GREAT SOUTHERN BANCORP, INC.
Form 10-Q
November 05, 2018

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2018

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland	43-1524856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1451 E. Battlefield, Springfield, Missouri	65804
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes/X/ No / /

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

Large accelerated filer / /	Accelerated filer /X/
Non-accelerated filer / /	Smaller reporting company / /
	Emerging growth company / /

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

Exchange Act. / /

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

The number of shares outstanding of each of the registrant's classes of common stock: 14,158,300 shares of common stock, par value $.01 per share, outstanding at November 1, 2018.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

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

	SEPTEMBER 30, 2018 (Unaudited)	DECEMBER 31, 2017
ASSETS		
Cash	$ 99,044	$ 115,600
Interest-bearing deposits in other financial institutions	109,777	126,653
Cash and cash equivalents	208,821	242,253
Available-for-sale securities	191,251	179,179
Held-to-maturity securities (fair value $0 – September 2018; $131 - December 2017)	—	130
Mortgage loans held for sale	3,474	8,203
Loans receivable, net of allowance for loan losses of $37,497 – September 2018; $36,492 - December 2017	3,942,766	3,726,302
Interest receivable	13,008	12,338
Prepaid expenses and other assets	41,116	47,122
Other real estate owned and repossessions, net	12,844	22,002
Premises and equipment, net	133,319	138,018
Goodwill and other intangible assets	9,613	10,850
Investment in Federal Home Loan Bank stock	14,918	11,182
Current and deferred income taxes	12,956	16,942
Total Assets	$ 4,584,086	$ 4,414,521
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 3,595,665	$ 3,597,144
Federal Home Loan Bank advances	240,000	127,500
Securities sold under reverse repurchase agreements with customers	112,184	80,531
Short-term borrowings	1,360	16,604
Subordinated debentures issued to capital trusts	25,774	25,774
Subordinated notes	73,804	73,688
Accrued interest payable	3,013	2,904
Advances from borrowers for taxes and insurance	8,858	5,319
Accounts payable and accrued expenses	15,301	13,395
Total Liabilities	4,075,959	3,942,859
Stockholders' Equity:		
Capital stock		
Serial preferred stock –$.01 par value; authorized 1,000,000 shares; issued and outstanding September 2018 and December 2017 - -0- shares	—	—
	142	141

Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding September 2018 –14,153,290 shares; December 2017 - 14,087,533 shares		
Additional paid-in capital	29,553	28,203
Retained earnings	480,027	442,077
Accumulated other comprehensive income (loss)	(1,595)	1,241
Total Stockholders' Equity	508,127	471,662
Total Liabilities and Stockholders' Equity	$ 4,584,086	$ 4,414,521

See Notes to Consolidated Financial Statements

2

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(Unaudited)	
INTEREST INCOME		
Loans	$51,063	$44,824
Investment securities and other	1,919	1,544
TOTAL INTEREST INCOME	52,982	46,368
INTEREST EXPENSE		
Deposits	7,352	5,131
Federal Home Loan Bank advances	1,192	546
Short-term borrowings and repurchase agreements	177	118
Subordinated debentures issued to capital trusts	252	267
Subordinated notes	1,024	1,025
TOTAL INTEREST EXPENSE	9,997	7,087
NET INTEREST INCOME	42,985	39,281
Provision for Loan Losses	1,300	2,950
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	41,685	36,331
NON-INTEREST INCOME		
Commissions	309	279
Service charges and ATM fees	5,458	5,533
Net realized gains on sales of loans	417	719
Late charges and fees on loans	466	436
Gain on sales of securities	2	—
Gain on derivative interest rate products	5	8
Gain on sale of business units	7,414	—
Other income	533	680
TOTAL NON-INTEREST INCOME	14,604	7,655
NON-INTEREST EXPENSE		
Salaries and employee benefits	15,162	14,664
Net occupancy and equipment expense	6,551	6,079
Postage	843	845
Insurance	682	755
Advertising	589	587
Office supplies and printing	255	279
Telephone	827	790
Legal, audit and other professional fees	875	610
Expense on other real estate owned and repossessions	498	1,343
Partnership tax credit investment amortization	91	217
Acquired deposit intangible asset amortization	412	412
Other operating expenses	1,524	1,453

TOTAL NON-INTEREST EXPENSE	28,309	28,034
Income Before Income Taxes	27,980	15,952
Provision for Income Taxes	5,464	4,289
Net income	$22,516	$11,663
Basic Earnings Per Share	$1.59	$0.83
Diluted Earnings Per Share	$1.57	$0.82
Dividends Declared Per Share	$0.32	$0.24

See Notes to Consolidated Financial Statements

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(Unaudited)	
INTEREST INCOME		
Loans	$144,447	$131,734
Investment securities and other	5,361	4,791
TOTAL INTEREST INCOME	149,808	136,525
INTEREST EXPENSE		
Deposits	19,058	15,100
Federal Home Loan Bank advances	2,964	1,045
Short-term borrowings and repurchase agreements	385	662
Subordinated debentures issued to capital trusts	692	760
Subordinated notes	3,073	3,075
TOTAL INTEREST EXPENSE	26,172	20,642
NET INTEREST INCOME	123,636	115,883
Provision for Loan Losses	5,200	7,150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	118,436	108,733
NON-INTEREST INCOME		
Commissions	868	851
Service charges and ATM fees	16,191	16,195
Net realized gains on sales of loans	1,438	2,343
Late charges and fees on loans	1,240	1,922
Gain on sales of securities	2	—
Gain (loss) on derivative interest rate products	53	(5)
Gain on termination of loss sharing agreements	—	7,704
Amortization of income/(expense) related to business acquisitions	—	(486)
Gain on sale of business units	7,414	—
Other income	1,792	2,627
TOTAL NON-INTEREST INCOME	28,998	31,151
NON-INTEREST EXPENSE		
Salaries and employee benefits	44,731	44,495
Net occupancy and equipment expense	19,234	18,419
Postage	2,544	2,651
Insurance	2,002	2,300
Advertising	1,892	1,656
Office supplies and printing	789	1,208
Telephone	2,339	2,389

Legal, audit and other professional fees	2,373	1,991
Expense on other real estate owned and repossessions	4,376	2,595
Partnership tax credit investment amortization	484	713
Acquired deposit intangible asset amortization	1,237	1,237
Other operating expenses	4,536	5,322
TOTAL NON-INTEREST EXPENSE	86,537	84,976
Income Before Income Taxes	60,897	54,908
Provision for Income Taxes	11,076	15,550
Net income	$49,821	$39,358
Basic Earnings Per Share	$3.53	$2.81
Diluted Earnings Per Share	$3.49	$2.77
Dividends Declared Per Share	$0.88	$0.70

See Notes to Consolidated Financial Statements

4

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(Unaudited)	
Net Income	$22,516	$11,663
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $(232) and $(101), for 2018 and 2017, respectively	(805)	(177)
Reclassification adjustment for gains included in net income, net of (taxes) credit of $0 for each of 2018 and 2017	(2)	—
Change in fair value of cash flow hedge, net of taxes of $0 and $38, for 2018 and 2017, respectively	—	64
Comprehensive Income	$21,709	$11,550

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(Unaudited)	
Net Income	$49,821	$39,358
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $(894) and $106, for 2018 and 2017, respectively	(3,106)	186
Reclassification adjustment for gains included in net income, net of (taxes) credit of $0 for each of 2018 and 2017	(2)	—
Change in fair value of cash flow hedge, net of taxes of $0 and $93, for 2018 and 2017, respectively	—	161
Comprehensive Income	$46,713	$39,705

See Notes to Consolidated Financial Statements

5

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$49,821	$39,358
Proceeds from sales of loans held for sale	72,229	104,175
Originations of loans held for sale	(65,788)	(95,384)
Items not requiring (providing) cash:		
Depreciation	6,842	6,901
Amortization	1,837	2,064
Compensation expense for stock option grants	539	412
Provision for loan losses	5,200	7,150
Net gains on loan sales	(1,438)	(2,343)
Net realized gains on sales of available-for-sale securities	(2)	—
Net losses on sale of premises and equipment	122	183
Net losses on sale/write-down of other real estate owned and repossessions	2,003	211
Gain realized on sale of business units	(7,414)	—
Gain realized on termination of loss sharing agreements	—	(7,704)
Accretion of deferred income, premiums, discounts and other	(2,032)	(1,492)
(Gain) loss on derivative interest rate products	(53)	5
Deferred income taxes	(6,278)	(3,686)
Changes in:		
Interest receivable	(670)	669
Prepaid expenses and other assets	5,967	(271)
Accrued expenses and other liabilities	1,331	787
Income taxes refundable/payable	11,158	841
Net cash provided by operating activities	73,374	51,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans	(171,672)	136,205
Purchase of loans	(57,382)	(203,294)
Cash paid for sale of business units	(50,356)	—
Cash received from FDIC loss sharing reimbursements	—	16,245
Purchase of premises and equipment	(7,833)	(4,546)
Proceeds from sale of premises and equipment	2,296	521
Proceeds from sale of other real estate owned and repossessions	16,124	22,788
Capitalized costs on other real estate owned	(153)	(117)
Proceeds from sales of available-for-sale securities	502	—
Proceeds from maturities and calls of held-to-maturity securities	130	117
Proceeds from maturities and calls of available-for-sale securities	2,366	9,579
Principal reductions on mortgage-backed securities	17,134	19,834
Purchase of available-for-sale securities	(36,677)	—

Purchase of Federal Home Loan Bank stock	(3,736)	(248)
Net cash used in investing activities	(289,257)	(2,916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in certificates of deposit	84,177	(121,438)
Net increase (decrease) in checking and savings deposits	(24,535)	42,563
Proceeds from Federal Home Loan Bank advances	2,363,500	889,000
Repayments of Federal Home Loan Bank advances	(2,251,000)	(746,435)
Net increase (decrease) in short-term borrowings	16,409	(132,424)
Advances from borrowers for taxes and insurance	3,539	4,182
Dividends paid	(11,288)	(9,523)
Stock options exercised	1,649	2,018
Net cash provided by (used in) financing activities	182,451	(72,057)
DECREASES IN CASH AND CASH EQUIVALENTS	(33,432)	(23,097)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	242,253	279,769
CASH AND CASH EQUIVALENTS, END OF PERIOD	$208,821	$256,672

See Notes to Consolidated Financial Statements

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

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial condition, results of operations and cash flows of the Company as of the dates and for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full year. The consolidated statement of financial condition of the Company as of December 31, 2017, has been derived from the audited consolidated statement of financial condition of the Company as of that date. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2017 filed with the Securities and Exchange Commission.

NOTE 2: NATURE OF OPERATIONS AND OPERATING SEGMENTS

The Company operates as a one-bank holding company. The Company'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. In addition, the Company operates commercial loan production offices in Dallas, Texas; Tulsa, Oklahoma; Omaha, Nebraska and Chicago, Illinois. The Company and the Bank are subject to the regulations of 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 through 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.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09. In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs--Contracts with Customers (Subtopic

340-40). The guidance in this Update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. These Updates were effective beginning January 1, 2018. Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. We have determined that certain components of our non-interest income contain revenue streams which are included in the scope of these updates, such as deposit-related fees, service charges, debit card interchange fees and other charges and fees, and revenue from the sale of other real estate owned; however the adoption of these updates did not

materially impact the Company's consolidated statements of income. We adopted the guidance using the modified retrospective adoption method, and no cumulative effect adjustment to opening retained earnings was required as a result of the adoption.

Under ASU 2014-09, for revenue not associated with financial instruments, we apply the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when performance obligation is satisfied. Our contracts with customers are generally short term in nature, typically due within one year or less or cancellable by us or our customer upon a short notice period. Performance obligations for our customer contracts are generally satisfied at a single point in time, typically when the transaction is complete, or over time. For performance obligations satisfied over time, we primarily use the output method, directly measuring the value of the products/services transferred to the customer, to determine when performance obligations have been satisfied. We typically receive payment from customers and recognize revenue concurrent with the satisfaction of our performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until such time the performance obligations have been satisfied. In cases where we have not received payment despite satisfaction of our performance obligations, we accrue an estimate of the amount due in the period our performance obligations have been satisfied. For contracts with variable components, only amounts for which collection is probable are accrued. We generally act in a principal capacity, on our own behalf, in most of our contracts with customers. In such transactions, we recognize revenue and the related costs to provide our services on a gross basis in our financial statements. In some cases, we act in an agent capacity, deriving revenue through assisting other entities in transactions with our customers. In such transactions, we recognize revenue and the related costs to provide our services on a net basis in our financial statements. These transactions primarily relate to fees derived from our customers' use of various interchange and ATM/debit card networks.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The Update requires investments in equity securities, except for those under the equity method of accounting, to be measured at fair value with changes in fair value recognized through net income. The update enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information by updating certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Among other changes, the update requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The Update also clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The Update was effective for the Company on January 1, 2018 and did not have a material impact on the Company's consolidated statements of financial condition or our consolidated statements of income.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and in July 2018 FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases. The amendments in this Update revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The Update is effective for the Company beginning in the first quarter of 2019, with early adoption permitted. Adoption of the standard requires the use of a modified retrospective transition approach for all periods presented at the time of adoption. Based on the Company's leases outstanding at September 30, 2018, which total less than 20 leased properties and no significant leased equipment, we do not expect the new standard to have a material impact on our consolidated statements of financial condition or our consolidated statements of income, although an increase to assets and liabilities will occur at the time of adoption, in an amount currently estimated at approximately $6 million - $8 million based on our current lease portfolio. The Company's new leases and lease

modifications and renewals prior to the implementation date could impact the level of materiality.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The Update amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. This Update affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance

sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public companies, the update is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted beginning after December 15, 2018. An entity will apply the amendments in this update on a modified retrospective basis, through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company has formed a cross functional committee to oversee the system, data, reporting and other considerations for the purposes of meeting the requirements of this standard. We have assessed our data and system needs and are in the process of uploading the necessary historical loan data to the software that will be used in meeting certain requirements of this standard. The Company is evaluating the impact of adopting the new guidance, including the implementation of new data systems to capture the information needed to comply with the new standard. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment, or the overall impact of the new guidance on the Company's consolidated financial statements.

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

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

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

In January 2017, the FASB issued ASU No. 2017-04, Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350). To simplify the subsequent measurement of goodwill, the amendments eliminate Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test should be performed by comparing the fair value of a reporting unit with its carrying amount and an impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. The nature of and reason for the change in accounting principle should be disclosed upon transition. The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. We are currently evaluating

the impact of adopting the new guidance, including consideration of early adoption, on the consolidated financial statements, but it is not expected to have a material impact.

In May 2017, the FASB issued ASU 2017-09, Compensation --Stock Compensation (Topic 718): Scope of Modification Accounting. The amendment provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The amendments clarify that modification accounting only applies to an entity if the fair value, vesting conditions, or classification of the award changes as a result of changes in the terms or conditions of a share-based payment award. The

ASU should be applied prospectively to awards modified on or after the adoption date. The guidance was effective for the Company on January 1, 2018. The adoption of the ASU did not impact the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The objective of ASU 2017-12 is to improve the financial reporting of hedging relationships by better aligning an entity's risk management activity with the economic objectives in undertaking those activities. In addition, the amendments in this update simplify the application of hedge accounting for preparers of financial statements, as well as improve the understandability of an entity's risk management activities being conveyed to financial statement users. The Company early adopted the ASU on a prospective basis effective October 1, 2018, and the adoption did not have a material effect on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220). The amendment allows an entity to elect to reclassify the stranded tax effects resulting from the change in income tax rate from H.R.1, originally known as the "Tax Cuts and Jobs Act," from accumulated other comprehensive income to retained earnings. The amendments in this update are effective for periods beginning after December 15, 2018. Early adoption is permitted. The Company chose to early adopt ASU 2018-02 effective January 1, 2018. The stranded tax amount related to unrealized gains and losses on available for sale securities, which was reclassified from accumulated other comprehensive income to retained earnings at the time of adoption, was $272,000. There were no other income tax effects related to the application of the Act to be reclassified from AOCI to retained earnings.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in this update remove disclosures that no longer are considered cost beneficial, modify/clarify the specific requirements of certain disclosures, and add disclosure requirements identified as relevant. ASU 2018-13 is effective for period beginning after December 15, 2019, with early adoption permitted for certain removed and modified disclosures, and is not expected to have a significant impact on our financial statements.

NOTE 4: EARNINGS PER SHARE

	Three Months Ended September 30,	
	2018	2017
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	14,146	14,038
Net income	$22,516	$11,663
Per share amount	$1.59	$0.83
Diluted:		

Average shares outstanding	14,146	14,038
Net effect of dilutive stock options – based on the treasury stock method using average market price	153	186
Diluted shares	14,299	14,224
Net income	$22,516	$11,663
Per share amount	$1.57	$0.82

10

	Nine Months Ended September 30,	
	2018	2017
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	14,124	14,007
Net income	$49,821	$39,358
Per share amount	$3.53	$2.81
Diluted:		
Average shares outstanding	14,124	14,007
Net effect of dilutive stock options – based on the treasury stock method using average market price	136	186
Diluted shares	14,260	14,193
Net income	$49,821	$39,358
Per share amount	$3.49	$2.77

Options outstanding at September 30, 2018 and 2017, to purchase 170,600 and 114,300 shares of common stock, respectively, were not included in the computation of diluted earnings per common share for each of the three month periods because the exercise prices of such options were greater than the average market prices of the common stock for the three months ended September 30, 2018 and 2017, respectively. Options outstanding at September 30, 2018 and 2017, to purchase 260,947 and 114,300 shares of common stock, respectively, were not included in the computation of diluted earnings per common share for each of the nine month periods because the exercise prices of such options were greater than the average market prices of the common stock for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 5: INVESTMENT SECURITIES

	September 30, 2018					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
	(In Thousands)					
AVAILABLE-FOR-SALE SECURITIES:						
Mortgage-backed securities	$124,777	$ 639	$ 3,891	$121,525	2.44	%
Collateralized mortgage obligations	17,481	—	97	17,384	3.03	
States and political subdivisions	51,047	1,314	19	52,342	4.81	
	$193,305	$ 1,953	$ 4,007	$191,251	3.12	%

	December 31, 2017				
		Gross	Gross		Tax

	Amortized Cost (In Thousands)	Unrealized Gains	Unrealized Losses	Fair Value	Equivalent Yield	
AVAILABLE-FOR-SALE SECURITIES:						
Mortgage-backed securities	$123,300	$ 871	$ 1,638	$122,533	2.19	%
States and political subdivisions	53,930	2,716	—	56,646	4.72	
	$177,230	$ 3,587	$ 1,638	$179,179	2.96	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$130	$ 1	$ —	$131	6.14	%

The amortized cost and fair value of available-for-sale securities at September 30, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$—	$—
After one through five years	841	905
After five through ten years	9,556	9,687
After ten years	40,650	41,750
Securities not due on a single maturity date	142,258	138,909
	$193,305	$191,251

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 September 30, 2018 and December 31, 2017, was approximately $117.5 million and $89.7 million, respectively, which is approximately 61.4% and 50.0% of the Company's available-for-sale and held-to-maturity investment portfolio, respectively.

