metropolitan areas for current construction and 2021 deliveries to market.

The national office market took a first step toward recovery in 2021, but uncertainty still looms over the sector. Even before the disruption caused by the COVID 19 pandemic, the trend of slowing growth in the office industry was expected to continue in 2020 and linger throughout 2021. Office-using employment has bounced back quicker than the average for all employment sectors, and more office jobs could lead to stronger office leasing. Leasing volume improved in the second half of 2021, and net absorption was positive in the third and fourth quarters of 2021. With more sublet options available, office-users have increasingly turned to sublet leases for their space needs. The amount of sublet space on the market has leveled off over the past few quarters, but still remains at a record high of 11% of total office space available, well above the pre-pandemic average of about 7%. Remote and hybrid work structures instituted early on in the pandemic are expected to remain in place, at least to an extent, and it is likely that office-using companies will continue to reassess their physical footprints as their leases roll over. On a positive note, many office-using firms have committed to large physical space expansions, despite delaying return-to-office mandates. But even in an upside scenario, it will likely take years for the office market to work through all of the sublet and backfill space that's come on the market over the past few quarters, and uncertainty regarding the prevalence of remote and flex work arrangements will influence the office sector in the near term.

As of the end of December 2021, national office vacancy rates remain about the same at 12.2% quarter-over-quarter while our market areas reflected the following vacancy levels: Springfield, Missouri at 3.3%, St. Louis at 8.7%, Kansas City at 9.4%, Minneapolis at 9.9%, Tulsa, Oklahoma at 12.0%, Dallas-Fort Worth at 17.7%, Chicago at 15.4%, Atlanta at 14% and Denver at 14.4%.

The retail sector enjoyed a pronounced rebound in 2021. Fiscal support provided by the U.S. government throughout the pandemic provided consumers with trillions of extra dollars, while a tightening labor market and historical level of job openings have supported relatively robust wage growth, especially at the lower end of the income ladder. With additional funds at their disposal, American consumers pushed brick and mortar retail sales to record levels in 2021.

Underpinning the strong retail environment has been a return to stores by many consumers as vaccination rates have grown and operations have normalized. Shopper foot traffic has returned to pre-pandemic levels at many open-air and lifestyle centers, while a majority of national retailers are reporting higher same-store sales relative to pre-pandemic levels. In addition, the number of retailers filing for bankruptcies has declined to a five-year low, while openings outpaced closures in 2021 for the first time since 2014.

Leasing activity accelerated back to pre-pandemic levels in 2021. While activity continues to be dominated by discounters, grocers, and apparel retailers, numerous fitness tenants increased leasing activity during the quarter, including Planet Fitness and Crunch Fitness, which were both among the top-ten tenants in the nation for new retail space signed for in 2021.

At December 31, 2021, national retail vacancy rates remained level at 4.6% while our market areas reflected the following vacancy levels: Springfield, Missouri at 3.2%, St. Louis at 6.0%, Kansas City at 5.1%, Minneapolis at 3.4%, Tulsa, Oklahoma at 3.7%, Dallas-Fort Worth at 5.4%, Chicago at 6.0%, Atlanta at 4.4% and Denver at 4.6%.

American consumers are in the midst of a historic boom in household spending on retail goods (both online and in stores). Consumers are flush with cash from stimulus checks and savings accrued while social distancing. The unprecedented rise in online shopping and quick delivery demands brought on by the pandemic have propelled industrial demand to all-time highs.

The U.S. industrial market will face a record level of new logistics facilities delivering from late 2021 through 2022, but all indications are that tenants will be up to the task of filling them. Strong demand from a wide variety of business types and segments was enough to offset new supply and decreased vacancy rates. Persistent demand from e-commerce and third-party logistics (3PLs) companies continues to drive demand.

Major markets across the country have seen record jumps in tenant demand that some metropolitan areas can barely accommodate. As a result, the fastest accelerations in industrial leasing are being recorded in smaller markets with open land for development that typically catch spillover demand from nearby population centers where developers are unable to build space fast enough.

Today's strong labor market and the $4 trillion in savings that U.S. households accrued during the pandemic should still support the record levels of goods spending and industrial leasing during 2022–23, particularly if lingering health risks from the pandemic continue to boost e-commerce's share of total consumer spending. Investors continue to aggressively pursue industrial acquisitions; with longer-term risk revolves around whether speculative development continues to increase as retail sales normalize. Additionally, land constraints and localized opposition to new construction may keep construction levels from rising much further in many top U.S. markets.

At December 31, 2021, national industrial vacancy rates sit at a record low of 4.2% while our market areas reflected the following vacancy levels: Springfield, Missouri at 1.7%, St. Louis at 3.3%, Kansas City at 4.3%, Minneapolis at 3.3%, Tulsa, Oklahoma at 3.2%, Dallas-Fort Worth at 5.4%, Chicago at 5.2%, Atlanta at 3.4% and Denver at 5.6%.

Our management will continue to monitor regional, national, and global economic indicators such as unemployment, GDP, housing starts and prices, commercial real estate occupancy, absorption and rental rates, as these could significantly affect customers in each of our market areas.

COVID-19 Impact to Our Business and Response

Great Southern is actively monitoring and responding to the effects of the COVID-19 pandemic, including the administration of vaccines in our local markets. As always, the health, safety and well-being of our customers, associates and communities, while maintaining uninterrupted service, are the Company's top priorities. Centers for Disease Control and Prevention (CDC) guidelines, as well as directives from federal, state and local officials, are being closely followed to make informed operational decisions.

The Company continues to work diligently with its more than 1,100 associates to enforce the most current health, hygiene and social distancing practices. Initially, teams in nearly every operational department were split, with part of each team working at an off-site disaster recovery facility to promote social distancing and to avoid service disruptions. To date, there have been no service disruptions

or reductions in staffing. With the advent of COVID-19 vaccinations in the Company's markets, associates working from home or other sites began to return to their normal workplace during the fourth quarter of 2021.

As always, customers can conduct their banking business using the banking center network, online and mobile banking services, ATMs, Telephone Banking, and online account opening services. As health conditions in local markets dictate, Great Southern banking center lobbies are open following social distancing and health protocols. Great Southern continues to work with customers experiencing hardships caused by the pandemic. As a resource to customers, a COVID-19 information center continues to be available on the Company's website, www.GreatSouthernBank.com. General information about the Company's pandemic response, how to receive assistance, and how to avoid COVID-19 scams and fraud are included.

Impacts to Our Business Going Forward: The magnitude of the impact on the Company of the COVID-19 pandemic continues to evolve and will ultimately depend on the remaining length and severity of the economic downturn brought on by the pandemic. Some positive economic signs have occurred in 2021 and early 2022, such as lower unemployment rates, improving gross domestic product ("GDP") levels and other measures of the economy and increased vaccination rates. The Company expects that the COVID-19 pandemic could still impact our business in one or more of the following ways, among others. Each of these factors could, individually or collectively, result in reduced net income in future periods.

- Consistently low market interest rates for a significant period of time may have a negative impact on our variable and fixed rate loans, resulting in reduced net interest income
- Certain fees for deposit and loan products may be waived or reduced
- Non-interest expenses may increase as we continue to deal with the effects of the COVID-19 pandemic, including cleaning costs, supplies, equipment and other items
- Banking center lobbies have been closed at various times, and may close again in future periods if the pandemic situation worsens again
- Additional loan modifications may occur and borrowers may default on their loans, which may necessitate further increases to the allowance for credit losses
- A contraction in economic activity may reduce demand for our loans and for our other products and services

Paycheck Protection Program Loans

Great Southern has actively participated in the PPP through the SBA. The PPP has been met with very high demand throughout the country, resulting in a second round of funding in 2021 through an amendment to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In the first round of the PPP, we originated approximately 1,600 PPP loans, totaling approximately $121 million. As of December 31, 2021, SBA forgiveness has been approved and processed for all of these PPP loans.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act authorized the reopening of the PPP for eligible first-draw and second-draw borrowers which began on January 19, 2021, and had an original expiration date of March 31, 2021. On March 30, 2021, the PPP Extension Act of 2021 was signed, extending the PPP an additional two months to May 31, 2021, along with an additional 30-day period for the SBA to process applications that were still pending as of May 31, 2021. In the second round of the PPP, we funded approximately 1,650 PPP loans, totaling approximately $58 million. As of December 31, 2021, full forgiveness proceeds have been received from the SBA for 1,415 of these PPP loans, totaling approximately $48 million.

Great Southern received fees from the SBA for originating PPP loans based on the amount of each loan. At December 31, 2021, remaining net deferred fees related to PPP loans totaled $504,000. The fees, net of origination costs, are deferred in accordance with standard accounting practices and accreted to interest income on loans over the contractual life of each loan. These loans generally have a contractual maturity of up to five years from origination date, but may be repaid or forgiven (by the SBA) sooner. If these loans are repaid or forgiven prior to their contractual maturity date, the remaining deferred fee for such loans will be accreted to interest income immediately. We expect a significant portion of these remaining net deferred fees will accrete to interest income during the first quarter of 2022. In the three months and year ended December 31, 2021, Great Southern recorded approximately $1.6 million and $5.5 million, respectively, of net deferred fees in interest income on PPP loans.

Loan Modifications

At December 31, 2021, the Company had no remaining modified commercial loans and eight modified consumer and mortgage loans with an aggregate principal balance outstanding of $1.2 million. These balances have decreased from $232.4 million in commercial loans and $18.2 million in consumer and mortgage loans at December 31, 2020. The loan modifications were within the guidance

provided by the CARES Act, the federal banking regulatory agencies, the Securities and Exchange Commission and the Financial Accounting Standards Board (FASB); therefore, they have not been considered troubled debt restructurings.

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 credit 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, 2021, Great Southern's total assets decreased $76.5 million, or 1.4%, from $5.53 billion at December 31, 2020, to $5.45 billion at December 31, 2021. Full details of the current year changes in total assets are provided below, under "Comparison of Financial Condition at December 31, 2021 and December 31, 2020."

Loans. In the year ended December 31, 2021, Great Southern's net loans decreased $289.3 million, or 6.7%, from $4.30 billion at December 31, 2020, to $4.01 billion at December 31, 2021. This decrease was primarily in other residential (multi-family) loans, commercial real estate loans, commercial business loans and consumer auto loans. These decreases were partially offset by increases in construction 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 average level of growth achieved in prior years. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels.

Recent growth has occurred in some loan types, primarily in one- to four-family residential loans and construction 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 locations where it has loan production offices, including Atlanta, Chicago, Dallas, Denver, Omaha 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, other than home equity 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. In 2019, the Company made the decision to discontinue indirect auto loan originations.

Of the total loan portfolio at December 31, 2021 and 2020, 88.1% and 87.0%, respectively, was secured by real estate, as this is the Bank's primary focus in its lending efforts. At December 31, 2021 and 2020, commercial real estate and commercial construction loans were 52.6% and 48.4% of the Bank's total loan portfolio, 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 both December 31, 2021 and 2020, loans made in the Springfield, Missouri metropolitan statistical area (Springfield MSA) comprised 8% of the Bank's total loan portfolio. 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. At both December 31, 2021 and 2020, loans made in the St. Louis metropolitan statistical area (St. Louis MSA) comprised 19% of the Bank's total loan portfolio. The Company's expansion into the St. Louis MSA beginning in May 2009 has provided an opportunity to not only diversify 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 other residential (multi-family) 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 2021 Annual Report on Form 10-K.

The percentage of fixed-rate loans in our loan portfolio has been as much as 45% in recent years and was 39% as of December 31, 2021. The majority of the increase in fixed rate loans over the past few years was in commercial real estate, which typically has short durations within our portfolio. Of the total amount of fixed rate loans in our portfolio as of December 31, 2021, approximately 75% mature within the next 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, 2021, our interest rate risk models indicated a one-year interest rate earnings sensitivity position that is moderately positive in an increasing rate 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, 2021, 0.3% of our owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination. At December 31, 2020, none of our owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination. At December 31, 2021 and 2020, an estimated 0.2% and 0.6%, respectively, of total non-owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination.

At December 31, 2021, troubled debt restructurings totaled $3.9 million, or 0.1% of total loans, a decrease of $1.1 million from $5.0 million, or 0.1% of total loans, at December 31, 2020. 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. For troubled debt restructurings occurring during the year ended December 31, 2021, one loan totaling $45,000 was restructured into multiple new loans. For troubled debt restructurings occurring during the year ended December 31, 2020, five loans totaling $107,000 were restructured into multiple new loans. For further information on troubled debt restructurings, see *Note 3* of the accompanying audited financial statements. In accordance with the CARES Act and guidance from the banking regulatory agencies, we made certain short-term modifications to loan terms to help our customers navigate through the current pandemic situation. Although loan modifications were made, they did not result in these loans being classified as troubled debt restructurings, potential problem loans or non-performing loans. As of December 31, 2021, $1.2 million of residential and consumer loans were subject to such modifications and no commercial loans were subject to such modifications. If more severe lengthier negative impacts of the COVID-19 pandemic occur or the effects of the SBA loan programs and other loan and stimulus programs do not enable companies and individuals to completely recover financially, this could result in longer-term modifications, which may be deemed to be troubled debt restructurings, additional potential problem loans and/or additional non-performing loans.

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, 2021, available-for-sale securities increased $86.1 million, or 20.8%, from $414.9 million at December 31, 2020, to $501.0 million at December 31, 2021. The increase was primarily due to the purchase of FNMA and GNMA fixed-rate multi-family or single-family mortgage-backed securities and FNMA and GNMA fixed rate collateralized mortgage obligation securities, partially offset by 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, 2021, total deposit balances increased $35.2 million, or 0.8%. Transaction account balances increased $464.9 million and retail certificates of deposit decreased $338.4 million compared to December 31, 2020. The increase in transaction accounts were primarily a result of increased balances in non-interest accounts, money market deposit accounts and certain NOW account types. Retail certificates of deposit decreased due to decreases in national CDs initiated through internet channels and retail certificates generated through the banking center network. CDs initiated through internet channels experienced a planned decrease due to increases in overall liquidity levels and in order to reduce the Company's cost of funds. Brokered deposits, including IntraFi program purchased funds, were $67.4 million at December 31, 2021, a decrease of $91.3 million from $158.7 million at December 31, 2020. The brokered deposits were allowed to mature without replacement as other deposit categories increased.

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 attract more deposits 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. It also gives us greater flexibility in increasing or decreasing the duration of our funding. 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.

Securities sold under reverse repurchase agreements with customers. Securities sold under reverse repurchase agreements with customers decreased $27.1 million from $164.2 million at December 31, 2020 to $137.1 million at December 31, 2021. These balances fluctuate over time based on customer demand for this product.

Federal Home Loan Bank Advances and Short Term Borrowings. The Company's FHLBank term advances were $-0- at both December 31, 2021 and December 31, 2020. At both December 31, 2021 and December 31, 2020, there also were no overnight borrowings from the FHLBank.

Short term borrowings and other interest-bearing liabilities increased $321,000 from $1.5 million at December 31, 2020 to $1.8 million at December 31, 2021. The short term borrowings included no overnight FHLBank borrowings at December 31, 2021 or December 31, 2020. The Company may utilize both overnight borrowings and short-term FHLBank advances depending on relative interest rates.

Subordinated notes. Subordinated notes decreased $74.4 million from $148.4 million at December 31, 2020 to $74.0 million at December 31, 2021. The Company redeemed $75.0 million of its outstanding subordinated notes at par in August 2021.

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, prior to 2021, our net interest income has been 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 has been on-going and increases in cash flow expectations have been recognized as increases in accretable yield through interest income. Decreases in cash flow expectations have been recognized as impairments through the allowance for credit losses. These accretable yield adjustments no longer occur subsequent to 2020.

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 FRB had last changed interest rates on December 16, 2008. This was the first rate increase since

September 29, 2006. The FRB also implemented rate change increases of 0.25% on eight additional occasions beginning December 14, 2016 and through December 31, 2018, with the Federal Funds rate reaching as high as 2.50%. After December 2018, the FRB paused its rate increases and, in July, September and October 2019, implemented rate change decreases of 0.25% on each of those occasions. At December 31, 2019, the Federal Funds rate stood at 1.75%. In response to the COVID-19 pandemic, the FRB decreased interest rates on two occasions in March 2020, a 0.50% decrease on March 3 and a 1.00% decrease on March 16. At December 31, 2021, the Federal Funds rate stood at 0.25%. Financial markets are anticipating an aggressive increase in interest rates in 2022, with three to six hikes anticipated. A substantial portion of Great Southern's loan portfolio ($1.43 billion at December 31, 2021) is tied to the one-month or three-month LIBOR index and will be subject to adjustment at least once within 90 days after December 31, 2021. Of these loans, $1.42 billion had interest rate floors. Great Southern also has a portfolio of loans ($598 million at December 31, 2021) tied to a "prime rate" of interest and will adjust at least once within 90 days after December 31, 2021. Of these loans, $592 million had interest rate floors at various rates. At December 31, 2021, $1.2 billion in LIBOR and "prime rate" loans were at their floor rate. If interest rates were to increase 25 basis points, loans of $360.7 million would move above their floor rate. If interest rates were to increase 50 basis points, an additional $285.1 million in loans would move above their floor rate.

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 tied to the one-month or three-month LIBOR index or the "prime rate" index and will be subject to adjustment at least once within 90 days or loans which generally adjust immediately as the Federal Funds rate adjusts. Interest rate floors may at least partially mitigate the negative impact of interest rate decreases. 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 again very low, there may also be a negative impact on the Company's net interest income due to the Company's inability to significantly lower its funding costs in the current competitive rate environment, although interest rates on assets may decline further. Conversely, interest rate increases would normally result in increased interest rates on our LIBOR-based and prime-based loans.

As of December 31, 2021, 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 are expected to 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 significantly affected either positively or negatively in the first twelve months following relatively minor changes in interest rates because our portfolios are relatively well matched in a twelve-month horizon. In a situation where market interest rates increase significantly in a short period of time, our net interest margin increase may be more pronounced in the very near term (first one to three months), due to fairly rapid increases in LIBOR interest rates and "prime" interest rates. In a situation where market interest rates decrease significantly in a short period of time, as they did in March 2020, our net interest margin decrease may be more pronounced in the very near term (first one to three months), due to fairly rapid decreases in LIBOR interest rates and "prime" interest rates. In the subsequent months we expect that the net interest margin would stabilize and begin to improve, as renewal interest rates on maturing time deposits are expected to decrease compared to the current rates paid on those products. During 2020, we did experience some compression of our net interest margin percentage due to 2.25% of Federal Fund rate cuts during the nine month period of July 2019 through March 2020. Margin compression primarily resulted from changes in the asset mix, mainly the addition of lower-yielding assets and the issuance of subordinated notes during 2020 and the net interest margin remained lower than our historical average in 2021. LIBOR interest rates decreased in 2020 and remained very low in 2021, putting pressure on loan yields, and strong pricing competition for loans and deposits remains in most of our markets. 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, late charges and prepayment fees on loans, gains on sales of loans and available-for-sale investments and other general operating income. 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, 2021 and 2020."

Business Initiatives

In 2021 and continuing into 2022, Great Southern is actively monitoring and responding to the effects of the evolving COVID-19 pandemic. As always, the health, safety and well-being of our customers, associates and communities while maintaining uninterrupted

service are the Company's top priorities. Please see "COVID-19 Impact to Our Business and Response" and "Paycheck Protection Program Loans" above for further information, including the Company's participation in the SBA's PPP for small businesses.

The Company's 93 banking centers and its loan production offices are consistently reviewed to measure performance and to ensure responsiveness to changing customer needs and preferences. As such, the Company may open banking centers and loan production offices and invest resources where customer demand leads, and from time to time, consolidate banking centers or even exit markets when conditions dictate.

Several banking center changes were initiated in 2021 and are planned for 2022:

- In September 2021 in the Joplin, Missouri, market, the Company opened a new banking center at 2801 E. 32nd Street, replacing a nearby leased office. The new office provides customers more convenient access and has a fresh, modern design facilitating an enhanced customer experience. The Company currently has two banking centers serving the Joplin market.

- After a thorough evaluation, in November 2021, the Company consolidated one banking center in the St. Louis region. The Westfall Plaza banking center located at 8013 W. Florissant was consolidated into a nearby Great Southern office at 10385 W. Florissant, less than three miles away. The Company operates 18 banking centers in the greater St. Louis area.

- During 2022, the banking center in Kimberling City, Missouri, will be replaced with a newly constructed building on the same property at 14309 Highway 13. Customers will be served in a temporary building on the property during construction. The new office is expected to open in the fourth quarter of 2022. Including this office, the Company operates three banking centers in the Branson Tri-Lakes area of southwest Missouri.

Other corporate initiatives occurred in 2021 or are planned in 2022:

- Great Southern Bank was recognized as part of Forbes' annual list of the World's Best Banks 2021. The Bank was ranked first in the list of best banks in the United States. The study involved asking 43,000 bank customers from 28 countries to rate banks they are involved with on general satisfaction and key attributes like trust, terms and conditions, customer services, digital services and financial advice. Some 500 banks around the world were featured on the list and can be viewed on the Forbes website.

- In August 2021, the Company redeemed all of its outstanding 5.25% Fixed-to-Floating Rate Subordinated Notes (due August 15, 2026) having an aggregate principal amount of $75 million, in accordance with the terms of the Subordinated Notes. The Company used excess cash on hand for the redemption payment.

- During 2021, a consulting firm was engaged to support the Company in its evaluation of core and ancillary software and information technology systems. The Company's core systems software is provided by third parties. The consultant's support included assisting the Company in identifying various software options, helping identify positive and negative attributes of those software options and assisting in negotiating contract terms and pricing. In December 2021, the Company entered into a new multi-year contract for these core and ancillary software services, which are expected to commence in late 2023.

- Two long-term executive team members retired from the Company in 2021. Both announced their retirements at least a year in advance to ensure an orderly leadership transition.

  Chief Operating Officer Doug Marrs retired from the Company in July 2021. Mr. Marrs joined Great Southern in 1996, with his banking career spanning 43 years. His successor, Mark Maples, is a banking veteran with 39 years of banking experience, 16 years of which have been with Great Southern.

  Chief Information Officer Linton J. Thomason retired at the end of 2021. With more than 40 years in the banking industry, Mr. Thomason joined Great Southern in 1997. His successor, Eric Johnson, joined Great Southern in 2008 and has held various managerial roles related to the Company's information technology and data security. Prior to joining Great Southern, Mr. Johnson worked for 12 years in information technology at a regional healthcare provider.

- In January 2022, the Company's Board of Directors authorized the purchase of an additional one million shares of the Company's common stock, resulting in a total of nearly 1.2 million shares available in the stock repurchase authorization at that time.

- Commercial loan production offices (LPOs) continue to play a significant role in developing the commercial loan portfolio. In February 2022, the Company opened a commercial loan production office in Phoenix. Two local, highly experienced commercial lenders were hired to develop commercial lending relationships in the Phoenix market area. The Phoenix office represents the Company's seventh LPO. Other LPOs are located in Atlanta, Chicago, Dallas, Denver, Omaha, Nebraska, and Tulsa, Oklahoma.

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.

Dodd-Frank Act. In 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 implemented far-reaching changes across the financial regulatory landscape. Certain aspects of the Dodd-Frank Act have been affected by the more recently enacted Economic Growth Act, as defined and discussed below under "-Economic Growth Act."

Capital Rules. The federal banking agencies have adopted regulatory capital rules that substantially amend the risk-based capital rules applicable to the Bank and the Company. The 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 rules was January 1, 2015, and, for certain provisions, various phase-in periods and later effective dates apply. The chief features of these rules are summarized below.

The 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 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 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 increased an equal amount each year until the buffer requirement of greater than 2.5% of risk-weighted assets became fully implemented on January 1, 2019.

Effective January 1, 2015, these 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 revised 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.

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

The Economic Growth Act, among other matters, expands the definition of qualified mortgages which may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than $10 billion by instructing the federal banking regulators to establish a single "Community Bank Leverage Ratio" of between 8 and 10 percent. Any qualifying depository institution or its holding company that exceeds the "Community Bank Leverage Ratio" will be considered to have met generally applicable leverage and risk-based regulatory capital requirements and any qualifying depository institution that exceeds the new ratio will be considered "well-capitalized" under the prompt corrective action rules. Effective January 1, 2020, the Community Bank Leverage Ratio was 9.0%. In April 2020, pursuant to the CARES Act, the federal bank regulatory agencies announced the issuance of two interim final rules, effective immediately, to provide temporary relief to community banking organizations. Under the interim final rules, the Community Bank Leverage Ratio requirement is a minimum of 8.5% for calendar year 2021, and 9% thereafter. The Company and the Bank have chosen to not utilize the new Community Bank

Leverage Ratio due to the Company's size and complexity, including its commercial real estate and construction lending concentrations and significant off-balance sheet funding commitments.

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

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, 2021 and December 31, 2020

During the year ended December 31, 2021, total assets decreased by $76.5 million to $5.45 billion. The decrease was primarily attributable to decreases in loans receivable, partially offset by increases in cash and cash equivalents and available-for-sale securities.

Cash and cash equivalents were $717.3 million at December 31, 2021, an increase of $153.6 million, or 27.2%, from $563.7 million at December 31, 2020. During 2021, the increase was primarily related to excess funds held at the Federal Reserve Bank. The additional funds were primarily the result of increases in net loan repayments throughout 2021.

The Company's available for sale securities increased $86.1 million, or 20.8%, compared to December 31, 2020. The increase was primarily due to the purchase of FNMA and GNMA fixed-rate multi-family and single-family mortgage-backed securities and agency collateralized mortgage obligation securities, partially offset by calls of municipal securities and normal monthly payments received related to the portfolio of mortgage-backed securities. The available-for-sale securities portfolio was 9.2% and 7.5% of total assets at December 31, 2021 and 2020, respectively.