Based on an 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 September 30, 2018 and December 31, 2017:

	September 30, 2018					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Mortgage-backed securities	$24,226	$ (557)	$72,518	$ (3,334)	$96,744	$ (3,891)
Collateralized mortgage obligations	17,384	(97)	—	—	17,384	(97)
State and political subdivisions	3,341	(19)	—	—	3,341	(19)
	$44,951	$ (673)	$72,518	$ (3,334)	$117,469	$ (4,007)

	December 31, 2017					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					

Mortgage-backed securities	$33,862	$ (384)	$55,845	$ (1,254)	$89,707	$ (1,638)
State and political subdivisions	—	—	—	—	—	—
	$33,862	$ (384)	$55,845	$ (1,254)	$89,707	$ (1,638)

Gross gains of $2,000 and $2,000 and gross losses of $0 and $0 resulting from sales of available-for-sale securities were realized during the three and nine months ended September 30, 2018. There were no sales of available-for-sale securities during the three and nine months ended September 30, 2017. Gains and losses on sales of securities are determined on the specific-identification method.

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

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

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

During the three and nine months ended September 30, 2018 and 2017, respectively, no securities were determined to have impairment that had become other-than-temporary.

Credit Losses Recognized on Investments. During the three and nine months ended September 30, 2018 and 2017, respectively, there were no debt securities that experienced fair value deterioration due to credit losses, or due to other market factors, that are not otherwise other-than-temporarily impaired.

Amounts Reclassified Out of Accumulated Other Comprehensive Income. During the three and nine months ended September 30, 2018 and 2017, there were no amounts reclassified from accumulated other comprehensive income other than the $272,000 stranded tax amount related to unrealized gains and losses on available for sale securities noted above in Note 3, which was reclassified from accumulated other comprehensive income to retained earnings as of January 1, 2018 due to the adoption of ASU 2018-02.

NOTE 6: LOANS AND ALLOWANCE FOR LOAN LOSSES

Classes of loans at September 30, 2018 and December 31, 2017 were as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
One- to four-family residential construction	$25,477	$20,793
Subdivision construction	16,054	18,062
Land development	44,502	43,971
Commercial construction	1,283,468	1,068,352
Owner occupied one- to four-family residential	255,994	190,515
Non-owner occupied one- to four-family residential	109,282	119,468
Commercial real estate	1,383,871	1,235,329
Other residential	791,786	745,645
Commercial business	332,037	353,351
Industrial revenue bonds	14,179	21,859
Consumer auto	277,884	357,142
Consumer other	57,921	63,368
Home equity lines of credit	117,061	115,439
Loans acquired and accounted for under ASC 310-30, net of discounts	177,150	209,669
	4,886,666	4,562,963
Undisbursed portion of loans in process	(899,620)	(793,669)
Allowance for loan losses	(37,497)	(36,492)
Deferred loan fees and gains, net	(6,783)	(6,500)
	$3,942,766	$3,726,302
Weighted average interest rate	5.03%	4.74%

Classes of loans by aging were as follows:

	September 30, 2018						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$—	$294	$—	$294	$25,183	$25,477	$ —
Subdivision construction	12	—	—	12	16,042	16,054	—
Land development	—	32	—	32	44,470	44,502	—
Commercial construction	—	—	—	—	1,283,468	1,283,468	—
Owner occupied one- to four-family residential	138	62	1,270	1,470	254,524	255,994	—
Non-owner occupied one- to four-family residential	—	—	1,481	1,481	107,801	109,282	—
Commercial real estate	327	38	346	711	1,383,160	1,383,871	—
Other residential	—	—	—	—	791,786	791,786	—
Commercial business	129	—	1,590	1,719	330,318	332,037	—
Industrial revenue bonds	—	—	—	—	14,179	14,179	—
Consumer auto	2,705	858	1,367	4,930	272,954	277,884	—
Consumer other	473	220	326	1,019	56,902	57,921	—
Home equity lines of credit	353	—	95	448	116,613	117,061	—
Loans acquired and accounted for under ASC 310-30, net of discounts	1,780	1,442	2,385	5,607	171,543	177,150	—
	5,917	2,946	8,860	17,723	4,868,943	4,886,666	—
Less loans acquired and accounted for under ASC 310-30, net	1,780	1,442	2,385	5,607	171,543	177,150	—
Total	$4,137	$1,504	$6,475	$12,116	$4,697,400	$4,709,516	$ —

	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$250	$—	$—	$250	$20,543	$20,793	$ —
Subdivision construction	—	—	98	98	17,964	18,062	—
Land development	54	37	—	91	43,880	43,971	—
Commercial construction	—	—	—	—	1,068,352	1,068,352	—
Owner occupied one- to four-family residential	1,927	71	904	2,902	187,613	190,515	—
Non-owner occupied one- to four-family residential	947	190	1,816	2,953	116,515	119,468	58
Commercial real estate	8,346	993	1,226	10,565	1,224,764	1,235,329	—
Other residential	540	353	1,877	2,770	742,875	745,645	—
Commercial business	2,623	1,282	2,063	5,968	347,383	353,351	—
Industrial revenue bonds	—	—	—	—	21,859	21,859	—
Consumer auto	5,196	1,230	2,284	8,710	348,432	357,142	12
Consumer other	464	64	557	1,085	62,283	63,368	—
Home equity lines of credit	58	—	430	488	114,951	115,439	26
Loans acquired and accounted for under ASC 310-30, net of discounts	4,449	1,951	10,675	17,075	192,594	209,669	272
	24,854	6,171	21,930	52,955	4,510,008	4,562,963	368
Less loans acquired and accounted for under ASC 310-30, net	4,449	1,951	10,675	17,075	192,594	209,669	272
Total	$20,405	$4,220	$11,255	$35,880	$4,317,414	$4,353,294	$ 96

Nonaccruing loans (excluding FDIC-assisted acquired loans, net of discount) are summarized as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
One- to four-family residential construction	$—	$ —
Subdivision construction	—	98

Land development	—	—
Commercial construction	—	—
Owner occupied one- to four-family residential	1,270	904
Non-owner occupied one- to four-family residential	1,481	1,758
Commercial real estate	346	1,226
Other residential	—	1,877
Commercial business	1,590	2,063
Industrial revenue bonds	—	—
Consumer auto	1,367	2,272
Consumer other	326	557
Home equity lines of credit	95	404
Total	$6,475	$ 11,159

The following table presents the activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2018. Also presented are the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of September 30, 2018:

	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 July 1, 2018	$2,727	$3,845	$19,474	$2,395	$2,991	$6,124	$37,556
Provision (benefit) charged to expense	7	341	708	538	(1,019)	725	1,300
Losses charged off	(18)	(194)	—	(4)	(274)	(2,128)	(2,618)
Recoveries	79	41	1	97	80	961	1,259
Balance September 30, 2018	$2,795	$4,033	$20,183	$3,026	$1,778	$5,682	$37,497
Balance January 1, 2018	$2,108	$2,839	$18,639	$1,767	$3,581	$7,558	$36,492
Provision (benefit) charged to expense	494	1,310	1,519	1,009	(991)	1,859	5,200
Losses charged off	(59)	(525)	(102)	(87)	(1,155)	(7,062)	(8,990)
Recoveries	252	409	127	337	343	3,327	4,795
Balance September 30, 2018	$2,795	$4,033	$20,183	$3,026	$1,778	$5,682	$37,497
Ending balance:							
Individually evaluated for impairment	$771	$—	$635	$—	$324	$433	$2,163
Collectively evaluated for impairment	$1,987	$4,006	$19,288	$2,953	$1,438	$5,221	$34,893
Loans acquired and accounted for under ASC 310-30	$37	$27	$260	$73	$16	$28	$441
Loans							
Individually evaluated for							

impairment	$6,302	$—	$3,556	$14	$2,008	$2,524	$14,404
Collectively evaluated for impairment	$400,505	$791,786	$1,380,315	$1,327,956	$344,208	$450,342	$4,695,112
Loans acquired and accounted for under ASC 310-30	$98,702	$12,927	$35,980	$4,240	$4,613	$20,688	$177,150

17

The following table presents the activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2017:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for loan losses							
Balance July 1, 2017	$2,413	$ 3,655	$ 15,442	$ 1,711	$ 4,365	$ 8,947	$36,533
Provision (benefit) charged to expense	285	190	643	298	562	972	2,950
Losses charged off	(74)	(10)	(357)	—	(1,090)	(3,151)	(4,682)
Recoveries	46	89	74	129	66	1,038	1,442
Balance September 30, 2017	$2,670	$ 3,924	$ 15,802	$ 2,138	$ 3,903	$ 7,806	$36,243
Balance January 1, 2017	$2,322	$ 5,486	$ 15,938	$ 2,284	$ 3,015	$ 8,355	$37,400
Provision (benefit) charged to expense	407	(1,708)	1,413	74	1,786	5,178	7,150
Losses charged off	(150)	(12)	(1,649)	(386)	(1,365)	(9,120)	(12,682)
Recoveries	91	158	100	166	467	3,393	4,375
Balance September 30, 2017	$2,670	$ 3,924	$ 15,802	$ 2,138	$ 3,903	$ 7,806	$36,243

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2017:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
	(In Thousands)						
Allowance for loan losses							
Individually evaluated for impairment	$513	$—	$599	$—	$ 2,140	$699	$3,951
Collectively evaluated for							

impairment	$1,564	$2,813	$17,843	$1,690	$1,369	$6,802	$32,081
Loans acquired and accounted for under ASC 310-30	$31	$26	$197	$77	$72	$57	$460
Loans							
Individually evaluated for impairment	$6,950	$2,907	$8,315	$15	$3,018	$4,129	$25,334
Collectively evaluated for impairment	$341,888	$742,738	$1,227,014	$1,112,308	$372,192	$531,820	$4,327,960
Loans acquired and accounted for under ASC 310-30	$120,295	$14,877	$39,210	$3,806	$5,275	$26,206	$209,669

The portfolio segments used in the preceding three tables correspond to the loan classes used in all other tables in Note 6 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

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

Impaired loans (excluding FDIC-assisted loans, net of discount), are summarized as follows:

	September 30, 2018		
	Recorded Balance	Unpaid Principal Balance	Specific Allowance
	(In Thousands)		
One- to four-family residential construction	$—	$—	$ —
Subdivision construction	241	241	107
Land development	14	18	—
Commercial construction	—	—	—
Owner occupied one- to four-family residential	3,663	3,995	343
Non-owner occupied one- to four-family residential	2,398	2,677	321
Commercial real estate	3,556	3,714	635
Other residential	—	—	—
Commercial business	2,008	2,383	324
Industrial revenue bonds	—	—	—
Consumer auto	1,843	2,046	331
Consumer other	566	751	85
Home equity lines of credit	115	133	17
Total	$14,404	$15,958	$ 2,163

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)			
One- to four-family residential construction	$—	$ —	$—	$ —
Subdivision construction	299	3	336	11
Land development	15	1	15	1

Commercial construction	—	—	—	—
Owner occupied one- to four-family residential	3,401	53	3,322	142
Non-owner occupied one- to four-family residential	2,583	38	3,082	130
Commercial real estate	6,689	55	7,115	278
Other residential	675	—	1,368	20
Commercial business	2,581	40	3,277	329
Industrial revenue bonds	—	—	—	—
Consumer auto	1,865	37	2,120	118
Consumer other	671	11	806	48
Home equity lines of credit	405	—	500	28
Total	$19,184	$ 238	$21,941	$ 1,105

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

	September 30, 2017		
	Recorded Balance	Unpaid Principal Balance	Specific Allowance
	(In Thousands)		
One- to four-family residential construction	$—	$—	$ —
Subdivision construction	434	450	116
Land development	315	319	—
Commercial construction	—	—	—
Owner occupied one- to four-family residential	3,441	3,740	351
Non-owner occupied one- to four-family residential	3,293	3,560	104
Commercial real estate	9,358	9,581	599
Other residential	3,390	3,390	—
Commercial business	3,141	4,311	2,396
Industrial revenue bonds	—	—	—
Consumer auto	2,740	2,936	491
Consumer other	1,042	1,148	156
Home equity lines of credit	647	725	100
Total	$27,801	$30,160	$ 4,313

20

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)			
One- to four-family residential construction	$—	$ —	$258	$ —
Subdivision construction	444	9	652	21
Land development	424	12	2,319	33
Commercial construction	—	—	—	—
Owner occupied one- to four-family residential	3,440	44	3,384	124
Non-owner occupied one- to four-family residential	2,550	80	2,183	128
Commercial real estate	6,819	266	9,068	425
Other residential	3,457	27	3,660	102
Commercial business	5,580	35	6,148	161
Industrial revenue bonds	—	—	—	—
Consumer auto	2,548	79	2,323	156
Consumer other	1,005	26	886	65
Home equity lines of credit	633	14	456	32
Total	$26,900	$ 592	$31,337	$ 1,247

At September 30, 2018, $8.7 million of impaired loans had specific valuation allowances totaling $2.2 million. At December 31, 2017, $12.7 million of impaired loans had specific valuation allowances totaling $4.0 million.

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

The following tables present newly restructured loans during the three and nine months ended September 30, 2018 and 2017, respectively, by type of modification:

Three Months Ended September 30, 2018			
Interest Only	Term	Combination	Total Modification
(In Thousands)			

Consumer	$—	$ 67	$ —	$ 67

	Three Months Ended September 30, 2017			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Commercial	$—	$—	$ 5,759	$ 5,759
Consumer	—	194	—	194
	$—	$194	$ 5,759	$ 5,953

21

	Nine Months Ended September 30, 2018			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
One- to four-family residential	$1,348	$—	$ —	$ 1,348
Consumer	—	506	—	506
	$1,348	$506	$ —	$ 1,854

	Nine Months Ended September 30, 2017			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Commercial	$—	$—	$ 5,759	$ 5,759
Commercial business	—	—	274	274
Consumer	—	199	—	199
	$—	$199	$ 6,033	$ 6,232

At September 30, 2018, the Company had $7.0 million of loans that were modified in troubled debt restructurings and impaired, as follows: $256,000 of construction and land development loans, $4.1 million of one- to four-family and other residential mortgage loans, $1.3 million of commercial real estate loans, $568,000 of commercial business loans and $856,000 of consumer loans. Of the total troubled debt restructurings at September 30, 2018, $4.8 million were accruing interest and $2.3 million were classified as substandard using the Company's internal grading system, which is described below. The Company had no troubled debt restructurings which were modified in the previous 12 months and subsequently defaulted during the nine months ended September 30, 2018. When loans modified as troubled debt restructurings have subsequent payment defaults, the defaults are factored into the determination of the allowance for loan losses to ensure specific valuation allowances reflect amounts considered uncollectible. At December 31, 2017, the Company had $15.0 million of loans that were modified in troubled debt restructurings and impaired, as follows: $266,000 of construction and land development loans, $6.2 million of one- to four-family and other residential mortgage loans, $7.1 million of commercial real estate loans, $867,000 of commercial business loans and $617,000 of consumer loans. Of the total troubled debt restructurings at December 31, 2017, $12.3 million were accruing interest and $8.8 million were classified as substandard using the Company's internal grading system. The reduction in troubled debt restructurings during the three and nine months ended September 30, 2018 was primarily due to the removal of performing loans that were part of two customer relationships totaling $5.7 million due to return to market interest rates, cash flow improvement and amortization and payment performance.

During the three and nine months ended September 30, 2018, $46,000 and $85,000 of loans, respectively, all of which consisted of one- to four-family residential loans, designated as troubled debt restructurings met the criteria for

placement back on accrual status. The criteria is generally a minimum of six months of consistent and timely payment performance under original or modified terms. During the three months ended September 30, 2017, loans designated as troubled debt restructurings totaling $327,000 met the criteria for placement back on accrual status. The $327,000 consisted of $285,000 of commercial real estate loans and $42,000 of consumer loans. During the nine months ended September 30, 2017, loans designated as troubled debt restructurings totaling $672,000 met the criteria for placement back on accrual status. The $672,000 consisted of $345,000 of one- to four- family residential loans, $285,000 of commercial real estate loans and $42,000 of consumer loans.

The Company reviews the credit quality of its loan portfolio using an internal grading system that classifies loans as "Satisfactory," "Watch," "Special Mention," "Substandard" and "Doubtful." Loans classified as watch are being monitored because of indications of potential weaknesses or deficiencies that may require future classification as special mention or substandard. Special mention loans possess potential weaknesses that deserve management's

close attention but do not expose the Bank to a degree of risk that warrants substandard classification. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if certain deficiencies are not corrected. Doubtful loans are those having all the weaknesses inherent to those classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans not meeting any of the criteria previously described are considered satisfactory. The FDIC-assisted acquired loans are also evaluated using this internal grading system and are accounted for in pools. Minimal adverse classification in these acquired loan pools was identified as of September 30, 2018 and December 31, 2017, respectively. See Note 7 for further discussion of the acquired loan pools and the termination of the loss sharing agreements.

The Company evaluates the loan risk internal grading system definitions and allowance for loan loss methodology on an ongoing basis. The general component of the allowance for loan losses is affected by several factors, including, but not limited to, average historical losses, average life of the loans, the current composition of the loan portfolio, current and expected economic conditions, collateral values and internal risk ratings. Management considers all these factors in determining the adequacy of the Company's allowance for loan losses. In early 2018, we expanded our loan risk rating system to allow for further segregation of satisfactory credits. No significant changes were made to the allowance for loan loss methodology during the past year.

The loan grading system is presented by loan class below:

	September 30, 2018					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$25,056	$421	$ —	$ —	$ —	$25,477
Subdivision construction	14,087	1,967	—	—	—	16,054
Land development	39,902	4,600	—	—	—	44,502
Commercial construction	1,283,468	—	—	—	—	1,283,468
Owner occupied one- to four-family residential	253,695	62	—	2,237	—	255,994
Non-owner occupied one- to four-family residential	106,619	1,092	—	1,571	—	109,282
Commercial real estate	1,370,246	11,330	—	2,295	—	1,383,871
Other residential	791,285	501	—	—	—	791,786
Commercial business	325,260	5,187	—	1,590	—	332,037
Industrial revenue bonds	14,179	—	—	—	—	14,179
Consumer auto	276,220	155	—	1,509	—	277,884
Consumer other	57,337	162	—	422	—	57,921
Home equity lines of credit	116,804	152	—	105	—	117,061
Loans acquired and accounted for under ASC 310-30, net of discounts	177,130	—	—	20	—	177,150
Total	$4,851,288	$25,629	$ —	$ 9,749	$ —	$4,886,666

	December 31, 2017					
	Satisfactory	Watch	Special Mention	Substandard	Doubtful	Total
	(In Thousands)					
One- to four-family residential construction	$20,275	$518	$ —	$ —	$ —	$20,793
Subdivision construction	15,602	2,362	—	98	—	18,062
Land development	39,171	4,800	—	—	—	43,971
Commercial construction	1,068,352	—	—	—	—	1,068,352
Owner occupied one- to-four-family residential	188,706	—	—	1,809	—	190,515
Non-owner occupied one- to-four-family residential	117,103	389	—	1,976	—	119,468
Commercial real estate	1,218,431	9,909	—	6,989	—	1,235,329
Other residential	742,237	1,532	—	1,876	—	745,645
Commercial business	344,479	6,306	—	2,066	500	353,351
Industrial revenue bonds	21,859	—	—	—	—	21,859
Consumer auto	354,588	—	—	2,554	—	357,142
Consumer other	62,682	—	—	686	—	63,368
Home equity lines of credit	114,860	—	—	579	—	115,439
Loans acquired and accounted for under ASC 310-30, net of discounts	209,657	—	—	12	—	209,669
Total	$4,518,002	$25,816	$ —	$ 18,645	$ 500	$4,562,963

NOTE 7: FDIC-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 loans, commitments and foreclosed assets purchased in the TeamBank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans. The five-year period ended March 31, 2014 and the ten-year period was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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

The loans, commitments and foreclosed assets purchased in the Vantus Bank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years

for 1-4 family real estate loans and for five years for other loans. The five year period ended September 30, 2014 and the ten-year period was terminated early, effective April 26, 2016, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded.

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

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

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

The loans and foreclosed assets purchased in the InterBank transaction were covered by a loss sharing agreement between the FDIC and Great Southern Bank. This agreement originally was to extend for ten years for 1-4 family real estate loans and for five years for other loans but was terminated early, effective June 9, 2017, by mutual agreement of Great Southern Bank and the FDIC. See "Loss Sharing Agreements" below. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A premium was recorded at the time of acquisition in conjunction with the fair value of the acquired loans and the amount amortized to yield during the three months ended September 30, 2018 and 2017 was $38,000 and $64,000, respectively. The amount amortized to yield during the nine months ended September 30, 2018 and 2017 was $138,000 and $210,000, respectively.

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

Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A premium was recorded in conjunction with the fair value of the acquired loans and the amount amortized to yield during the three months ended September 30, 2018 and 2017 was $0 and $47,000, respectively. The amount amortized to yield during the nine months ended September 30, 2018 and 2017 was $11,000 and $189,000, respectively.

Loss Sharing Agreements. On April 26, 2016, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank, effective immediately. The agreement required the FDIC to pay $4.4 million to settle all outstanding items related to the terminated loss sharing agreements. As a result of entering into the termination agreement, assets that were covered by the terminated loss sharing agreements were reclassified as non-covered assets effective April 26, 2016. All rights and obligations of the Bank and the FDIC under the terminated loss sharing agreements, including the settlement of all existing loss sharing and expense reimbursement claims, have been resolved and terminated.

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

The termination of the loss sharing agreements for the TeamBank, Vantus Bank, Sun Security Bank and InterBank transactions has no impact on the yields for the loans that were previously covered under these agreements. All

post-termination recoveries, gains, losses and expenses related to these previously covered assets are recognized entirely by Great Southern Bank since the FDIC no longer shares in such gains or losses. Accordingly, the Company's earnings are positively impacted to the extent the Company recognizes gains on any sales or recoveries in excess of the carrying value of such assets. Similarly, the Company's future earnings will be negatively impacted to the extent the Company recognizes expenses, losses or charge-offs related to such assets.

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

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. The Company continues to evaluate the fair value of the loans including cash flows expected to be collected. Increases in the Company's cash flow expectations are recognized as increases to the accretable yield while decreases are recognized as impairments through the allowance for loan losses. During the three and nine months ended September 30, 2018, improvements in expected cash flows related to the acquired loan portfolios resulted in adjustments of $1.5 million and $4.0 million, respectively, to the accretable yield to be spread over the estimated remaining lives of the loans on a level-yield basis. During the three and nine months ended September 30, 2017, similar such adjustments totaling $472,000 and $627,000, respectively, were made to the accretable yield. The increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements, when applicable, until they were terminated or expired.

Because these adjustments to accretable yield will be recognized generally over the remaining lives of the loan pools, they will impact future periods as well. As of September 30, 2018, the remaining accretable yield adjustment that will affect interest income is $2.9 million. Of the remaining adjustments affecting interest income, we expect to recognize $1.0 million of interest income during the remainder of 2018. Additional adjustments to accretable yield may be recorded in future periods from the FDIC-assisted transactions, as the Company continues to estimate expected cash flows from the acquired loan pools.

The impact of adjustments on the Company's financial results is shown below:

	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	(In Thousands, Except Per Share Data and Basis Points Data)			
Impact on net interest income/ net interest margin (in basis points)	$1,424	14 bps	$975	9 bps
Non-interest income	—		—	
Net impact to pre-tax income	$1,424		$975	
Net impact net of taxes	$1,106		$621	
Impact to diluted earnings per share	$0.08		$0.04	

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	(In Thousands, Except Per Share Data and Basis Points Data)			
Impact on net interest income/ net interest margin (in basis points)	$3,652	12 bps	$4,237	14 bps
Non-interest income	—		(634)	
Net impact to pre-tax income	$3,652		$3,603	
Net impact net of taxes	$2,836		$2,295	
Impact to diluted earnings per share	$0.20		$0.16	

TeamBank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the TeamBank transaction at September 30, 2018 and December 31, 2017. Through September 30, 2018, gross loan balances (due from the borrower) were reduced approximately $424.5 million since the transaction date because of $291.9 million of repayments from borrowers, $61.7 million in transfers to foreclosed assets and $70.9 million in charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	September 30, 2018	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$11,658	$ 15
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(445)	—
Original estimated fair value of assets, net of activity since acquisition date	(11,094)	(15)
Expected loss remaining	$119	$ —

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

Vantus Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Vantus Bank transaction at September 30, 2018 and December 31, 2017. Through September 30, 2018, gross loan balances (due from the borrower) were reduced approximately $315.9 million since the transaction date because of $270.3 million of repayments from borrowers, $16.7 million in transfers to foreclosed assets and $28.9 million in charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	September 30, 2018	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$15,698	$ —
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(74)	—
Original estimated fair value of assets, net of activity since acquisition date	(15,395)	—
Expected loss remaining	$229	$ —

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

Sun Security Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Sun Security Bank transaction at September 30, 2018 and December 31, 2017. Through September 30, 2018, gross loan balances (due from the borrower) were reduced approximately $212.2 million since the transaction date because of $152.7 million of repayments from borrowers, $28.6 million in transfers to foreclosed assets and $30.9 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	September 30, 2018	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$22,219	$ 305
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(371)	—
Original estimated fair value of assets, net of activity since acquisition date	(21,099)	(214)
Expected loss remaining	$749	$ 91

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

InterBank Loans and Foreclosed Assets. The following table presents the balances of the acquired loans and foreclosed assets related to the InterBank transaction at September 30, 2018 and December 31, 2017. Through September 30, 2018, gross loan balances (due from the borrower) were reduced approximately $302.8 million since the transaction date because of $260.6 million of repayments by the borrower, $19.8 million in transfers to foreclosed assets and $22.4 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	September 30, 2018	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$90,512	$ 146
Non-credit premium/(discount), net of activity since acquisition date	136	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(1,785)	—
Original estimated fair value of assets, net of activity since acquisition date	(78,642)	(130)
Expected loss remaining	$10,221	$ 16

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

Valley Bank Loans and Foreclosed Assets. The following tables present the balances of the acquired loans and foreclosed assets related to the Valley Bank transaction at September 30, 2018 and December 31, 2017. Through September 30, 2018, gross loan balances (due from the borrower) were reduced approximately $137.8 million since the transaction date because of $125.9 million of repayments by the borrower, $4.0 million in transfers to foreclosed assets and $7.9 million of charge-offs to customer loan balances. Based upon the collectability analyses performed at the time of the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	September 30, 2018	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis, net of activity since acquisition date	$55,350	$ 1,488
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(229)	—
Original estimated fair value of assets, net of activity since acquisition date	(50,915)	(1,488)
Expected loss remaining	$4,206	$ —

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

Changes in the accretable yield for acquired loan pools were as follows for the three and nine months ended September 30, 2018 and 2017:

	TeamBank	Vantus Bank	Sun Security Bank	InterBank	Valley Bank
	(In Thousands)				
Balance, July 1, 2017	$2,303	$2,180	$ 3,686	$ 5,414	$3,313
Accretion	(352)	(310)	(561)	(1,688)	(1,378)
Change in expected accretable yield(1)	287	211	(270)	625	889
Balance, September 30, 2017	$2,238	$2,081	$ 2,855	$ 4,351	$2,824
Balance, July 1, 2018	$1,742	$1,652	$ 2,055	$ 5,910	$2,974
Accretion	(294)	(279)	(399)	(2,293)	(901)
Change in expected accretable yield(1)	103	234	500	2,054	578
Balance, September 30, 2018	$1,551	$1,607	$ 2,156	$ 5,671	$2,651

(1) Represents increases in estimated cash flows expected to be received from the acquired loan pools, partially due to lower estimated credit losses. The amounts also include changes in expected accretion of the loan pools for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank for the three months ended September 30, 2018, totaling $103,000, $234,000, $485,000, $604,000 and $578,000, respectively, and for the three months ended September 30, 2017, totaling $268,000, $204,000, $(270,000), $625,000 and $444,000, respectively.

	TeamBank	Vantus Bank	Sun Security Bank	InterBank	Valley Bank
	(In Thousands)				
Balance, January 1, 2017	$2,477	$2,547	$4,277	$ 8,512	$4,797
Accretion	(1,319)	(1,048)	(1,757)	(5,850)	(4,772)
Change in expected accretable yield(1)	1,080	582	335	1,689	2,799
Balance, September 30, 2017	$2,238	$2,081	$2,855	$ 4,351	$2,824
Balance, January 1, 2018	$2,071	$1,850	$2,901	$ 5,074	$2,695
Accretion	(736)	(897)	(1,253)	(5,943)	(3,098)
Change in expected accretable yield(1)	216	654	508	6,540	3,054

Balance, September 30, 2018	$1,551	$1,607	$2,156	$5,671	$2,651

(1) Represents increases in estimated cash flows expected to be received from the acquired loan pools, partially due to lower estimated credit losses. The amounts also include changes in expected accretion of the loan pools for TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank for the nine months ended September 30, 2018, totaling $201,000, $654,000, $318,000, $3.6 million and $2.3 million, respectively, and for the nine months ended September 30, 2017, totaling $1.1 million, $569,000, $335,000, $1.7 million and $2.2 million, respectively.

NOTE 8: OTHER REAL ESTATE OWNED AND REPOSSESSIONS

Major classifications of other real estate owned were as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
Foreclosed assets held for sale and repossessions		
One- to four-family construction	$—	$—
Subdivision construction	2,264	5,413
Land development	4,495	7,229
Commercial construction	—	—
One- to four-family residential	657	112
Other residential	—	140
Commercial real estate	1,002	1,694
Commercial business	—	—
Consumer	1,020	1,987
	9,438	16,575
Foreclosed assets acquired through FDIC-assisted transactions, net of discounts	1,847	3,799
Foreclosed assets held for sale and repossessions, net	11,285	20,374
Other real estate owned not acquired through foreclosure	1,559	1,628
Other real estate owned and repossessions	$12,844	$22,002

At September 30, 2018, other real estate owned not acquired through foreclosure included nine properties, eight of which were branch locations that were closed and are held for sale, and one of which is land acquired for a potential branch location. At December 31, 2017, other real estate owned not acquired through foreclosure included ten properties, nine of which were branch locations that were closed and are held for sale, and one of which is land acquired for a potential branch location.

At September 30, 2018, residential mortgage loans totaling $1.3 million were in the process of foreclosure, $1.1 million of which were acquired loans.

Expenses applicable to other real estate owned included the following:

	Three Months Ended September 30,	
	2018	2017
	(In Thousands)	
Net gain on sales of other real estate and repossessions	$(549)	$(311)

Valuation write-downs	178	462
Operating expenses, net of rental income	869	1,192
	$498	$1,343

	Nine Months Ended September 30,	
	2018	2017
	(In Thousands)	
Net gain on sales of other real estate and repossessions	$(1,998)	$(1,098)
Valuation write-downs	3,551	522
Operating expenses, net of rental income	2,823	3,171
	$4,376	$2,595

33

NOTE 9: DEPOSITS

	September 30, 2018	December 31, 2017
	(In Thousands)	
Time Deposits:		
0.00% - 0.99%	$163,501	$254,502
1.00% - 1.99%	611,935	1,006,373
2.00% - 2.99%	647,247	106,888
3.00% - 3.99%	8,563	701
4.00% - 4.99%	1,129	1,108
5.00% and above	273	272
Total time deposits (1.77% - 1.24%)	1,432,648	1,369,844
Non-interest-bearing demand deposits	659,864	661,589
Interest-bearing demand and savings deposits (0.43% - 0.32%)	1,503,153	1,565,711
Total Deposits	$3,595,665	$3,597,144

NOTE 10: ADVANCES FROM FEDERAL HOME LOAN BANK

Advances from the Federal Home Loan Bank of Des Moines (FHLBank advances) at September 30, 2018 and December 31, 2017 consisted of the following:

	September 30, 2018		December 31, 2017	
Due In	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(In Thousands)		(In Thousands)	
2018	$240,000	2.18%	$127,500	1.53%

NOTE 11: SECURITIES SOLD UNDER REVERSE REPURCHASE AGREEMENTS AND SHORT-TERM BORROWINGS

	September 30, 2018	December 31, 2017
	(In Thousands)	
Notes payable – Community Development Equity Funds	$1,360	$ 1,604

Overnight borrowings from the Federal Home Loan Bank	—	15,000
Securities sold under reverse repurchase agreements	112,184	80,531
	$113,544	$ 97,135

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 held by the Bank during the agreement period. All agreements are written on a term of one-month or less.

The following table represents the Company's securities sold under reverse repurchase agreements, by collateral type and remaining contractual maturity.

	September 30, 2018 Overnight and Continuous	December 31, 2017 Overnight and Continuous
	(In Thousands)	
Mortgage-backed securities – GNMA, FNMA, FHLMC	$112,184	$ 80,531

NOTE 12: SUBORDINATED NOTES

On August 8, 2016, the Company completed the public offering and sale of $75.0 million of its subordinated notes. The notes are due August 15, 2026, and have a fixed interest rate of 5.25% until August 15, 2021, at which time the rate becomes floating at a rate equal to three-month LIBOR plus 4.087%. The Company may call the notes at par beginning on August 15, 2021, and on any scheduled interest payment date thereafter. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions, legal, accounting and other professional fees, of approximately $73.5 million. Total debt issuance costs, totaling approximately $1.5 million, were deferred and are being amortized over the expected life of the notes, which is 10 years. Amortization of the debt issuance costs during the three months ended September 30, 2018 and 2017, totaled $38,000 and $38,000, respectively, and is included in interest expense on subordinated notes in the consolidated statements of income, resulting in an imputed interest rate of 5.47%. Amortization of the debt issuance costs during the nine months ended September 30, 2018 and 2017, totaled $116,000 and $114,000, respectively.

At September 30, 2018 and December 31, 2017, subordinated notes are summarized as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
Subordinated notes	$75,000	$ 75,000
Less: unamortized debt issuance costs	1,196	1,312
	$73,804	$ 73,688

NOTE 13: INCOME TAXES

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

	Three Months Ended September 30,	
	2018	2017
Tax at statutory rate	21.0%	35.0%
Nontaxable interest and dividends	(0.5)	(1.6)
Tax credits	(2.2)	(7.8)
State taxes	1.2	1.1
Other	—	0.2
	19.5%	26.9%

	Nine Months Ended September 30,	
	2018	2017
Tax at statutory rate	21.0%	35.0%
Nontaxable interest and dividends	(0.7)	(1.5)
Tax credits	(3.2)	(5.9)
State taxes	1.2	1.3
Other	(0.1)	(0.6)
	18.2%	28.3%

H.R. 1, originally known as the Tax Cuts and Jobs Act ("Tax Act"), was signed into law on December 22, 2017, making several changes to U. S. corporate income tax laws, including reducing the corporate Federal income tax rate from 35% to 21% effective January 1, 2018. U. S. GAAP requires that the impact of the provisions of the Tax Act be accounted for in the period of enactment and the Company recognized the income tax effects of the Tax Act in its 2017 financial statements. The Tax Act is complex and requires significant detailed analysis which could lead to identification of additional adjustments related to enactment of the Tax Act. The Company's 2017 income tax returns were completed in 2018. At this time no additional adjustments were identified. We do not currently expect future significant adjustments will be necessary, but any further adjustments identified will be recognized in accordance with guidance contained in Staff Accounting Bulletin No. 118 from the U. S. Securities and Exchange Commission.