Net loans decreased $289.3 million from December 31, 2020, to $4.01 billion at December 31, 2021. Decreases primarily occurred in other residential (multi-family) loans, commercial real estate loans, commercial business loans and consumer auto loans. Other residential (multi-family) loans decreased $307.4 million, or 30.8%, commercial real estate loans decreased $82.7 million, or 5.4%, commercial business loans decreased $39.4 million, or 12.4%, and consumer auto loans decreased $37.3 million, or 43.2%. Partially offsetting the decreases in these loans was an increase of $156.0 million, or 27.7%, in construction loans and an increase of $53.7 million, or 9.2%, in one- to four-family residential loans. In 2021, we experience significant early payoffs of multi-family loans and commercial real estate loans. We also received repayment of a large portion of our PPP loans. Construction loans increased as new loans were originated and draws were made on existing loans in 2021. A large portion of these construction loans were for multi-family projects.

Other real estate owned and repossessions were $2.1 million at December 31, 2021, an increase of $210,000, or 11.2%, from $1.9 million at December 31, 2020. The increase was primarily due to the addition of properties which were not acquired through foreclosure during the period, partially offset by sales of other real estate properties, and is discussed in more detail in the *Non-performing Assets* section below.

Total liabilities decreased $63.5 million from $4.90 billion at December 31, 2020 to $4.83 billion at December 31, 2021. The decrease was primarily attributable to the redemption of subordinated notes during 2021.

Total deposits increased $35.2 million, or 0.8%, from $4.52 billion at December 31, 2020 to $4.55 billion at December 31, 2021. Transaction account balances increased $464.9 million compared to December 31, 2020. Non-interest-bearing checking account balances increased $225.0 million and interest-bearing transaction accounts increased $239.9 million. The increase in transaction accounts were primarily a result of increased money market deposit accounts and certain NOW account types. Customer retail certificates initiated through our banking center network decreased by $140.4 million during the year ended December 31, 2021. Market interest rates declined on both transaction accounts and retail time deposits. In many cases, customers chose to move funds from time deposit accounts to interest-bearing transaction accounts to retain flexibility with their funds and because time deposit rates were low. Customer retail certificates initiated through our internet channel network decreased by $200.3 million during the year ended December 31, 2021. These deposits were less attractive to retain as other deposit categories' balances increased in 2021. Brokered deposits were $67.4 million at December 31, 2021, a decrease of $91.3 million from $158.7 million at December 31, 2020. In both 2020 and 2021, the brokered deposits were allowed to mature without replacement as other deposit categories increased.

The Company's Federal Home Loan Bank advances were $-0- at both December 31, 2021 and 2020. At December 31, 2021 and 2020, there were no borrowings from the FHLBank. The Company may utilize both overnight borrowings and short-term FHLBank advances depending on relative interest rates.

Short term borrowings and other interest-bearing liabilities increased $321,000 from $1.5 million at December 31, 2020 to $1.8 million at December 31, 2021. The short term borrowings included no overnight FHLBank borrowings at December 31, 2021 and 2020.

Securities sold under reverse repurchase agreements with customers decreased $27.1 million, or 16.5%, from $164.2 million at December 31, 2020 to $137.1 million at December 31, 2021. These balances fluctuate over time based on customer demand for this product.

Total stockholders' equity decreased $13.0 million, from $629.7 million at December 31, 2020 to $616.8 million at December 31, 2021. The Company recorded net income of $74.6 million for the year ended December 31, 2021. In addition, total stockholders' equity increased $4.9 million due to stock option exercises. Total stockholders' equity decreased $39.1 million due to repurchases of the Company's common stock. Accumulated other comprehensive income decreased $20.4 million due to decreases in the fair value of available-for-sale investment securities and the fair value of cash flow hedges. Dividends declared on common stock, which decreased total stockholders' equity, were $18.9 million. In addition, the initial adoption of the CECL accounting standard for credit losses on January 1, 2021, resulted in a decrease in stockholders' equity of $14.2 million.

Results of Operations and Comparison for the Years Ended December 31, 2021 and 2020

General

Net income increased $15.3 million, or 25.8%, during the year ended December 31, 2021, compared to the year ended December 31, 2020. Net income and net income available to common shareholders was $74.6 million for the year ended December 31, 2021 compared to $59.3 million for the year ended December 31, 2020. This increase was due to a decrease in provision (credit) for credit losses and unfunded commitments of $21.6 million, or 136.3%, an increase in non-interest income of $3.3 million, or 9.3%, and an increase in net interest income of $783,000, or 0.4%, partially offset by an increase in income tax expenses of $6.0 million, or 43.2%, and an increase in non-interest expenses of $4.4 million, or 3.6%.

Total Interest Income

Total interest income decreased $19.0 million, or 8.7%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease was due to an $18.7 million, or 9.1%, decrease in interest income on loans and a $335,000, or 2.6%, decrease in interest income on investment securities and other interest-earning assets. Interest income on loans decreased in 2021 compared to 2020 due to lower average rates of interest and lower average balances of loans. Interest income from investment securities and other interest-earning assets decreased during 2021 compared to 2020 due to lower average rates of interest, partially offset by higher average balances of investments and other interest-earning assets.

Interest Income – Loans

During the year ended December 31, 2021 compared to the year ended December 31, 2020, interest income on loans decreased due to lower average balances and lower average interest rates. Interest income decreased $13.0 million as the result of lower average interest rates on loans. The average yield on loans decreased from 4.66% during the year ended December 31, 2020 to 4.36% during the year ended December 31, 2021. The decreased yields in most loan categories were primarily a result of decreased LIBOR and Federal Funds interest rates. In addition, interest income on loans decreased $5.7 million as a result of lower average loan balances, which decreased from $4.40 billion during the year ended December 31, 2020, to $4.27 billion during the year ended December 31, 2021. The lower average balances were primarily due to higher loan repayments during 2021. In 2020, the Company also originated $121 million of PPP loans, which have a much lower yield compared to the overall loan portfolio. These loans were largely repaid during 2021, contributing to the lower average balance in loans.

On an on-going basis, the Company has estimated the cash flows expected to be collected from the FDIC-assisted 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 entire amount of the discount adjustment has been and will be accreted to interest

income over time. For the years ended December 31, 2021 and 2020, the adjustments increased interest income and pre-tax income by $1.6 million and $5.6 million, respectively.

As of December 31, 2021, the remaining accretable yield adjustment that will affect interest income was $429,000. We expect to recognize the remaining $429,000 of interest income during 2022. We adopted the new accounting standard related to accounting for credit losses as of January 1, 2021. With the adoption of this standard, there is no reclassification of discounts from non-accretable to accretable subsequent to December 31, 2020. All adjustments made prior to December 31, 2020 will continue to be accreted to interest income. Apart from the yield accretion, the average yield on loans was 4.32% during the year ended December 31, 2021, compared to 4.53% during the year ended December 31, 2020, as a result of lower current market rates on adjustable rate loans and new loans originated during the year.

In October 2018, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap was $400 million with a termination date of October 6, 2025. Under the terms of the swap, the Company received a fixed rate of interest of 3.018% and paid a floating rate of interest equal to one-month USD-LIBOR. The floating rate was reset monthly and net settlements of interest due to/from the counterparty also occurred monthly. To the extent that the fixed rate of interest exceeded one-month USD-LIBOR, the Company received net interest settlements which were recorded as loan interest income. If USD-LIBOR exceeded the fixed rate of interest, the Company was required to pay net settlements to the counterparty and record those net payments as a reduction of interest income on loans.

In March 2020, the Company and its swap counterparty mutually agreed to terminate the $400 million interest rate swap prior to its contractual maturity. The Company received a payment of $45.9 million from its swap counterparty as a result of this termination. This $45.9 million, less the accrued interest portion and net of deferred income taxes, is reflected in the Company's stockholders' equity as Accumulated Other Comprehensive Income and a portion of it will be accreted to interest income on loans monthly through the original contractual termination date of October 6, 2025. This has the effect of reducing Accumulated Other Comprehensive Income and increasing Net Interest Income and Retained Earnings over the period. The Company recorded loan interest income of $8.1 million and $7.7 million during the years ending December 31, 2021 and 2020, respectively, related to this interest rate swap. The Company currently expects to have a sufficient amount of eligible variable rate loans to continue to accrete this interest income in future periods. If this expectation changes and the amount of eligible variable rate loans decreases significantly, the Company may be required to recognize this interest income more rapidly.

In February 2022, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap is $300 million with an effective date of March 1, 2022 and a termination date of March 1, 2024. Under the terms of the swap, the Company will receive a fixed rate of interest of 1.6725% and will pay a floating rate of interest equal to one-month USD-LIBOR. The floating rate will be reset monthly and net settlements of interest due to/from the counterparty will also occur monthly. The initial floating rate of interest was set at 0.24143%. Therefore, in the near term, the Company will receive net interest settlements which will be recorded as loan interest income, to the extent that the fixed rate of interest continues to exceed one-month USD-LIBOR. If USD-LIBOR exceeds the fixed rate of interest in future periods, the Company will be required to pay net settlements to the counterparty and will record those net payments as a reduction of interest income on loans.

Interest Income - Investments and Other Interest-earning Assets

Interest income on investments decreased $573,000 in the year ended December 31, 2021 compared to the year ended December 31, 2020. Interest income decreased $1.2 million due to a decrease in average interest rates from 2.88% during the year ended December 31, 2020 to 2.61% during the year ended December 31, 2021, due to lower market rates of interest on investment securities purchased during 2021 compared to securities already in the portfolio. Interest income increased $600,000 as a result of an increase in average balances from $426.4 million during the year ended December 31, 2020, to $447.9 million during the year ended December 31, 2021.

Interest income on other interest-earning assets increased $238,000 in the year ended December 31, 2021 compared to the year ended December 31, 2020. Interest income increased $438,000 as a result of an increase in average balances from $246.1 million during the year ended December 31, 2020, to $552.1 million during the year ended December 31, 2021. Average balances increased due to higher balances held at the Federal Reserve Bank as a result of the significant increase in deposits since March 31, 2020 and significant loan repayments in 2021. Interest income decreased $200,000 due to a decrease in average interest rates from 0.19% during the year ended December 31, 2020, to 0.13% during the year ended December 31, 2021. Market interest rates earned on balances held at the Federal Reserve Bank were significantly lower in 2020 due to significant reductions in the federal funds rate of interest and remained low in 2021.

Total Interest Expense

Total interest expense decreased $19.8 million, or 48.8%, during the year ended December 31, 2021, when compared with the year ended December 31, 2020, due to a decrease in interest expense on deposits of $19.3 million, or 59.6%, a decrease in interest expense on short-term borrowings and repurchase agreements of $638,000, or 94.5%, and a decrease in interest expense on subordinated debentures issued to capital trust of $180,000, or 28.7%. Partially offsetting these decreases, interest expense on subordinated notes increased $334,000, or 4.9%.

Interest Expense - Deposits

Interest expense on demand deposits decreased $4.5 million due to a decrease in average rates from 0.38% during the year ended December 31, 2020, to 0.17% during the year ended December 31, 2021. Partially offsetting that decrease, interest on demand deposits increased $1.4 million due to an increase in average balances from $1.87 billion in the year ended December 31, 2020, to $2.32 billion in the year ended December 31, 2021. The decrease in average interest rates of interest-bearing demand deposits was primarily a result of decreased market interest rates on these types of accounts. Demand deposit balances increased substantially during the COVID-19 pandemic in 2020 and remained elevated during 2021. In 2020, many of our business and personal customers increased their average account balances with us (some through funds received from government entities) and we also added new accounts throughout the year. Much of these increased balances remained or grew in 2021; therefore, the average balances were higher in 2021 versus 2020.

Interest expense on time deposits decreased $10.3 million as a result of a decrease in average rates of interest from 1.55% during the year ended December 31, 2020, to 0.78% during the year ended December 31, 2021. In addition, interest expense on time deposits decreased $6.0 million due to a decrease in average balance of time deposits from $1.64 billion during the year ended December 31, 2020, to $1.16 billion during the year ended December 31, 2021. A large portion of the Company's certificate of deposit portfolio matures within six to twelve 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 resulted in the Company paying a lower rate of interest due to market interest rate decreases during 2020 and 2021. The decrease in average balances of time deposits was a result of decreases in retail customer time deposits obtained through the banking center network, retail customer time deposits obtained through on-line channels and decreases in brokered deposits. Brokered and on-line channel deposits were actively reduced by the Company as other deposit sources increased. The Company reduced its rates on these types of time deposits and allowed these deposits to mature without replacement during 2021.

Interest Expense - FHLBank Advances; Short-term Borrowings, Repurchase Agreements and Other Interest-bearing Liabilities; Subordinated Debentures Issued to Capital Trust and Subordinated Notes

FHLBank term advances were not utilized during the years ended December 31, 2021 and 2020. FHLB overnight borrowings were utilized in the first quarter of 2020.

Interest expense on repurchase agreements increased $6,000 due to an increase in average balances from $140.9 million during the year ended December 31, 2020, to $143.8 million during the year ended December 31, 2021. The increase in average balances was due to changes in customers' need for this product, which can fluctuate. There was only a minor change in the average interest rate on the repurchase agreements between 2021 and 2020.

Interest expense on short-term borrowings, overnight FHLBank borrowings, and other interest-bearing liabilities decreased $326,000 due to average rates that decreased from 1.51% in the year ended December 31, 2020, to 0.02% in the year ended December 31, 2021. In addition to this decrease, interest expense on short-term borrowings and other interest-bearing liabilities decreased $318,000 due to a decrease in average balances from $42.6 million during the year ended December 31, 2020, to $1.5 million during the year ended December 31, 2021. The decrease in average balances and rates was due to changes in the Company's funding needs and the mix of funding, which can fluctuate.

During the year ended December 31, 2021, compared to the year ended December 31, 2020, interest expense on subordinated debentures issued to capital trusts decreased $180,000 due to lower average interest rates. The average interest rate was 2.44% in 2020, compared to 1.74% in 2021. The interest rate on subordinated debentures is a floating rate indexed to the three-month LIBOR interest rate. There was no change in the average balance of the subordinated debentures between 2021 and 2020.

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. In June 2020, the Company issued $75.0 million of 5.50% fixed-to-floating rate subordinated notes due June 15, 2030. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of approximately $73.5 million. In both cases, the issuance costs are amortized over the expected life of the notes, which is five years from the issuance date, and therefore impact the overall interest expense on the notes. In August 2021, the Company completed the redemption of all of its 5.25% subordinated notes due August 15, 2026. The notes were redeemed for cash by the Company at 100% of their principal amount, plus accrued and unpaid interest. Interest expense on subordinated notes increased $265,000 due to an increase in average balances from $115.3 million during the year ended December 31, 2020 to $119.8 million during the year ended December 31, 2021 due to higher average balances resulting from the issuance of new notes in June 2020, slightly offset by the redemption of the subordinated notes maturing in 2026 during August 2021. Interest expense on the subordinated notes increased $69,000 due to average rates that increased from 5.92% in the year ended December 31, 2020, to 5.98% in the year ended December 31, 2021.

Net Interest Income

Net interest income for the year ended December 31, 2021 increased $783,000, or 0.4%, to $177.9 million, compared to $177.1 million for the year ended December 31, 2020. Net interest margin was 3.37% for the year ended December 31, 2021, compared to 3.49% for the year ended December 31, 2020, a decrease of 12 basis points. In both years, the Company's net interest income and margin were positively impacted by the increases in expected cash flows from the FDIC-assisted acquired loan pools and the resulting increase to accretable yield, which was discussed previously in "Interest Income – Loans" and is discussed in *Note 3* of the accompanying audited financial statements. The positive impact of these changes on the years ended December 31, 2021 and 2020 were increases in interest income of $1.6 million and $5.6 million, respectively, and increases in net interest margin of three basis points and 11 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin decreased four basis points during the year ended December 31, 2021. The decrease in net interest margin was due to significantly declining market interest rates, a change in asset mix with increases in lower-yielding investments and cash equivalents and the redemption of subordinated notes in 2021.

The Company's overall interest rate spread decreased one basis point, or 0.5%, from 3.23% during the year ended December 31, 2020, to 3.22% during the year ended December 31, 2021. The decrease was due to a 52 basis point decrease in the weighted average yield on interest-earning assets, partially offset by a 51 basis point decrease in the weighted average rate paid on interest-bearing liabilities. In comparing the two years, the yield on loans decreased 30 basis points, the yield on investment securities decreased 27 basis points and the yield on other interest-earning assets decreased six basis points. The rate paid on deposits decreased 55 basis points, the rate paid on subordinated debentures issued to capital trust decreased 70 basis points, the rate paid on short-term borrowings decreased 34 basis points, and the rate paid on subordinated notes increased six 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 and Allowance for Credit Losses

The Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective January 1, 2021. The CECL methodology replaces the incurred loss methodology with a lifetime "expected credit loss" measurement objective for loans, held-to-maturity debt securities and other receivables measured at amortized cost at the time the financial asset is originated or acquired. This standard requires the consideration of historical loss experience and current conditions adjusted for reasonable and supportable economic forecasts. Our 2020 financial statements were prepared under the incurred loss methodology standard. Upon adoption of the CECL accounting standard, we increased the balance of our allowance for credit losses related to outstanding loans by $11.6 million and created a liability for potential losses related to the unfunded portion of our loans and commitments of approximately $8.7 million. The after-tax effect reduced our retained earnings by approximately $14.2 million. The adjustment was based upon the Company's analysis of current conditions, assumptions and economic forecasts at January 1, 2021. ASC 326 requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses as well as the credit quality and underwriting standards of a company's portfolio.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk

characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the national unemployment rate, commercial real estate price index, housing price index and national retail sales index.

Worsening economic conditions from the COVID-19 pandemic, higher inflation or interest rates, or other factors may lead to increased losses in the portfolio and/or requirements for an increase in provision expense. Management maintains various controls in an attempt to limit future losses, such as a watch list of problem loans and potential problem loans, documented loan administration policies and 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.

During the year ended December 31, 2021, the Company recorded a negative provision expense of $6.7 million on its portfolio of outstanding loans, compared to a $15.9 million provision expense recorded for the year ended December 31, 2020. The negative provision for credit losses in 2021 reflected decreased outstanding total loans and continued positive trends in asset quality metrics, combined with an improved economic forecast. In 2021, the national unemployment rate continued to decrease and many measures of economic growth improved. The Company experienced net recoveries of $116,000 for the year ended December 31, 2021 compared to net charge offs of $422,000 for the year ended December 31, 2020. The provision for losses on unfunded commitments for the year ended December 31, 2021 was $939,000. General market conditions and unique circumstances related to specific industries and individual projects contributed to the level of provisions and charge-offs. Collateral and repayment evaluations of all assets categorized as potential problem loans, non-performing loans or foreclosed assets were completed with corresponding charge-offs or reserve allocations made as appropriate. In 2020, due to the COVID-19 pandemic and its effects on the overall economy and unemployment, the Company increased its provision for credit losses and increased its allowance for credit losses, even though actual realized net charge-offs were very low.

All FDIC-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 have been 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 larger loan relationships and those loan pools which exhibit higher risk characteristics. Review of the acquired loan portfolio also includes a review of financial information, collateral valuations and customer interaction to determine if additional reserves are warranted.

The Bank’s allowance for credit losses as a percentage of total loans was 1.49% and 1.32% at December 31, 2021 and 2020, respectively. Prior to January 1, 2021, the ratio excluded the FDIC-assisted acquired loans. Management considers the allowance for credit losses adequate to cover losses inherent in the Bank’s loan portfolio at December 31, 2021, based on recent reviews of the Bank’s loan portfolio and current economic conditions. If challenging economic conditions were to last longer than anticipated or deteriorate further or management’s assessment of the loan portfolio were to change, additional credit loss provisions could be required, thereby adversely affecting the Company’s future results of operations and financial condition.

Non-performing Assets

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.

Prior to adoption of the CECL accounting standard on January 1, 2021, FDIC-assisted acquired non-performing assets, including foreclosed assets and potential problem loans, were not included in the totals or in the discussion of non-performing loans, potential problem loans and foreclosed assets. These assets were initially recorded at their estimated fair values as of their acquisition dates and accounted for in pools. The loan pools were analyzed rather than the individual loans. The performance of the loan pools acquired in each of the Company’s five FDIC-assisted transactions has been better than expectations as of the acquisition dates. In the tables below, FDIC-assisted acquired assets are included in their particular collateral categories and then the total FDIC-assisted acquired assets are subtracted from the total balances.

Non-performing assets, including all FDIC-assisted acquired assets, at December 31, 2021, were $6.0 million, a decrease of $2.1 million from $8.1 million at December 31, 2020. Non-performing assets, including all FDIC-assisted acquired assets, as a percentage of total assets were 0.11% at December 31, 2021, compared to 0.15% at December 31, 2020.

Compared to December 31, 2020, non-performing loans decreased $1.5 million to $5.4 million at December 31, 2021, and foreclosed assets decreased $635,000 to $588,000 at December 31, 2021. Non-performing one-to four-family residential loans comprised $2.2 million, or 40.9%, of the total non-performing loans at December 31, 2021. Non-performing commercial real estate loans comprised $2.0 million, or 37.0%, of total non-performing loans at December 31, 2021. Non-performing consumer loans comprised $733,000, or 13.5%, of the total non-performing loans at December 31, 2021. Non-performing land development loans comprised $468,000, or 8.6%, of total non-performing loans at December 31, 2021.

Non-performing Loans. Activity in the non-performing loans category during the year ended December 31, 2021, was as follows:

	Beginning Balance, January 1	Additions to Non-Performing	Removed from Non-Performing	Transfers to Potential Problem Loans	Transfers to Foreclosed Assets and Repossessions	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	—	—	—	—	—	—	—	—
Land development	—	622	—	—	—	(154)	—	468
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	4,465	1,031	(1,236)	—	(183)	(77)	(1,784)	2,216
Other residential	190	—	(185)	—	—	—	(5)	—
Commercial real estate	849	4,562	(330)	—	(191)	—	(2,884)	2,006
Commercial business	114	20	—	—	—	—	(134)	—
Consumer	1,268	330	(232)	—	(83)	(191)	(359)	733
Total non-performing loans	6,886	6,565	(1,983)	—	(457)	(422)	(5,166)	5,423
Less: FDIC-assisted acquired loans	3,843	144	(1,149)	—	(373)	(94)	(635)	1,736
Total non-performing loans net of FDIC-assisted acquired loans	$ 3,043	$ 6,421	$ (834)	$ —	$ (84)	$ (328)	$ (4,531)	$ 3,687

At December 31, 2021, the non-performing one- to four-family residential category included 40 loans, eight of which were added during 2021. The largest relationship in this category is an FDIC-assisted acquired loan totaling $326,000, or 14.7% of the total category. The non-performing commercial real estate category included two loans, both of which were added during 2021. The largest relationship in this category, which totaled $1.7 million, or 86.0% of the total category, was transferred from potential problems and is collateralized by a mixed use commercial retail building. The previous largest non-performing commercial real estate relationship ($2.4 million) was paid off in 2021. The non-performing consumer category included 30 loans, seven of which were added during 2021. The non-performing land development category consisted of one loan added during 2021, which totaled $468,000 and is collateralized by unimproved zoned vacant ground in southern Illinois.

Loans that were modified under the guidance provided by the CARES Act are not included as non-performing loans in the table above as they are current under their modified terms. For additional information about these loan modifications, see the "Loan Modifications" section in this Report.

Other Real Estate Owned and Repossessions. Of the total $2.1 million of other real estate owned and repossessions at December 31, 2021, $1.5 million represents properties which were not acquired through foreclosure.

Activity in foreclosed assets and repossessions during the year ended December 31, 2021, was as follows:

	Beginning Balance, January 1	Additions	Sales	Capitalized Costs	Write-Downs	Ending Balance, December 31
			(In Thousands)			
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	263	—	(169)	—	(94)	—
Land development	682	—	(250)	—	(117)	315
Commercial construction	—	—	—	—	—	—
One- to four-family residential	125	183	(125)	—	—	183
Other residential	—	—	—	—	—	—
Commercial real estate	—	192	(192)	—	—	—
Commercial business	—	—	—	—	—	—
Consumer	153	759	(822)	—	—	90
Total foreclosed assets and repossessions	1,223	1,134	(1,558)	—	(211)	588
Less: FDIC-assisted acquired assets	446	375	(206)	—	(117)	498
Total foreclosed assets and repossessions net of FDIC-assisted acquired assets	$ 777	$ 759	$ (1,352)	$ —	$ (94)	$ 90

At December 31, 2021, the land development category of foreclosed assets consisted of one property in central Iowa (this was an FDIC-assisted acquired asset), which was added prior to 2021. The one- to four-family residential category of foreclosed assets consisted of two properties (both of which were FDIC-assisted acquired assets), both of which were added during 2021. The amount of additions and sales in the consumer category are due to the volume of repossessions of automobiles, which generally are subject to a shorter repossession process.

Potential Problem Loans. Potential problem loans decreased $3.8 million during the year ended December 31, 2021, from $5.8 million at December 31, 2020 to $2.0 million at December 31, 2021. 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.

Due to the impact on economic conditions from COVID-19, it is possible that we could experience an increase in potential problem loans in future periods. As noted, we experienced an increased level of loan modifications in late March through June 2020; however, total loan modifications were much lower at December 31, 2020, and decreased further through December 31, 2021. In accordance with the CARES Act and guidance from the banking regulatory agencies, we made certain short-term modifications to loan terms to help our customers navigate through the current pandemic situation. Although loan modifications were made, they did not automatically result in these loans being classified as TDRs, potential problem loans or non-performing loans. If more severe or lengthier negative impacts of the COVID-19 pandemic occur or the effects of the SBA loan programs and other loan and stimulus programs do not enable companies and individuals to completely recover financially, this could result in longer-term modifications, which may be deemed to be TDRs, additional potential problem loans and/or additional non-performing loans. Further actions on our part, including additions to the allowance for credit losses, could result.

Activity in the potential problem loans category during the year ended December 31, 2021, was as follows:

	Beginning Balance, January 1	Additions to Potential Problem	Removed from Potential Problem	Transfers to Non-Performing	Transfers to Foreclosed Assets and Repossessions	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	21	—	—	—	—	—	(6)	15
Land development	—	—	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	2,157	—	(314)	(52)	—	—	(359)	1,432
Other residential	—	—	—	—	—	—	—	—
Commercial real estate	3,080	—	(1,070)	(1,726)	—	—	(74)	210
Commercial business	—	—	—	—	—	—	—	—
Consumer	588	158	(21)	(1)	(95)	(97)	(209)	323
Total potential problem loans	5,846	158	(1,405)	(1,779)	(95)	(97)	(648)	1,980
Less: FDIC-assisted acquired loans	1,523	—	(314)	—	—	—	(205)	1,004
Total potential problem loans net of FDIC-assisted acquired loans	$ 4,323	$ 158	$ (1,091)	$ (1,779)	$ (95)	$ (97)	$ (443)	$ 976

At December 31, 2021, the commercial real estate category of potential problem loans included one loan, which was added in a prior year. During 2021, within the commercial real estate category of potential problem loans, one at $536,000 was upgraded after six months of consecutive payments and one at $534,000 was paid off and removed from the potential problem loans category; both of these loans had been added to potential problem loans in 2020. One loan totaling $1.7 million was moved to the non-performing category. The one- to four-family residential category of potential problem loans included 25 loans, none of which were added during 2021. The largest relationship in this category totaled $171,000, or 12.0% of the category. The consumer category of potential problem loans included 27 loans, eight of which were added during 2021.

Loans Classified "Watch"

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. During 2021, loans classified as "Watch" decreased $34.0 million, from $64.8 million at December 31, 2020 to $30.7 million at December 31, 2021. This decrease was primarily due to loans being upgraded out of the "Watch" category, which primarily included one $14.3 million relationship collateralized by a shopping center, one $10.6 million relationship collateralized by recreational facilities and other real estate and business assets, and one $3.9 million relationship collateralized by a shopping center and other real estate and business assets. Also, one $11.6 million relationship collateralized by a healthcare facility was paid in full during 2021. Partially offsetting those decreases, one $10.3 million relationship collateralized by a healthcare facility was downgraded and added to the "Watch" category. See *Note 3* of the accompanying audited financial statements, for further discussion of the Company's loan grading system.

Non-Interest Income

Non-interest income for the year ended December 31, 2021 was $38.3 million compared with $35.0 million for the year ended December 31, 2020. The increase of $3.3 million, or 9.3%, was primarily as a result of the following items:

<u>Point-of-sale and ATM fees</u>: Point-of-sale and ATM fees increased $2.8 million compared to the prior year. This increase was primarily due to a reduction in customer usage in 2020 as the COVID-19 pandemic caused many businesses to close or limit access for a period of time. In the year ended December 31, 2021, debit card and ATM usage by customers was back to normal levels, and in some cases, increased levels of activity.

<u>Net gains on loan sales</u>: Net gains on loan sales increased $1.4 million compared to the prior year. The increase was due to an increase in originations of fixed-rate single-family mortgage loans during 2021 compared to 2020. Fixed-rate single-family mortgage loans originated are generally subsequently sold in the secondary market. These loan originations increased substantially when market

interest rates decreased to historically low levels in the latter half of 2020 and the first half of 2021. As a result of the significant volume of refinance activity recently, and as market interest rates moved a bit higher in the latter half of 2021, mortgage refinance volume has decreased and loan originations and related gains on sales of these loans have returned to levels closer to historic averages.

Gain (loss) on derivative interest rate products: In 2021, the Company recognized a gain of $312,000 on the change in fair value of its back-to-back interest rate swaps related to commercial loans. In 2020, the Company recognized a loss of $264,000 on the change in fair value of its back-to-back interest rate swaps related to commercial loans. Generally, as market interest rates increase, this creates a net increase in the fair value of these instruments. As market rates decrease, the opposite tends to occur. This is a non-cash item as there was no required settlement of this amount between the Company and its swap counterparties.

Other income: Other income decreased $2.0 million compared to the prior year. In 2020, the Company recognized approximately $1.5 million of fee income related to newly-originated interest rate swaps in the Company's back-to-back swap program with loan customers and swap counterparties, with fewer of these transactions and related fee income generated in 2021.

Non-Interest Expense

Total non-interest expense increased $4.4 million, or 3.6%, from $123.2 million in the year ended December 31, 2020, to $127.6 million in the year ended December 31, 2021. The Company's efficiency ratio for the year ended December 31, 2021 was 59.03%, an increase from 58.07% for 2020. The higher efficiency ratio in 2021 was primarily due to an increase in non-interest expense (primarily from the significant IT consulting expense and related contract termination liability incurred in December 2021), partially offset by an increase in total revenue. Excluding this consulting expense and contract termination liability, the Company's efficiency ratio was 56.57% in 2021. In the year ended December 31, 2021, the Company's efficiency ratio was negatively impacted by a decrease in interest income on loans and positively impacted by a decrease in interest expense on deposits. In the year ended December 31, 2020, the Company's efficiency ratio was negatively impacted by an increase in salaries and employee benefits expense and positively impacted by an increase in income related to loan sales. The Company's ratio of non-interest expense to average assets was 2.32% for the year ended December 31, 2021 compared to 2.31% for the year ended December 31, 2020. Average assets for the year ended December 31, 2021, increased $178.9 million, or 3.4%, from the year ended December 31, 2020, primarily due to increases in investment securities and interest-bearing cash equivalents, partially offset by a decrease in net loans receivable.

The following were key items related to the increase in non-interest expense for the year ended December 31, 2021 as compared to the year ended December 31, 2020:

Legal, Audit and Other Professional Fees: Legal, audit and other professional fees increased $4.2 million from the prior year, to $6.6 million. In 2021, the Company expensed and paid $4.1 million in fees to consultants that were engaged to support the Company in its evaluation of core and ancillary software and information technology systems. The consultant's support included assisting the Company in identifying various software options, helping identify positive and negative attributes of those software options and assisting in negotiating contract terms and pricing.

Net Occupancy and Equipment Expense: Net occupancy and Equipment expense increased $1.6 million from the prior year, to $29.2 million. In 2021, the Company expensed a $1.2 million contract termination fee related to the Company's current core software and information technology system.

Insurance: Insurance expense increased $656,000 compared to the prior year. This increase was primarily due to an increase in FDIC deposit insurance premiums. In 2020, the Company had a $482,000 credit with the FDIC for a portion of premiums previously paid to the deposit insurance fund. The remaining deposit insurance fund credit was utilized in 2020 in addition to $870,000 in premiums being due for the year ended December 31, 2020, while the premium expense was $1.4 million for the year ended December 31, 2021.

Expense on other real estate owned and repossessions: Expense on other real estate owned and repossessions decreased $1.4 million compared to the prior year primarily due to sales of most foreclosed assets and a smaller amount of repossessed automobiles in 2021, plus higher valuation write-downs of certain foreclosed assets during 2020. During 2020, sales and valuation write-downs of certain foreclosed assets totaled a net expense of $963,000, while sales and valuation write-downs in 2021 totaled a net gain of $7,000.

Salaries and employee benefits: Salaries and employee benefits decreased $520,000 in the year ended December 31, 2021 compared to the prior year. In 2020, the Company approved two special cash bonuses to all employees totaling $2.2 million in response to the COVID-19 pandemic. Such bonuses were not repeated in the year ended December 31, 2021.

Provision for Income Taxes

For the years ended December 31, 2021 and 2020, the Company's effective tax rates were 20.9% and 18.9%, respectively. These effective rates were at or below the statutory federal tax rate of 21%, 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 in future periods as it is impacted by the level and timing of the Company’s utilization of tax credits, the level of tax-exempt investments and loans, the amount of taxable income in various state jurisdictions and the overall level of pre-tax income. State tax expense estimates have evolved throughout 2020 and 2021 as taxable income and apportionment between states have been analyzed. The higher effective tax rate in 2021 was due to higher overall income, lower levels of low income housing tax credits and less tax-exempt interest income. The Company's effective income tax rate is currently generally expected to remain near the statutory federal tax rate due primarily to the factors noted above. The Company currently expects its effective tax rate (combined federal and state) will be approximately 20.5% to 21.5% in future periods.

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. Net fees included in interest income were $11.2 million, $6.6 million and $4.0 million for 2021, 2020 and 2019, respectively. Tax-exempt income was not calculated on a tax equivalent basis. The table does not reflect any effect of income taxes.

	Dec. 31, 2021(2)	Year Ended December 31, 2021			Year Ended December 31, 2020			Year Ended December 31, 2019		
	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	3.29%	$ 678,900	$ 25,251	3.72%	$ 652,096	$ 29,099	4.46%	$ 532,051	$ 27,450	5.16%
Other residential	4.29	922,739	40,998	4.44	930,529	43,902	4.72	812,412	43,931	5.41
Commercial real estate	4.06	1,541,095	65,811	4.27	1,526,618	69,437	4.55	1,443,435	74,256	5.14
Construction	3.98	616,899	27,696	4.49	665,546	32,443	4.87	706,581	41,767	5.91
Commercial business	4.02	279,232	15,403	5.52	325,397	14,070	4.32	258,606	13,234	5.12
Other loans	4.64	220,783	10,347	4.69	283,678	15,184	5.35	387,854	21,511	5.55
Industrial revenue bonds (1)	4.44	14,528	763	5.25	15,395	829	5.38	14,841	898	6.05
Total loans receivable	4.26	4,274,176	186,269	4.36	4,399,259	204,964	4.66	4,155,780	223,047	5.37
Investment securities (1)	2.42	447,943	11,689	2.61	426,383	12,262	2.88	326,450	10,066	3.08
Interest-earning deposits in other banks	0.15	552,094	715	0.13	246,110	477	0.19	87,767	1,881	2.14
Total interest-earning assets	3.58	5,274,213	198,673	3.77	5,071,752	217,703	4.29	4,569,997	234,994	5.14
Non-interest-earning assets:										
Cash and cash equivalents		96,989			93,832			92,315		
Other non-earning assets		131,154			157,842			192,695		
Total assets		$ 5,502,356			$ 5,323,426			$ 4,855,007		
Interest-bearing liabilities:										
Interest-bearing demand and savings	0.12	$ 2,316,890	4,023	0.17	$ 1,867,166	7,096	0.38	$ 1,507,518	7,971	0.53
Time deposits	0.60	1,161,134	9,079	0.78	1,636,205	25,335	1.55	1,716,786	37,599	2.19
Total deposits	0.26	3,478,024	13,102	0.38	3,503,371	32,431	0.93	3,224,304	45,570	1.41
Securities sold under reverse repurchase agreements	0.02	143,757	37	0.03	140,938	31	0.02	102,615	19	0.02
Short-term borrowings, overnight FHLBank borrowings and other interest-bearing liabilities	0.07	1,529	—	0.02	42,560	644	1.51	157,409	3,616	2.30
Subordinated debentures issued to capital trust	1.73	25,774	448	1.74	25,774	628	2.44	25,774	1,019	3.95
Subordinated notes	5.97	119,780	7,165	5.98	115,335	6,831	5.92	74,070	4,378	5.91
Total interest-bearing liabilities	0.38	3,768,864	20,752	0.55	3,827,978	40,565	1.06	3,584,172	54,602	1.52
Non-interest-bearing liabilities:										
Demand deposits		1,061,716			826,900			665,606		
Other liabilities		44,260			46,111			33,592		
Total liabilities		4,874,840			4,700,989			4,283,370		
Stockholders' equity		627,516			622,437			571,637		
Total liabilities and stockholders' equity		$ 5,502,356			$ 5,323,426			$ 4,855,007		
Net interest income:										
Interest rate spread	3.20%		$ 177,921	3.22%		$ 177,138	3.23%		$ 180,392	3.62%
Net interest margin*				3.37%			3.49%			3.95%
Average interest-earning assets to average interest-bearing liabilities		139.9%			132.5%			127.5%		

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

(1) Of the total average balance of investment securities, average tax-exempt investment securities were $42.3 million, $55.9 million and $41.7 million for 2021, 2020 and 2019, respectively. In addition, average tax-exempt industrial revenue bonds were $17.9 million, $20.0 million and $20.8 million in 2021, 2020 and 2019, respectively. Interest income on tax-exempt assets included in this table was $1.6 million, $2.2 million and $2.4 million for 2021, 2020 and 2019, respectively. Interest income net of disallowed interest expense related to tax-exempt assets was $1.6 million, $2.0 million and $2.2 million for 2021, 2020 and 2019, respectively.

(2) The yield/rate on loans at December 31, 2021 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 2021 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, 2021 vs. December 31, 2020			Year Ended December 31, 2020 vs. December 31, 2019		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Rate	Volume	(Decrease)	Rate	Volume	(Decrease)
	(In Thousands)					
Interest-earning assets:						
Loans receivable	$ (12,982)	$ (5,713)	$ (18,695)	$ (30,621)	$ 12,538	$ (18,083)
Investment securities	(1,173)	600	(573)	(715)	2,911	2,196
Interest-earning deposits in other banks	(200)	438	238	(2,745)	1,341	(1,404)
Total interest-earning assets	(14,355)	(4,675)	(19,030)	(34,081)	16,790	(17,291)
Interest-bearing liabilities:						
Demand deposits	(4,497)	1,424	(3,073)	(2,531)	1,656	(875)
Time deposits	(10,246)	(6,010)	(16,256)	(10,571)	(1,693)	(12,264)
Total deposits	(14,743)	(4,586)	(19,329)	(13,102)	(37)	(13,139)
Securities sold under reverse repurchase agreements	6	—	6	4	8	12
Short-term borrowings, overnight FHLBank borrowings and other liabilities	(326)	(318)	(644)	(949)	(2,023)	(2,972)
Subordinated debentures issued to capital trust	(180)	—	(180)	(391)	—	(391)
Subordinated notes	69	265	334	9	2,444	2,453
Total interest-bearing liabilities	(15,174)	(4,639)	(19,813)	(14,429)	392	(14,037)
Net interest income	$ 819	$ (36)	$ 783	$ (19,652)	$ 16,398	$ (3,254)

Results of Operations and Comparison for the Years Ended December 31, 2020 and 2019

General

Net income decreased $14.3 million, or 19.4%, during the year ended December 31, 2020, compared to the year ended December 31, 2019. Net income was $59.3 million for the year ended December 31, 2020 compared to $73.6 million for the year ended December 31, 2019. This decrease was due to an increase in provision for credit losses of $9.7 million, or 158.1%, an increase in non-interest expenses of $8.1 million, or 7.0%, and a decrease in net interest income of $3.3 million, or 1.8%, partially offset by an increase in non-interest income of $4.1 million, or 13.2%, and a decrease in provision for income taxes of $2.7 million, or 16.2%. Net income available to common shareholders was $59.3 million for the year ended December 31, 2020 compared to $73.6 million for the year ended December 31, 2019.

Total Interest Income

Total interest income decreased $17.3 million, or 7.4%, during the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was due to an $18.1 million, or 8.1%, decrease in interest income on loans, offset by a $792,000, or 6.6%, increase in interest income on investment securities and other interest-earning assets. Interest income on loans decreased in 2020 compared to 2019 due to lower average rates of interest, partially offset by higher average balances of loans. Interest income from investment securities and other interest-earning assets increased during 2020 compared to 2019 due to higher average balances of investments and other interest-earning assets, partially offset by lower average rates of interest.

Interest Income – Loans

During the year ended December 31, 2020 compared to the year ended December 31, 2019, interest income on loans decreased due to lower average interest rates, partially offset by higher average balances. Interest income decreased $30.6 million as the result of lower average interest rates on loans. The average yield on loans decreased from 5.37% during the year ended December 31, 2019 to 4.66% during the year ended December 31, 2020. Offsetting this decrease was an increase of $12.5 million in interest income as a result of

higher average loan balances, which increased from $4.16 billion during the year ended December 31, 2019, to $4.40 billion during the year ended December 31, 2020. The decreased yields in most loan categories was primarily a result of decreased LIBOR and Federal Funds interest rates. In 2020, the Company also originated $121 million of PPP loans, which have a much lower yield compared to the overall loan portfolio.

On an on-going basis, the Company has estimated 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 entire amount of the discount adjustment has been and will be accreted to interest income over time. For the years ended December 31, 2020 and 2019, the adjustments increased interest income and pre-tax income by $5.6 million and $7.4 million, respectively.

As of December 31, 2020, the remaining accretable yield adjustment that will affect interest income was $2.0 million; $1.6 million of this amount was recognized in interest income during 2021. Apart from the yield accretion, the average yield on loans was 4.53% during the year ended December 31, 2020, compared to 5.19% during the year ended December 31, 2019, as a result of lower market rates on adjustable rate loans and new loans originated during the year.

As noted previously, in October 2018, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap was $400 million with a termination date of October 6, 2025. Under the terms of the swap, the Company received a fixed rate of interest of 3.018% and paid a floating rate of interest equal to one-month USD-LIBOR. The floating rate reset monthly and net settlements of interest due to/from the counterparty also occurred monthly. To the extent that the fixed rate of interest exceeded one-month USD-LIBOR, the Company received net interest settlements which were recorded as loan interest income. If USD-LIBOR exceeded the fixed rate of interest in future periods, the Company was required to pay net settlements to the counterparty and recorded those net payments as a reduction of interest income on loans.

In March 2020, the Company and its swap counterparty mutually agreed to terminate the $400 million interest rate swap prior to its contractual maturity. The Company received a payment of $45.9 million from its swap counterparty as a result of this termination. This $45.9 million, less the accrued interest portion and net of deferred income taxes, is reflected in the Company's stockholders' equity as Accumulated Other Comprehensive Income and a portion of it will be accreted to interest income on loans monthly through the original contractual termination date of October 6, 2025. This will have the effect of reducing Accumulated Other Comprehensive Income and increasing Net Interest Income and Retained Earnings over the period. The Company recorded loan interest income of $7.7 million and $3.1 million during the years ending December 31, 2020 and 2019, respectively, related to this interest rate swap.

Interest Income – Investments and Other Interest-earning Assets

Interest income on investments increased $2.2 million in the year ended December 31, 2020 compared to the year ended December 31, 2019. Interest income increased $2.9 million as a result of an increase in average balances from $326.5 million during the year ended December 31, 2019, to $426.4 million during the year ended December 31, 2020. Interest income decreased $715,000 due to a decrease in average interest rates from 3.08% during the year ended December 31, 2019 to 2.88% during the year ended December 31, 2020, due to lower market rates of interest on investment securities purchased during 2020 compared to securities already in the portfolio. In addition, some securities with higher yields matured or were called prior to their maturity dates.

Interest income on other interest-earning assets decreased $1.4 million in the year ended December 31, 2020 compared to the year ended December 31, 2019. Interest income decreased $2.7 million due to a decrease in average interest rates from 2.14% during the year ended December 31, 2019, to 0.19% during the year ended December 31, 2020. Market interest rates earned on balances held at the Federal Reserve Bank were significantly lower in 2020 due to significant reductions in the federal funds rate of interest. Interest income increased $1.3 million as a result of an increase in average balances from $87.8 million during the year ended December 31, 2019, to $246.1 million during the year ended December 31, 2020. Average balances increased due to higher balances held at the Federal Reserve Bank due to increases in customer deposit balances.

Total Interest Expense

Total interest expense decreased $14.0 million, or 25.7%, during the year ended December 31, 2020, when compared with the year ended December 31, 2019, due to a decrease in interest expense on deposits of $13.1 million, or 28.8%, a decrease in interest expense on short-term borrowings and repurchase agreements of $3.0 million, or 81.4%, and a decrease in interest expense on subordinated debentures issued to capital trust of $391,000, or 38.4%. Partially offsetting these decreases, interest expense on subordinated notes increased $2.5 million, or 56.0%, due to additional subordinated notes issued in 2020.

Interest Expense – Deposits

Interest on demand deposits decreased $2.5 million due to a decrease in average rates from 0.53% during the year ended December 31, 2019, to 0.38% during the year ended December 31, 2020. Partially offsetting that decrease, interest on demand deposits increased $1.7 million due to an increase in average balances from $1.51 billion in the year ended December 31, 2019, to $1.87 billion in the year ended December 31, 2020. The decrease in average interest rates of interest-bearing demand deposits was primarily a result of decreased market interest rates on these types of accounts. Demand deposit balances increased substantially during the COVID-19 pandemic in 2020. Both business and personal deposit balances increased during 2020.

Interest expense on time deposits decreased $10.6 million as a result of a decrease in average rates of interest from 2.19% during the year ended December 31, 2019, to 1.55% during the year ended December 31, 2020. In addition, interest expense on time deposits decreased $1.7 million due to a decrease in average balances of time deposits from $1.72 billion during the year ended December 31, 2019, to $1.64 billion during the year ended December 31, 2020. 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 resulted in the Company paying a lower rate of interest due to market interest rate decreases during 2020. Time deposit balances decreased due to maturity of retail and brokered time deposits during 2020. Due to the significant increases in non-time deposits, it was not necessary to replace the brokered deposits.

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

FHLBank term advances were not utilized during the years ended December 31, 2020 and 2019. The Company had a higher amount of overnight borrowings from the FHLBank in 2019, as discussed below.

Interest expense on repurchase agreements increased $4,000 due to average rates that increased from 0.019% in the year ended December 31, 2019, to 0.022% in the year ended December 31, 2020. In addition to this increase, interest expense on repurchase agreements increased $8,000 due to an increase in average balances from $102.6 million during the year ended December 31, 2019, to $140.9 million during the year ended December 31, 2020. The increase in average balances was due to changes in customers' need for this product, which can fluctuate.

Interest expense on short-term borrowings, overnight FHLBank borrowings and other interest-bearing liabilities decreased $949,000 due to average rates that decreased from 2.30% in the year ended December 31, 2019, to 1.51% in the year ended December 31, 2020. The decrease was due to decreases in market interest rates and a change in the mix of funding during the period, with more overnight borrowings from the FHLBank in 2019 than 2020. In addition to this decrease, interest expense on short-term borrowings and other interest-bearing liabilities decreased $2.0 million due to a decrease in average balances from $157.4 million during the year ended December 31, 2019, to $42.6 million during the year ended December 31, 2020. The decrease in average balances was due to fewer overnight borrowings from the FHLBank in 2020.

During the year ended December 31, 2020, compared to the year ended December 31, 2019, interest expense on subordinated debentures issued to capital trusts decreased $391,000 due to lower average interest rates. The average interest rate was 3.95% in 2019, compared to 2.44% in 2020. The interest rate on subordinated debentures is a floating rate indexed to the three-month LIBOR interest rate. There was no change in the average balance of the subordinated debentures between 2020 and 2019.

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. In June 2020, the Company issued $75.0 million of 5.50% fixed-to-floating rate subordinated notes due June 15, 2030. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of

approximately $73.5 million. In both cases, the issuance costs are amortized over the expected life of the notes, which is five years from the issuance date, and therefore impact the overall interest expense on the notes. Interest expense on subordinated notes increased $2.4 million due to an increase in average balances from $74.1 million during the year ended December 31, 2019 to $115.3 million during the year ended December 31, 2020. Interest expense on the subordinated notes increased $9,000 due to average rates that increased from 5.91% in the year ended December 31, 2019, to 5.92% in the year ended December 31, 2020.

Net Interest Income

Net interest income for the year ended December 31, 2020 decreased $3.3 million, or 1.8%, to $177.1 million, compared to $180.4 million for the year ended December 31, 2019. Net interest margin was 3.49% for the year ended December 31, 2020, compared to 3.95% for the year ended December 31, 2019, a decrease of 46 basis points. In both years, the Company's net interest income and margin were positively impacted by the increases in expected cash flows from the FDIC-assisted acquired loan pools and the resulting increase to accretable yield, which was discussed previously in "Interest Income – Loans" and is discussed in *Note 3* of the accompanying audited financial statements. The positive impact of these changes on the years ended December 31, 2020 and 2019 were increases in interest income of $5.6 million and $7.4 million, respectively, and increases in net interest margin of 11 basis points and 16 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin decreased 41 basis points during the year ended December 31, 2020. The decrease in net interest margin was due to significantly declining market interest rates, a change in asset mix with increases in lower-yielding investments and cash equivalents and the issuance of additional subordinated notes in 2020.

The Company's overall interest rate spread decreased 39 basis points, or 10.7%, from 3.62% during the year ended December 31, 2019, to 3.23% during the year ended December 31, 2020. The decrease was due to an 85 basis point decrease in the weighted average yield on interest-earning assets, partially offset by a 46 basis point decrease in the weighted average rate paid on interest-bearing liabilities. In comparing the two years, the yield on loans decreased 71 basis points, the yield on investment securities decreased 20 basis points and the yield on other interest-earning assets decreased 195 basis points. The rate paid on deposits decreased 48 basis points, the rate paid on subordinated debentures issued to capital trust decreased 151 basis points, the rate paid on short-term borrowings decreased 103 basis points, and the rate paid on subordinated notes increased one basis point.

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 for the year ended December 31, 2020 increased $9.7 million, to $15.9 million, compared with $6.2 million for the year ended December 31, 2019. At December 31, 2020 and December 31, 2019, the allowance for loan losses was $55.7 million and $40.3 million, respectively. Total net charge-offs were $422,000 and $4.3 million for the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, a substantial portion of net charge-offs were in the consumer auto category. The Company experienced net recoveries in some of the other loan categories. 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. In February 2019, the Company ceased providing indirect lending services to automobile dealerships. These actions also reduced origination volume and, as such, the outstanding balance of the Company's automobile loans declined approximately $66 million in the year ended December 31, 2020. At December 31, 2020, indirect automobile loans totaled approximately $48 million. General market conditions and unique circumstances related to individual borrowers and projects contributed to the level of provisions and charge-offs. In 2020, due to the COVID-19 pandemic and its effects on the overall economy and unemployment, the Company increased its provisions for loan losses and increased its allowance for loan losses, even though actual realized net charge-offs were very low. Collateral and repayment evaluations of all assets categorized as potential problem loans, non-performing loans or foreclosed assets were completed with corresponding charge-offs or reserve allocations made as appropriate.