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service (IRS) and, as such, tax years through December 31, 2005, have been closed without audit. The Company, through one of its subsidiaries, is a partner in two partnerships which have been under Internal Revenue Service examination for 2006 and 2007. As a result, the Company's 2006 and subsequent tax years remain open for examination. The examinations

of these partnerships advanced during 2016 and 2017. One of the partnerships has advanced to Tax Court and has entered a Motion for Entry of Decision with an agreed upon settlement. The other partnership examination was recently completed by the IRS with no change impacting the Company's tax positions. The Company does not currently expect significant adjustments to its financial statements from the partnership matter at the Tax Court.

The Company was previously under State of Missouri income and franchise tax examinations for its 2014 and 2015 tax years. The Company disagreed with the proposed results of these examinations. As a result, the Company has filed a protest with the state outlining its tax position and support under Missouri law. The Company does not currently expect significant adjustments to its financial statements from this examination. During 2017, the Company settled an appeal with the Kansas Department of Revenue. The settlement did not result in any significant adjustments to the Company's financial statements.

NOTE 14: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The Company considers transfers between the levels of the hierarchy to be recognized at the end of related reporting periods. From December 31, 2017 to September 30, 2018, no assets for which fair value is measured on a recurring basis transferred between any levels of the hierarchy.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial condition measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fell at September 30, 2018 and December 31, 2017:

	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)			
September 30, 2018				
Mortgage-backed securities	$ 121,525	$ —	$ 121,525	$ —
Collateralized mortgage obligations	17,384	—	17,384	—
States and political subdivisions	52,342	—	52,342	—
Interest rate derivative asset	1,453	—	1,453	—
Interest rate derivative liability	(1,448)	—	(1,448)	—
December 31, 2017				
Mortgage-backed securities	$ 122,533	$ —	$ 122,533	$ —
States and political subdivisions	56,646	—	56,646	—
Interest rate derivative asset	981	—	981	—
Interest rate derivative liability	(1,030)	—	(1,030)	—

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 September 30, 2018 and December 31, 2017, 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 nine-month period ended September 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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 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 September 30, 2018 or December 31, 2017.

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 measurements of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2018 and December 31, 2017:

		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)			
September 30, 2018				
Impaired loans	$2,996	$—	$ —	$ 2,996
Foreclosed assets held for sale	$3,014	$—	$ —	$ 3,014
December 31, 2017				
Impaired loans	$1,590	$—	$ —	$ 1,590
Foreclosed assets held for sale	$1,758	$—	$ —	$ 1,758

The following is a description of 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 September 30, 2018 and December 31, 2017, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

Impaired Loans. A loan is considered to be impaired when it is probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a loan is considered impaired, the amount of reserve required under FASB ASC 310, Receivables, is measured based on the fair value of the underlying collateral.

The Company makes such measurements on all material loans deemed impaired using the fair value of the collateral for collateral dependent loans. The fair value of collateral used by the Company is determined by obtaining an observable market price or by obtaining an appraised value from an independent, licensed or certified appraiser, using observable market data. This data includes information such as property sales comparisons and capitalization rates of similar properties sold within the market, expected future cash flows or earnings of the subject property based on current market expectations, and other relevant factors. All appraised values are adjusted for market-related trends based on the Company's experience in sales and other appraisals of similar property types as well as estimated selling costs. Each quarter management reviews all collateral dependent impaired loans on a loan-by-loan basis to determine whether updated appraisals are necessary based on loan performance, collateral type and guarantor support. At times, the Company measures the fair value of collateral dependent impaired loans using appraisals with dates prior to one year from the date of review. These appraisals are discounted by applying current, observable market data about similar property types such as sales contracts, estimations of value by individuals familiar with the market, other appraisals, sales or collateral assessments based on current market activity until

updated appraisals are obtained. Depending on the length of time since an appraisal was performed and the data provided through our reviews, these appraisals are typically discounted 10-40%. The policy described above is the same for all types of collateral dependent impaired loans.

The Company records impaired loans as Nonrecurring Level 3. If a loan's fair value as estimated by the Company is less than its carrying value, the Company either records a charge-off of the portion of the loan that exceeds the fair value or establishes a reserve within the allowance for loan losses specific to the loan. Loans for which such charge-offs or reserves were recorded during the nine months ended September 30, 2018 or the year ended December 31, 2017, 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 nine months ended September 30, 2018 or the year ended December 31, 2017, 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. For September 30, 2018, the fair value of loans is estimated on an exit price basis incorporating contractual cash flow, prepayments discount spreads, credit loss and liquidity premiums. For December 31, 2017, the fair value of loans was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were 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. For September 30, 2018, 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. For December 31, 2017, the discounted cash flow calculation applied the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

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

	September 30, 2018			December 31, 2017		
	Carrying Amount	Fair Value	Hierarchy Level	Carrying Amount	Fair Value	Hierarchy Level
	(In Thousands)					
Financial assets						
Cash and cash equivalents	$208,821	$208,821	1	$242,253	$242,253	1
Held-to-maturity securities	—	—	2	130	131	2
Mortgage loans held for sale	3,474	3,474	2	8,203	8,203	2
Loans, net of allowance for loan losses	3,942,766	3,905,137	3	3,726,302	3,735,216	3
Accrued interest receivable	13,008	13,008	3	12,338	12,338	3
Investment in FHLBank stock	14,918	14,918	3	11,182	11,182	3
Financial liabilities						
Deposits	3,595,665	3,585,641	3	3,597,144	3,606,400	3
FHLBank advances	240,000	240,000	3	127,500	127,500	3
Short-term borrowings	113,544	113,544	3	97,135	97,135	3
Subordinated debentures	25,774	25,774	3	25,774	25,774	3
Subordinated notes	73,804	75,469	2	73,688	76,500	2
Accrued interest payable	3,013	3,013	3	2,904	2,904	3
Unrecognized financial instruments (net of contractual value)						
Commitments to originate loans	—	—	3	—	—	3
Letters of credit	155	155	3	85	85	3
Lines of credit	—	—	3	—	—	3

NOTE 15: DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

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

Nondesignated Hedges

The Company has interest rate swaps that are not designated as qualifying hedging relationships. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain loan customers, which the Company began offering during 2011. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

As part of the Valley Bank FDIC-assisted acquisition, the Company acquired seven loans with related interest rate swaps. Valley's swap program differed from the Company's in that Valley did not have back to back swaps with the customer and a counterparty. Five of the seven acquired loans with interest rate swaps have paid off. The notional amount of the two remaining Valley swaps was $796,000 at September 30, 2018. At September 30, 2018, excluding the Valley Bank swaps, the Company had 19 interest rate swaps totaling $84.4 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, the Company has three participation loans purchased totaling $31.4 million, in which the lead institution has an interest rate swap with their customer and the economics of the counterparty swap are passed along to us through the loan participation. As of December 31, 2017, excluding the Valley Bank swaps, the Company had 22 interest rate swaps totaling $92.7 million in notional amount with commercial customers, and 22 interest rate swaps with the same notional amount with third parties related to its program. During the three months ended September 30, 2018 and 2017, the Company recognized net gains of $5,000 and $8,000, respectively, in noninterest income related to changes in the fair value of these swaps. During the nine months ended September 30, 2018 and 2017, the Company recognized net gains of $53,000 and net losses of $5,000, respectively, in noninterest income related to changes in the fair value of these swaps.

Cash Flow Hedges

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into two interest rate cap agreements for a portion of its floating rate debt associated with its trust preferred securities. One agreement terminated in 2015 and one agreement terminated in 2017. 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. No gains and losses related to changes in the fair value were recognized in current earnings during the three or nine months ended September 30, 2018. During the three and nine months ended September 30, 2017, the Company recognized $110,000 and $293,000, respectively, in interest expense related to the amortization of the cost of the interest rate caps.

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 September 30, 2018	December 31, 2017
		(In Thousands)	
Derivatives not designated as hedging instruments			
Asset Derivatives			
Interest rate products	Prepaid expenses and other assets	$1,453	$ 981
Total derivatives not designated as hedging instruments		$1,453	$ 981
Liability Derivatives			
Interest rate products	Accrued expenses and other liabilities	$1,448	$ 1,030
Total derivatives not designated as hedging instruments		$1,448	$ 1,030

The following table presents the effect of derivative instruments on the statements of comprehensive income for the three and nine months ended September 30, 2018 and 2017:

Cash Flow Hedges	Amount of Gain (Loss) Recognized in AOCI Three Months Ended September 30, 2018	2017
	(In Thousands)	
Interest rate cap, net of income taxes	$ —	$ 64

Amount of Gain (Loss) Recognized in AOCI

Cash Flow Hedges	Nine Months Ended September 30, 2018	2017
	(In Thousands)	
Interest rate cap, net of income taxes	$ —	$ 161

Agreements with Derivative Counterparties

As of September 30, 2018, the termination value of derivatives with our derivative dealer counterparties in a net asset position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $1.5 million. The Company has minimum collateral posting thresholds with its derivative dealer counterparties. At September 30, 2018, the Company's activity with certain of its derivative counterparties met the level at which the minimum collateral posting thresholds take effect (collateral to be received by the

Company) and the derivative counterparties had posted collateral to the Company to satisfy the agreements. As of December 31, 2017, the termination value of derivatives in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk, related to these agreements was $336,000. At December 31, 2017, the Company's activity with its derivative counterparties met the level at which the minimum collateral posting thresholds take effect and the Company posted $809,000 of collateral to satisfy the agreements. If the Company had breached any of these provisions at September 30, 2018 or December 31, 2017, it could have been required to settle its obligations under the agreements at the termination value.

NOTE 16: SALE OF BRANCHES AND RELATED DEPOSITS

On July 20, 2018, the Company closed on the sale of four banking centers and related deposits in the Omaha, Neb., metropolitan market to Lincoln, Neb.-based West Gate Bank. Pursuant to the purchase and assumption agreement, the Bank sold branch deposits of approximately $56 million and sold substantially all branch-related real estate, fixed assets and ATMs. The Company recorded a pre-tax gain (excluding transaction expenses of $165,000) of $7.4 million on the sale based on the contractual deposit premium and the sales price of the branch assets.

NOTE 17: SUBSEQUENT EVENT – INTEREST RATE SWAP

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 is $400 million with a termination date of October 6, 2025. Under the terms of the swap, the Company will receive a fixed rate of interest of 3.018% 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 2.277%. 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.

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

Forward-looking Statements

When used in this Quarterly Report on Form 10-Q and other documents filed or furnished by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) the possibility that the changes in non-interest income, non-interest expense and interest expense actually resulting from the Bank's recently completed transaction with West Gate Bank might be materially different from estimated amounts; (ii) the possibility that the actual reduction in the Company's effective tax rate expected to result from H. R. 1, formerly known as the "Tax Cuts and Jobs Act" (the "Tax Reform Legislation") might be different from the reduction estimated by the Company; (iii) expected revenues, cost savings, earnings accretion, synergies and other benefits from the Company's merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (iv) changes in economic conditions, either nationally or in the Company's market areas; (v) fluctuations in interest rates; (vi) the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; (vii) the possibility of other-than-temporary impairments of securities held in the Company's securities portfolio; (viii) the Company's ability to access cost-effective funding; (ix) fluctuations in real estate values and both residential and commercial real estate market conditions; (x) demand for loans and deposits in the Company's market areas; (xi) the ability to adapt successfully to technological changes to meet customers' needs and developments in the marketplace; (xii) the possibility that security measures implemented might not be sufficient to mitigate the risk of a cyber attack or cyber theft, and that such security measures might not protect against systems failures or interruptions; (xiii) legislative or regulatory changes that adversely affect the Company's business, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and its implementing regulations, the overdraft protection regulations and customers' responses thereto and the Tax Reform Legislation; (xiv) changes in accounting principles, policies or guidelines; (xv) monetary and fiscal policies of the Federal Reserve Board (FRB) and the U.S. Government and other governmental initiatives affecting the financial services industry; (xvi) results of examinations of the Company and the Bank by their regulators, including the possibility that the regulators may, among other things, require the Company to limit its business activities, changes its business mix, increase its allowance for loan losses, write-down assets or increase its capital levels, or affect its ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; (xvii) costs and effects of litigation, including settlements and judgments; and (xviii) competition. The Company wishes to advise readers that the factors listed above and other risks described from time to time in documents filed or furnished by the Company with the SEC could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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

Critical Accounting Policies, Judgments and Estimates

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

Allowance for Loan Losses and Valuation of Foreclosed Assets

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

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

See Note 6 "Loans and Allowance for Loan Losses" included in Item 1 for additional information regarding the allowance for loan losses. 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. No significant changes were made to management's overall methodology for evaluating the allowance for loan losses during the periods presented in the financial statements of this report.

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

Carrying Value of Loans Acquired in FDIC-assisted Transactions

The Company considers that the determination of the carrying value of loans acquired in the FDIC-assisted transactions involves a high degree of judgment and complexity. The carrying value of the acquired loans reflect management's best ongoing estimates of the amounts to be realized on each of these assets. The Company has now terminated all loss sharing agreements with the FDIC and, accordingly, no longer has an indemnification asset. The Company determined initial fair value accounting estimates of the acquired assets and assumed liabilities in accordance with FASB ASC 805, Business Combinations. However, the amount that the Company realizes on these assets could differ materially from the carrying value reflected in its financial statements, based upon the timing of collections on the acquired loans in future periods. Subsequent to the initial valuation, the Company continues to monitor identified loan pools for changes in estimated cash flows projected for the loan pools, anticipated credit losses and changes in the accretable yield. Analysis of these variables requires significant estimates and a high degree of judgment. See Note 7 "FDIC-Acquired Loans" included in Item 1 for additional information regarding the

TeamBank, Vantus Bank, Sun Security Bank, InterBank and Valley Bank FDIC-assisted transactions.

Goodwill and Intangible Assets

Goodwill and intangible assets that have indefinite useful lives are subject to an impairment test at least annually and more frequently if circumstances indicate their value may not be recoverable. Goodwill is tested for impairment using a process that estimates the fair value of each of the Company's reporting units compared with its carrying value. The Company defines reporting units as a level below each of its operating segments for which there is discrete financial information that is regularly reviewed. As of September 30, 2018, the Company had 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 September 30, 2018, goodwill consisted of $5.4 million at the Bank reporting unit, which included goodwill of $4.2 million that was recorded during 2016 related to the acquisition of 12 branches from Fifth Third Bank. Other identifiable intangible assets that are subject to amortization are amortized on a straight-line basis over a period of seven years. At September 30, 2018, the amortizable intangible assets consisted of core deposit intangibles of $4.2 million, which are described in the table below. These amortizable intangible assets are reviewed for impairment if circumstances indicate their value may not be recoverable based on a comparison of fair value.

While the Company believes no impairment existed at September 30, 2018, different conditions or assumptions used to measure fair value of reporting units, or changes in cash flows or profitability, if significantly negative or unfavorable, could have a material adverse effect on the outcome of the Company's impairment evaluation in the future.

A summary of goodwill and intangible assets is as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
Goodwill – Branch acquisitions	$5,396	$ 5,396
Deposit intangibles		
Sun Security Bank	—	263
InterBank	73	181
Boulevard Bank	305	397
Valley Bank	1,100	1,400
Fifth Third Bank	2,739	3,213
	4,217	5,454
	$9,613	$ 10,850

Current Economic Conditions

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

Following the housing and mortgage crisis and correction beginning in mid-2007, the United States entered a prolonged economic downturn. Unemployment rose from 4.7% in November 2007 to peak at 10.0% in October 2009. The elevated unemployment levels negatively impacted consumer confidence, which had a detrimental impact on industry-wide performance nationally as well as in the Company's Midwest market area. Economic conditions have significantly improved since then, as indicated by consumer confidence levels, increased economic activity and low unemployment levels.

The national unemployment rate at September 2018 remained steady at 3.7% and was 0.5% lower than September 2017. Total nonfarm payroll employment edged up by 134,000 in September 2018 with employment increases in professional and business services, health care and transportation and warehousing. The U.S. labor force participation rate (the share of working-age Americans who are either employed or are actively looking for a job) remained at 62.7% and the employment population ratio was little changed at 60.4%. The unemployment rate for the Midwest, where most of the Company's business is conducted, was at 3.9% in September 2018, which is in line with the national unemployment rate of 3.7%. Unemployment rates for September 2018 were: Missouri at 3.2%, Arkansas at 3.5%, Kansas at 3.3%, Iowa at 2.5%, Minnesota at 2.8%, Illinois at 4.1%, Oklahoma at 3.5% and Texas at 3.8%. Of the metropolitan areas in which the Company does business, the Chicago area had the highest unemployment level at 4.0% as of August 2018. This rate had improved significantly since the 5.4% rate reported

as of August 2017. The unemployment rates for the Springfield and St. Louis market areas at 3.0% and 3.6%, respectively, were well below the national average. Metropolitan areas in Arkansas, Iowa and Minnesota continued to boast unemployment levels amongst the lowest in the nation.

Sales of newly built single-family homes in September 2018 were at a seasonally adjusted annual rate of 553,000 according to U.S. Census Bureau and the Department of Housing and Urban Development estimates. This is 5.5% above the revised August 2018 seasonally adjusted annual rate of 585,000, and is 13.2% below the September 2017 seasonally adjusted annual rate of 637,000. The median sales price of new houses sold in September 2018 was $320,000, up from $314,200 a year earlier. The average sales price was $377,000, down slightly from $379,300 as of September 2017. The inventory of new homes for sale at the end of September would support 7.1 months' supply at the current sales pace, up from 6.1 months in August, and up from 5.3 months a year ago. Inventory was up 16.8% year-over-year to 327,000 available properties, the most since February 2009. In the Midwest, the volume of new home sales is up 9.7% year-to-date.

Existing home sales declined in September 2018 after a month of stagnation in August, according to the National Association of Realtors (NAR). Sales in the South have declined while sales in the West, Northeast and Midwest have increased. Total existing home sales decreased 3.4% from August 2018 to a seasonally adjusted rate of 5.185 million in September 2018. The national median existing home price for all housing types in August was $264,800, up 4.6% from August 2017. The Midwest region existing home median sale price was $208,500, up 3.4% from a year ago.

First-time buyers accounted for 32% of sales in September, which is up slightly from 31% in August and from 29% a year ago. Total existing housing inventory at the end of September was 1.88 million existing homes available for sale, down from 1.91 million units in August 2018 and $1.86 million units a year ago according to data from the National Association of Realtors. Forty-seven percent of homes sold in September were on the market for less than a month, with a current inventory of 4.4 months' supply.
The multi-family sector rebounded in 2017 and 2018, with demand approaching the highest level on record. National vacancy rates were 5.7% at the end of September 2018 while our market areas reflected the following vacancy levels: Springfield, Mo. at 5.3%, St. Louis at 8.5%, Kansas City at 6.5%, Minneapolis at 4.2%, Tulsa, Okla. at 9.4%, Dallas-Fort Worth at 7.7% and Chicago at 6.0%. Despite supply-side pressure, rent growth in 2018 had not slowed materially from the previous year's pace. Sales transaction value continued to be strong, and cap rates appeared to have leveled off. Supply is expected to outpace demand in 2018-2019, putting upward pressure on vacancies and slowing rent growth. All of the Company's market areas within the multi-family sector are in expansion phase.

Nationally, approximately one-half of the suburban office markets are in an expansion market cycle -- characterized by decreasing vacancy rates, moderate/high new construction, high absorption, moderate/high employment growth and medium/high rental rate growth. The Company's larger market areas in the suburban office expansion market cycle include Minneapolis, Dallas-Ft. Worth, and St. Louis. Tulsa, Okla. and Kansas City are currently in the recovery market cycle -- typified by decreasing vacancy rates, low new construction, moderate absorption, low/moderate employment growth and negative/low rental rate growth. Chicago is currently in a recession market cycle typified by increasing vacancies, low absorption and low new construction.

Approximately 70% of the retail sector is in the expansion phase of the market cycle, with the rest in recovery mode. Included in the retail expansion market segment are the Company's larger market areas -- Chicago, Minneapolis, Kansas City, Dallas-Ft. Worth, and St. Louis, with Chicago and Minneapolis in the latter stages of expansion.

All of the Company's larger industrial market areas are categorized as being in the expansion cycle with prospects of continuing good economic growth.

Occupancy, absorption and rental income levels of commercial real estate properties located throughout the Company's market areas remain stable according to information provided by real estate services firm CoStar Group. Moderate real estate sales and financing activity is continuing to support loan growth.

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

Loss Sharing Agreements

On April 26, 2016, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for Team Bank, Vantus Bank and Sun Security Bank, effective immediately. The agreement required the FDIC to pay $4.4 million to settle all outstanding items related to the terminated loss sharing agreements.

On June 9, 2017, Great Southern Bank executed an agreement with the FDIC to terminate the loss sharing agreements for InterBank, effective immediately. Pursuant to the termination agreement, the FDIC paid $15.0 million to the Bank to settle all outstanding items related to the terminated loss sharing agreements. The Company recorded a pre-tax gain on the termination of $7.7 million.

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

General

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

Great Southern's total assets increased $169.6 million, or 3.8%, from $4.41 billion at December 31, 2017, to $4.58 billion at September 30, 2018. Full details of the current period changes in total assets are provided in the "Comparison of Financial Condition at September 30, 2018 and December 31, 2017" section of this Quarterly Report on Form 10-Q.

Loans. Net loans increased $216.5 million, or 5.8%, from $3.73 billion at December 31, 2017, to $3.94 billion at September 30, 2018. Included in the net increase in loans were reductions of $32.5 million in the FDIC-acquired loan portfolios. In addition, there continued to be significant unscheduled paydowns on loans during the nine months

ended September 30, 2018 due to borrowers refinancing or selling properties prior to the maturity date of the related loans. Loan paydowns in excess of $1.0 million totaled $437 million for the nine months ended September 30, 2018. Excluding FDIC-assisted acquired loans and mortgage loans held for sale, total gross loans increased $356.2 million from December 31, 2017 to September 30, 2018. Increases primarily occurred in commercial construction loans, commercial real estate loans, one-to four-family residential mortgage loans and other residential (multi-family) loans. These increases were partially offset by decreases in consumer auto loans. The increases were primarily due to loan growth in our existing banking center network and our commercial loan production offices. 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, no assurances can be made regarding our future loan growth. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels.

Recent loan growth has occurred in several loan types, primarily commercial construction loans, commercial real estate loans, other residential (multi-family) loans and one- to four-family residential mortgage loans and in most of Great Southern's primary lending locations, including Springfield, St. Louis, Kansas City, Des Moines and Minneapolis, as well as the loan production offices in Chicago, Dallas and Tulsa. Certain minimum underwriting standards and monitoring help assure the Company's portfolio quality. Great Southern's loan committee reviews and approves all new loan originations in excess of lender approval authorities. Generally, the Company considers commercial construction, consumer, and commercial real estate loans to involve a higher degree of risk compared to some other types of loans, such as first mortgage loans on one- to four-family, owner-occupied residential properties. For commercial real estate, commercial business and construction loans, the credits are subject to an analysis of the borrower's and guarantor's financial condition, credit history, verification of liquid assets, collateral, market analysis and repayment ability. It has been, and continues to be, Great Southern's practice to verify information from potential borrowers regarding assets, income or payment ability and credit ratings as applicable and as required by the authority approving the loan. To minimize construction risk, projects are monitored as construction draws are requested by comparison to budget and with progress verified through property inspections. The geographic and product diversity of collateral, equity requirements and limitations on speculative construction projects help to mitigate overall risk in these loans. Underwriting standards for all loans also include loan-to-value ratio limitations which vary depending on collateral type, debt service coverage ratios or debt payment to income ratio guidelines, where applicable, credit histories, use of guaranties and other recommended terms relating to equity requirements, amortization, and maturity. Consumer loans are primarily secured by new and used motor vehicles and these loans are also subject to certain minimum underwriting standards to assure portfolio quality. Great Southern's consumer underwriting and pricing standards have been fairly consistent over the past several years, since the first half of 2016. 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. The underwriting standards employed by Great Southern for consumer loans include a determination of the applicant's payment history on other debts, credit scores, employment history and an assessment of ability to meet existing obligations and payments on the proposed loan. See "Item 1. Business – Lending Activities – General, – Commercial Real Estate and Construction Lending, and – Consumer Lending" in the Company's December 31, 2017 Annual Report on Form 10-K.

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 each of September 30, 2018 and December 31, 2017, an estimated 0.1%, of total owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination. At September 30, 2018 and December 31, 2017, an estimated 1.0% and 1.5%, respectively, of total non-owner occupied one- to four-family residential loans had loan-to-value ratios above 100% at origination.

At September 30, 2018, troubled debt restructurings totaled $7.0 million, or 0.2% of total loans, down $8.0 million from $15.0 million, or 0.4% of total loans, at December 31, 2017. 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 nine months ended September 30, 2018, five loans totaling $27,000 were restructured into multiple new loans. For troubled debt restructurings occurring during the year ended December 31, 2017, no loans were restructured into multiple new loans. For further information on troubled debt restructurings, see Note 6 of the Notes to Consolidated Financial Statements contained in this report.

Loans that were acquired through FDIC-assisted transactions, which are accounted for in pools, are currently included in the analysis and estimation of the allowance for loan losses. If cash flows expected to be received on any given pool of loans decreases from previous estimates, then a determination is made as to whether the loan pool should be charged down or the allowance for loan losses should be increased (through a provision for loan

losses). Acquired loans are described in detail in Note 7 of the Notes to Consolidated Financial Statements contained in this report. For acquired loan pools, the Company may allocate, and at September 30, 2018, has allocated, a portion of its allowance for loan losses related to these loan pools in a manner similar to how it allocates its allowance for loan losses to those loans which are collectively evaluated for impairment.

The level of non-performing loans and foreclosed assets affects our net interest income and net income. We generally do not accrue interest income on these loans and do not recognize interest income until the loans are repaid or interest payments have been made for a period of time sufficient to provide evidence of performance on the loans. Generally, the higher the level of non-performing assets, the greater the negative impact on interest income and net income.

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 nine months ended September 30, 2018, total deposit balances decreased $1.5 million. The majority of the decrease was due to the sale of the Company's branches and deposits in Omaha, Neb. during 2018, which resulted in a decrease in transaction account balances of $39.7 million and a decrease in retail certificates of deposit of $16.1 million. Excluding the sold Omaha branch deposits, transaction account balances decreased $24.5 million to $2.16 billion at September 30, 2018, while retail certificates of deposit increased $50.4 million compared to December 31, 2017, to $1.14 billion at September 30, 2018. The decreases in transaction accounts were primarily a result of decreases in money market deposit accounts, with a smaller portion of the decreases coming from NOW account deposit accounts. Retail certificates of deposit increased due to an increase in retail certificates generated through our banking centers, partially offset by a decrease in certificates opened through the Company's internet deposit acquisition channels. In addition, at September 30, 2018 and December 31, 2017, customer deposits totaling $28.0 million and $34.5 million, respectively, were part of the CDARS program, which allows customers to maintain balances in an insured manner that would otherwise exceed the FDIC deposit insurance limit. Brokered deposits, including CDARS program purchased funds, were $260.4 million at September 30, 2018, an increase of $34.9 million from $225.5 million at December 31, 2017.

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

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

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). We monitor our sensitivity to interest rate changes on

an ongoing basis (see "Item 3. Quantitative and Qualitative Disclosures About Market Risk"). In addition, our net interest income may be impacted by changes in the cash flows expected to be received from acquired loan pools. As described in Note 7 of the Notes to the Consolidated Financial Statements contained in this report, the Company's evaluation of cash flows expected to be received from acquired loan pools is on-going and increases in cash flow expectations are recognized as increases in accretable yield through interest income. Decreases in cash flow expectations are recognized as impairments through the allowance for loan losses.

The current level and shape of the interest rate yield curve poses challenges for interest rate risk management. Prior to its 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 June 29, 2006. The FRB has now also implemented rate increases of 0.25% on seven different occasions beginning December 14, 2016, with the Federal Funds rate now at 2.25%. Great Southern has a substantial portion of its loan portfolio ($1.39 billion at September 30, 2018) which is tied to the one-month or three-month LIBOR index and will be subject to adjustment at least once within 90 days after September 30, 2018. Of these loans, $1.21 billion had interest rate floors. Great Southern also has a significant portfolio of loans ($283 million at September 30, 2018) which are tied to a "prime rate" of interest and will adjust immediately with changes to the "prime rate" of interest. But for the interest rate floors, a rate cut by the FRB generally would have an anticipated immediate negative impact on the Company's net interest income due to the large total balance of loans which generally adjust immediately as the Federal Funds rate adjusts. Loans at their floor rates are, however, subject to the risk that borrowers will seek to refinance elsewhere at the lower market rate. Because the Federal Funds rate is generally low, there may also be a negative impact on the Company's net interest income due to the Company's inability to significantly lower its funding costs in the current competitive rate environment, although interest rates on assets may decline further. Conversely, interest rate increases would normally result in increased interest rates on our LIBOR-based and prime-based loans. The interest rate floors in effect may limit the immediate increase in interest rates on certain of these loans, until such time as rates rise above the floors. However, the Company may have to increase rates paid on deposits to maintain deposit balances and pay higher rates on borrowings, which could negatively impact net interest margin. The impact of the low rate environment on our net interest margin in future periods is expected to be fairly neutral. Any margin gained by rate increases on loans may be somewhat offset by reduced yields from our investment securities (to the extent investment securities are purchased) and our existing loan portfolio as payments are made and the proceeds are potentially reinvested at lower rates on new loans originated. Interest rates on certain adjustable rate loans may reset lower according to their contractual terms and index rate to which they are tied and new loans may be originated at lower market rates than the overall portfolio rate. For further discussion of the processes used to manage our exposure to interest rate risk, see "Item 3. Quantitative and Qualitative Disclosures About Market Risk – How We Measure the Risks to Us Associated with Interest Rate Changes."

Non-Interest Income and Non-Interest (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. The Company recorded a gain in non-interest income in the three months ended September 30, 2018 related to the sale of four banking centers in the Omaha, Neb. area. The Company recorded a gain in non-interest income in June 2017 related to the termination of the InterBank loss sharing agreements. Non-interest income may also be affected by the Company's interest rate derivative activities, if the Company chooses to implement derivatives. See Note 15 "Derivatives and Hedging Activities" in the Notes to Consolidated Financial Statements included in this report.

Operating expenses consist primarily of salaries and employee benefits, occupancy-related expenses, expenses related to foreclosed assets, postage, FDIC deposit insurance, advertising and public relations, telephone, professional fees, office expenses and other general operating expenses. Details of the current period changes in non-interest income and non-interest expense are provided in the "Results of Operations and Comparison for the Three and Nine Months Ended September 30, 2018 and 2017" section of this report.

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. On July 21, 2010, sweeping financial regulatory reform legislation entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape, including provisions that, among other things, centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial

Protection Bureau, with broad rulemaking authority for a wide range of consumer protection laws that apply to all banks, require new capital rules (discussed below), change the assessment base for federal deposit insurance, repeal the federal prohibitions on the payment of interest on demand deposits, amend the account balance limit for federal deposit insurance protection, and increase the authority of the FRB to examine the Company and its non-bank subsidiaries.

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

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

Certain aspects of the Dodd-Frank Act have been affected by the recently EGRRCP Act, as defined and discussed below under "-EGRRCP 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 new rules was January 1, 2015, and, for certain provisions, various phase-in periods and later effective dates apply. The chief features of the new rules are summarized below.

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

Effective January 1, 2015, 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 new prompt corrective action requirements, insured depository institutions are required to meet the following in order to qualify as "well capitalized:" (i) a common equity Tier 1 risk-based capital ratio of at least 6.5%, (ii) a Tier 1 risk-based capital ratio of at least 8%, (iii) a total risk-based capital ratio of at least 10% and (iv) a Tier 1 leverage ratio of 5%, and must not be subject to an order, agreement or directive mandating a specific capital level.

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

The EGRRCP Act, among other matters, expands the definition of qualified mortgages that 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 to be "well capitalized" under the prompt corrective action rules. In addition, the EGRRCP Act includes regulatory relief for community banks regarding regulatory examination cycles, call reports, the Volcker Rule (proprietary trading prohibitions), mortgage disclosures and risk weights for certain high-risk commercial real estate loans.
It is difficult at this time to predict when or how any new standards under the EGRRCP Act will ultimately be applied to the Company and the Bank or what specific impact the EGRRCP Act and the yet-to-be-written implementing rules and regulations will have on community banks.

Business Initiatives

On July 20, 2018, the Company closed on the sale of four banking centers in the Omaha, Neb., metropolitan market to Lincoln, Neb.-based West Gate Bank. Pursuant to the purchase and assumption agreement, the Bank sold branch deposits of approximately $56 million and sold substantially all branch-related real estate, fixed assets and ATMs, resulting in pre-tax income of $7.25 million ($7.4 million gain on the sale, less $165,000 of transaction expenses), or $0.39 (after tax) earnings per diluted common share. As a result of this transaction, the Company expects that non-interest income will decrease $300,000–$350,000 annually, non-interest expense will decrease by $1.1–$1.2 million annually, and interest expense will increase by $400,000–$500,000 annually (based on current interest rates for non-deposit funds). Great Southern is maintaining a commercial loan production office in the Omaha market and moved to a new office in July 2018.

In November 2018, the Company expects to open a commercial loan production office in Atlanta, Ga. Final regulatory approval for a commercial loan production office in Denver, Colo., is also expected during November 2018. Highly experienced local commercial lenders have been hired to manage each office. The Company also operates commercial loan production offices in Chicago, Dallas, Omaha, Neb., and Tulsa, Okla.

Comparison of Financial Condition at September 30, 2018 and December 31, 2017

During the nine months ended September 30, 2018, the Company's total assets increased by $169.6 million to $4.58 billion. The increase was primarily attributable to an increase in loans receivable and available-for-sale investment securities, partially offset by a decrease in cash and cash equivalents and other real estate owned and repossessions.

Cash and cash equivalents were $208.8 million at September 30, 2018, a decrease of $33.5 million, or 13.8%, from $242.3 million at December 31, 2017. During the nine months ended September 30, 2018, cash and cash equivalents decreased primarily due to some of the balances being used to fund loans receivable and purchase investment securities.

The Company's available-for-sale securities increased $12.1 million, or 6.7%, compared to December 31, 2017. The increase was primarily due to the purchase of FNMA and GNMA fixed-rate multi-family mortgage-backed securities.

Net loans increased $216.5 million from December 31, 2017, to $3.94 billion at September 30, 2018. Excluding FDIC-assisted acquired loans and mortgage loans held for sale, total gross loans (including the undisbursed portion of loans) increased $356.2 million, or 8.2%, from December 31, 2017 to September 30, 2018. Increases primarily occurred in commercial construction loans, commercial real estate loans, other residential (multi-family) loans and one- to four-family residential mortgage loans. Partially offsetting the increases in these loans were reductions of $79

million in consumer auto loans and $32 million in the FDIC-acquired loan portfolios.

Other real estate owned and repossessions were $12.8 million at September 30, 2018, a decrease of $9.2 million, or 41.6%, from $22.0 million at December 31, 2017. The decrease was primarily due to sales of other real estate properties during the period, and is discussed in more detail in the Non-performing Assets section below.