The Bank's allowance for loan losses as a percentage of total loans, excluding FDIC-assisted acquired loans, was 1.32% and 1.00% at December 31, 2020 and 2019, respectively.

Non-performing Assets

Non-performing assets acquired through FDIC-assisted transactions, 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 were analyzed rather than the individual loans. The overall performance of the loan pools acquired in each of the five FDIC-assisted 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, 2020, were $3.8 million, a decrease of $4.4 million from $8.2 million at December 31, 2019. Non-performing assets, excluding all FDIC-assisted acquired assets, as a percentage of total assets were 0.07% at December 31, 2020, compared to 0.16% at December 31, 2019.

Compared to December 31, 2019, non-performing loans decreased $1.5 million to $3.0 million at December 31, 2020, and foreclosed assets decreased $2.9 million to $777,000 at December 31, 2020. Non-performing one-to four-family residential loans comprised $1.6 million, or 51.6%, of the total non-performing loans at December 31, 2020. Non-performing consumer loans comprised $771,000, or 25.3%, of the total non-performing loans at December 31, 2020. Non-performing commercial real estate loans comprised $587,000, or 19.3%, of total non-performing loans at December 31, 2020. Non-performing commercial business loans comprised $114,000, or 3.8%, of total non-performing loans at December 31, 2020.

Non-performing Loans. Activity in the non-performing loans category during the year ended December 31, 2020, was as follows:

	Beginning Balance, January 1	Additions to Non-Performing	Removed from Non-Performing	Transfers to Potential Problem Loans	Transfers to Foreclosed Assets and Repossessions	Charge-Offs	Payments	Ending Balance, December 31
	(In Thousands)							
One- to four-family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Subdivision construction	—	—	—	—	—	—	—	—
Land development	—	—	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	1,477	1,366	(283)	(304)	(134)	(29)	(522)	1,571
Other residential	—	—	—	—	—	—	—	—
Commercial real estate	632	107	(94)	—	—	—	(58)	587
Other commercial	1,235	—	—	—	—	—	(1,121)	114
Consumer	1,175	496	(39)	(113)	(96)	(193)	(459)	771
Total	$ 4,519	$ 1,969	$ (416)	$ (417)	$ (230)	$ (222)	$ (2,160)	$ 3,043

At December 31, 2020, the non-performing one- to four-family residential category included 23 loans, nine of which were added during 2020. The largest relationship in this category was added in 2020 totaling $274,000, or 17.5% of the total category, which is collateralized by a residential home in the Kansas City, Missouri area. Subsequent to December 31, 2020 this loan was paid off. The non-performing consumer category included 65 loans, 24 of which were added during 2020, and the majority of which are indirect and used automobile loans. The non-performing commercial real estate category included two loans. One loan was added and then removed from non-performing during 2020 after completing six consecutive months of timely payments. The largest relationship in this category was added in 2019 totaling $495,000, or 84.4% of the total category, and was collateralized by a multi-tenant building in Arkansas. The non-performing commercial business category included two loans, neither of which was added during 2020. The largest relationship in this category was added in 2018, and totaled $75,000, or 65.6% of the total category. The previous largest relationship in this category of $1.1 million paid off during 2020.

In the table above, loans that were modified under the guidance provided by the CARES Act are not non-performing loans as they are current under their modified terms. For additional information about these loan modifications, see the “Loan Modifications” section in this Report.

Other Real Estate Owned and Repossessions. Of the total $1.9 million of other real estate owned and repossessions at December 31, 2020, $446,000 represents the fair value of foreclosed and repossessed assets related to loans acquired in FDIC-assisted transactions and $654,000 represents properties which were not acquired through foreclosure. The 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 and repossessions. Because sales and write-downs of foreclosed and repossessed properties exceeded additions, total foreclosed assets and repossessions decreased.

Activity in foreclosed assets and repossessions during the year ended December 31, 2020, 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	689	—	(464)	126	(88)	263
Land development	1,816	—	(715)	—	(851)	250
Commercial construction	—	—	—	—	—	—
One- to four-family residential	601	134	(624)	—	—	111
Other residential	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Consumer	545	1,144	(1,536)	—	—	153
Total	$ 3,651	$ 1,278	$ (3,339)	$ 126	$ (939)	$ 777

At December 31, 2020, the land development category of foreclosed assets consisted of one property in the Camdenton, Missouri area and had a balance of $250,000 after a valuation write-down and price reduction. During 2020, two of the three properties in the land development category were sold. The subdivision construction category of foreclosed assets consisted of one property in the Branson, Missouri area that had a balance of $263,000 after a valuation write-down. The one- to four-family category of foreclosed assets consisted of one property in western Missouri, which was added during 2020 with a balance of $111,000. The amount of additions and proceeds from 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 and used automobile loans throughout 2016 and 2017. The level of delinquencies and repossessions in indirect and used automobile loans decreased in 2018 through 2020.

Potential Problem Loans. Potential problem loans decreased $58,000 during the year ended December 31, 2020, from $4.4 million at December 31, 2019 to $4.3 million at December 31, 2020. This decrease was primarily due to $1.7 million in payments on potential problem loans, $124,000 in loan charge offs, and $123,000 in loans removed from potential problems and transferred to the non-performing category. Partially offsetting this decrease was the addition of $2.0 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 credit losses.

Activity in the potential problem loans category during the year ended December 31, 2020, 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	—	24	—	—	—	—	(3)	21
Land development	—	—	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	791	304	—	(83)	—	—	(149)	863
Other residential	—	—	—	—	—	—	—	—
Commercial real estate	3,078	1,081	—	—	—	—	(1,308)	2,851
Other commercial	—	—	—	—	—	—	—	—
Consumer	512	572	(34)	(40)	(70)	(124)	(228)	588
Total	$ 4,381	$ 1,981	$ (34)	$ (123)	$ (70)	$ (124)	$ (1,688)	$ 4,323

At December 31, 2020, the commercial real estate category of potential problem loans included three loans, two of which were added during 2020. The largest relationship in this category (added during 2018), totaling $1.8 million, or 62.3% of the total category, is collateralized by a mixed use commercial retail building. Payments were current on this relationship at December 31, 2020. One relationship, which totaled $1.2 million and was outstanding at December 31, 2019, paid off in 2020. The one- to four-family residential category of potential problem loans included 18 loans, five of which were added during 2020. The consumer category of potential problem loans included 52 loans, 38 of which were added during 2020, and the majority of which were indirect and used automobile loans.

Loans Classified "Watch"

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. During 2020, loans classified as "Watch" increased $27.4 million, from $37.4 million at December 31, 2019 to $64.8 million at December 31, 2020. This increase was primarily due to the addition of two unrelated loan relationships involving eight total loans. One relationship totaled $14.3 million and was collateralized by a shopping center project. The other relationship totaled $11.9 million and was collateralized by multiple indoor recreational facilities. See *Note 3* of the accompanying audited financial statements for further discussion of the Company's loan grading system.

Non-Interest Income

Non-interest income for the year ended December 31, 2020 was $35.1 million compared with $31.0 million for the year ended December 31, 2019. The increase of $4.1 million, or 13.2%, was primarily as a result of the following items:

Net gains on loan sales: Net gains on loan sales increased $5.5 million compared to the year ended December 31, 2019. The increase was due to an increase in originations of fixed-rate loans during 2020 compared to 2019. Fixed rate single-family mortgage loans originated are generally subsequently sold in the secondary market.

Other income: Other income increased $855,000 compared to the prior year. In 2020, the Company recognized approximately $734,000 of additional fee income related to newly-originated interest rate swaps in the Company's back-to-back swap program with loan customers and swap counterparties when compared to 2019. The Company also recognized approximately $784,000 in income related to scheduled payments and exit fees of certain tax credit partnerships during 2020, compared to $525,000 during 2019. In 2019, the Company recognized gains totaling $677,000 from the sale of, or recovery of, receivables and assets that were acquired several years prior in FDIC-assisted transactions, with no similar sales or recoveries in 2020.

Service charges, debit card and ATM fees: Service charges, debit card and ATM fees decreased $2.2 million compared to the prior year. This decrease was primarily due to a decrease in overdraft and insufficient funds fees on customer accounts. This was due to both a reduction in usage by customers and a decision near the end of the first quarter of 2020 to waive (through August 31, 2020) certain fees for customers in response to the COVID-19 pandemic. The effects of that decision were felt during the second and third quarters of 2020. In addition, the Company recorded less in debit card and ATM fees due to a reduction in debit card and ATM usage. Also during 2020, $200,000 in additional expenses were netted against ATM fee income due to the conversion to a new debit card processing system.

Non-Interest Expense

Total non-interest expense increased $8.1 million, or 7.0%, from $115.1 million in the year ended December 31, 2019, to $123.2 million in the year ended December 31, 2020. The Company's efficiency ratio for the year ended December 31, 2020 was 58.07%, an increase from 54.48% for 2019. The higher efficiency ratio in 2020 was primarily due to an increase in non-interest expense, partially offset by an increase in total revenue. In the year ended December 31, 2020, the Company's efficiency ratio was negatively impacted by an increase in salaries and employee benefits expense and positively impacted by an increase in income related to loan sales. In the year ended December 31, 2019, the Company's efficiency ratio was positively impacted by a decrease in expense on other real estate and repossessions and negatively impacted by an increase in salaries and employee benefits expense. The Company's ratio of non-interest expense to average assets was 2.31% for the year ended December 31, 2020 compared to 2.37% for the year ended December 31, 2019. This decrease was primarily due to an increase in average assets. Average assets for the year ended December 31, 2020, increased $468.4 million, or 9.6%, from the year ended December 31, 2019, primarily due to increases in loans receivable and cash and cash equivalents.

The following were key items related to the decrease in non-interest expense for the year ended December 31, 2020 as compared to the year ended December 31, 2019:

Salaries and employee benefits: Salaries and employee benefits increased $7.6 million in the year ended December 31, 2020 compared to the prior year. The increase was primarily due to annual employee compensation merit increases and increased incentives in lending, including mortgage lending activities as noted above, and operations areas. Total salaries and benefits expense in the mortgage lending area increased $2.4 million compared to the previous year. Additionally, in March 2020, the Company approved a special cash bonus to all employees totaling $1.1 million in response to the COVID-19 pandemic. In August 2020, the Company paid a second special cash bonus to all employees totaling $1.1 million in response to the pandemic.

Net occupancy expense: Net occupancy expense increased $1.4 million in the year ended December 31, 2020 compared to the year ended December 31, 2019. This was primarily related to increased depreciation on new ATM/ITMs and ATM operating software upgrades implemented during the fourth quarter of 2019. Also included in net occupancy expense for 2020 were COVID-19-related expenses for various items such as cleaning services, equipment, costs to set up remote work sites and other items.

Insurance: Insurance expense increased $390,000 in 2020 compared to the prior year. This increase was primarily due to an increase in FDIC deposit insurance premiums. In 2019, the Bank had a credit with the FDIC for a portion of premiums previously paid to the deposit insurance fund. The deposit insurance fund balance was sufficient to cause no premium to be due for the last six months of 2019.

Partnership tax credit: Partnership tax credit expense decreased $285,000 in the year ended December 31, 2020 compared to 2019. The Company periodically invests in certain tax credits and amortizes those investments over the period that the tax credits are used. The tax credit period for certain of these credits ended in 2020 and so the final amortization of the investment in those credits also ended in 2020.

Provision for Income Taxes

For the years ended December 31, 2020 and 2019, the Company's effective tax rate was 18.9% and 18.3%, respectively. These effective rates were lower than the statutory federal tax rate of 21%, 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.

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, 2021, the Company had commitments of approximately $213.3 million to fund loan originations, $1.51 billion of unused lines of credit and unadvanced loans, and $13.4 million of outstanding letters of credit.

Loan commitments and the unfunded portion of loans at the dates indicated were as follows (in thousands):

	December 2021	December 2020	December 2019	December 2018	December 2017
Closed non-construction loans with unused available lines					
Secured by real estate (one- to four-family)	$ 175,682	$ 164,480	$ 155,831	$ 150,948	$ 133,587
Secured by real estate (not one- to four-family)	23,752	22,273	19,512	11,063	10,836
Not secured by real estate - commercial business	91,786	77,411	83,782	87,480	113,317
Closed construction loans with unused available lines					
Secured by real estate (one-to four-family)	74,501	42,162	48,213	37,162	20,919
Secured by real estate (not one-to four-family)	1,092,029	823,106	798,810	906,006	718,277
Loan commitments not closed					
Secured by real estate (one-to four-family)	53,529	85,917	69,295	24,253	23,340
Secured by real estate (not one-to four-family)	146,826	45,860	92,434	104,871	156,658
Not secured by real estate - commercial business	12,920	699	—	405	4,870
	$ 1,671,025	$ 1,261,908	$ 1,267,877	$ 1,322,188	$ 1,181,804

The following table summarizes the Company's fixed and determinable contractual obligations by payment date as of December 31, 2021. Additional information regarding these contractual obligations is discussed further in *Notes 6, 8, 9, 10, 11, 12, 13* and *18* 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	$ 3,591,032	$ —	$ —	$ 3,591,032
Time and brokered certificates of deposit	764,935	195,183	951	961,069
Short-term borrowings	138,955	—	—	138,955
Subordinated debentures	—	—	25,774	25,774
Subordinated notes	—	—	73,984	73,984
Operating leases	1,116	3,984	4,015	9,115
Dividends declared but not paid	4,727	—	—	4,727
	$ 4,500,765	$ 199,167	$ 104,724	$ 4,804,656

The Company's primary sources of funds are customer deposits, short term borrowings at the FHLBank, 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, 2021 and 2020, the Company had these available secured lines and on-balance sheet liquidity:

	December 31, 2021	December 31, 2020
Federal Home Loan Bank line	$ 756.5 million	$ 1,069.3 million
Federal Reserve Bank line	352.4 million	436.4 million
Interest-Bearing and Non-Interest-Bearing Deposits	717.3 million	563.7 million
Unpledged Securities	406.8 million	195.1 million

Statements of Cash Flows. During the years ended December 31, 2021, 2020 and 2019, the Company had positive cash flows from operating activities. The Company experienced positive cash flows from investing activities during the year ended December 31, 2021, and negative cash flows from investing activities during the years ended December 31, 2020 and 2019. The Company experienced negative cash flows from financing activities during the year ended December 31, 2021, and positive cash flows from financing activities during the years ended December 31, 2020 and 2019.

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 credit losses, realized gains on the sale of investment securities and loans, depreciation and amortization 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 $85.0 million, $46.0 million and $86.4 million during the years ended December 31, 2021, 2020 and 2019, respectively.

During the years ended December 31, 2021, 2020 and 2019, investing activities provided cash of $190.7 million and used cash of $131.3 million and $295.1 million, respectively, primarily due to the net increases and purchases of loans (2020 and 2019) and investment securities (2021, 2020 and 2019), partially offset by cash received for the termination of interest rate derivatives (2020) and the sales of investment securities (2019). During 2021, investing activities provided cash as net loan repayments exceeded the purchase of loans and 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 short-term borrowings, proceeds from the issuance of subordinated notes, redemption of subordinated notes, purchases of the Company’s common stock and dividend payments to stockholders. Financing activities provided cash flows of $428.9 million and $226.1 million during the years ended December 31, 2020 and 2019, respectively, primarily due to increases in customer deposit balances, net increases or decreases in various borrowings and proceeds from the issuance of subordinated notes, partially offset by dividend payments to stockholders and purchases of the Company’s common stock. Financing activities used cash flows of $122.2 million during the year ended December 31, 2021, as dividend payments to stockholders, redemption of subordinated notes and purchases of the Company’s common stock exceeded the net increase in deposits.

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, 2021, total stockholders’ equity and common stockholders’ equity were each $616.8 million, or 11.3% of total assets, equivalent to a book value of $46.98 per common share. As of December 31, 2020, total stockholders’ equity and common stockholders’ equity were each $629.7 million, or 11.4% of total assets, equivalent to a book value of $45.79 per common share. At December 31, 2021, the Company’s tangible common equity to tangible assets ratio was 11.2%, compared to 11.3% at December 31, 2020. Included in stockholders’ equity at December 31, 2021 and 2020, were unrealized gains (net of taxes) on the Company’s available-for-sale investment securities totaling $9.1 million and $23.3 million, respectively. This decrease in unrealized gains during 2021 primarily resulted from increasing market interest rates during 2021, which decreased the fair value of the investment securities.

Also included in stockholders’ equity at December 31, 2021, were realized gains (net of taxes) on the Company’s cash flow hedge (interest rate swap), which was terminated in March 2020, totaling $23.6 million. This amount, plus associated deferred taxes, is expected to be accreted to interest income over the remaining term of the original interest rate swap contract, which was to end in October 2025. At December 31, 2021, the remaining pre-tax amount to be recorded in interest income was $30.6 million. The net effect on total stockholders’ equity over time will be no impact as the reduction of this realized gain will be offset by an increase in retained earnings (as the interest income flows through pre-tax income).

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, 2021, the Bank's common equity Tier 1 capital ratio was 14.1%, its Tier 1 capital ratio was 14.1%, its total capital ratio was 15.4% and its Tier 1 leverage ratio was 11.9%. As a result, as of December 31, 2021, the Bank was well capitalized, with capital ratios in excess of those required to qualify as such. On December 31, 2020, the Bank's common equity Tier 1 capital ratio was 13.7%, its Tier 1 capital

ratio was 13.7%, its total capital ratio was 14.9% and its Tier 1 leverage ratio was 11.8%. As a result, as of December 31, 2020, 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, 2021, the Company's common equity Tier 1 capital ratio was 12.9%, its Tier 1 capital ratio was 13.4%, its total capital ratio was 16.3% and its Tier 1 leverage ratio was 11.3%. 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, 2021, the Company was considered well capitalized, with capital ratios in excess of those required to qualify as such. On December 31, 2020, the Company's common equity Tier 1 capital ratio was 12.2%, its Tier 1 capital ratio was 12.7%, its total capital ratio was 17.2% and its Tier 1 leverage ratio was 10.9%. As of December 31, 2020, 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.

On August 15, 2021, the Company completed the redemption, at par, of all $75.0 million aggregate principal amount of its 5.25% fixed to floating rate subordinated notes due August 15, 2026. The total redemption price was 100% of the aggregate principal balance of the subordinated notes plus accrued and unpaid interest. The Company utilized cash on hand for the redemption payment. These subordinated notes were included as capital in the Company’s calculation of its total capital ratio.

Dividends. During the year ended December 31, 2021, the Company declared common stock cash dividends of $1.40 per share (25.6% of net income per common share) and paid common stock cash dividends of $1.38 per share. During the year ended December 31, 2020, the Company declared common stock cash dividends of $2.36 per share (56.1% of net income per common share) and paid common stock cash dividends of $2.36 per share; this included a special cash dividend of $1.00 per common share declared in January 2020. The Board of Directors meets regularly to consider the level and the timing of dividend payments. The $0.36 per share dividend declared but unpaid as of December 31, 2021, was paid to stockholders in January 2022.

Common Stock Repurchases and Issuances. The Company has been in various buy-back programs since May 1990. During the years ended December 31, 2021 and 2020, the Company repurchased 715,397 shares of its common stock at an average price of $54.69 per share and 529,883 shares of its common stock at an average price of $41.71 per share, respectively. During the years ended December 31, 2021 and 2020, the Company issued 91,285 shares of stock at an average price of $40.53 per share and 21,436 shares of stock at an average price of $30.81 per share, respectively, to cover stock option exercises.

In January 2022, the Company’s Board of Directors authorized the purchase of an additional one million shares of the Company’s common stock, resulting in a total of 1.2 million shares currently available in its stock repurchase authorization.

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 GAAP. These non-GAAP financial measures include core net interest income, core net interest margin, efficiency ratio excluding one-time consulting expense and related contract termination liability, and the tangible common equity to tangible assets ratio.

We calculate core net interest income and core net interest margin by subtracting the impact of adjustments regarding changes in expected cash flows related to pools of loans we acquired through FDIC-assisted transactions from reported net interest income and net interest margin. Management believes that core net interest income and core net interest margin are useful in assessing the Company’s core performance and trends, in light of the previous changes in estimates of the fair value of the loan pools acquired in the Company’s FDIC-assisted transactions.

We calculate the efficiency ratio excluding the one-time consulting expense and the related contract termination liability by subtracting from the non-interest expense component of the ratio the one-time consulting expense and contract termination fee we incurred in connection with the evaluation of our core and ancillary software and information technology systems. Management believes the efficiency ratio calculated in this manner better reflects our core operating performance and makes this ratio more meaningful when comparing our operating results to different periods.

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 this measure excluding the impact of intangible assets provides useful supplemental information that is helpful in understanding our financial condition and results of operations, as it provides a method to assess management's success in utilizing our tangible capital as well as our capital strength. Management also believes that providing a measure that excludes 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 this is a standard financial measure 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: Core Net Interest Income and Core Net Interest Margin

	Year Ended December 31,					
	2021		2020		2019	
	(Dollars In Thousands)					
Reported net interest income/margin	$ 177,921	3.37%	$ 177,138	3.49%	$ 180,392	3.95%
Less: Impact of FDIC-assisted acquired loan accretion adjustments	1,576	0.03	5,574	0.11	7,433	0.16
Core net interest income/margin	$ 176,345	3.34%	$ 171,564	3.38%	$ 172,959	3.79%

Non-GAAP Reconciliation: Efficiency Ratio Excluding One-time Consulting Expense and Related Contract Termination Liability

	Year Ended December 31, 2021	
	(Dollars In Thousands)	
Reported non-interest expense/ efficiency ratio	$ 127,635	59.03%
Less: Impact of one-time consulting expense and related contract termination liability	5,318	2.46
Core non-interest expense/ efficiency ratio	$ 122,317	56.57%

There were no non-GAAP adjustments to the efficiency ratio for 2020 or 2019.

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

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
			(Dollars In Thousands)		
Common equity at period end	$ 616,752	$ 629,741	$ 603,066	$ 531,977	$ 471,662
Less: Intangible assets at period end	6,081	6,944	8,098	9,288	10,850
Tangible common equity at period end (a)	$ 610,671	$ 622,797	$ 594,968	$ 522,689	$ 460,812
Total assets at period end	$ 5,449,944	$ 5,526,420	$ 5,015,072	$ 4,676,200	$ 4,414,521
Less: Intangible assets at period end	6,081	6,944	8,098	9,288	10,850
Tangible assets at period end (b)	$ 5,443,863	$ 5,519,476	$ 5,006,974	$ 4,666,912	$ 4,403,671
Tangible common equity to tangible assets (a) / (b)	11.22 %	11.28 %	11.88 %	11.20 %	10.46 %

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, 2021, 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 are expected to 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 significantly affected either positively or negatively in the first twelve months following relatively minor changes in interest rates because our portfolios are relatively well matched in a twelve-month horizon. In a situation where market interest rates increase significantly in a short period of time, our net interest margin increase may be more pronounced in the very near term (first one to three months), due to fairly rapid increases in LIBOR interest rates and “prime” interest rates. In a situation where market interest rates decrease significantly in a short period of

time, as they did in March 2020, our net interest margin decrease may be more pronounced in the very near term (first one to three months), due to fairly rapid decreases in LIBOR interest rates and "prime" interest rates. In the subsequent months we expect that the net interest margin would stabilize and begin to improve, as renewal interest rates on maturing time deposits are expected to decrease compared to the current rates paid on those products. During 2020, we did experience some compression of our net interest margin percentage due to 2.25% of Federal Fund rate cuts during the nine month period of July 2019 through March 2020. Margin compression primarily resulted from changes in the asset mix, mainly the addition of lower-yielding assets and the issuance of subordinated notes during 2020 and the net interest margin remained lower than our historical average in 2021. LIBOR interest rates decreased in 2020 and remained very low in 2021, putting pressure on loan yields, and strong pricing competition for loans and deposits remains in most of our markets. Subsequent to December 31, 2021, cumulative time deposit maturities are as follows: within three months --$222 million; within six months -- $430 million; and within twelve months -- $765 million. At December 31, 2021, the weighted average interest rates on these various cumulative maturities were 0.49%, 0.53% and 0.54%, respectively.

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 FRB had last changed interest rates on December 16, 2008. This was the first rate increase since September 29, 2006. The FRB also implemented rate change increases of 0.25% on eight additional occasions beginning December 14, 2016 and through December 31, 2018, with the Federal Funds rate reaching as high as 2.50%. After December 2018, the FRB paused its rate increases and, in July, September and October 2019, implemented rate decreases of 0.25% on each of those occasions. At December 31, 2019, the Federal Funds rate stood at 1.75%. In response to the COVID-19 pandemic, the FRB decreased interest rates on two occasions in March 2020, a 0.50% decrease on March 3rd and a 1.00% decrease on March 16th. At December 31, 2021, the Federal Funds rate stood at 0.25%. Financial markets are anticipating an aggressive increase in interest rates in 2022, with three to six hikes anticipated. A substantial portion of Great Southern's loan portfolio ($1.43 billion at December 31, 2021) is tied to the one-month or three-month LIBOR index and will be subject to adjustment at least once within 90 days after December 31, 2021. Of these loans, $1.42 billion had interest rate floors. Great Southern also has a portfolio of loans ($598 million at December 31, 2021) tied to a "prime rate" of interest and will adjust at least one within 90 days after December 31, 2021. Of these loans, $592 million had interest rate floors at various rates. At December 31, 2021, $1.2 billion in LIBOR and "prime rate" loans were at their floor rate. If interest rates were to increase 25 basis points, loans of $360.7 million would move above their floor rate. If interest rates were to increase 50 basis points, an additional $285.1 million in loans would move above their floor rate.