54

Total liabilities increased $133.1 million, from $3.94 billion at December 31, 2017 to $4.08 billion at September 30, 2018. The increase was primarily attributable to an increase in FHLB advances and securities sold under reverse repurchase agreements with customers, partially offset by a decrease in short-term borrowings.

Total deposits decreased $1.5 million from December 31, 2017. The majority of the decrease was due to the sale of the Company's branches and deposits in Omaha, Neb. during 2018, which resulted in a decrease in transaction account balances of $39.7 million and a decrease in retail certificates of deposit of $16.1 million. Deposits also decreased due to decreases in CDARS program purchased funds. These decreases were partially offset by increases in retail certificates of deposit and brokered funds. Excluding the sold Omaha branch deposits, transaction account balances decreased $24.5 million to $2.16 billion at September 30, 2018, while retail certificates of deposit increased $50.4 million compared to December 31, 2017, to $1.14 billion at September 30, 2018. Customer retail certificates increased by $54.9 million during the nine months ended September 30, 2018, partially offset by decreases of $4.5 million in certificates of deposit opened through the Company's internet deposit acquisition channels. Brokered deposits, including CDARS program purchased funds, were $260.4 million at September 30, 2018, an increase of $34.9 million from $225.5 million at December 31, 2017.

The Company's FHLBank advances totaled $240.0 million at September 30, 2018, an increase of $112.5 million, or 88.2%, compared to $127.5 million at December 31, 2017. The increase was due to repayment of overnight FHLB borrowings during the period, which were replaced with short-term advances, and funding of loans.

Securities sold under reverse repurchase agreements with customers increased $31.7 million from $80.5 million at December 31, 2017 to $112.2 million at September 30, 2018. These balances fluctuate over time based on customer demand for this product.

Short term borrowings decreased $15.2 million from $16.6 million at December 31, 2017 to $1.4 million at September 30, 2018. The decrease was primarily due to repayment of overnight FHLB borrowings during the period.

Total stockholders' equity increased $36.4 million from $471.7 million at December 31, 2017 to $508.1 million at September 30, 2018. The Company recorded net income of $49.8 million for the nine months ended September 30, 2018, and dividends declared on common stock were $12.4 million. Accumulated other comprehensive income decreased $2.8 million due to the changes in the fair value of available-for-sale investment securities. In addition, total stockholders' equity increased $1.6 million due to stock option exercises.

Results of Operations and Comparison for the Three and Nine Months Ended September 30, 2018 and 2017

General

Net income was $22.5 million for the three months ended September 30, 2018 compared to $11.7 million for the three months ended September 30, 2017. This increase of $10.8 million, or 93.1%, was primarily due to an increase in non-interest income of $6.9 million, or 90.8%, an increase in net interest income of $3.7 million, or 9.4%, and a decrease in provision for loan losses of $1.7 million, or 55.9%, partially offset by an increase in income tax expense of $1.2 million, or 27.4%, and an increase in non-interest expense of $275,000, or 1.0%.

Net income was $49.8 million for the nine months ended September 30, 2018 compared to $39.4 million for the nine months ended September 30, 2017. This increase of $10.4 million, or 26.6%, was primarily due to an increase in net interest income of $7.8 million, or 6.7%, a decrease in provision for loan losses of $2.0 million, or 27.3%, and a

decrease in income tax expense of $4.5 million, or 28.8%, partially offset by a decrease in non-interest income of $2.2 million, or 6.9%, and an increase in non-interest expense of $1.6 million, or 1.8%.

Total Interest Income

Total interest income increased $6.6 million, or 14.3%, during the three months ended September 30, 2018 compared to the three months ended September 30, 2017. The increase was due to a $6.2 million increase in interest income on loans and a $375,000 increase in interest income on investments and other interest-earning assets. Interest income on loans increased for the three months ended September 30, 2018 compared to the same period in

2017, due to higher average rates of interest on loans and higher average balances. Interest income from investment securities and other interest-earning assets increased during the three months ended September 30, 2018 compared to the same period in 2017 due to higher average rates of interest, partially offset by lower average balances of investment securities.

Total interest income increased $13.3 million, or 9.7%, during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase was due to a $12.7 million increase in interest income on loans and a $570,000 increase in interest income on investments and other interest-earning assets. Interest income on loans increased for the nine months ended September 30, 2018 compared to the same period in 2017, due to higher average rates of interest on loans and higher average balances. Interest income from investment securities and other interest-earning assets increased during the nine months ended September 30, 2018, due to higher average rates of interest, partially offset by lower average balances of investment securities and interest-earning balances at the Federal Reserve Bank.

Interest Income – Loans

During the three months ended September 30, 2018 compared to the three months ended September 30, 2017, interest income on loans increased $4.7 million as a result of higher average interest rates on loans. The average yield on loans increased from 4.64% during the three months ended September 30, 2017, to 5.12% during the three months ended September 30, 2018. This increase was primarily due to increased yields in most loan categories as a result of increased LIBOR and Federal Funds interest rates. Interest income on loans increased $1.5 million as the result of higher average loan balances, which increased from $3.83 billion during the three months ended September 30, 2017, to $3.96 billion during the three months ended September 30, 2018. The higher average balances were primarily due to organic loan growth in commercial construction loans, commercial real estate loans and other residential (multi-family) loans, partially offset by decreases in consumer loans.

During the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, interest income on loans increased $10.2 million as a result of higher average interest rates on loans. The average yield on loans increased from 4.63% during the nine months ended September 30, 2017, to 4.98% during the nine months ended September 30, 2018. This increase was primarily due to increased yields in most loan categories as a result of increased LIBOR and Federal Funds interest rates. Interest income on loans increased $2.5 million as the result of higher average loan balances, which increased from $3.81 billion during the nine months ended September 30, 2017, to $3.88 billion during the nine months ended September 30, 2018. The higher average balances were primarily due to organic loan growth in commercial construction loans, commercial real estate loans and other residential (multi-family) loans, partially offset by decreases in consumer loans.

On an on-going basis, the Company estimates the cash flows expected to be collected from the acquired loan pools. For each of the loan portfolios acquired, the cash flow estimates have increased, based on the payment histories and the collection of certain loans, thereby reducing loss expectations of certain loan pools, resulting in adjustments to be spread on a level-yield basis over the remaining expected lives of the loan pools. For the three months ended September 30, 2018 and 2017, the adjustments increased interest income by $1.4 million and $975,000, respectively. There was no corresponding adjustment to non-interest income for either of the three months ended September 30, 2018 and 2017. For the nine months ended September 30, 2018 and 2017, the adjustments increased interest income by $3.7 million and $4.2 million, respectively, and decreased non-interest income by $-0- and $634,000, respectively. The net impact to pre-tax income was $3.7 million and $3.6 million, respectively, for the nine months ended September 30, 2018 and 2017.

As of September 30, 2018, the remaining accretable yield adjustment that will affect interest income is $2.9 million. Of the remaining adjustments affecting interest income, we expect to recognize $1.0 million of interest income during the remainder of 2018. Additional adjustments may be recorded in future periods from the FDIC-assisted transactions, as the Company continues to estimate expected cash flows from the acquired loan pools. Apart from the yield accretion, the average yield on loans was 4.98% during the three months ended September 30, 2018, compared to 4.54% during the three months ended September 30, 2017, as a result of higher current market rates on adjustable rate loans and new loans originated during the year. Apart from the yield accretion, the average yield on loans was 4.85% during the nine months ended September 30, 2018, compared to 4.48% during the nine months ended September 30, 2017.

Interest Income – Investments and Other Interest-earning Assets

Interest income on investments increased in the three months ended September 30, 2018 compared to the three months ended September 30, 2017. Interest income increased $281,000 due to an increase in average interest rates from 2.35% during the three months ended September 30, 2017, to 2.92% during the three months ended September 30, 2018, primarily due to higher market rates of interest on investment securities and a decrease in the volume of prepayments on mortgage-backed securities. Partially offsetting that increase, interest income decreased $70,000 as a result of a decrease in average balances from $204.7 million during the three months ended September 30, 2017, to $193.4 million during the three months ended September 30, 2018. Average balances of securities decreased primarily due to certain municipal securities being called and the normal monthly payments received on the portfolio of mortgage-backed securities.

Interest income on investments increased in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Interest income increased $515,000 due to an increase in average interest rates from 2.49% during the nine months ended September 30, 2017, to 2.84% during the nine months ended September 30, 2018, primarily due to higher market rates of interest on investment securities and a decrease in the volume of prepayments on mortgage-backed securities. Partially offsetting that increase, interest income decreased $446,000 as a result of a decrease in average balances from $212.3 million during the nine months ended September 30, 2017, to $189.7 million during the nine months ended September 30, 2018. Average balances of securities decreased primarily due to certain municipal securities being called and the normal monthly payments received on the portfolio of mortgage-backed securities.

Interest income on other interest-earning assets increased in the three months ended September 30, 2018 compared to the three months ended September 30, 2017. Interest income increased $150,000 due to an increase in average interest rates from 1.40% during the three months ended September 30, 2017, to 2.01% during the three months ended September 30, 2018, primarily due to higher market rates of interest on other interest-bearing deposits in financial institutions. Interest income increased $14,000 as a result of an increase in average balances from $93.8 million during the three months ended September 30, 2017, to $97.7 million during the three months ended September 30, 2018.

Interest income on other interest-earning assets increased in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Interest income increased $592,000 due to an increase in average interest rates from 0.95% during the nine months ended September 30, 2017, to 1.69% during the nine months ended September 30, 2018, primarily due to higher market rates of interest on other interest-bearing deposits in financial institutions. Partially offsetting that increase, interest income decreased $91,000 as a result of a decrease in average balances from $117.7 million during the nine months ended September 30, 2017, to $105.8 million during the nine months ended September 30, 2018.

Total Interest Expense

Total interest expense increased $2.9 million, or 41.1%, during the three months ended September 30, 2018, when compared with the three months ended September 30, 2017, due to an increase in interest expense on deposits of $2.2 million, or 43.3%, an increase in interest expense on FHLBank advances of $646,000, or 118.3%, and an increase in interest expense on short-term borrowing and repurchase agreements of $59,000, or 50.0%, partially offset by a decrease in interest expense on subordinated debentures issued to capital trust of $15,000, or 5.6%, and a decrease in interest expense on subordinated notes of $1,000, or 0.1%.

Total interest expense increased $5.5 million, or 26.8%, during the nine months ended September 30, 2018, when compared with the nine months ended September 30, 2017, due to an increase in interest expense on deposits of $4.0 million, or 26.2%, and an increase in interest expense on FHLBank advances of $1.9 million, or 183.6%, partially offset by a decrease in interest expense on short-term borrowing and repurchase agreements of $277,000, or 41.8%, a decrease in interest expense on subordinated debentures issued to capital trust of $68,000, or 8.9%, and a decrease in interest expense on subordinated notes of $2,000, or 0.1%.

Interest Expense – Deposits

Interest expense on demand deposits increased $356,000 due to average rates of interest that increased from 0.31% in the three months ended September 30, 2017 to 0.40% in the three months ended September 30, 2018. Partially offsetting that increase, interest expense on demand deposits decreased $18,000, due to a decrease in average balances from $1.53 billion during the three months ended September 30, 2017 to $1.51 billion during the three months ended September 30, 2018.

Interest expense on time deposits increased $1.9 million as a result of an increase in average rates of interest from 1.14% during the three months ended September 30, 2017, to 1.68% during the three months ended September 30, 2018. Interest expense on time deposits increased $17,000 due to an increase in average balances of time deposits from $1.37 billion during the three months ended September 30, 2017, to $1.38 billion during the three months ended September 30, 2018. 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 higher rate of interest due to market interest rate increases during 2018 and the fourth quarter of 2017. The increase in average balances of time deposits was a result of increases in both retail customer time deposits and in brokered deposits.

Interest expense on demand deposits increased $858,000 due to average rates of interest that increased from 0.29% in the nine months ended September 30, 2017 to 0.37% in the nine months ended September 30, 2018. Partially offsetting that increase, interest expense on demand deposits decreased $7,000 due to a small decrease in average balances, which were $1.55 billion during each of the nine months ended September 30, 2018 and 2017, respectively.

Interest expense on time deposits increased $3.9 million as a result of an increase in average rates of interest from 1.10% during the nine months ended September 30, 2017, to 1.49% during the nine months ended September 30, 2018. Partially offsetting that increase, interest expense on time deposits decreased $821,000 due to a decrease in average balances of time deposits from $1.43 billion during the nine months ended September 30, 2017, to $1.33 billion during the nine months ended September 30, 2018. As noted above, 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 higher rate of interest due to market interest rate increases in 2017 and 2018. The decrease in average balances of time deposits was primarily a result of decreases in CDARS program purchased funds brokered deposits.

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

During the three months ended September 30, 2018 compared to the three months ended September 30, 2017, interest expense on FHLBank advances increased due to higher average rates of interest and higher average balances. Interest expense on FHLBank advances increased $476,000 due to an increase in average interest rates from 1.26% in the three months ended September 30, 2017 to 2.18% in the three months ended September 30, 2018. The increase in the average rate was due to market interest rate increases during 2018 and the fourth quarter of 2017. Interest expense on FHLBank advances increased $170,000 due to an increase in average balances from $171.7 million during the three months ended September 30, 2017 to $216.7 million during the three months ended September 30, 2018. This increase was primarily due to an increase in borrowings to fund loan growth.

During the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, interest expense on FHLBank advances increased due to higher average balances and higher average rates of interest. Interest expense on FHLBank advances increased $1.8 million due to an increase in average balances from $78.4 million during the nine months ended September 30, 2017 to $198.8 million during the nine months ended September 30, 2018. This increase was due to the same reasons as noted above in the three month period. Interest expense on FHLBank advances increased $137,000 due to an increase in average interest rates from 1.78% in the nine months ended September 30, 2017 to 1.99% in the nine months ended September 30, 2018. The increase in the average rate was due to market interest rate increases during 2018 and the fourth quarter of 2017.

Interest expense on short-term borrowings and repurchase agreements increased $63,000 due to an increase in average rates from 0.32% in the three months ended September 30, 2017 to 0.49% in the three months ended September 30, 2018. The increase was due to an increase in market interest rates during the period. Partially offsetting the increase, interest expense on short-term borrowings and repurchase agreements decreased $4,000 due to a decrease in average balances from $147.1 million during the three months ended September 30, 2017 to $141.9 million during the three months ended September 30, 2018, which was primarily due to changes in the Company's funding needs and the mix of funding, which can fluctuate.

Interest expense on short-term borrowings and repurchase agreements decreased $239,000 due to a decrease in average balances from $206.1 million during the nine months ended September 30, 2017 to $127.7 million during the nine months ended September 30, 2018, which was primarily due to changes in the Company's funding needs and the mix of funding, which can fluctuate. The Company had a higher amount of overnight borrowings from the FHLBank in the 2017 period. Interest expense on short-term borrowings and repurchase agreements decreased $38,000 due to a decrease in average rates from 0.43% in the nine months ended September 30, 2017 to 0.40% in the nine months ended September 30, 2018. The decrease was due to a change in the mix of funding during the period, with less short-term borrowings and a higher percentage of the total made up of repurchase agreements, which have a lower interest rate.

During the three months ended September 30, 2018, compared to the three months ended September 30, 2017, interest expense on subordinated debentures issued to capital trusts decreased $15,000 due to lower average interest rates. The average interest rate was 4.11% in the three months ended September 30, 2017 compared to 3.88% in the three months ended September 30, 2018. During the 2017 period, the amortization of the cost of the interest rate caps the Company purchased in 2013 to limit the interest rate risk from rising LIBOR rates related to the Company's subordinated debentures issued to capital trusts effectively increased the effective interest rate. The average interest rate was affected until the third quarter of 2017, when the interest rate cap terminated based on its contractual terms. There was no change in the average balance of the subordinated debentures between the 2018 and the 2017 periods. The subordinated debentures are variable-rate debentures which bear interest at an average rate of three-month LIBOR plus 1.60%, adjusting quarterly, which was 4.00% at September 30, 2018.

During the nine months ended September 30, 2018, compared to the nine months ended September 30, 2017, interest expense on subordinated debentures issued to capital trusts decreased $68,000 due to lower average interest rates. The average interest rate was 3.94% in the nine months ended September 30, 2017 compared to 3.59% in the nine months ended September 30, 2018. The reasons for the decrease were the same as those discussed above for the three month period. There was no change in the average balance of the subordinated debentures between the 2018 and 2017 nine month periods.

In August 2016, the Company issued $75 million of 5.25% fixed-to-floating rate subordinated notes due August 15, 2026. The notes were sold at par, resulting in net proceeds, after underwriting discounts and commissions and other issuance costs, of approximately $73.5 million. Interest expense on the subordinated notes for the three and nine months ended September 30, 2018, was not materially different from the 2017 periods.

Net Interest Income

Net interest income for the three months ended September 30, 2018 increased $3.7 million to $43.0 million compared to $39.3 million for the three months ended September 30, 2017. Net interest margin was 4.02% in the three months ended September 30, 2018, compared to 3.77% in the three months ended September 30, 2017, an increase of 25 basis points, or 6.6%. In both three month periods, the Company's net interest income and margin were positively impacted

by the increases in expected cash flows to be received from the FDIC-acquired loan pools and the resulting increase to accretable yield, which were previously discussed in Note 7 of the Notes to Consolidated Financial Statements. The positive impact of these changes in the three months ended September 30, 2018 and 2017 were increases in interest income of $1.4 million and $975,000, respectively, and increases in net interest margin of 14 basis points and 9 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin increased 20 basis points when compared to the year-ago three month period.

The increase was primarily due to increased yields in most loan categories and higher overall yields on investments and interest-earning deposits at the Federal Reserve Bank, partially offset by an increase in the average interest rate on deposits and FHLBank advances.

Net interest income for the nine months ended September 30, 2018 increased $7.7 million to $123.6 million compared to $115.9 million for the nine months ended September 30, 2017. Net interest margin was 3.96% in the nine months ended September 30, 2018, compared to 3.75% in the same period of 2017, an increase of 21 basis points, or 5.6%. In both nine month periods, the Company's net interest income and margin were positively impacted by the increases in expected cash flows to be received from the FDIC-acquired loan pools and the resulting increase to accretable yield which were previously discussed in Note 7 of the Notes to Consolidated Financial Statements. The positive impact of these changes in the nine months ended September 30, 2018 and 2017 were increases in interest income of $3.7 million and $4.2 million, respectively, and increases in net interest margin of 12 basis points and 14 basis points, respectively. Excluding the positive impact of the additional yield accretion, net interest margin increased 23 basis points when compared to the year-ago period. The increase was primarily due to increased yields in most loan categories and higher overall yields on investments and interest-earning deposits at the Federal Reserve Bank, partially offset by an increase in the average interest rate on deposits and FHLBank advances.

The Company's overall average interest rate spread increased 16 basis points, or 4.4%, from 3.60% during the three months ended September 30, 2017 to 3.76% during the three months ended September 30, 2018. The increase was due to a 50 basis point increase in the weighted average yield on interest-earning assets, partially offset by a 34 basis point increase in the weighted average rate paid on interest-bearing liabilities. In comparing the two periods, the yield on loans increased 48 basis points, the yield on investment securities increased 57 basis points and the yield on other interest-earning assets increased 61 basis points. The rate paid on deposits increased 31 basis points, the rate paid on short-term borrowings and repurchase agreements increased 17 basis points, the rate paid on subordinated debentures issued to capital trusts decreased 23 basis points, the rate paid on subordinated notes decreased one basis point and the rate paid on FHLBank advances increased 92 basis points.

The Company's overall average interest rate spread increased 15 basis points, or 4.2%, from 3.59% during the nine months ended September 30, 2017 to 3.74% during the nine months ended September 30, 2018. The increase was due to a 39 basis point increase in the weighted average yield on interest-earning assets, partially offset by a 24 basis point increase in the weighted average rate paid on interest-bearing liabilities. In comparing the two periods, the yield on loans increased 35 basis points, the yield on investment securities increased 35 basis points and the yield on other interest-earning assets increased 74 basis points. The rate paid on deposits increased 20 basis points, the rate paid on short-term borrowings and repurchase agreements decreased three basis points, the rate paid on subordinated debentures issued to capital trusts decreased 35 basis points, the rate paid on subordinated notes decreased two basis points and the rate paid on FHLBank advances increased 21 basis points.

For additional information on net interest income components, refer to the "Average Balances, Interest Rates and Yields" tables in this Quarterly Report on Form 10-Q.

Provision for Loan Losses and Allowance for Loan Losses

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

provisions and net charge-offs fluctuate from period to period and are difficult to predict.

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

Management determines which loans are potentially uncollectible, or represent a greater risk of loss, and makes additional provisions to expense, if necessary, to maintain the allowance at a satisfactory level.

The provision for loan losses for the three months ended September 30, 2018, decreased $1.7 million to $1.3 million when compared with $3.0 million for the three months ended September 30, 2017. The provision for loan losses for the nine months ended September 30, 2018, was $5.2 million, a decrease of $2.0 from $7.2 million for the nine months ended September 30, 2017. At September 30, 2018 and December 31, 2017, the allowance for loan losses was $37.5 million and $36.5 million, respectively. Total net charge-offs were $1.4 million and $3.2 million for the three months ended September 30, 2018 and 2017, respectively. During the three months ended September 30, 2018, $833,000 of the $1.4 million of net charge-offs were in the consumer auto category. Total net charge-offs were $4.2 million and $8.3 million for the nine months ended September 30, 2018 and 2017, respectively. During the nine months ended September 30, 2018, $2.8 million of the $4.2 million of net charge-offs were in the consumer auto category. In response to a more challenging consumer credit environment, the Company tightened its underwriting guidelines on automobile lending in the latter part of 2016. Management took this step in an effort to improve credit quality in the portfolio and reduce delinquencies and charge-offs. The level of delinquencies and repossessions in indirect used automobile loans has decreased in 2018, compared to the previous two years. This action also reduced origination volume and, as such, the outstanding balance of the Company's automobile loans declined approximately $79 million in the nine months ended September 30, 2018. We expect further declines in the automobile loan outstanding balance through the remainder of 2018. In addition, two commercial loan relationships accounted for $444,000 of the total net charge-offs during the three months ended September 30, 2018. Six commercial loan relationships accounted for $1.3 million of the total charge-offs during the nine months ended September 30, 2018. Charge-offs were partially offset by recoveries on multiple loans during 2018. Unique circumstances related to individual borrowers and projects contributed to the level of provisions and charge-offs. As assets were categorized as potential problem loans, non-performing loans or foreclosed assets, evaluations were made of the values of these assets with corresponding charge-offs or reserve allocations as appropriate.

All acquired loans were grouped into pools based on common characteristics and were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition date. These loan pools are systematically reviewed by Management to determine the risk of losses that may exceed those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to those used to determine the risk of loss for the legacy Great Southern Bank portfolio, with most focus being placed on those loan pools which include the larger loan relationships and those loan pools which exhibit higher risk characteristics. Review of the acquired loan portfolio also includes monitoring of payment performance, review of financial information and credit scores, collateral valuations and customer interaction to determine if any additional reserves are warranted.

The Bank's allowance for loan losses as a percentage of total loans, excluding FDIC-acquired loans, was 1.00%, 1.01% and 1.02% at September 30, 2018, December 31, 2017 and June 30, 2018, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Bank's loan portfolio at September 30, 2018, based on recent reviews of the Bank's loan portfolio and current economic conditions. If economic conditions were to deteriorate or management's assessment of the loan portfolio were to change, it is possible that additional loan loss provisions would be required, thereby adversely affecting future results of operations and financial condition.

Non-performing Assets

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 are 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 September 30, 2018 were $15.9 million, a decrease of $11.9 million from $27.8 million at December 31, 2017. Non-performing assets, excluding all FDIC-assisted acquired assets, as a percentage of total assets were 0.35% at September 30, 2018, compared to 0.63% at December 31, 2017.

Compared to December 31, 2017, non-performing loans decreased $4.7 million to $6.5 million at September 30, 2018, and foreclosed assets decreased $7.2 million to $9.4 million at September 30, 2018. Non-performing one- to four-family residential loans comprised $2.8 million, or 42.5%, of the total $6.5 million of non-performing loans at September 30, 2018, an increase of $23,000 from December 31, 2017. Non-performing consumer loans comprised $1.8 million, or 27.6%, of the total non-performing loans at September 30, 2018, a decrease of $1.5 million from December 31, 2017. Non-performing commercial business loans comprised $1.6 million, or 24.6%, of the total non-performing loans at September 30, 2018, a decrease of $473,000 from December 31, 2017. Non-performing commercial real estate loans comprised $346,000, or 5.3%, of the total non-performing loans at September 30, 2018, a decrease of $880,000 from December 31, 2017. Non-performing other residential loans were $-0- at September 30, 2018, a decrease of $1.9 million from December 31, 2017, due to the transfer to foreclosed assets and related charge-down of the one property previously in this category of non-performing loans. Non-performing construction and land development loans were $-0- at September 30, 2018, a decrease of $98,000 from December 31, 2017.

Non-performing Loans. Activity in the non-performing loans category during the nine months ended September 30, 2018 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, September 30
	(In Thousands)							
One- to four-family construction	$—	$ —	$ —	$ —	$ —	$—	$ —	$ —
Subdivision construction	98	—	—	—	—	(3)	(95)	—
Land development	—	—	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	2,728	866	—	(67)	(467)	(27)	(282)	2,751
Other residential	1,877	3	—	—	(1,601)	(279)	—	—
Commercial real estate	1,226	157	—	—	(894)	(101)	(42)	346
Commercial business	2,063	2,321	—	—	—	(1,027)	(1,767)	1,590
Consumer	3,263	2,100	(7)	(455)	(705)	(1,564)	(844)	1,788
Total	$11,255	$ 5,447	$ (7)	$ (522)	$ (3,667)	$(3,001)	$(3,030)	$ 6,475

At September 30, 2018, the non-performing one- to four-family residential category included 30 loans, nine of which were added during 2018. The largest relationship in this category was added in 2017 and included nine loans totaling $1.3 million, or 47.4% of the total category, which are collateralized by residential rental homes in the Springfield, Mo. area. The non-performing commercial business category included six loans, all of which were added during 2018. The largest relationship in this category totaled $1.2 million, or 72.6% of the total category. This relationship is collateralized by an assignment of an interest in a real estate project. A relationship in the commercial business

category, which previously totaled $900,000, received payments during the three months ended September 30, 2018, to satisfy the remaining recorded balance. The non-performing consumer category included 160 loans, 80 of which were added during 2018, and the majority of which are indirect used automobile loans. The non-performing commercial real estate category included five loans, two of which were added during 2018 and were part of the same customer relationship. Three loans in the category were transferred to foreclosed assets during 2018, the largest of which totaled $652,000 and was collateralized by commercial property in the St. Louis, Mo., area. The non-performing other residential category had a balance of $-0- at September 30, 2018. The one loan previously in this category, which was collateralized by an apartment project in the central Missouri area, had charge-offs of $279,000 during the nine months ended September 30, 2018 and the remaining balance of $1.6 million was transferred to foreclosed assets.

Potential Problem Loans. Compared to December 31, 2017, potential problem loans decreased $4.7 million, or 59.0%, to $3.3 million. This decrease was due to $5.3 million in loans removed from potential problem loans, $1.6 million in payments, $456,000 in loans transferred to non-performing loans and $30,000 in charge-offs, partially offset by the addition of $2.6 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 the current repayment terms. These loans are not reflected in non-performing assets, but are considered in determining the adequacy of the allowance for loan losses.

Activity in the potential problem loans category during the nine months ended September 30, 2018, 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, September 30
	(In Thousands)							
One- to four-family construction	$—	$—	$—	$—	$ —	$—	$—	$—
Subdivision construction	—	—	—	—	—	—	—	—
Land development	4	—	—	—	—	—	—	4
Commercial construction	—	—	—	—	—	—	—	—
One- to four-family residential	1,122	120	—	—	—	—	(188)	1,054
Other residential	—	—	—	—	—	—	—	—
Commercial real estate	5,759	2,056	(4,709)	—	—	—	(1,161)	1,945
Commercial business	503	—	(59)	(407)	—	—	(37)	—
Consumer	549	452	(497)	(49)	—	(30)	(175)	250
Total	$7,937	$ 2,628	$ (5,265)	$ (456)	$ —	$ (30)	$ (1,561)	$ 3,253

At September 30, 2018, the commercial real estate category of potential problem loans included one loan, which was added during 2018, and is collateralized by a mixed use commercial retail building. One relationship previously in this category, consists of three loans totaling $4.7 million collateralized by theatre and retail property in Branson, Mo. The decision to remove this relationship from potential problem loans during the three months ended September 30, 2018 was due to an improvement in debt service coverage, and timely principal and interest payments on these loans, including over $1.0 million in payments during 2018. The one- to four-family residential category of potential problem loans included 17 loans, three of which were added during 2018. The consumer category of potential problem loans included 20 loans, 16 of which were added during 2018.

Other Real Estate Owned and Repossessions. Of the total $12.8 million of other real estate owned and repossessions at September 30, 2018, $1.8 million represents the fair value of foreclosed and repossessed assets related to loans acquired in FDIC-assisted transactions and $1.6 million 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.

Activity in foreclosed assets and repossessions during the nine months ended September 30, 2018, was as follows:

	Beginning Balance, January 1	Additions	Sales	Capitalized Costs	Write-Downs	Ending Balance, September 30
	(In Thousands)					
One- to four-family construction	$—	$ —	$—	$ —	$—	$ —
Subdivision construction	5,413	—	(1,272)	—	(1,877)	2,264
Land development	7,729	20	(1,580)	—	(1,674)	4,495
Commercial construction	—	—	—	—	—	—
One- to four-family residential	112	820	(275)	—	—	657
Other residential	140	1,601	(1,884)	143	—	—
Commercial real estate	1,194	894	(1,046)	10	(50)	1,002
Commercial business	—	—	—	—	—	—
Consumer	1,987	6,095	(7,062)	—	—	1,020
Total	$16,575	$ 9,430	$(13,119)	$ 153	$(3,601)	$ 9,438

Excluding the consumer category, during the nine months ended September 30, 2018, the Company reduced its foreclosed assets by $6.1 million through asset sales. At September 30, 2018, the land development category of foreclosed assets included 14 properties, the largest of which was located in the northwest Arkansas area and had a balance of $1.1 million, or 23.5% of the total category. Of the total dollar amount in the land development category of foreclosed assets, 48.2% and 23.5% was located in the Branson, Mo. and the northwest Arkansas areas, respectively, including the largest property previously mentioned. The subdivision construction category of foreclosed assets included 10 properties, the largest of which was located in the Springfield, Mo. metropolitan area and had a balance of $799,000, or 35.3% of the total category. Of the total dollar amount in the subdivision construction category of foreclosed assets, 46.7% and 35.3% is located in Branson, Mo. and Springfield, Mo., respectively, including the largest property previously mentioned. The write-downs in the land development and subdivision construction categories resulted from management's decision during the three months ended June 30, 2018, after marketing these assets for an extended period, to reduce the asking price for several parcels of land. The commercial real estate category of foreclosed assets included two properties, the largest of which was recreational property in the St. Louis area, was added during the three months ended June 30, 2018 and had a balance of $656,000, or 65.5% of the total category. Four properties in the commercial real estate category had sales totaling $1.0 million during 2018. The amount of additions and sales under consumer loans are due to a higher volume of repossessions of automobiles, which generally are subject to a shorter repossession process. The Company experienced increased levels of delinquencies and repossessions in indirect and used automobile loans throughout 2016 and 2017. The level of delinquencies and repossessions in indirect and used automobile loans has decreased in 2018. The other residential category of foreclosed assets had a zero balance at September 30, 2018. The previously remaining property in the category, an apartment building in central Missouri totaling $1.7 million, was sold during the three months ended

September 30, 2018.

Non-interest Income

For the three months ended September 30, 2018, non-interest income increased $6.9 million to $14.6 million when compared to the three months ended September 30, 2017, primarily as a result of the following items:

Sale of Omaha-area banking centers: On July 20, 2018, the Company closed on the sale of four banking centers in the Omaha, Neb., metropolitan market. The Bank sold branch deposits of approximately $56 million and sold substantially all branch-related real estate, fixed assets and ATMs. The Company recorded a pre-tax gain of $7.4 million on the sale during the three months ended September 30, 2018.

Net gains on loan sales: Net gains on loan sales decreased $302,000 compared to the prior year three month period. The decrease was due to a decrease in originations of fixed-rate loans during the 2018 period compared to the 2017 period. Fixed rate originated single-family mortgage loans are generally subsequently sold in the secondary market. In 2018, the Company has originated more variable-rate single-family mortgage loans, which have been retained in the Company's portfolio.

For the nine months ended September 30, 2018, non-interest income decreased $2.2 million to $29.0 million when compared to the nine months ended September 30, 2017, primarily as a result of the following items:

2017 gain on early termination of FDIC loss sharing agreements for Inter Savings Bank: In 2017, the Company recognized a one-time gross gain of $7.7 million from the termination of the loss sharing agreements for Inter Savings Bank, which was recorded in the accretion of income related to business acquisitions line item of the consolidated statements of income for the nine months ended September 30, 2017.

Net gains on loan sales: Net gains on loan sales decreased $905,000 compared to the prior year period. The decrease was due to a decrease in originations of fixed-rate loans during the 2018 period compared to the 2017 period. Fixed rate originated single-family mortgage loans are generally subsequently sold in the secondary market. In 2018, the Company has originated more variable-rate single-family mortgage loans, which have been retained in the Company's portfolio.

Late charges and fees on loans: Late charges and fees on loans decreased $682,000 compared to the prior year period. The decrease was primarily due to fees totaling $632,000 on loan payoffs received on four loan relationships in the 2017 period which were not repeated in the 2018 period.

Other income: Other income decreased $835,000 compared to the prior year period. The decrease was primarily due to income from interest rate swaps entered into in 2017, the receipt of approximately $260,000 more income related to the exit of certain tax credit partnerships in 2017 compared to 2018 and $250,000 less in merchant card services fees compared to 2017.

Sale of Omaha-area banking centers: On July 20, 2018, the Company closed on the sale of four banking centers in the Omaha, Neb., metropolitan market and recorded a pre-tax gain of $7.4 million on the sale during the 2018 period, as described above.

Amortization of income related to business acquisitions: Because of the termination of the loss sharing agreements in June 2017, the net amortization expense related to business acquisitions was $-0- for the nine months ended September 30, 2018, compared to $486,000 for the nine months ended September 30, 2017, which reduced non-interest income by that amount in the previous year period.

Non-interest Expense

For the three months ended September 30, 2018, non-interest expense increased $275,000 to $28.3 million when compared to the three months ended September 30, 2017, primarily as a result of the following items:

Salaries and employee benefits: Salaries and employee benefits increased $498,000 from the prior year period. This increase is approximately 3% over the prior year expense total and is primarily attributable to normal annual raises for employees and increases in costs for health insurance and retirement benefits.

Net occupancy and equipment expense: Net occupancy and equipment expense increased $472,000 in the three months ended September 30, 2018 compared to the same period in 2017, primarily due to increased depreciation expense for upgraded ATM/ITM machines, deconversion expenses related to the sale of the Omaha-area banking centers and repairs and maintenance costs for various banking centers.

Legal, audit and other professional fees: Legal, audit and other professional fees increased $265,000 in the three months ended September 30, 2018 compared to the same period in 2017. The increase was primarily due to legal costs related to the sale of the Omaha-area banking centers, fees related to the ongoing implementation of an accounting system which will be utilized for the new loan loss accounting standard and fees for professional services related to process improvement initiatives.

Expense on foreclosed assets and repossessions: Expense on foreclosed assets decreased $845,000 compared to the prior year period primarily due to increased gains on the sales of foreclosed assets and repossessions and lower repossession and collection expenses.