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 October 2018, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap was $400 million with a contractual termination date of October 6, 2025. Under the terms of the swap, the Company received a fixed rate of interest of 3.018% and paid a floating rate of interest equal to one-month USD-LIBOR. The floating rate reset monthly and net settlements of interest due to/from the counterparty also occurred monthly. Due to lower market interest rates, the Company received net interest settlements which were recorded as loan interest income. If USD-LIBOR exceeded the fixed rate of interest, the Company was required to pay net settlements to the counterparty and record those net payments as a reduction of interest income on loans. The effective portion of the gain or loss on the derivative was reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affected 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.

In March 2020, the Company and its swap counterparty mutually agreed to terminate the $400 million interest rate swap prior to its contractual maturity. The Company received a payment of $45.9 million from its swap counterparty as a result of this termination.

In February 2022, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap is $300 million with an effective date of March 1, 2022 and a termination date of March 1, 2024. Under the terms of the swap, the Company will receive a fixed rate of interest of 1.6725% and will pay a floating rate of interest equal to one-month USD-LIBOR. The floating rate will be reset monthly and net settlements of interest due to/from the counterparty will also occur monthly. The initial floating rate of interest was set at 0.24143%. Therefore, in the near term, the Company will receive net interest settlements which will be recorded as loan interest income, to the extent that the fixed rate of interest continues to exceed one-month USD-LIBOR. If USD-LIBOR exceeds the fixed rate of interest in future periods, the Company will be required to pay net settlements to the counterparty and will record those net payments as a reduction of interest income on loans.

The Company's interest rate derivatives and hedging activities are discussed further in *Note 16* 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, 2021. 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, 2021
	2022	2023	2024	2025	2026	2027-2036	Thereafter	Total	Fair Value
					(Dollars In Thousands)				
Financial Assets:									
Interest-bearing deposits	$ 627,259	—	—	—	—	—	—	$ 627,259	$ 627,259
Weighted average rate	0.15 %	—	—	—	—	—	—	0.15 %	
Available-for-sale debt securities(1)	$ 2,001	$ 12,867	$ 4,161	$ 7,287	$ 4,982	$ 228,996	$ 240,738	$ 501,032	$ 501,032
Weighted average rate	5.68 %	3.15 %	2.90 %	2.73 %	1.67 %	2.53 %	2.23 %	2.41 %	
Adjustable rate loans	$ 741,662	$ 395,101	$ 276,070	$ 237,686	$ 134,004	$ 196,520	$ 495,870	$ 2,476,913	$ 2,470,397
Weighted average rate	5.51 %	5.15 %	3.41 %	3.61 %	3.46 %	3.21 %	2.97 %	4.23 %	
Fixed rate loans	$ 227,638	$ 198,628	$ 187,497	$ 267,977	$ 379,725	$ 307,106	$ 40,803	$ 1,609,374	$ 1,609,751
Weighted average rate	4.49 %	4.57 %	4.49 %	4.36 %	3.62 %	4.37 %	4.00 %	4.28 %	
Federal Home Loan Bank stock and other interest-earning assets	$ —	—	—	—	—	—	$ 6,655	$ 6,655	$ 6,655
Weighted average rate	—	—	—	—	—	—	3.00 %	3.00 %	
Total financial assets	$ 1,598,560	$ 606,596	$ 467,728	$ 512,950	$ 518,711	$ 732,622	$ 784,066	$ 5,221,233	
Financial Liabilities:									
Time deposits	$ 764,936	$ 145,781	$ 32,416	$ 13,571	$ 3,414	$ 951	$ —	$ 961,069	$ 961,172
Weighted average rate	0.54 %	0.75 %	1.16 %	0.97 %	0.77 %	1.50 %	—	0.60 %	
Interest-bearing demand	$ 2,381,210	—	—	—	—	—	—	$ 2,381,210	$ 2,381,210
Weighted average rate	0.12 %	—	—	—	—	—	—	0.12 %	
Non-interest-bearing demand	$ 1,209,822	—	—	—	—	—	—	$ 1,209,822	$ 1,209,822
Weighted average rate	—	—	—	—	—	—	—	—	
Securities sold under reverse repurchase agreements	$ 137,116	—	—	—	—	—	—	$ 137,116	$ 137,116
Weighted average rate	0.02 %	—	—	—	—	—	—	0.02 %	
Short-term borrowings, overnight FHLB borrowings, and other liabilities	$ 1,839	—	—	—	—	—	—	$ 1,839	$ 1,839
Weighted average rate	0.07 %	—	—	—	—	—	—	0.07 %	
Subordinated notes	—	—	—	—	—	$ 75,000	—	$ 75,000	$ 81,000
Weighted average rate	—	—	—	—	—	5.98	—	5.98 %	
Subordinated debentures	—	—	—	—	—	$ —	$ 25,774	$ 25,774	$ 25,774
Weighted average rate	—	—	—	—	—	—	1.73 %	1.73 %	
Total financial liabilities	$ 4,494,923	$ 145,781	$ 32,416	$ 13,571	$ 3,414	$ 75,951	$ 25,774	$ 4,791,830	

(1) Available-for-sale debt securities include approximately $424.0 million of mortgage-backed securities and collateralized mortgage obligations which pay interest and principal monthly to the Company. Of this total, $34.0 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, 2021
	2022	2023	2024	2025	2026	2027-2036	Thereafter	Total	Fair Value
	(Dollars In Thousands)								
Financial Assets:									
Interest-bearing deposits	$ 627,259	—	—	—	—	—	—	$ 627,259	$ 627,259
Weighted average rate	0.15 %	—	—	—	—	—	—	0.15 %	
Available-for-sale debt securities(1)	$ 2,001	$ 12,867	$ 4,161	$ 7,287	$ 4,982	$ 228,996	$ 240,738	$ 501,032	$ 501,032
Weighted average rate	5.68 %	3.15 %	2.90 %	2.72 %	1.67 %	2.53 %	2.23 %	2.41 %	
Adjustable rate loans	$ 2,031,069	$ 15,854	$ 19,225	$ 39,615	$ 38,618	$ 332,532	—	$ 2,476,913	$ 2,470,397
Weighted average rate	4.42 %	3.01 %	4.37 %	3.65 %	3.36 %	3.30 %	—	4.23 %	
Fixed rate loans	$ 227,638	$ 198,628	$ 187,497	$ 267,977	$ 379,725	$ 307,106	$ 40,803	$ 1,609,374	$ 1,609,751
Weighted average rate	4.49 %	4.57 %	4.49 %	4.36 %	3.82 %	4.37 %	4.00 %	4.28 %	
Federal Home Loan Bank stock and other interest-earning assets	$ 6,655	—	—	—	—	—	—	$ 6,655	$ 6,655
Weighted average rate	3.00 %	—	—	—	—	—	—	3.00 %	
Total financial assets	$ 2,894,622	$ 227,349	$ 210,883	$ 314,879	$ 423,325	$ 868,634	$ 281,541	$ 5,221,233	
Financial Liabilities:									
Time deposits	$ 818,584	$ 103,333	$ 21,216	$ 13,571	$ 3,414	$ 951	$ —	$ 961,069	$ 961,172
Weighted average rate	0.54 %	0.85 %	1.60 %	0.97 %	0.77 %	1.50 %	—	0.60 %	
Interest-bearing demand	$ 2,381,210	—	—	—	—	—	—	$ 2,381,210	$ 2,381,210
Weighted average rate	0.12 %	—	—	—	—	—	—	0.12 %	
Non-interest-bearing demand(2)	—	—	—	—	—	—	$ 1,209,822	$ 1,209,822	$ 1,209,822
Weighted average rate	—	—	—	—	—	—	—	—	
Securities sold under reverse repurchase agreements	$ 137,116	—	—	—	—	—	—	$ 137,116	$ 137,116
Weighted average rate	0.02 %	—	—	—	—	—	—	0.02 %	
Short-term borrowings, overnight FHLB borrowings, and other liabilities	$ 1,839	—	—	—	—	—	—	$ 1,839	$ 1,839
Weighted average rate	0.07 %	—	—	—	—	—	—	0.07 %	
Subordinated notes	—	—	—	$ 75,000	—	—	—	$ 75,000	$ 81,000
Weighted average rate	—	—	—	5.98 %	—	—	—	5.98 %	
Subordinated debentures	$ 25,774	—	—	—	—	—	—	$ 25,774	$ 25,774
Weighted average rate	1.73 %	—	—	—	—	—	—	1.73 %	
Total financial liabilities	$ 3,364,523	$ 103,333	$ 21,216	$ 88,571	$ 3,414	$ 951	$ 1,209,822	$ 4,791,830	
Periodic repricing GAP	$ (469,901)	$ 124,016	$ 189,667	$ 226,308	$ 419,911	$ 867,683	$ (928,281)	$ 429,403	
Cumulative repricing GAP	$ (469,901)	$ (345,885)	$ (156,218)	$ 70,090	$ 490,001	$ 1,357,684	$ 429,403		

(1) Available-for-sale debt securities include approximately $424.0 million of mortgage-backed securities which pay interest and principal monthly to the Company. Of this total, $34.0 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 deposits are 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, 2021 and 2020

BKD
CPAs & Advisors
910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Great Southern Bancorp, Inc. (the "Company") as of December 31, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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, 2021, based on *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 7, 2022, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Adoption of New Accounting Standard

As discussed in *Notes 1* and *3* to the consolidated financial statements, the Company changed its method of accounting for the allowance for credit losses in 2021 due to the adoption of *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. As discussed below, auditing the Company's allowance for credit losses, including adoption of the new accounting guidance related to the estimate of allowance for credit losses, was a critical audit matter.

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.

PRAXITY
Empowering Business Globally

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

As more fully described in *Note 1* and *Note 3* to the Company's consolidated financial statements, the Company adopted Topic 326 effective January 1, 2021. The allowance for credit losses on loans as defined by Topic 326 is an estimate of lifetime expected credit losses on loans. The allowance for credit losses is measured on a collective basis based on pools of loans with similar risk characteristics. Average historical loss rates over a defined lookback period are analyzed for the segmented loan pools, and adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions and reasonable and supportable forecasts. Qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses. The Company discloses that this determination involves a high degree of judgment and complexity and is inherently subjective.

We identified the valuation of the allowance for credit losses as a critical audit matter. Auditing the allowance for credit losses involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic conditions and other qualitative or environmental factors, evaluating the adequacy of specifically identified losses on individually evaluated loans, and assessing the appropriateness of loan credit ratings.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company's process for establishing the allowance for credit losses;

- Testing the design and operating effectiveness of controls, including those related to technology, over the allowance for credit losses including data completeness and accuracy, classifications of loans by loan segment, verification of historical net loss data and calculated net loss rates, the establishment of qualitative adjustments, credit ratings, and risk classification of loans and establishment of specific reserves on individually evaluated loans, and management's review and disclosure controls over the allowance for credit losses;

- Testing of completeness and accuracy of the information utilized in the allowance for credit losses;
- Testing the mathematical accuracy of the calculation of the allowance for credit losses;
- Evaluating the qualitative adjustments, including assessing the basis for the adjustments and the reasonableness of the significant assumptions;
- Testing the loan review function and evaluating the accuracy of loan credit ratings;
- Evaluating the reasonableness of specific allowances on individually evaluated loans;
- Evaluating the overall reasonableness of assumptions used by management considering the past performance of the Company and evaluating trends identified within peer groups;
- Evaluating the disclosures in the consolidated financial statements.

BKD, LLP

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

Springfield, Missouri
March 7, 2022

Great Southern Bancorp, Inc.

Consolidated Statements of Financial Condition
December 31, 2021 and 2020
(In Thousands, Except Per Share Data)

Assets

	2021	2020
Cash	$ 90,008	$ 92,403
Interest-bearing deposits in other financial institutions	627,259	471,326
Cash and cash equivalents	717,267	563,729
Available-for-sale securities	501,032	414,933
Mortgage loans held for sale	8,735	17,780
Loans receivable, net of allowance for credit losses of $60,754 and $55,743 at December 31, 2021 and 2020, respectively	4,007,500	4,296,804
Interest receivable	10,705	12,793
Prepaid expenses and other assets	45,176	58,889
Other real estate owned and repossessions, net	2,087	1,877
Premises and equipment, net	132,733	139,170
Goodwill and other intangible assets	6,081	6,944
Federal Home Loan Bank stock and other interest-earning assets	6,655	9,806
Current and deferred income taxes	11,973	3,695
Total assets	$ 5,449,944	$ 5,526,420

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.
Consolidated Statements of Financial Condition
December 31, 2021 and 2020
(In Thousands, Except Per Share Data)

Liabilities and Stockholders' Equity

	2021	2020
Liabilities		
Deposits	$ 4,552,101	$ 4,516,903
Securities sold under reverse repurchase agreements with customers	137,116	164,174
Short-term borrowings and other interest-bearing liabilities	1,839	1,518
Subordinated debentures issued to capital trust	25,774	25,774
Subordinated notes	73,984	148,397
Accrued interest payable	646	2,594
Advances from borrowers for taxes and insurance	6,147	7,536
Accrued expenses and other liabilities	25,956	29,783
Liability of unfunded commitments	9,629	—
Total liabilities	4,833,192	4,896,679
Commitments and Contingencies	—	—
Stockholders' Equity		
Capital stock		
Serial preferred stock, $.01 par value; authorized 1,000,000 shares; issued and outstanding 2021 and 2020 – -0- shares	—	—
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding 2021 – 13,128,493 shares, 2020 – 13,752,605 shares	131	138
Additional paid-in capital	38,314	35,004
Retained earnings	545,548	541,448
Accumulated other comprehensive income, net of income taxes of $9,676 and $15,699 at December 31, 2021 and 2020, respectively	32,759	53,151
Total stockholders' equity	616,752	629,741
Total liabilities and stockholders' equity	$ 5,449,944	$ 5,526,420

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Income

Years Ended December 31, 2021, 2020 and 2019

(In Thousands, Except Per Share Data)

	2021	2020	2019
Interest Income			
Loans	$ 186,269	$ 204,964	$ 223,047
Investment securities and other	12,404	12,739	11,947
	198,673	217,703	234,994
Interest Expense			
Deposits	13,102	32,431	45,570
Short-term borrowings and repurchase agreements	37	675	3,635
Subordinated debentures issued to capital trust	448	628	1,019
Subordinated notes	7,165	6,831	4,378
	20,752	40,565	54,602
Net Interest Income	177,921	177,138	180,392
Provision (Credit) for Credit Losses on Loans	(6,700)	15,871	6,150
Provision for Unfunded Commitments	939	—	—
Net Interest Income After Provision (Credit) for Credit Losses and Provision for Unfunded Commitments	183,682	161,267	174,242
Noninterest Income			
Commissions	1,263	892	889
Overdraft and insufficient funds fees	6,686	6,481	8,249
Point-of-sale and ATM fee income and service charges	15,029	12,203	12,649
Net gain on loan sales	9,463	8,089	2,607
Net realized gain (loss) on sales of available-for-sale securities	—	78	(62)
Late charges and fees on loans	1,434	1,419	1,432
Gain (loss) on derivative interest rate products	312	(264)	(104)
Other income	4,130	6,152	5,297
	38,317	35,050	30,957
Noninterest Expense			
Salaries and employee benefits	70,290	70,810	63,224
Net occupancy and equipment expense	29,163	27,582	26,217
Postage	3,164	3,069	3,198
Insurance	3,061	2,405	2,015
Advertising	3,072	2,631	2,808
Office supplies and printing	848	1,016	1,077
Telephone	3,458	3,794	3,580
Legal, audit and other professional fees	6,555	2,378	2,624
Expense on other real estate and repossessions	627	2,023	2,184
Acquired deposit intangible asset amortization	863	1,154	1,190
Other operating expenses	6,534	6,363	7,021
	127,635	123,225	115,138

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Income

Years Ended December 31, 2021, 2020 and 2019

(In Thousands, Except Per Share Data)

	2021	2020	2019
Income Before Income Taxes	$ 94,364	$ 73,092	$ 90,061
Provision for Income Taxes	19,737	13,779	16,449
Net Income and Net Income Available to Common Shareholders	$ 74,627	$ 59,313	$ 73,612
Earnings Per Common Share			
Basic	$ 5.50	$ 4.22	$ 5.18
Diluted	$ 5.46	$ 4.21	$ 5.14

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021, 2020 and 2019
(In Thousands)

	2021	2020	2019
Net Income	$ 74,627	$ 59,313	$ 73,612
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $(4,171), $4,215 and $2,574 for 2021, 2020 and 2019, respectively	(14,121)	14,274	8,714
Less: reclassification adjustment for losses (gains) included in net income, net of taxes (credit) of $0, $18 and $(14) for 2021, 2020 and 2019, respectively	—	(60)	48
Amortization of realized gain on termination of cash flow hedge, net of taxes (credit) of $(1,852), $(1,541) and $0, for 2021, 2020, and 2019, respectively	(6,271)	(5,223)	—
Change in fair value of cash flow hedge, net of taxes of $0, $3,519 and $4,093 for 2021, 2020 and 2019, respectively	—	11,914	13,857
Other comprehensive income (loss)	(20,392)	20,905	22,619
Comprehensive Income	$ 54,235	$ 80,218	$ 96,231

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2021, 2020 and 2019
(In Thousands, Except Per Share Data)

	Common Stock
Balance, January 1, 2019	$ 142
Net income	—
Stock issued under Stock Option Plan	—
Common dividends declared (1)	—
Purchase of the Company's common stock	—
Other comprehensive gain	—
Reclassification of treasury stock per Maryland law	1
Balance, December 31, 2019	143
Net income	—
Stock issued under Stock Option Plan	—
Common dividends declared (2)	—
Purchase of the Company's common stock	—
Other comprehensive gain	—
Reclassification of treasury stock per Maryland law	(5)
Balance, December 31, 2020	138
Net income	—
Stock issued under Stock Option Plan	—
Common dividends declared (3)	—
Impact of ASU 2016-13 adoption	—
Purchase of the Company's common stock	—
Other comprehensive loss	—
Reclassification of treasury stock per Maryland law	(7)
Balance, December 31, 2021	$ 131

(1) $2.07 per share dividend
(2) $2.36 per share dividend
(3) $1.40 per share dividend

See Notes to Consolidated Financial Statements

Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
$ 30,121	$ 492,087	$ 9,627	$ —	$ 531,977
—	73,612	—	—	73,612
3,389	—	—	1,691	5,080
—	(29,373)	—	—	(29,373)
—	—	—	(849)	(849)
—	—	22,619	—	22,619
—	841	—	(842)	—
33,510	537,167	32,246	—	603,066
—	59,313	—	—	59,313
1,494	—	—	320	1,814
—	(33,253)	—	—	(33,253)
—	—	—	(22,104)	(22,104)
—	—	20,905	—	20,905
—	(21,779)	—	21,784	—
35,004	541,448	53,151	—	629,741
—	74,627	—	—	74,627
3,310	—	—	1,615	4,925
—	(18,851)	—	—	(18,851)
—	(14,175)	—	—	(14,175)
—	—	—	(39,123)	(39,123)
—	—	(20,392)	—	(20,392)
—	(37,501)	—	37,508	—
$ 38,314	$ 545,548	$ 32,759	$ —	$ 616,752

Great Southern Bancorp, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2021, 2020 and 2019

(In Thousands)

	2021	2020	2019
Operating Activities			
Net income	$ 74,627	$ 59,313	$ 73,612
Proceeds from sales of loans held for sale	351,391	317,173	131,014
Originations of loans held for sale	(332,289)	(316,125)	(135,937)
Items not requiring (providing) cash			
Depreciation	9,555	10,007	9,557
Amortization	1,583	2,075	2,068
Compensation expense for stock option grants	1,225	1,153	922
Provision (credit) for credit losses	(6,700)	15,871	6,150
Provision for unfunded commitments	939	—	—
Net gain on loan sales	(9,463)	(8,089)	(2,607)
Net realized (gain) loss on available-for-sale securities	—	(78)	62
Loss (gain) on sale of premises and equipment	(1)	(37)	77
Loss (gain) on sale/write-down of other real estate and repossessions	(71)	840	316
Accretion of deferred income, premiums, discounts and other	(10,262)	(6,147)	(3,899)
Loss (gain) on derivative interest rate products	(312)	264	104
Deferred income taxes	3,712	(11,480)	1,074
Changes in			
Interest receivable	2,088	362	(82)
Prepaid expenses and other assets	3,257	(17,163)	(1,336)
Accrued expenses and other liabilities	(2,495)	(612)	2,725
Income taxes refundable/payable	(1,808)	(1,279)	2,599
Net cash provided by operating activities	84,976	46,048	86,419

See Notes to Consolidated Financial Statements

Great Southern Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020, 2019 and 2018
(In Thousands)

	2021	2020	2019
Investing Activities			
Net change in loans	$ 448,599	$ (62,493)	$ (81,320)
Purchase of loans	(152,797)	(92,099)	(97,162)
Cash received for termination of interest rate derivative	—	45,864	—
Purchase of premises and equipment	(5,739)	(8,224)	(11,789)
Proceeds from sale of premises and equipment	586	781	204
Proceeds from sale of other real estate and repossessions	2,230	4,096	15,244
Capitalized costs on other real estate owned	—	(126)	(121)
Proceeds from sale of available-for-sale securities	—	19,236	53,695
Proceeds from maturities, calls and repayments of available-for-sale securities	72,149	76,248	34,769
Purchase of available-for-sale securities	(177,466)	(118,296)	(207,634)
Redemption (purchase) of Federal Home Loan Bank stock and other interest-earning assets	3,151	3,667	(1,035)
Net cash provided by (used in) investing activities	190,713	(131,346)	(295,149)
Financing Activities			
Net increase (decrease) in certificates of deposit	(429,723)	(330,306)	129,748
Net increase in checking and savings accounts	464,921	887,114	105,400
Net increase (decrease) in short-term borrowings and other interest-bearing liabilities	(26,737)	(146,632)	14,346
Advances from (to) borrowers for taxes and insurance	(1,389)	52	2,392
Proceeds from issuance of subordinated notes	—	73,513	—
Redemption of subordinated notes	(75,000)	—	—
Purchase of the company's common stock	(39,123)	(22,104)	(849)
Dividends paid	(18,800)	(33,426)	(29,052)
Stock options exercised	3,700	661	4,158
Net cash provided by (used in) financing activities	(122,151)	428,872	226,143
Increase in Cash and Cash Equivalents	153,538	343,574	17,413
Cash and Cash Equivalents, Beginning of Year	563,729	220,155	202,742
Cash and Cash Equivalents, End of Year	$ 717,267	$ 563,729	$ 220,155

See Notes to Consolidated Financial Statements

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 Atlanta, Chicago, Dallas, Denver, Omaha, Nebraska, and Tulsa, Oklahoma. 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 credit losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and fair values of financial instruments. In connection with the determination of the allowance for credit losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties. 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 2021 financial statements presentation. These reclassifications, which had no effect on net income, related to the following items:

- Overdraft and insufficient funds fees are now reported on a separate line item in the Noninterest Income section of the Consolidated Statements of Income. Point-of-sale and ATM fee income and service charges are also now reported on a separate line item in the Noninterest Income section of the Consolidated Statement of Income. These income items were previously reported together as service charges, debit card and ATM fees.

- Partnership tax credit investment amortization was previously reported separately in the Noninterest Expense section of the Consolidated Statements of Income and is now included in other operating expenses in the Noninterest Expense section of the Consolidated Statements of Income.

- For all years presented, loans receivable are shown at net outstanding balances. Previously, gross loans were reported including any unfunded portions of commercial, residential and other residential (multi-family) construction loans.

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.

The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326, *Measurement of Credit Losses on Financial Instruments*. 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 through a provision for credit loss 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.

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 credit 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 Credit Losses

The allowance for credit losses is measured using an average historical loss model which incorporates relevant information about past events (including historical credit loss experience on loans with similar risk characteristics), current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral and repayment types and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily classified and/or troubled debt restructurings ("TDR") loans with a balance greater than or equal to $100,000, are evaluated on an individual basis.

For loans evaluated for credit losses on a collective basis, average historical loss rates are calculated for each pool using the Company's historical net charge-offs (combined charge-offs and recoveries by observable historical reporting period) and outstanding loan balances during a lookback period. Lookback periods can be different based on the individual pool and represent management's credit expectations for the pool of loans over the remaining contractual life. The calculated average net charge-off rate is then adjusted for current conditions and reasonable and supportable forecasts. These adjustments increase or decrease the average historical loss rate to reflect expectations of future losses given economic forecasts of key macroeconomic variables including, but not limited to, unemployment rate, GDP, disposable income and market volatility. The adjustments are based on results from various regression models projecting the impact of the macroeconomic variables to loss rates. The forecast is used for a reasonable and supportable period before reverting to historical averages using a straight-line method. The forecast-adjusted loss rate is applied to the amortized cost of loans over the remaining contractual lives, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals and modifications unless there is a reasonable expectation that a TDR will be executed. Additionally, the allowance for credit losses considers other qualitative factors not included in historical loss rates or macroeconomic forecasts such as changes in portfolio composition, underwriting practices, or significant unique events or conditions.

Loans Acquired in Business Combinations

Loans acquired in business combinations under ASC Topic 805, *Business Combinations*, required the use of the acquisition method of accounting. Therefore, such loans were initially recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820, *Fair Value Measurements and Disclosures*. The Company's historical acquisitions all occurred under previous US GAAP prior to the Company's adoption of ASU 2016-13. No allowance for credit losses related to the acquired loans was recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820. 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 acquired loans not acquired in conjunction with an FDIC-assisted transaction that were not considered to be purchased credit-impaired loans, the Company evaluated 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's historical acquisitions all occurred under previous US GAAP prior to the Company's adoption of ASU 2016-13. The Company evaluated 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 were 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. At the date of CECL adoption, the Company did not reassess whether purchased credit impaired (PCI) loans met the criteria of purchased with credit deterioration (PCD) loans.

The Company evaluated 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.

Prior to the adoption of ASU 2016-13, the expected cash flows of the acquired loan pools in excess of the fair values recorded, referred to as the accretable yield, was recognized in interest income over the remaining estimated lives of the loan pools for impaired loans accounted for under ASC Topic 310-30. Subsequent to acquisition date, the Company estimated 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 have been recognized as increases to the accretable yield while decreases have been recognized as impairments through the allowance for credit losses.

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.

Material lease obligations consist of leases for various loan offices and banking centers. All of our leases are classified as operating leases (as they were prior to January 1, 2019), and therefore were previously not recognized on the Company's consolidated statements of financial condition. With the adoption of ASU 2016-02, these operating leases are now included as a right of use asset in the premises and equipment line item on the Company's consolidated statements of financial condition. The corresponding lease liability is included in the accrued expenses and other liabilities line item on the Company's consolidated statements of financial condition.

The calculated amounts of the right of use assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew extended term in the calculation of the right of use asset and lease liability. Regarding the discount rate, the Company uses the rate implicit in the lease at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right of use asset and lease liability. Regarding the discount rate, the Company uses the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception over a similar term. The discount rate utilized is the FHLBank borrowing rate for the term corresponding to the expected term of the lease.

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.

No asset impairment was recognized during the years ended December 31, 2021, 2020 and 2019.

Goodwill and Intangible Assets

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount and an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The Company still may perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary.

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, 2021	December 31, 2020
	(In Thousands)	
Goodwill – Branch acquisitions	$ 5,396	$ 5,396
Deposit intangibles		
Boulevard Bank	—	31
Valley Bank	—	200
Fifth Third Bank	685	1,317
	685	1,548
	$ 6,081	$ 6,944

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:

	2021	2020	2019
	(In Thousands, Except Per Share Data)		
Net income and net income available to common shareholders	$ 74,627	$ 59,313	$ 73,612
Average common shares outstanding	13,558	14,043	14,201
Average common share stock options outstanding	116	61	129
Average diluted common shares	13,674	14,104	14,330
Earnings per common share – basic	$ 5.50	$ 4.22	$ 5.18
Earnings per common share – diluted	$ 5.46	$ 4.21	$ 5.14

Options outstanding at December 31, 2021, 2020 and 2019, to purchase 383,338, 758,901 and 201,400 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, 2021, 2020 and 2019, respectively.

Stock Compensation Plans

The Company has stock-based employee compensation plans, which are described more fully in *Note 20*. 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, 2021, 2020 and 2019, share-based compensation expense totaling $1.2 million, $1.2 million and $922,000, 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, 2021 and 2020, cash equivalents consisted of interest-bearing deposits in other financial institutions. At December 31, 2021, 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, 2021 and 2020, 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 16*.

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. During the COVID-19 pandemic, the Federal Reserve Bank has reduced all banks' reserve requirements to $-0- until further notice. There was no reserve required at December 31, 2021 and 2020.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (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 GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The Update affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The Update affects 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. The Update was set to be effective for the Company on January 1, 2020. During March 2020, pursuant to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and guidance from the SEC and FASB, we elected to delay adoption of the new accounting standard under the Update, which is referred to as the current expected credit loss (“CECL”) methodology. In December 2020, additional legislation was enacted that amended certain provisions of the CARES Act. One of the provisions that was affected by this additional legislation allowed for the election to further delay the adoption of the CECL accounting standard to January 1, 2022. An adoption date of January 1, 2021, was also an acceptable option and we elected January 1, 2021 as our adoption date for the CECL standard. As a result, our 2020 financial statements were prepared under the incurred loss methodology standard for accounting for credit losses.

The adoption of the CECL model during the first quarter of 2021 required us to recognize a one-time cumulative adjustment to our allowance for credit losses and a liability for potential losses related to the unfunded portion of our loans and commitments in order to fully transition from the incurred loss model to the CECL model. Upon initial adoption, we increased the balance of our allowance for credit losses related to outstanding loans by $11.6 million and created a liability for potential losses related to the unfunded portion of our loans and commitments of $8.7 million. The after-tax effect of these adjustments decreased our retained earnings by $14.2 million.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides relief for companies preparing for discontinuation of interest rates such as the London Interbank Offered Rate (“LIBOR”). LIBOR is a benchmark interest rate referenced in a variety of agreements that are used by numerous entities. After 2021, certain LIBOR rates may no longer be published. As a result, LIBOR is expected to be discontinued as a reference rate. Other interest rates used globally could also be discontinued for similar reasons. ASU 2020-04 provides optional expedients and exceptions to contracts, hedging relationships and other transactions affected by reference rate reform. The main provisions for contract modifications include optional relief by allowing the modification as a continuation of the existing contract without additional analysis and other optional expedients regarding embedded features. Optional expedients for hedge accounting permits changes to critical terms of hedging relationships and to the designated benchmark interest rate in a fair value hedge and also provides relief for assessing hedge effectiveness for cash flow hedges. Companies are able to apply ASU 2020-04 immediately; however, the guidance will only be available for a limited time (generally through December 31, 2022). The application of ASU 2020-04 has not had, and is not expected to have, a material impact on the Company’s consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. ASU 2021-01 clarifies that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 also amends the expedients and exceptions in ASC 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. ASU 2021-01 was effective upon issuance and generally can be applied through December 31, 2022. ASU 2021-01 has not had, and is not expected to have, a material impact on the Company’s consolidated financial statements.

Note 2: Investments in Securities

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

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Agency mortgage-backed securities	$ 219,624	$ 10,561	$ 744	$ 229,441
Agency collateralized mortgage obligations	204,332	2,443	2,498	204,277
States and political subdivisions securities	38,440	1,618	43	40,015
Small Business Administration securities	26,802	497	—	27,299
	$ 489,198	$ 15,119	$ 3,285	$ 501,032

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Agency mortgage-backed securities	$ 151,106	$ 19,665	$ 831	$ 169,940
Agency collateralized mortgage obligations	168,472	8,524	375	176,621
States and political subdivisions securities	45,196	2,135	6	47,325
Small Business Administration securities	20,033	1,014	—	21,047
	$ 384,807	$ 31,338	$ 1,212	$ 414,933

At December 31, 2021, the Company's agency mortgage-backed securities portfolio consisted of FNMA securities totaling $180.5 million, FHLMC securities totaling $47.4 million and GNMA securities totaling $1.5 million. At December 31, 2021, agency collateralized mortgage obligations consisted of GNMA securities totaling $72.4 million, FNMA securities totaling $80.5 million and FHLMC securities totaling $51.4 million. At December 31, 2021, all of the Company's $229.4 million agency mortgage-backed securities had fixed rates of interest. At December 31, 2021, $170.5 million of the Company's agency collateralized mortgage obligations had fixed rates of interest and $33.8 million had variable rates of interest.

The amortized cost and fair value of available-for-sale securities at December 31, 2021, 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	$ 1,002	$ 1,040
After five through ten years	9,200	9,847
After ten years	28,238	29,128
Securities not due on a single maturity date	450,758	461,017
	$ 489,198	$ 501,032

There were no securities classified as held to maturity at December 31, 2021 or December 31, 2020.

The amortized cost and fair values of securities pledged as collateral was as follows at December 31, 2021 and 2020:

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Public deposits	$ 4,742	$ 5,029	$ 5,674	$ 5,962
Collateralized borrowing accounts	133,242	139,112	188,309	201,818
Other	6,257	6,461	6,413	6,819
	$ 144,241	$ 150,602	$ 200,396	$ 214,599

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, 2021 and 2020, was approximately $173.9 million and $24.2 million, respectively, which is approximately 34.7% and 5.8%, respectively, of the Company's available-for-sale maturity investment portfolio.

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, 2021 and 2020:

	2021					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Agency mortgage-backed securities	$ 47,769	$ (388)	$ 10,583	$ (356)	$ 58,352	$ (744)
Agency collateralized mortgage obligations	92,727	(1,588)	16,298	(910)	109,025	(2,498)
States and political subdivisions securities	6,537	(43)	—	—	6,537	(43)
	$ 147,033	$ (2,019)	$ 26,881	$ (1,266)	$ 173,914	$ (3,285)

	2020					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Agency mortgage-backed securities	$ 10,279	$ (831)	$ —	$ —	$ 10,279	$ (831)
Agency collateralized mortgage obligations	12,727	(375)	—	—	12,727	(375)
States and political subdivisions securities	1,164	(6)	—	—	1,164	(6)
	$ 24,170	$ (1,212)	$ —	$ —	$ 24,170	$ (1,212)

Allowance for Credit Losses

On January 1, 2021, the Company began evaluating all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326, *Measurement of Credit Losses on Financial Instruments*. All of the mortgage-backed, collateralized mortgage, and SBA securities held by the Company are issued by U.S. government-sponsored entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Likewise, the Company has not experienced historical losses on these types of securities. Accordingly, no allowance for credit losses has been recorded for these securities.

Regarding securities issued by state and political subdivisions, management considers the following when evaluating these securities: (i) current issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) updated financial information of the issuer, (v) internal forecasts and (vi) whether such securities provide insurance or other credit enhancement or are pre-refunded by the issuers. These securities are highly rated by major rating agencies and have a long history of no credit losses. Likewise, the Company has not experienced historical losses on these types of securities. Accordingly, no allowance for credit losses has been recorded for these securities.

Amounts Reclassified Out of Accumulated Other Comprehensive Income

There were no amounts reclassified from accumulated other comprehensive income related to available-for-sale securities during the year ended December 31, 2021 or December 31, 2020.

Note 3: Loans and Allowance for Credit Losses

The Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective January 1, 2021. The guidance replaces the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credits, financial guarantees, and other similar instruments. The Company adopted ASC 326 using the modified retrospective method for loans and off-balance sheet credit exposures. The Company recorded a one-time cumulative-effect adjustment to the allowance for credit losses of $11.6 million. This adjustment brought the balance of the allowance for credit losses to $67.3 million as of January 1, 2021. In addition, the Company recorded an $8.7 million liability for unfunded commitments as of January 1, 2021. The after-tax effect decreased retained earnings by $14.2 million. The adjustment was based upon the Company's analysis of then-current conditions, assumptions and economic forecasts at January 1, 2021.

The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired (PCI) and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2021, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $1.9 million to the allowance for credit losses.

Results for reporting periods prior to January 1, 2021, continue to be reported in accordance with previously applicable GAAP. Under the incurred loss model, the Company delayed recognition of losses until it was probable that a loss was incurred. The allowance for credit losses was established as losses were estimated to have occurred through a provision for credit losses charged to earnings. Credit losses were charged against the allowance when management believed the uncollectability of a loan balance was confirmed. The allowance for credit losses was evaluated on a regular basis by management and was based upon management's periodic review of the collectability 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. The allowance consisted of allocated and general components. The allocated component related to loans that were classified as impaired. For loans classified as impaired, an allowance was established when the present value of expected future cash flows (or collateral value or observable market price) of the impaired loan was lower than the carrying value of that loan. The general component covered non-classified loans and was based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Results for reporting periods after December 31, 2020, include loans acquired and accounted for under ASC 310-30 net of discount within the loan classes, while for reporting periods prior to January 1, 2021, the loans acquired and accounted for under ASC 310-30 were shown separately.

Beginning on January 1, 2021, the allowance for credit losses is measured using an average historical loss model which incorporates relevant information about past events (including historical credit loss experience on loans with similar risk characteristics), current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral and repayment types and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily classified and/or TDR loans with a balance greater than or equal to $100,000, are evaluated on an individual basis.

For loans evaluated for credit losses on a collective basis, average historical loss rates are calculated for each pool using the Company's historical net charge-offs (combined charge-offs and recoveries by observable historical reporting period) and outstanding loan balances during a lookback period. Lookback periods can be different based on the individual pool and represent management's credit expectations for the pool of loans over the remaining contractual life. In certain loan pools, if the Company's own historical loss rate is not reflective of the loss expectations, the historical loss rate is augmented by industry and peer data. The calculated average net charge-off rate is then adjusted for current conditions and reasonable and supportable forecasts. These adjustments increase or decrease the average historical loss rate to reflect expectations of future losses given economic forecasts of key macroeconomic variables including, but not limited to, unemployment rate, GDP, disposable income and market volatility. The adjustments are based on results from various regression models projecting the impact of the macroeconomic variables to loss rates. The forecast is used for a reasonable and supportable period before reverting to historical averages using a straight-line method. The forecast-adjusted loss rate is applied to the amortized cost of loans over the remaining contractual lives, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals and modifications unless there is a reasonable expectation that a troubled debt restructuring will be executed. Additionally, the allowance for credit losses considers other qualitative factors not included in historical loss rates or macroeconomic forecasts such as changes in portfolio composition, underwriting practices, or significant unique events or conditions.

ASU 2016-13 requires an allowance for off balance sheet credit exposures; unfunded lines of credit, undisbursed portions of loans, written residential and commercial commitments, and letters of credit. To determine the amount needed for allowance purposes, a utilization rate is determined either by the model or internally for each pool. Our loss model calculates the reserve on unfunded commitments based upon the utilization rate multiplied by the average loss rate factors in each pool with unfunded and committed balances. The liability for unfunded lending commitments utilizes the same model as the allowance for credit losses on loans; however, the liability for unfunded lending commitments incorporates assumptions for the portion of unfunded commitments that are expected to be funded.

Classes of loans at December 31, 2021 and 2020, included:

	2021	2020
	(In Thousands)	
One- to four-family residential construction	$ 28,302	$ 20,718
Subdivision construction	26,694	4,917
Land development	47,827	54,010
Commercial construction	617,505	484,372
Owner occupied one- to four-family residential	561,958	470,310
Non-owner occupied one- to four-family residential	119,635	114,498
Commercial real estate	1,476,230	1,541,242
Other residential	697,903	999,447
Commercial business	280,513	318,023
Industrial revenue bonds	14,203	14,003
Consumer auto	48,915	86,173
Consumer other	37,902	40,762
Home equity lines of credit	119,965	114,689
Loans acquired and accounted for under ASC 310-30, net of discounts (1)	—	98,643
	4,077,552	4,361,807
Allowance for credit losses	(60,754)	(55,743)
Deferred loan fees and gains, net	(9,298)	(9,260)
	$ 4,007,500	$ 4,296,804

(1) Loans acquired and accounted for under ASC 310-30 of $74.2 million have been included in the totals by loan class as of December 31, 2021. At the date of CECL adoption, the Company did not reassess whether PCI loans met the criteria of PCD loans.

Classes of loans by aging were as follows as of the dates indicated:

	December 31, 2021						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$ —	$ —	$ —	$ —	$ 28,302	$ 28,302	$ —
Subdivision construction	—	—	—	—	26,694	26,694	—
Land development	29	15	468	512	47,315	47,827	—
Commercial construction	—	—	—	—	617,505	617,505	—
Owner occupied one- to four-family residential	843	2	2,216	3,061	558,897	561,958	—
Non-owner occupied one- to four-family residential	—	—	—	—	119,635	119,635	—
Commercial real estate	—	—	2,006	2,006	1,474,224	1,476,230	—
Other residential	—	—	—	—	697,903	697,903	—
Commercial business	1,404	—	—	1,404	279,109	280,513	—
Industrial revenue bonds	—	—	—	—	14,203	14,203	—
Consumer auto	229	31	34	294	48,621	48,915	—
Consumer other	126	28	63	217	37,685	37,902	—
Home equity lines of credit	—	—	636	636	119,329	119,965	—
Total	$ 2,631	$ 76	$ 5,423	$ 8,130	$ 4,069,422	$ 4,077,552	$ —
FDIC-assisted acquired loans included above	$ 433	$ —	$ 1,736	$ 2,169	$ 72,001	$ 74,170	$ —

	December 31, 2020						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$ 1,365	$ —	$ —	$ 1,365	$ 19,353	$ 20,718	$ —
Subdivision construction	—	—	—	—	4,917	4,917	—
Land development	20	—	—	20	53,990	54,010	—
Commercial construction	—	—	—	—	484,372	484,372	—
Owner occupied one- to four-family residential	1,379	113	1,502	2,994	467,316	470,310	—
Non-owner occupied one- to four-family residential	—	—	69	69	114,429	114,498	—
Commercial real estate	—	79	587	666	1,540,576	1,541,242	—
Other residential	—	—	—	—	999,447	999,447	—
Commercial business	—	—	114	114	317,909	318,023	—
Industrial revenue bonds	—	—	—	—	14,003	14,003	—
Consumer auto	364	119	169	652	85,521	86,173	—
Consumer other	443	7	94	544	40,218	40,762	—
Home equity lines of credit	153	111	508	772	113,917	114,689	—
Loans acquired and accounted for under ASC 310-30, net of discounts	1,662	641	3,843	6,146	92,497	98,643	—
	5,386	1,070	6,886	13,342	4,348,465	4,361,807	—
Less loans acquired and accounted for under ASC 310-30, net of discounts	1,662	641	3,843	6,146	92,497	98,643	—
Total	$ 3,724	$ 429	$ 3,043	$ 7,196	$ 4,255,968	$ 4,263,164	$ —

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.

Non-accruing loans as of December 31, 2020 shown below exclude $3.8 million in loans acquired and accounted for under ASC 310–30, while the non-accruing loans as of December 31, 2021 shown below include $1.7 million in loans acquired through various FDIC-assisted transactions in the loan classes listed.

	December 31,	
	2021	2020
	(In Thousands)	
One- to four-family residential construction	$ —	$ —
Subdivision construction	—	—
Land development	468	—
Commercial construction	—	—
Owner occupied one- to four-family residential	2,216	1,502
Non-owner occupied one- to four-family residential	—	69
Commercial real estate	2,006	587
Other residential	—	—
Commercial business	—	114
Industrial revenue bonds	—	—
Consumer auto	34	169
Consumer other	63	94
Home equity lines of credit	636	508
Total non-accruing loans	$ 5,423	$ 3,043
FDIC-assisted acquired loans included above	$ 1,736	

No interest income was recorded on these loans for the years ended December 31, 2021 and 2020, respectively.

Nonaccrual loans for which there is no related allowance for credit losses as of December 31, 2021 had an amortized cost of $2.0 million. These loans are individually assessed and do not require an allowance due to being adequately collateralized under the collateral-dependent valuation method. A collateral-dependent loan is a financial asset for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty based on the Company’s assessment as of the reporting date. Collateral-dependent loans are identified by either a classified risk rating or TDR status and a loan balance equal to or greater than $100,000, including, but not limited to, any loan in process of foreclosure or repossession.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2021. On January 1, 2021, the Company adopted the CECL methodology, which added $11.6 million to the total Allowance for Credit Loss, including $1.9 million of remaining discount on loans that were previously accounted for as PCI.

	December 31, 2021						
	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for Credit Losses							
Balance, December 31, 2020	$ 4,536	$ 9,375	$ 33,707	$ 3,521	$ 2,390	$ 2,214	$ 55,743
CECL adoption	4,533	5,832	(2,531)	(1,165)	1,499	3,427	11,595
Balance, January 1, 2021	9,069	15,207	31,176	2,356	3,889	5,641	67,338
Provision (credit) charged to expense	—	(4,797)	(2,478)	575	—	—	(6,700)
Losses charged off	(190)	—	(142)	(154)	(81)	(2,054)	(2,621)
Recoveries	485	92	48	20	334	1,758	2,737
Balance, December 31, 2021	$ 9,364	$ 10,502	$ 28,604	$ 2,797	$ 4,142	$ 5,345	$ 60,754

The following table presents the activity in the allowance for unfunded commitments by portfolio segment for the year ended December 31, 2021. On January 1, 2021, the Company adopted the CECL methodology, which created an $8.7 million allowance for unfunded commitments.

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for Unfunded Commitments							
Balance, December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CECL adoption	917	5,227	354	910	935	347	8,690
Balance, January 1, 2021	917	5,227	354	910	935	347	8,690
Provision (credit) charged to expense	(230)	476	13	(2)	647	35	939
Balance, December 31, 2021	$ 687	$ 5,703	$ 367	$ 908	$ 1,582	$ 382	$ 9,629

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2020 and 2019, respectively, prepared using the previous GAAP incurred loss method prior to the adoption of ASU 2016-13. Also presented are the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method as of the years ended December 31, 2020 and 2019, respectively, prepared using the previous GAAP incurred loss method prior to the adoption of ASU 2016-13.

	December 31, 2020						
	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, 2020	$ 4,339	$ 5,153	$ 24,334	$ 3,076	$ 1,355	$ 2,037	$ 40,294
Provision (benefit) charged to expense	84	4,042	9,343	242	914	1,246	15,871
Losses charged off	(70)	—	(43)	(1)	(28)	(3,152)	(3,294)
Recoveries	183	180	73	204	149	2,083	2,872
Balance, December 31, 2020	$ 4,536	$ 9,375	$ 33,707	$ 3,521	$ 2,390	$ 2,214	$ 55,743
Ending balance:							
Individually evaluated for impairment	$ 90	$ —	$ 445	$ —	$ 14	$ 164	$ 713
Collectively evaluated for impairment	$ 4,382	$ 9,282	$ 32,937	$ 3,378	$ 2,331	$ 2,040	$ 54,350
Loans acquired and accounted for under ASC 310-30	$ 64	$ 93	$ 325	$ 143	$ 45	$ 10	$ 680
Loans							
Individually evaluated for impairment	$ 3,546	$ —	$ 3,438	$ —	$ 167	$ 1,897	$ 9,048
Collectively evaluated for impairment	$ 655,146	$1,021,145	$ 1,550,239	$ 1,266,847	$ 384,734	$ 239,727	$5,117,838
Loans acquired and accounted for under ASC 310-30	$ 57,113	$ 6,150	$ 24,613	$ 2,551	$ 2,549	$ 5,667	$ 98,643

	December 31, 2019						
	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, 2019	$ 3,122	$ 4,713	$ 19,803	$ 3,105	$ 1,568	$ 6,098	$ 38,409
Provision (benefit) charged to expense	1,625	603	4,651	22	(309)	(442)	6,150
Losses charged off	(534)	(189)	(144)	(101)	(371)	(6,723)	(8,062)
Recoveries	126	26	24	50	467	3,104	3,797
Balance, December 31, 2019	$ 4,339	$ 5,153	$ 24,334	$ 3,076	$ 1,355	$ 2,037	$ 40,294
Ending balance:							
Individually evaluated for impairment	$ 198	$ —	$ 517	$ —	$ 13	$ 201	$ 929
Collectively evaluated for impairment	$ 3,973	$ 5,101	$ 23,570	$ 2,940	$ 1,306	$ 1,814	$ 38,704
Loans acquired and accounted for under ASC 310-30	$ 168	$ 52	$ 247	$ 136	$ 36	$ 22	$ 661
Loans							
Individually evaluated for impairment	$ 2,960	$ —	$ 4,020	$ —	$ 1,286	$ 2,001	$ 10,267
Collectively evaluated for impairment	$ 554,450	$ 866,006	$ 1,490,152	$ 1,363,292	$ 325,112	$ 315,561	$4,914,573
Loans acquired and accounted for under ASC 310-30	$ 74,562	$ 5,334	$ 29,158	$ 3,606	$ 3,356	$ 11,190	$ 127,206

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, 2021 and 2020, was 4.26% and 4.29%, respectively.

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of loans serviced for others at December 31, 2021, was $385.8 million, consisting of $249.5 million of commercial loan participations sold to other financial institutions and $136.3 million of residential mortgage loans sold. The unpaid principal balance of loans serviced for others at December 31, 2020, was $462.7 million, consisting of $308.4 million of commercial loan participations sold to other financial institutions and $154.3 million of residential mortgage loans sold. In addition, available lines of credit on these loans were $130.9 million and $46.1 million at December 31, 2021 and 2020, respectively.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2021:

	December 31, 2021	
	Principal Balance	Specific Allowance
	(In Thousands)	
One- to four-family residential construction	$ —	$ —
Subdivision construction	—	—
Land development	468	—
Commercial construction	—	—
Owner occupied one- to four-family residential	1,980	118
Non-owner occupied one- to four-family residential	—	—
Commercial real estate	2,217	397
Other residential	—	—
Commercial business	—	—
Industrial revenue bonds	—	—
Consumer auto	—	—
Consumer other	160	80
Home equity lines of credit	377	—
Total	$ 5,202	$ 495

Prior to adoption of ASU 2016-13, a loan was considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16) when, based on then-current information and events, it was probable the Company would be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans included not only nonperforming loans but also loans modified in troubled debt restructurings where concessions had been granted to borrowers experiencing financial difficulties. The following table presents information pertaining to impaired loans as of December 31, 2020 and 2019, respectively, in accordance with previous GAAP prior to the adoption of ASU 2016-13.

	December 31, 2020			Year Ended December 31, 2020	
	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	20	20	—	115	3
Land development	—	—	—	—	—
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	3,457	3,776	90	2,999	169
Non-owner occupied one- to four-family residential	69	106	—	309	18
Commercial real estate	3,438	3,472	445	3,736	135
Other residential	—	—	—	—	—
Commercial business	166	551	14	800	34
Industrial revenue bonds	—	—	—	—	—
Consumer auto	865	964	140	932	91
Consumer other	403	552	19	298	47
Home equity lines of credit	630	668	5	550	36
Total	$ 9,048	$ 10,109	$ 713	$ 9,739	$ 533

	December 31, 2019			Year Ended December 31, 2019	
	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	251	251	96	277	9
Land development	—	—	—	328	101
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	2,300	2,423	82	2,598	131
Non-owner occupied one- to four-family residential	409	574	20	954	43
Commercial real estate	4,020	4,049	517	4,940	264
Other residential	—	—	—	—	—
Commercial business	1,286	1,771	13	1,517	81
Industrial revenue bonds	—	—	—	—	—
Consumer auto	1,117	1,334	181	1,128	125
Consumer other	356	485	16	383	48
Home equity lines of credit	528	548	4	362	37
Total	$ 10,267	$ 11,435	$ 929	$ 12,487	$ 839

At December 31, 2020, $4.8 million of impaired loans had specific valuation allowances totaling $713,000. At December 31, 2019, $5.2 million of impaired loans had specific valuation allowances totaling $929,000.

For loans which were non-accruing, interest of approximately $432,000, $579,000 and $761,000 would have been recognized on an accrual basis during the years ended December 31, 2021, 2020 and 2019, respectively.

TDRs 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 credit losses for TDRs primarily using a discounted cash flows or collateral adequacy approach.

TDRs by class are presented below as of December 31, 2021 and 2020. The December 31, 2020 table excludes $1.7 million of FDIC-assisted acquired loans accounted for under ASC 310-30, while the December 31, 2021 table includes the loans acquired through various FDIC-assisted transactions in the loan classes listed.

	December 31, 2021					
	Accruing TDR Loans		Non-accruing TDR Loans		Total TDR Loans	
	Number	Balance	Number	Balance	Number	Balance
	(In Thousands)					
Construction and land development	1	$ 15	—	$ —	1	$ 15
One- to four-family residential	10	579	12	1,059	22	1,638
Other residential	—	—	—	—	—	—
Commercial real estate	1	85	1	1,726	2	1,811
Commercial business	—	—	—	—	—	—
Consumer	26	323	13	64	39	387
	38	$ 1,002	26	$ 2,849	64	$ 3,851

	December 31, 2020		
	Restructured Troubled Debt Non-accruing	Accruing Interest	Restructured Troubled Debt
	(In Thousands)		
Construction and land development	$ —	$ 646	$ 646
One- to four-family residential	778	1,121	1,899
Other residential	—	—	—
Commercial real estate	—	20	20
Commercial business	75	52	127
Consumer	118	511	629
	$ 971	$ 2,350	$ 3,321

The following table presents newly restructured loans during the years ended December 31, 2021, 2020, and 2019 by type of modification:

	2021			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Residential one-to-four family	$ 31	$ 202	$ 134	$ 367
Commercial real estate	1,768	—	—	1,768
Commercial business	—	—	—	—
Consumer	—	259	11	270
	$ 1,799	$ 461	$ 145	$ 2,405

	2020			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Residential one-to-four family	$ —	$ —	$ 1,030	$ 1,030
Commercial real estate	—	—	559	559
Commercial business	—	—	22	22
Consumer	—	16	1,951	1,967
	$ —	$ 16	$ 3,562	$ 3,578

	2019			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Consumer	$ —	$ 136	$ —	$ 136
	$ —	$ 136	$ —	$ 136

At December 31, 2021, of the $3.9 million in TDRs, $2.9 million were classified as substandard using the Company's internal grading system. The Company had no TDRs that were modified in the previous 12 months and subsequently defaulted during the year ended December 31, 2021. At December 31, 2020, of the $3.3 million in TDRs, $1.6 million were classified as substandard using the Company's internal grading system. The Company had no TDRs that were modified in the previous 12 months and subsequently defaulted during the year ended December 31, 2020.

Loans were modified during 2020 or 2021 in response to the COVID-19 pandemic and were within the guidance provided by the CARES Act, the federal banking regulatory agencies, the Securities and Exchange Commission and the Financial Accounting Standards Board (FASB). At December 31, 2021, the Company had no remaining modified commercial loans and eight modified consumer and mortgage loans with an aggregate principal balance outstanding of $1.2 million. These balances have decreased from $232.4 million in commercial loans and $18.2 million in consumer and mortgage loans at December 31, 2020. The loan modifications have not been considered TDRs.

The Company utilizes an internal risk rating system comprised of a series of grades to categorize loans according to perceived risk associated with the expectation of debt repayment. The analysis of the borrower's ability to repay considers specific information, including but not limited to current financial information, historical payment experience, industry information, collateral levels and collateral types. A risk rating is assigned at loan origination and then monitored throughout the contractual term for possible risk rating changes.

Satisfactory loans range from Excellent to Moderate Risk, but generally are loans supported by strong recent financial statements. Character and capacity of borrower are strong, including reasonable project performance, good industry experience, liquidity and/or net worth. Probability of financial deterioration seems unlikely. Repayment is expected from approved sources over a reasonable period of time.

Watch loans are identified when the borrower has capacity to perform according to terms; however, elements of uncertainty exist. Margins of debt service coverage may be narrow, historical patterns of financial performance may be erratic, collateral margins may be diminished and the borrower may be a new and/or thinly capitalized company. Some management weakness may also exist, the borrower may have somewhat limited access to other financial institutions, and that ability may diminish in difficult economic times.

Special Mention loans have weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects or the Bank's credit position at some future date. It is a transitional grade that is closely monitored for improvement or deterioration.

The Substandard rating is applied to loans where the borrower exhibits well-defined weaknesses that jeopardize its continued performance and are of a severity that the distinct possibility of default exists. Loans are placed on "non-accrual" when management does not expect to collect payments consistent with acceptable and agreed upon terms of repayment.

Doubtful loans have all the weaknesses inherent to those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable. Loans considered loss are uncollectable and no longer included as an asset.

All loans are analyzed for risk rating updates regularly. For larger loans, rating assessments may be more frequent if relevant information is obtained earlier through debt covenant monitoring or overall relationship management. Smaller loans are monitored as identified by the loan officer based on the risk profile of the individual borrower or if the loan becomes past due related to credit issues. Loans rated Watch, Special Mention, Substandard or Doubtful are subject to quarterly review and monitoring processes. In addition to the regular monitoring performed by the lending personnel and credit committees, loans are subject to review by the credit review department, which verifies the appropriateness of the risk ratings for the loans chosen as part of its risk-based review plan.

The following tables present a summary of loans by risk category and past due status separated by origination and loan class as of December 31, 2021. The first table, which is as of December 31, 2021, was prepared using the CECL methodology and includes $74.2 million in FDIC-assisted acquired loans included in the loan class categories. The remaining accretable discount of $429,000 has not been included in this table. See *Note 4* for further discussion of the FDIC-assisted acquired loans and related discount. The undisbursed portions of loans in process have been netted against the gross loan balances for presentation in this table. The second table, which is as of December 31, 2020, was prepared using the previous GAAP incurred loss methodology prior to the adoption of ASU 2016-13. The $98.6 million in FDIC-assisted acquired loans are shown as a total, not within the loan class categories.

	Term Loans by Origination Year							
	2021 YTD	2020	2019	2018	2017	Prior	Revolving Loans	Total
	(In Thousands)							
One- to four-family residential construction								
Satisfactory (1-4)	$ 23,081	$ 4,453	$ 763	$ —	$ —	$ 5	$ —	$ 28,302
Watch (5)	—	—	—	—	—	—	—	—
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	—	—	—
Total	23,081	4,453	763	—	—	5	—	28,302
Subdivision construction								
Satisfactory (1-4)	24,129	949	224	160	252	965	—	26,679
Watch (5)	—	—	—	—	—	—	—	—
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	15	—	15
Total	24,129	949	224	160	252	980	—	26,694
Land development construction								
Satisfactory (1-4)	9,968	15,965	11,115	2,591	3,013	4,184	527	47,363
Watch (5)	—	—	—	—	—	—	—	—
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	—	468	468
Total	9,968	15,965	11,115	2,591	3,013	4,184	995	47,831
Other Construction								
Satisfactory (1-4)	145,991	298,710	130,502	42,302	—	—	—	617,505
Watch (5)	—	—	—	—	—	—	—	—
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	—	—	—
Total	145,991	298,710	130,502	42,302	—	—	—	617,505
One- to four-family residential								
Satisfactory (1-4)	237,498	169,765	93,648	49,618	14,707	113,059	1,662	679,957
Watch (5)	—	—	—	132	—	267	69	468
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	144	—	50	1,223	83	1,500
Total	237,498	169,765	93,792	49,750	14,757	114,549	1,814	681,925
Other residential								
Satisfactory (1-4)	117,029	96,551	115,418	179,441	104,053	70,438	11,605	694,535
Watch (5)	—	—	—	—	—	3,417	—	3,417
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	—	—	—
Total	117,029	96,551	115,418	179,441	104,053	73,855	11,605	697,952
Commercial real estate								
Satisfactory (1-4)	141,868	113,226	220,580	231,321	196,166	521,545	22,785	1,447,491
Watch (5)	—	410	582	—	—	25,742	—	26,734
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	2,006	—	2,006
Total	141,868	113,636	221,162	231,321	196,166	549,293	22,785	1,476,231
Commercial business								
Satisfactory (1-4)	67,049	28,743	23,947	16,513	24,126	58,116	76,187	294,681
Watch (5)	—	—	—	—	—	58	—	58
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	—	—	—	—	—	—	—
Total	67,049	28,743	23,947	16,513	24,126	58,174	76,187	294,739
Consumer								
Satisfactory (1-4)	20,140	11,138	7,154	9,065	4,175	24,280	130,111	206,063
Watch (5)	—	—	—	20	4	10	29	63
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	2	—	16	32	280	347	677
Total	20,140	11,140	7,154	9,101	4,211	24,570	130,487	206,803
Combined								
Satisfactory (1-4)	786,753	739,500	603,351	531,011	346,492	792,592	242,877	4,042,576
Watch (5)	—	410	582	152	4	29,494	98	30,740
Special Mention (6)	—	—	—	—	—	—	—	—
Classified (7-9)	—	2	144	16	82	3,524	898	4,666
Total	$ 786,753	$ 739,912	$ 604,077	$ 531,179	$ 346,578	$ 825,610	$ 243,873	$ 4,077,982

	December 31, 2020					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$ 19,353	$ 1,365	$ —	$ —	$ —	$ 20,718
Subdivision construction	4,897	—	—	20	—	4,917
Land development	54,010	—	—	—	—	54,010
Commercial construction	484,372	—	—	—	—	484,372
Owner occupied one- to-four-family residential	467,729	216	—	2,365	—	470,310
Non-owner occupied one- to-four-family residential	114,105	324	—	69	—	114,498
Commercial real estate	1,485,596	52,208	—	3,438	—	1,541,242
Other residential	995,950	3,497	—	—	—	999,447
Commercial business	310,806	7,102	—	115	—	318,023
Industrial revenue bonds	14,003	—	—	—	—	14,003
Consumer auto	85,657	5	—	511	—	86,173
Consumer other	40,514	2	—	246	—	40,762
Home equity lines of credit	114,049	39	—	601	—	114,689
Loans acquired and accounted for under ASC 310-30, net of discounts	98,633	—	—	10	—	98,643
Total	$ 4,289,674	$ 64,758	$ —	$ 7,375	$ —	$ 4,361,807

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, and their related interests, 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, 2021 and 2020, loans outstanding to these directors and executive officers, and their related interests, are summarized as follows:

	2021	2020
	(In Thousands)	
Balance, beginning of year	$ 13,468	$ 15,240
New loans	629	901
Payments	(4,000)	(2,673)
Balance, end of year	$ 10,097	$ 13,468

Note 4: FDIC-Assisted Acquired Loans

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 related loss sharing agreement was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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 related loss sharing agreement was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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 related loss sharing agreement was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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 related loss sharing agreement was terminated early, effective June 9, 2017, by mutual agreement of Great Southern Bank and the FDIC. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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.

The following table presents the balances of the acquired loans related to the various FDIC-assisted transactions at December 31, 2021 and 2020.

	TeamBank	Vantus Bank	Sun Security Bank	InterBank	Valley Bank
			(In Thousands)		
December 31, 2021					
Gross loans receivable	$ 3,613	$ 5,304	$ 9,405	$ 32,645	$ 23,632
Balance of accretable discount due to change in expected losses	(65)	(19)	(63)	(58)	(224)
Net carrying value of loans receivable	$ 3,548	$ 5,285	$ 9,342	$ 32,587	$ 23,408
December 31, 2020					
Gross loans receivable	$ 5,393	$ 8,052	$ 13,395	$ 44,215	$ 31,515
Balance of accretable discount due to change in expected losses	(97)	(35)	(180)	(1,079)	(612)
Expected loss remaining	(30)	(13)	(104)	(1,079)	(699)
Net carrying value of loans receivable	$ 5,266	$ 8,004	$ 13,111	$ 42,057	$ 30,204

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.

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.

As of January 1, 2021, we adopted the new accounting standard related to accounting for credit losses. With the adoption of this standard, discounts are no longer reclassified from non-accretable to accretable. All adjustments made prior to January 1, 2021 continue to be accreted to interest income. As of December 31, 2021, the remaining accretable yield adjustment that will affect interest income was $429,000.

The adjustments to accretable yield made prior to 2021, impacted the Company's Consolidated Statements of Income as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In Thousands)		
Interest income and net impact to pre-tax income	$ 1,576	$ 5,574	$ 7,431

Note 5: Other Real Estate Owned and Repossessions

Major classifications of other real estate owned at December 31, 2021 and 2020, were as follows:

	2021	2020
	(In Thousands)	
Foreclosed assets held for sale and repossessions		
One- to four-family construction	$ —	$ —
Subdivision construction	—	263
Land development	—	250
Commercial construction	—	—
One- to four-family residential	—	111
Other residential	—	—
Commercial real estate	—	—
Commercial business	—	—
Consumer	90	153
	90	777
Foreclosed assets related to FDIC-assisted acquired acquisitions, net of discounts	498	446
Foreclosed assets held for sale and repossessions, net	588	1,223
Other real estate owned not acquired through foreclosure	1,499	654
Other real estate owned and repossessions	$ 2,087	$ 1,877

At December 31, 2021, other real estate owned not acquired through foreclosure included four properties all of which were branch locations that were closed and held for sale. During the year ended December 31, 2021, one former branch location was added to this category for $1.2 million. During the year ended December 31, 2021, no additional valuation write-downs were recorded on branch locations that were closed and held for sale.

At December 31, 2020, other real estate owned not acquired through foreclosure included seven properties all of which were branch locations that were closed and held for sale. During the year ended December 31, 2020, one former branch location was added to this category for $80,000. During the year ended December 31, 2020, valuation write-downs of $286,000 were recorded on branch locations that were closed and held for sale.

At December 31, 2021, residential mortgage loans totaling $125,000 were in the process of foreclosure, none of which were acquired loans related to FDIC-assisted transactions.

At December 31, 2020, residential mortgage loans totaling $602,000 were in the process of foreclosure, $518,000 of which were acquired loans related to FDIC-assisted transactions.

Expenses applicable to other real estate owned and repossessions for the years ended December 31, 2021, 2020 and 2019, included the following:

	2021	2020	2019
	(In Thousands)		
Net gains on sales of other real estate owned and repossessions	$ (282)	$ (480)	$ (750)
Valuation write-downs	211	1,320	926
Operating expenses, net of rental income	698	1,183	2,008
	$ 627	$ 2,023	$ 2,184

Note 6: Premises and Equipment

Major classifications of premises and equipment at December 31, 2021 and 2020, stated at cost, were as follows:

	2021	2020
	(In Thousands)	
Land	$ 39,440	$ 40,652
Buildings and improvements	101,207	100,187
Furniture, fixtures and equipment	57,982	59,226
Operating leases right of use asset	7,715	8,536
	206,344	208,601
Less accumulated depreciation	73,611	69,431
	$ 132,733	$ 139,170

Leases. The Company adopted ASU 2016 02, *Leases (Topic 842)*, on January 1, 2019, using the modified retrospective transition approach whereby comparative periods were not restated. The Company also elected certain relief options under the ASU, including the option not to recognize right of use asset and lease liabilities that arise from short-term leases (leases with terms of twelve months or less). Adoption of this ASU resulted in the Company initially recognizing a right of use asset and corresponding lease liability of $9.5 million as of January 1, 2019. The amount of the right of use asset and corresponding lease liability will fluctuate based on the Company's lease terminations, new leases and lease modifications and renewals. As of December 31, 2021, the lease right of use asset value was $7.7 million and the corresponding lease liability was $7.9 million. As of December 31, 2020, the lease right of use asset value was $8.5 million and the corresponding lease liability was $8.7 million. At December 31, 2021, expected lease terms range from 1.3 years to 16.9 years with a weighted-average lease term of 9.3 years. The weighted-average discount rate was 3.44%.

For the years ended December 31, 2021, 2020 and 2019, lease expense was $1.5 million, $1.6 million and $1.5 million, respectively. The Company's short-term leases related to offsite ATMs have both fixed and variable lease payment components, based on the number of transactions at the various ATMs. The variable portion of these lease payments is not material and the total lease expense related to ATMs was $307,000, $275,000 and $286,000 for the years ended December 31, 2021, 2020 and 2019, respectively.

The Company does not sublease any of its leased facilities; however, it does lease to other third parties portions of facilities that it owns. In terms of being the lessor in these circumstances, all of these lease agreements are classified as operating leases. In the years ended December 31, 2021, 2020, and 2019, income recognized from these lease agreements was $1.2 million, $1.2 million, and $1.1 million respectively, and was included in occupancy and equipment expense.

	At or For the Year Ended	
	December 31, 2021	December 31, 2020
	(In Thousands)	
Statement of Financial Condition		
Operating leases right of use asset	$ 7,716	$ 8,536
Operating leases liability	$ 7,886	$ 8,661
Statement of Income		
Operating lease costs classified as occupancy and equipment expense (includes short-term lease costs and amortization of right of use asset)	$ 1,529	$ 1,572
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,483	$ 1,526
Right of use assets obtained in exchange for lease obligations:		
Operating leases	$ 74	$ 972

At December 31, 2021, future expected lease payments for leases with terms exceeding one year were as follows (in thousands):

2022	$ 1,116
2023	1,088
2024	1,005
2025	979
2026	912
Thereafter	4,015
Future lease payments expected	9,115
Less interest portion of lease payments	(1,229)
Lease liability	$ 7,886

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, 2021 the Company had 16 such investments, with a net carrying value of $25.1 million. At December 31, 2020 the Company had 16 such investments, with a net carrying value of $20.4 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 2031 were $26.4 million as of December 31, 2021, 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 $25.1 million, assuming all projects currently under construction are completed and funded as planned. The Company's usage of federal affordable housing tax credits approximated $4.9 million, $6.6 million and $8.0 million during 2021, 2020 and 2019, respectively. Investment amortization amounted to $4.2 million, $5.5 million and $5.8 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021 the Company had one such investment, with a net carrying value of $481,000. At December 31, 2020, the Company had one such investment, with a net carrying value of $567,000. 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 Company's usage of federal New Market Tax Credits approximated $100,000, $100,000 and $480,000 during 2021, 2020 and 2019, respectively. Investment amortization amounted to $86,000, $80,000 and $365,000 for the years ended December 31, 2021, 2020 and 2019, 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. At December 31, 2021 the Company had one such investment, with a net carrying value of $642,000. At December 31, 2020 the Company had one such investment, with a net carrying value of $863,000. Under prior tax law, the Company utilized these credits in their entirety in the year the project was placed in service and the impact to the Consolidated Statements of Income has not been material. Currently, such partnerships provide federal rehabilitation/historic tax credits over a five-year credit allowance period.

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, 2021 and 2020, are summarized as follows:

	Weighted Average Interest Rate	2021	2020
		(In Thousands, Except Interest Rates)	
Noninterest-bearing accounts	—	$ 1,209,822	$ 984,798
Interest-bearing checking and savings accounts	0.12% and 0.22%	2,381,210	2,141,313
		3,591,032	3,126,111
Certificate accounts	0% - 0.99%	825,217	803,737
	1% - 1.99%	73,563	425,061
	2% - 2.99%	55,509	143,417
	3% - 3.99%	6,780	18,148
	4% and above	—	429
		961,069	1,390,792
		$ 4,552,101	$ 4,516,903

The weighted average interest rate on certificates of deposit was 0.60% and 1.00% at December 31, 2021 and 2020, respectively.

The aggregate amount of certificates of deposit originated by the Bank in denominations greater than $250,000 was approximately $88.0 million and $123.1 million at December 31, 2021 and 2020, respectively. The Bank utilizes brokered deposits as an additional funding source. The aggregate amount of brokered deposits was approximately $67.4 million and $158.7 million at December 31, 2021 and 2020, respectively.

At December 31, 2021, scheduled maturities of certificates of deposit were as follows:

	Retail	Brokered	Total
		(In Thousands)	
2022	$ 751,184	$ 13,751	$ 764,935
2023	103,333	42,448	145,781
2024	21,217	11,200	32,417
2025	13,571	—	13,571
2026	3,414	—	3,414
Thereafter	951	—	951
	$ 893,670	$ 67,399	$ 961,069

A summary of interest expense on deposits for the years ended December 31, 2021, 2020 and 2019, is as follows:

	2021	2020	2019
		(In Thousands)	
Checking and savings accounts	$ 4,023	$ 7,096	$ 7,971
Certificate accounts	9,139	25,453	37,723
Early withdrawal penalties	(60)	(118)	(124)
	$ 13,102	$ 32,431	$ 45,570

Note 9: Advances From Federal Home Loan Bank

At December 31, 2021 and 2020, there were no outstanding term advances or overnight funds from the Federal Home Loan Bank of Des Moines.

The Bank has pledged FHLB stock, investment securities and first mortgage loans free of other pledges, liens and encumbrances as collateral for outstanding advances. No investment securities were specifically pledged as collateral for advances at December 31, 2021 and 2020. Loans with carrying values of approximately $1.19 billion and $1.63 billion were pledged as collateral for outstanding advances at December 31, 2021 and 2020, respectively. The Bank had $756.5 million remaining available on its line of credit under a borrowing arrangement with the FHLB of Des Moines at December 31, 2021.

Note 10: Short-Term Borrowings

Short-term borrowings at December 31, 2021 and 2020, are summarized as follows:

	2021	2020
	(In Thousands)	
Notes payable – Community Development Equity Funds	$ 1,449	$ 1,518
Other interest-bearing liabilities	390	—
Securities sold under reverse repurchase agreements	137,116	164,174
	$ 138,955	$ 165,692

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.

At December 31, 2021, other interest-bearing liabilities consisted of cash collateral held by the Company to satisfy minimum collateral posting thresholds with its derivative dealer counterparties representing the termination value of derivatives, which at such time were in a net asset position. Under the collateral agreements between the parties, either party may choose to provide cash or securities to satisfy its collateral requirements.

Short-term borrowings had weighted average interest rates of 0.02% at both December 31, 2021 and 2020, respectively. Short-term borrowings averaged approximately $145.3 million and $183.5 million for the years ended December 31, 2021 and 2020, respectively. The maximum amounts outstanding at any month end were $184.2 million and $318.7 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, 2021 and 2020:

	2021	2020
	Overnight and Continuous	Overnight and Continuous
	(In Thousands)	
Mortgage-backed securities – GNMA, FNMA, FHLMC	$ 137,116	$ 164,174

Note 11: Federal Reserve Bank Borrowings

At December 31, 2021 and 2020, the Bank had $352.4 million and $436.4 million, respectively, available under a line-of-credit borrowing arrangement with the Federal Reserve Bank. The line is secured primarily by consumer and commercial loans. There were no amounts borrowed under this arrangement at December 31, 2021 or 2020.

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 1.73% and 1.81% at December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, subordinated debentures issued to capital trusts were as follows:

	2021	2020
	(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 were due August 15, 2026 and had a fixed interest rate of 5.25% until August 15, 2021, at which time the rate was to become floating at a rate equal to three-month LIBOR plus 4.087%. 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 of approximately $1.5 million were deferred and amortized over the five-year expected life of the notes.

On August 15, 2021, in accordance with the terms of the notes, the Company redeemed all $75.0 million aggregate principal amount of the notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

On June 10, 2020, the Company completed the public offering and sale of $75.0 million of its subordinated notes. The notes are due June 15, 2030, and have a fixed interest rate of 5.50% until June 15, 2025, at which time the rate becomes

floating at a rate expected to be equal to three-month term Secured Overnight Financing Rate (SOFR) plus 5.325%. The Company may call the notes at par beginning on June 15, 2025, 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 of approximately $1.5 million were deferred and are being amortized over the expected life of the notes, which is five years.

Amortization of the debt issuance costs during the years ended December 31, 2021 and 2020, totaled $587,000 and $608,000, respectively, and is included in interest expense on subordinated notes in the consolidated statements of income, resulting in an imputed interest rate of 5.97% and 5.84%, respectively.

At December 31, 2021 and 2020, subordinated notes are summarized as follows:

	2021	2020
	(In Thousands)	
Subordinated notes	$ 75,000	$ 150,000
Less: unamortized debt issuance costs	1,016	1,603
	$ 73,984	$ 148,397

Note 14: Income Taxes

The Company files a consolidated federal income tax return. As of December 31, 2021 and 2020, 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 at both December 31, 2021 and 2020, respectively.

During the years ended December 31, 2021, 2020 and 2019, the provision for income taxes included these components:

	2021	2020	2019
		(In Thousands)	
Taxes currently payable	$ 16,025	$ 25,259	$ 15,375
Deferred income taxes (benefit)	3,712	(11,480)	1,074
Income taxes	$ 19,737	$ 13,779	$ 16,449

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

	December 31,	
	2021	2020
	(In Thousands)	
Deferred tax assets		
Allowance for credit losses	$ 13,854	$ 12,711
Liability for unfunded commitments	2,196	—
Interest on nonperforming loans	98	142
Accrued expenses	1,227	894
Write-down of foreclosed assets	35	131
Write-down of fixed assets	62	114
Income recognized for tax in excess of book related to terminated cash flow derivatives	6,978	8,830
Partnership tax credits	—	11
Deferred income	298	885
Difference in basis for acquired assets and liabilities	893	1,532
	25,641	25,250
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	(5,681)	(5,988)
FHLB stock dividends	(313)	(368)
Partnership tax credits	(251)	—
Prepaid expenses	(883)	(898)
Unrealized gain on available-for-sale securities	(2,698)	(6,869)
Unrealized gain on terminated cash flow derivatives	(6,978)	(8,830)
Other	(328)	(258)
	(17,132)	(23,211)
Net deferred tax asset	$ 8,509	$ 2,039

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

	2021	2020	2019
Tax at statutory rate	21.0%	21.0%	21.0%
Nontaxable interest and dividends	(0.3)	(0.5)	(0.5)
Tax credits	(1.8)	(3.8)	(3.6)
State taxes	1.3	1.4	1.3
Other	0.7	0.8	0.1
	20.9%	18.9%	18.3%

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service (IRS). As a result, federal tax years through December 31, 2017 are now closed.

The Company was previously under State of Missouri income and franchise tax examinations for its 2014 and 2015 tax years. The examinations concluded with one unresolved issue related to the exclusion of certain income in the calculation of Missouri income tax. The Missouri Department of Revenue denied the Company's administrative protest regarding the 2014 and 2015 tax years' examinations. In June 2021, the Company filed a formal protest with the Missouri Administrative Hearing Commission, which has special jurisdiction to hear tax matters and is similar to a

trial court, to continue defending the Company's rights and associated tax position. The Company has engaged legal and tax advisors and continues to believe it will ultimately prevail on the issue; however, if the Company does not prevail, the tax obligation to the State of Missouri could be up to a total of $4.0 million for these tax years.

The State of Illinois Department of Revenue recently began a tax examination of the Company's Illinois Business Income Tax for the 2018 and 2019 tax years.

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 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, 2021 and 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
December 31, 2021				
Agency mortgage-backed securities	$ 229,441	$ —	$ 229,441	$ —
Agency collateralized mortgage obligations	204,277	—	204,277	—
States and political subdivisions securities	40,015	—	40,015	—
Small Business Administration securities	27,299	—	27,299	—
Interest rate derivative asset	2,816	—	2,816	—
Interest rate derivative liability	(2,895)	—	(2,895)	—
December 31, 2020				
Agency mortgage-backed securities	$ 169,940	$ —	$ 169,940	$ —
Agency collateralized mortgage obligations	176,621	—	176,621	—
States and political subdivisions securities	47,325	—	47,325	—
Small Business Administration securities	21,047	—	21,047	—
Interest rate derivative asset	5,062	—	5,062	—
Interest rate derivative liability	(5,454)	—	(5,454)	—

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, 2021 and 2020, 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, 2021.

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. There were no recurring Level 1 securities at December 31, 2021 or 2020. 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, 2021 or 2020.

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, 2021 and 2020:

		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, 2021				
Collateral-dependent loans	$ 1,712	$ —	$ —	$ 1,712
Foreclosed assets held for sale	$ 315	$ —	$ —	$ 312
December 31, 2020				
Impaired loans	$ 1,759	$ —	$ —	$ 1,759
Foreclosed assets held for sale	$ 945	$ —	$ —	$ 945

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, 2021 and 2020, the aggregate fair value of mortgage loans held for sale was not materially different than their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

Impaired Loans

Prior to January 1, 2021, a loan was considered to be impaired when it was probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a loan was considered impaired, the amount of reserve required under FASB ASC 310, *Receivables*, was measured based on the fair value of the underlying collateral. The Company made 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 was 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 included 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 were 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 reviewed all collateral-dependent impaired loans on a loan-by-loan basis to determine whether updated appraisals were necessary based on loan performance, collateral type and guarantor support. At times, the Company measured the fair value of collateral-dependent impaired loans using appraisals with dates more than one year prior to the date of review. These appraisals were 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 were typically discounted 10 40%. The policy described above was the same for all types of collateral-dependent impaired loans. Subsequent to December 31, 2020, these loans are no longer considered impaired.

The Company records collateral-dependent loans as Nonrecurring Level 3. If a loan's fair value as estimated by the Company is less than its carrying value, the Company either records a charge-off of the portion of the loan that exceeds the fair value or establishes a reserve within the allowance for credit losses specific to the loan. Loans for which such charge-offs or reserves were recorded during the year ended December 31, 2021, 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, 2021 and 2020, subsequent to their initial transfer to foreclosed assets.

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 on an exit price basis incorporating contractual cash flow, prepayments discount spreads, credit loss and liquidity premiums. 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 using the average advances yield curve from 11 districts of the FHLB for the as of date. 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 not recorded at fair value in the financial statements. 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, 2021			December 31, 2020		
	Carrying Amount	Fair Value	Hierarchy Level	Carrying Amount	Fair Value	Hierarchy Level
	(Dollars in Thousands)					
Financial assets						
Cash and cash equivalents	$ 717,267	$ 717,267	1	$ 563,729	$ 563,729	1
Mortgage loans held for sale	8,735	8,735	2	17,780	17,780	2
Loans, net of allowance for credit losses	4,007,500	4,001,362	3	4,296,804	4,303,909	3
Accrued interest receivable	10,705	10,705	3	12,793	12,793	3
Investment in FHLB stock and other assets	6,655	6,655	3	9,806	9,806	3
Financial liabilities						
Deposits	4,552,101	4,552,202	3	4,516,903	4,523,586	3
Short-term borrowings	138,955	138,955	3	165,692	165,692	3
Subordinated debentures	25,774	25,774	3	25,774	25,774	3
Subordinated notes	73,984	81,000	2	148,397	157,032	2
Accrued interest payable	646	646	3	2,594	2,594	3
Unrecognized financial instruments (net of contractual value)						
Commitments to originate loans	—	—	3	—	—	3
Letters of credit	50	50	3	84	84	3
Lines of credit	—	—	3	—	—	3

Note 16: 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 had interest rate derivatives that were 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. 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 certain 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. The notional amount of the two remaining Valley swaps was $482,000 and $584,000 at December 31, 2021 and 2020, respectively. At December 31, 2021, excluding the Valley Bank swaps, the Company had 11 interest rate swaps and one interest rate cap totaling $93.9 million in notional amount with commercial customers, and 11 interest rate swaps and one interest rate cap with the same notional amount with third parties related to its program. In addition, at December 31, 2021, the Company had four participation loans purchased totaling $27.2 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. At December 31, 2020, excluding the Valley Bank swaps, the Company had 19 interest rate swaps totaling $142.8 million in notional amount with commercial customers, and 19 interest rate swaps with the same notional amount with third parties related to its program. In addition, at December 31, 2020, the Company had four participation loans purchased totaling $27.7 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. During the years ended December 31, 2021, 2020 and 2019, the Company recognized net gains (losses) of $312,000, $(264,000) and $(104,000), respectively, in noninterest income related to changes in the fair value of these swaps.

Cash Flow Hedges

Interest Rate Swap. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, in October 2018, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap was $400 million with a termination date of October 6, 2025. Under the terms of the swap, the Company received a fixed rate of interest of 3.018% and paid a floating rate of interest equal to one-month USD-LIBOR. The floating rate reset monthly and net settlements of interest due to/from the counterparty also occurred monthly. To the extent that the fixed rate of interest exceeded one-month USD-LIBOR, the Company received net interest settlements which were

recorded as loan interest income. If USD-LIBOR exceeded the fixed rate of interest, the Company was required to pay net settlements to the counterparty and recorded those net payments as a reduction of interest income on loans.

On March 2, 2020, the Company and its swap counterparty mutually agreed to terminate the swap, effective on that date. The Company received a payment of $45.9 million, including accrued but unpaid interest, from its swap counterparty as a result of this termination. This $45.9 million, less the accrued interest portion and net of deferred income taxes, was reflected in the Company's stockholders' equity as Accumulated Other Comprehensive Income and a portion of it is being accreted to interest income on loans monthly through the original contractual termination date of October 6, 2025. This has the effect of reducing Accumulated Other Comprehensive Income and increasing Net Interest Income and Retained Earnings over the period. In each quarterly period, commencing with the quarter ended June 30, 2020, until the original contract termination date, the Company expects to record loan interest income related to this swap transaction of approximately $2.0 million, based on the termination value of the swap. The Company recorded interest income of $8.1 million and $7.7 million on this interest rate swap during the years ended December 31, 2021 and 2020, respectively. 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 affected 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. The Company currently expects to have an amount of eligible variable rate loans to continue to accrete this interest income in future periods. If this expectation changes and the amount of eligible variable rate loans decreases significantly, the Company may be required to recognize this interest income more rapidly.

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, 2021	Fair Value December 31, 2020
		(In Thousands)	
Derivatives not designated as hedging instruments			
Derivative Assets			
Interest rate products	Prepaid expenses and other assets	$ 2,816	$ 5,062
Total derivatives not designated as hedging instruments		$ 2,816	$ 5,062
Derivative Liabilities			
Interest rate products	Accrued expenses and other liabilities	$ 2,895	$ 5,454
Total derivatives not designated as hedging instruments		$ 2,895	$ 5,454

The following table presents the effect of cash flow hedge accounting on the statements of comprehensive income:

Cash Flow Hedges	Amount of Gain Recognized in AOCI Year Ended December 31		
	2021	2020	2019
	(In Thousands)		
Interest rate swap, net of income taxes	$ (6,271)	$ 6,691	$ 13,857

The following table presents the effect of cash flow hedge accounting on the statements of operations:

Cash Flow Hedges	Year Ended December 31					
	2021		2020		2019	
	Interest Income	Interest Expense	Interest Income	Interest Expense	Interest Income	Interest Expense
	(In Thousands)					
Interest rate swap, net of income taxes	$ 8,123	$ —	$ 7,676	$ —	$ 3,082	$ —

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.

At December 31, 2021, the termination value of derivatives with our derivative dealer counterparties (related to loan level swaps with commercial lending customers) in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $437,000. Additionally, the Company's activity with one of its derivative counterparties met the level at which the minimum collateral posting thresholds take effect (collateral to be given by the Company) and the Company had posted collateral of $1.2 million to the derivative counterparties to satisfy the loan level agreements. The Bank has received cash collateral from another derivative counterparty of $390,000 to cover its fair value position with us. If the Company had breached any of these provisions at December 31, 2021 or December 31, 2020, it could have been required to settle its obligations under the agreements at the termination value. At December 31, 2020, the termination value of derivatives with our derivative dealer counterparties (related to loan level swaps with commercial lending customers) in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $5.5 million. Additionally, the Company's activity with two of its derivative counterparties met the level at which the minimum collateral posting thresholds take effect (collateral to be given by the Company) and the Company had posted collateral of $5.3 million to the derivative counterparties to satisfy the loan level agreements. Under the collateral agreements between the parties, either party may choose to provide cash or securities to satisfy its collateral requirements.

Note 17: 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, 2021 and 2020, the Bank had outstanding commitments to originate loans and fund commercial construction loans aggregating approximately $159.7 million and $46.6 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 $53.5 million and $85.9 million at December 31, 2021 and 2020, 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 $13.4 million and $16.1 million at December 31, 2021 and 2020, respectively, with no letters of credit having terms over five years.

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, 2021, the Bank had granted unused lines of credit to borrowers aggregating approximately $1.3 billion and $175.7 million for commercial lines and open-end consumer lines, respectively. At December 31, 2020, the Bank had granted unused lines of credit to borrowers aggregating approximately $1.0 billion and $164.5 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 (including the FDIC-assisted acquired loans) aggregating approximately $743.5 million and $810.4 million at December 31, 2021 and 2020, respectively, were 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 18: Additional Cash Flow Information

	2021	2020	2019
		(In Thousands)	
Noncash Investing and Financing Activities			
Real estate acquired in settlement of loans	$ 1,154	$ 1,707	$ 12,729
Sale and financing of foreclosed assets	—	625	1,340
Conversion of premises and equipment to foreclosed assets	1,215	80	1,135
Dividends declared but not paid	4,727	4,676	4,849
Additional Cash Payment Information			
Interest paid	22,700	42,221	53,922
Income taxes paid	12,959	18,755	5,719

Note 19: 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, 2021, 2020 and 2019, were approximately $2.1 million, $2.1 million and $1.8 million, 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, 2021 and 2020, was 112.4% and 92.5%, respectively. The funded status was calculated by taking the market value of plan assets, which reflected contributions received through June 30, 2021 and 2020, 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, 2021, 2020 and 2019, were approximately $1.7 million, $1.6 million and $1.4 million, respectively.

Note 20: 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, 2021, 14,603 options were outstanding under the 2003 Plan.

The Company established the 2013 Stock Option and Incentive Plan (the "2013 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 700,000 shares of common stock. On May 9, 2018, the Company's stockholders approved the Great Southern Bancorp, Inc. 2018 Omnibus Incentive Plan (the "2018 Plan"). Upon the stockholders' approval of the 2018 Plan, the Company's 2013 Plan was frozen. As a result, no new stock options or other awards may be granted under the 2013 Plan; however, existing outstanding awards under the 2013 Plan were not affected. At December 31, 2021, 319,563 options were outstanding under the 2013 Plan.

The 2018 Plan provides for the grant from time to time to directors, emeritus directors, officers, employees and advisory directors of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. The number of shares of Common Stock available for awards under the 2018 Plan is 800,000 (the "2018 Plan Limit"). Shares utilized for awards other than stock options and stock appreciation rights will be counted against the 2018 Plan Limit on a 2.5-to-1 basis. At December 31, 2021, 699,137 options were outstanding under the 2018 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 compensation plans, all of which related to stock options granted under such plans:

	Available to Grant	Shares Under Option	Weighted Average Exercise Price
Balance, January 1, 2019	614,850	773,236	$ 43.886
Granted from 2018 Plan	(186,400)	186,400	60.086
Exercised	—	(125,894)	33.031
Forfeited from terminated plan(s)	—	(17,424)	44.163
Forfeited from current plan(s)	8,450	(8,450)	55.000
Balance, December 31, 2019	436,900	807,868	49.139
Granted from 2018 Plan	(196,350)	196,350	41.740
Exercised	—	(21,436)	33.805
Forfeited from terminated plan(s)	—	(6,875)	38.849
Forfeited from current plan(s)	4,800	(4,800)	57.513
Balance, December 31, 2020	245,350	971,107	48.079
Granted from 2018 Plan	(202,700)	202,700	57.980
Exercised	—	(91,285)	40.532
Forfeited from terminated plan(s)	—	(5,197)	44.563
Forfeited from current plan(s)	44,022	(44,022)	52.256
Balance, December 31, 2021	86,672	1,033,303	$ 50.528

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 significant. Forfeitures are estimated annually based on historical information.

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, 2021, 2020 and 2019:

	2021	2020	2019
Expected dividends per share	$ 1.44	$ 1.36	$ 1.36
Risk-free interest rate	1.24%	0.35%	1.59%
Expected life of options	5 years	5 years	5 years
Expected volatility	28.33%	29.32%	25.15%
Weighted average fair value of options granted during year	$ 11.56	$ 7.30	$ 11.20

Expected volatilities are based on the historical volatility of the Company's stock, based on the monthly closing stock price. The expected life 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, 2021:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding, January 1, 2021	971,107	$ 48.079	7.23 years
Granted	202,700	57.980	
Exercised	(91,285)	40.532	
Forfeited	(49,219)	51.444	
Options outstanding, December 31, 2021	1,033,303	50.528	7.05 years
Options exercisable, December 31, 2021	421,347	46.804	4.87 years

For the years ended December 31, 2021, 2020 and 2019, options granted were 202,700, 196,350, and 186,400, 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, 2021, 2020 and 2019, was $1.4 million, $371,000 and $3.1 million, respectively. Cash received from the exercise of options for the years ended December 31, 2021, 2020 and 2019, was $3.7 million, $661,000 and $4.2 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $1.2 million, $257,000 and $2.7 million for the years ended December 31, 2021, 2020 and 2019, respectively. The total intrinsic value of options outstanding at December 31, 2021, 2020 and 2019, was $9.2 million, $4.5 million and $11.5 million, respectively. The total intrinsic value of options exercisable at December 31, 2021, 2020 and 2019, was $5.3 million, $2.9 million and $6.6 million, respectively.

The following table presents the activity related to nonvested options under all plans for the year ended December 31, 2021.

	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Nonvested options, January 1, 2021	607,412	$ 51.370	8.981
Granted	202,700	57.980	11.560
Vested this period	(156,401)	53.284	9.253
Nonvested options forfeited	(41,755)	51.056	8.952
Nonvested options, December 31, 2021	611,956	53.091	9.768

At December 31, 2021, there was $5.5 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 2026, with the majority of this expense recognized in 2022 and 2023.

The following table further summarizes information about stock options outstanding at December 31, 2021:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$23.860 to 29.640	41,836	1.51 years	$27.771	41,836	$27.771
$32.590 to 38.610	52,956	2.82 years	33.072	52,956	33.072
$41.300 to 41.740	243,381	7.66 years	41.618	67,231	41.300
$50.710 to 52.500	172,143	5.11 years	51.677	140,026	51.580
$55.000 to 60.150	522,987	8.28 years	57.883	119,298	57.071
	1,033,303	7.05 years	50.528	421,347	46.804

Note 21: 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 credit losses are reflected in *Note 3*. 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 22: Accumulated Other Comprehensive Income

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

	2021	2020
	(In Thousands)	
Net unrealized gain on available-for-sale securities	$ 11,834	$ 30,126
Net unrealized gain on derivatives used for cash flow hedges	30,601	38,724
	42,435	68,850
Tax effect	(9,676)	(15,699)
Net-of-tax amount	$ 32,759	$ 53,151

Amounts reclassified from AOCI and the affected line items in the statements of income during the years ended December 31, 2021, 2020 and 2019, were as follows:

	Amounts Reclassified from AOCI			Affected Line Item in the Statements of Income
	2021	2020	2019	
	(In Thousands)			
Unrealized gains/(losses) on available-for-sale securities	$ —	$ 78	$ (62)	Net realized gains (losses) on available-for-sale securities (total reclassified amount before tax)
Change in fair value of cash flow hedge	8,123	6,764	—	Amortization of realized gain on termination of cash flow hedge (total reclassification amount before tax)
Income taxes	(1,852)	(1,559)	14	Tax (expense) benefit
Total reclassifications out of AOCI	$ 6,271	$ 5,283	$ (48)	

Note 23: 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, 2021) 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, 2021, that the Bank met all capital adequacy requirements to which it was then subject.

As of December 31, 2021, 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, 2021, 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, 2021 and 2020, 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 capital rules include a capital conservation buffer, under which a banking organization must have Common Equity Tier 1 capital 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, 2021						
Total capital						
Great Southern Bancorp, Inc.	$ 745,641	16.3%	$ 365,120	8.0%	N/A	N/A
Great Southern Bank	$ 701,215	15.4%	$ 365,048	8.0%	$ 456,310	10.0%
Tier I capital						
Great Southern Bancorp, Inc.	$ 613,544	13.4%	$ 273,840	6.0%	N/A	N/A
Great Southern Bank	$ 644,134	14.1%	$ 273,786	6.0%	$ 365,048	8.0%
Tier I leverage capital						
Great Southern Bancorp, Inc.	$ 613,544	11.3%	$ 217,264	4.0%	N/A	N/A
Great Southern Bank	$ 644,134	11.9%	$ 217,209	4.0%	$ 271,511	5.0%
Common equity Tier I capital						
Great Southern Bancorp, Inc.	$ 588,544	12.9%	$ 205,380	4.5%	N/A	N/A
Great Southern Bank	$ 644,134	14.1%	$ 205,340	4.5%	$ 296,602	6.5%
As of December 31, 2020						
Total capital						
Great Southern Bancorp, Inc.	$ 800,388	17.2%	$ 373,132	8.0%	N/A	N/A
Great Southern Bank	$ 694,047	14.9%	$ 373,058	8.0%	$ 466,322	10.0%
Tier I capital						
Great Southern Bancorp, Inc.	$ 594,645	12.7%	$ 279,849	6.0%	N/A	N/A
Great Southern Bank	$ 638,304	13.7%	$ 279,793	6.0%	$ 373,058	8.0%
Tier I leverage capital						
Great Southern Bancorp, Inc.	$ 594,645	10.9%	$ 217,223	4.0%	N/A	N/A
Great Southern Bank	$ 638,304	11.8%	$ 217,170	4.0%	$ 271,463	5.0%
Common equity Tier I capital						
Great Southern Bancorp, Inc.	$ 569,645	12.2%	$ 209,887	4.5%	N/A	N/A
Great Southern Bank	$ 638,304	13.7%	$ 209,845	4.5%	$ 303,109	6.5%

Note 24: 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 the outcome of such litigation will not have a material adverse effect on the Company's business, financial condition or results of operations.

Note 25: Summary of Unaudited Quarterly Operating Results

Following is a summary of unaudited quarterly operating results for the years 2021, 2020 and 2019:

	2021 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 50,633	$ 50,452	$ 49,640	$ 47,948
Interest expense	6,544	5,768	4,717	3,723
Provision (credit) for credit losses on loans	300	(1,000)	(3,000)	(3,000)
Provision (credit) for unfunded commitments	(674)	(307)	643	1,277
Noninterest income	9,736	9,585	9,798	9,198
Noninterest expense	30,321	30,191	31,339	35,784
Provision for income taxes	5,010	5,271	5,375	4,081
Net income available to common shareholders	18,868	20,114	20,364	15,281
Earnings per common share – diluted	1.36	1.46	1.49	1.14

	2020 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 57,474	$ 54,011	$ 53,599	$ 52,619
Interest expense	12,536	10,556	9,431	8,042
Provision for credit losses on loans	3,871	6,000	4,500	1,500
Net realized gains on available-for-sale securities	—	78	—	—
Noninterest income	7,367	8,261	9,466	9,956
Noninterest expense	30,815	29,349	31,988	31,073
Provision for income taxes	2,751	3,164	3,692	4,172
Net income available to common shareholders	14,868	13,203	13,454	17,788
Earnings per common share – diluted	1.04	0.93	0.96	1.28

	2019 Three Months Ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Data)			
Interest income	$ 57,358	$ 58,723	$ 60,187	$ 58,726
Interest expense	12,753	13,802	14,263	13,784
Provision for credit losses on loans	1,950	1,600	1,950	650
Net realized gains (losses) on available-for-sale securities	10	—	—	(72)
Noninterest income	7,450	7,157	8,655	7,695
Noninterest expense	28,495	28,383	28,725	29,535
Provision for income taxes	3,998	3,720	4,172	4,559
Net income available to common shareholders	17,612	18,375	19,732	17,893
Earnings per common share – diluted	1.23	1.28	1.38	1.24

Note 26: Condensed Parent Company Statements

The condensed statements of financial condition at December 31, 2021 and 2020, and statements of income, comprehensive income and cash flows for the years ended December 31, 2021, 2020 and 2019, for the parent company, Great Southern Bancorp, Inc., were as follows:

	December 31,	
	2021	2020
	(In Thousands)	
Statements of Financial Condition		
Assets		
Cash	$ 48,372	$ 111,250
Investment in subsidiary bank	672,342	698,398
Deferred and accrued income taxes	94	157
Prepaid expenses and other assets	868	883
	$ 721,676	$ 810,688
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$ 5,166	$ 6,776
Subordinated debentures issued to capital trust	25,774	25,774
Subordinated notes	73,984	148,397
Common stock	131	138
Additional paid-in capital	38,314	35,004
Retained earnings	545,548	541,448
Accumulated other comprehensive income	32,759	53,151
	$ 721,676	$ 810,688

	2021	2020	2019
		(In Thousands)	
Statements of Income			
Income			
Dividends from subsidiary bank	$ 74,000	$ 40,000	$ 32,000
Other income	—	5	—
Loss on other investments	—	—	(23)
	74,000	40,005	31,977
Expense			
Operating expenses	2,121	2,197	2,044
Interest expense	7,613	7,459	5,397
	9,734	9,656	7,441
Income before income tax and equity in undistributed earnings of subsidiaries	64,266	30,349	24,536
Credit for income taxes	(1,850)	(1,800)	(1,381)
Income before equity in earnings of subsidiaries	66,116	32,149	25,917
Equity in undistributed earnings of subsidiaries	8,511	27,164	47,695
Net income	$ 74,627	$ 59,313	$ 73,612

	2021	2020	2019
		(In Thousands)	
Statements of Cash Flows			
Operating Activities			
Net income	$ 74,627	$ 59,313	$ 73,612
Items not requiring (providing) cash			
Equity in undistributed earnings of subsidiary	(8,511)	(27,164)	(47,695)
Compensation expense for stock option grants	1,225	1,153	922
Amortization of interest rate derivative and deferred costs on subordinated notes	587	608	434
Loss on other investments	—	—	23
Changes in			
Prepaid expenses and other assets	15	(15)	(3)
Accounts payable and accrued expenses	(1,661)	31	226
Income taxes	63	(46)	300
Net cash provided by operating activities	66,345	33,880	27,819
Investing Activities			
Return of principal - other investments	—	—	2
Net cash provided by investing activities	—	—	2
Financing Activities			
Purchases of the Company's common stock	(39,123)	(22,104)	(849)
Proceeds from issuance of subordinated notes	—	73,513	—
Redemption of subordinated notes	(75,000)	—	—
Dividends paid	(18,800)	(33,426)	(29,052)
Stock options exercised	3,700	661	4,158
Net cash provided by (used in) financing activities	(129,223)	18,644	(25,743)
Increase (Decrease) in Cash	(62,878)	52,524	2,078
Cash, Beginning of Year	111,250	58,726	56,648
Cash, End of Year	$ 48,372	$ 111,250	$ 58,726
Additional Cash Payment Information			
Interest paid	$ 9,103	$ 7,349	$ 5,424

	2021	2020	2019
		(In Thousands)	
Statements of Comprehensive Income			
Net Income	$ 74,627	$ 59,313	$ 73,612
Comprehensive income (loss) of subsidiaries	(20,392)	20,905	22,619
Comprehensive Income	$ 54,235	$ 80,218	$ 96,231

Note 27: Subsequent Event – Interest Rate Swap

In February 2022, the Company entered into an interest rate swap transaction as part of its ongoing interest rate management strategies to hedge the risk of its floating rate loans. The notional amount of the swap is $300 million with an effective date of March 1, 2022 and a termination date of March 1, 2024. Under the terms of the swap, the Company will receive a fixed rate of interest of 1.6725% and will pay a floating rate of interest equal to one-month USD-LIBOR. The floating rate will be reset monthly and net settlements of interest due to/from the counterparty will also occur monthly. The initial floating rate of interest was set at 0.24143%. Therefore, in the near term, the Company will receive net interest settlements which will be recorded as loan interest income, to the extent that the fixed rate of interest continues to exceed one-month USD-LIBOR. If USD-LIBOR exceeds the fixed rate of interest in future periods, the Company will be required to pay net settlements to the counterparty and will record those net payments as a reduction of interest income on loans.

Understanding what really matters.