For the nine months ended September 30, 2018, non-interest expense increased $1.5 million to $86.5 million when compared to the nine months ended September 30, 2017, primarily as a result of the following items:

Expense on foreclosed assets and repossessions: Expense on foreclosed assets increased $1.8 million compared to the prior year period primarily due to the valuation write-down of certain foreclosed assets during the three months ended June 30, 2018, totaling approximately $2.1 million, partially offset by the items noted above in the current three month period.

Net occupancy and equipment expense: Net occupancy expense increased $815,000 in the nine months ended September 30, 2018 compared to the same period in 2017. This increase was due to the reasons noted above in the three month period, as well as increased expenses related to hardware and software costs for loan loss accounting and commercial loan systems and data servers at the Company's disaster recovery site.

Legal, audit and other professional fees: Legal, audit and other professional fees increased $382,000 in the nine months ended September 30, 2018 compared to the same period in 2017 for the reasons noted above in the three month period.

Office supplies and printing expense: Office supplies and printing expense decreased $419,000 in the nine months ended September 30, 2018 compared to the same period in 2017. During the 2017 period the Bank incurred printing and other costs totaling $373,000 related to the replacement of a portion of customer debit cards with chip-enabled cards, which was not repeated in the current year period.

Other operating expenses: Other operating expenses decreased $786,000 in the nine months ended September 30, 2018 compared to the same period in 2017. During the 2017 period, the Company incurred a $340,000 prepayment penalty when FHLB advances totaling $31.4 million were repaid prior to maturity, which was not repeated in the 2018 period. In addition, the Company experienced significantly lower debit card and check fraud losses in the 2018 period compared to the 2017 period.

The Company's efficiency ratio for the three months ended September 30, 2018, was 49.16% compared to 59.73% for the same period in 2017. The efficiency ratio for the nine months ended September 30, 2018, was 56.70% compared to 57.79% for the same period in 2017. The improvement in the ratio in the 2018 three month period was primarily due to an increase in non-interest income and an increase in net interest income. The improvement in the ratio in the 2018 nine month period was primarily due to an increase in net interest income, partially offset by a decrease in non-interest income and an increase in non-interest expense. In the 2018 periods, the Company's efficiency ratio was positively impacted by the significant gain recorded related to the sale of the Bank's branches and related deposits in Omaha, Neb. In the 2017 nine-month period, the Company's efficiency ratio was positively impacted by the significant gain recorded related to the termination of the InterSavings Bank loss sharing agreements. Excluding these non-interest income gain items, the Company's efficiency ratio would have been higher in the periods described. The Company's ratio of non-interest expense to average assets was 2.50% and 2.58% for the three and nine months ended September 30, 2018, respectively, compared to 2.52% and 2.54% for the three and nine months ended September 30, 2017, respectively. Average assets for the three months ended September 30, 2018, increased $83.9 million, or 1.9%, from the three months ended September 30, 2017, primarily due to an increase in loans receivable. Average assets for

the nine months ended September 30, 2018, increased $4.8 million, or 0.1%, from the nine months ended September 30, 2017, primarily due to organic loan growth, partially offset by decreases in investment securities and other interest-earning assets.

Provision for Income Taxes

On December 22, 2017, H.R.1, originally known as the Tax Cuts and Jobs Act (the "Act"), was signed into law. Among other things, the Act permanently lowers the corporate federal income tax rate to 21% from the prior maximum rate of 35%, effective for tax years including or commencing January 1, 2018. The Company currently expects its effective tax rate (combined federal and state) to decrease from approximately 26.7% in 2017 to approximately 16.5% to 18.5% in 2018, mainly as a result of the Act.

For the three months ended September 30, 2018 and 2017, the Company's effective tax rate was 19.5% and 26.9%, respectively. For the nine months ended September 30, 2018 and 2017, the Company's effective tax rate was 18.2% and 28.3%, respectively. These effective rates were lower than the statutory federal tax rates of 21% (2018) and 35% (2017), 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 and the level of tax-exempt investments and loans and the overall level of pre-tax income. The Company's effective income tax rate is currently expected to continue to be less than the statutory rate due primarily to the factors noted above.

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 $919,000 and $588,000 for the three months ended September 30, 2018 and 2017, respectively. Net fees included in interest income were $2.5 million and $2.3 million for the nine months ended September 20, 2018 and 2017, respectively. Tax-exempt income was not calculated on a tax equivalent basis. The table does not reflect any effect of income taxes.

	September 30, 2018[2]	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(Dollars in Thousands)						
Interest-earning assets:							
Loans receivable: [1]							
One- to four-family residential	4.17%	$453,090	$5,939	5.20 %	$450,286	$5,261	4.64 %
Other residential	4.97	782,595	10,163	5.15	708,745	8,135	4.55
Commercial real estate	4.78	1,330,088	16,427	4.90	1,249,120	13,868	4.40
Construction	5.11	593,540	8,272	5.53	483,592	5,769	4.73
Commercial business	5.05	291,038	3,689	5.03	299,833	3,780	5.00
Other loans	5.99	485,647	6,283	5.13	615,604	7,637	4.92
Industrial revenue bonds	4.77	19,829	290	5.80	25,424	374	5.83
Total loans receivable	5.03	3,955,827	51,063	5.12	3,832,604	44,824	4.64
Investment securities[1]	3.24	193,390	1,425	2.92	204,652	1,214	2.35
Other interest-earning assets	2.24	97,739	494	2.01	93,777	330	1.40
Total interest-earning assets	4.88	4,246,956	52,982	4.95	4,131,033	46,368	4.45
Non-interest-earning assets:							
Cash and cash equivalents		97,033			108,953		
Other non-earning assets		186,994			207,122		
Total assets		$4,530,983			$4,447,108		
Interest-bearing liabilities:							
Interest-bearing demand and savings	0.43	$1,506,907	1,523	0.40	$1,529,811	1,185	0.31
Time deposits	1.77	1,376,907	5,829	1.68	1,371,147	3,946	1.14
Total deposits	1.08	2,883,814	7,352	1.01	2,900,958	5,131	0.70
Short-term borrowings and structured repurchase agreements	0.01	141,864	177	0.49	147,126	118	0.32
Subordinated debentures issued to capital trusts	3.94	25,774	252	3.88	25,774	267	4.11
Subordinated notes	5.55	73,791	1,024	5.51	73,636	1,025	5.52
FHLBank advances	2.18	216,674	1,192	2.18	171,728	546	1.26
Total interest-bearing liabilities	1.24	3,341,917	9,997	1.19	3,319,222	7,087	0.85
Non-interest-bearing liabilities:							
Demand deposits		660,629			637,156		
Other liabilities		22,428			28,355		
Total liabilities		4,024,974			3,984,733		
Stockholders' equity		506,009			462,375		
Total liabilities and stockholders' equity		$4,530,983			$4,447,108		

Net interest income:

Interest rate spread	3.64%		$42,985	3.76 %	$39,281	3.60 %
Net interest margin*				4.02 %		3.77 %
Average interest-earning assets to average interest-bearing liabilities		127.1 %			124.5 %	

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

(1) Of the total average balances of investment securities, average tax-exempt investment securities were $53.2 million and $60.4 million for the three months ended September 30, 2018 and 2017, respectively. In addition, average tax-exempt loans and industrial revenue bonds were $23.5 million and $28.3 million for the three months ended September 30, 2018 and 2017, respectively. Interest income on tax-exempt assets included in this table was $739,000 and $787,000 for the three months ended September 30, 2018 and 2017, respectively. Interest income net of disallowed interest expense related to tax-exempt assets was $690,000 and $737,000 for the three months ended September 30, 2018 and 2017, respectively.

(2) The yield on loans at September 30, 2018 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 results of operations for the three months ended September 30, 2018.

	September 30, 2018[2]	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(Dollars in Thousands)						
Interest-earning assets:							
Loans receivable: [1]							
One- to four-family residential	4.17%	$440,769	$16,544	5.02 %	$465,125	$16,885	4.85 %
Other residential	4.97	755,536	28,349	5.02	692,979	23,377	4.51
Commercial real estate	4.78	1,302,940	46,753	4.80	1,237,979	40,954	4.42
Construction	5.11	555,708	22,007	5.29	436,259	14,902	4.57
Commercial business	5.05	288,579	10,592	4.91	295,955	11,160	5.04
Other loans	5.99	511,735	19,170	5.01	652,095	23,296	4.78
Industrial revenue bonds	4.77	22,056	1,032	6.25	26,304	1,160	5.90
Total loans receivable	5.03	3,877,323	144,447	4.98	3,806,696	131,734	4.63
Investment securities[1]	3.24	189,686	4,026	2.84	212,262	3,957	2.49
Other interest-earning assets	2.24	105,831	1,335	1.69	117,678	834	0.95
Total interest-earning assets	4.88	4,172,840	149,808	4.80	4,136,636	136,525	4.41
Non-interest-earning assets:							
Cash and cash equivalents		98,879			108,303		
Other non-earning assets		194,441			216,409		
Total assets		$4,466,160			$4,461,348		
Interest-bearing liabilities:							
Interest-bearing demand and savings	0.43	$1,548,273	4,268	0.37	$1,551,316	3,417	0.29
Time deposits	1.77	1,331,098	14,790	1.49	1,426,041	11,683	1.10
Total deposits	1.08	2,879,371	19,058	0.88	2,977,357	15,100	0.68
Short-term borrowings and structured repurchase agreements	0.01	127,696	385	0.40	206,100	662	0.43
Subordinated debentures issued to capital trusts	3.94	25,774	692	3.59	25,774	760	3.94
Subordinated notes	5.55	73,752	3,073	5.57	73,594	3,075	5.59
FHLBank advances	2.18	198,778	2,964	1.99	78,362	1,045	1.78
Total interest-bearing liabilities	1.24	3,305,371	26,172	1.06	3,361,187	20,642	0.82
Non-interest-bearing liabilities:							
Demand deposits		648,257			622,352		
Other liabilities		20,678			27,264		
Total liabilities		3,974,306			4,010,803		
Stockholders' equity		491,854			450,545		
Total liabilities and stockholders' equity		$4,466,160			$4,461,348		

Net interest income:							
Interest rate spread	3.64%		$123,636	3.74 %		$115,883	3.59 %
Net interest margin*				3.96 %			3.75 %
Average interest-earning assets to average interest-bearing liabilities		126,.2 %			123.1 %		

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

(1) Of the total average balances of investment securities, average tax-exempt investment securities were $54.2 million and $63.0 million for the nine months ended September 30, 2018 and 2017, respectively. In addition, average tax-exempt loans and industrial revenue bonds were $25.3 million and $28.7 million for the nine months ended September 30, 2018 and 2017, respectively. Interest income on tax-exempt assets included in this table was $2.3 million and $2.5 million for the nine months ended September 30, 2018 and 2017, respectively. Interest income net of disallowed interest expense related to tax-exempt assets was $2.2 million and $2.4 million for the nine months ended September 30, 2018 and 2017, respectively.

(2) The yield on loans at September 30, 2018 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 results of operations for the nine months ended September 30, 2018.

Rate/Volume Analysis

The following tables present the dollar amounts 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.

	Three Months Ended September 30, 2018 vs. 2017		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Rate	Volume	
	(Dollars in Thousands)		
Interest-earning assets:			
Loans receivable	$4,762	$1,477	$ 6,239
Investment securities	281	(70)	211
Other interest-earning assets	150	14	164
Total interest-earning assets	5,193	1,421	6,614
Interest-bearing liabilities:			
Demand deposits	356	(18)	338
Time deposits	1,866	17	1,883
Total deposits	2,222	(1)	2,221
Short-term borrowings	63	(4)	59
Subordinated debentures issued to capital trust	(15)	—	(15)
Subordinated notes	(3)	2	(1)
FHLBank advances	476	170	646
Total interest-bearing liabilities	2,743	167	2,910
Net interest income	$2,450	$1,254	$ 3,704

	Nine Months Ended September 30, 2018 vs. 2017		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Rate	Volume	
	(Dollars in Thousands)		
Interest-earning assets:			
Loans receivable	$10,232	$2,481	$ 12,713
Investment securities	515	(446)	69
Other interest-earning assets	592	(91)	501
Total interest-earning assets	11,339	1,944	13,283
Interest-bearing liabilities:			

Demand deposits	858	(7)	851
Time deposits	3,928	(821)	3,107
Total deposits	4,786	(828)	3,958
Short-term borrowings	(38)	(239)	(277)
Subordinated debentures issued to capital trust	(68)	—	(68)
Subordinated notes	(2)	—	(2)
FHLBank advances	137	1,782	1,919
Total interest-bearing liabilities	4,815	715	5,530
Net interest income	$6,524	$ 1,229	$ 7,753

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 September 30, 2018, the Company had commitments of approximately $222.3 million to fund loan originations, $1.12 billion of unused lines of credit and unadvanced loans, and $25.1 million of outstanding letters of credit.

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

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Closed loans with unused available lines						
Secured by real estate (one- to four-family)	$151,880	$144,994	$138,375	$133,587	$123,433	$105,390
Secured by real estate (not one- to four-family)	13,179	15,306	12,382	10,836	26,062	21,857
Not secured by real estate - commercial business	92,229	104,749	108,262	113,317	79,937	63,865
Closed construction loans with unused available lines						
Secured by real estate (one-to four-family)	26,470	31,221	29,757	20,919	10,047	14,242
Secured by real estate (not one-to four-family)	838,962	830,592	749,926	718,277	542,326	385,969
Loan Commitments not closed						
Secured by real estate (one-to four-family)	30,226	47,040	37,144	23,340	15,884	13,411
Secured by real estate (not one-to four-family)	180,552	128,200	200,192	156,658	119,126	120,817
Not secured by real estate - commercial business	11,521	—	12,995	4,870	7,022	—
	$1,345,019	$1,302,102	$1,289,033	$1,181,804	$923,837	$725,551

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

of funds.

At September 30, 2018, the Company had these available secured lines and on-balance sheet liquidity:

Federal Home Loan Bank line	$448.1 million
Federal Reserve Bank line	$460.5 million
Cash and cash equivalents	$208.8 million
Unpledged securities	$44.4 million

Statements of Cash Flows. During both the nine months ended September 30, 2018 and 2017, the Company had positive cash flows from operating activities. The Company experienced negative cash flows from investing activities during both the nine months ended September 30, 2018 and 2017. The Company experienced positive cash flows from financing activities during the nine months ended September 30, 2018 and negative cash flows from financing activities during the nine months ended September 30, 2017.

Cash flows from operating activities for the periods covered by the Statements of Cash Flows have been primarily related to changes in accrued and deferred assets, credits and other liabilities, the provision for loan losses, depreciation and amortization, realized gains on sales of loans 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 source of cash flows from operating activities. Operating activities provided cash flows of $73.4 million and $51.9 million during the nine months ended September 30, 2018 and 2017, respectively.

During the nine months ended September 30, 2018, investing activities used cash of $289.3 million, primarily due to the purchase of loans and the net origination of loans, the purchase of investment securities and the purchase of equipment, partially offset by the sale of other real estate owned and payments received on investment securities. Also in 2018, the Company used cash of $50.4 million in connection with the sale of its Omaha, Neb. branches and deposits. Investing activities in the 2017 period used cash of $2.9 million, primarily due to the net increase in loans offset by the sale of other real estate owned, payments received on investment securities and payment received from the FDIC for early termination of certain loss sharing agreements.

Changes in cash flows from financing activities during the periods covered by the Statements of Cash Flows are due to changes in deposits after interest credited, changes in FHLBank advances and changes in short-term borrowings, as well as dividend payments to stockholders and the exercise of common stock options. Financing activities provided cash of $182.5 million and used cash of $72.1 million during the nine months ended September 30, 2018 and 2017, respectively. Net cash used during the 2017 nine-month period was due primarily to the decrease in certificates of deposit and repayment of FHLBank advances. In the 2018 nine-month period, financing activities provided cash primarily as a result of net increases in FHLBank advances and certificates of deposit. Financing activities in the future are expected to primarily include changes in deposits, changes in FHLBank advances, changes in short-term borrowings and dividend payments to stockholders.

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.

At September 30, 2018, the Company's total stockholders' equity and common stockholders' equity were $508.1 million, or 11.1% of total assets, equivalent to a book value of $35.90 per common share. At December 31, 2017, total stockholders' equity and common stockholders' equity were $471.7 million, or 10.7% of total assets, equivalent to a book value of $33.48 per common share. At September 30, 2018, the Company's tangible common equity to tangible assets ratio was 10.9%, compared to 10.5% at December 31, 2017. (See Non-GAAP Financial Measures below).

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 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 September 30, 2018, the Bank's common equity Tier 1 capital ratio was 12.6%, its Tier 1 capital ratio was 12.6%, its total capital ratio was 13.5% and its Tier 1 leverage ratio was 12.4%. As a result, as of September 30, 2018, the Bank was well capitalized, with capital ratios in excess of those required to qualify as such.

On December 31, 2017, the Bank's common equity Tier 1 capital ratio was 12.3%, its Tier 1 capital ratio was 12.3%, its total capital ratio was 13.2% and its Tier 1 leverage ratio was 11.7%. As a result, as of December 31, 2017, the Bank was well capitalized, with capital ratios in excess of those required to qualify as such.

The FRB has established capital regulations for bank holding companies that generally parallel the capital regulations for banks. On September 30, 2018, the Company's common equity Tier 1 capital ratio was 11.3%, its Tier 1 capital ratio was 11.8%, its total capital ratio was 14.4% and its Tier 1 leverage ratio was 11.6%. 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 September 30, 2018, the Company was considered well capitalized, with capital ratios in excess of those required to qualify as such. On December 31, 2017, the Company's common equity Tier 1 capital ratio was 10.9%, its Tier 1 capital ratio was 11.4%, its total capital ratio was 14.1% and its Tier 1 leverage ratio was 10.9%. As of December 31, 2017, the Company was considered well capitalized, with capital ratios in excess of those required to qualify as such.

In addition to the minimum common equity Tier 1 capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio, the Company and the Bank have to maintain a capital conservation buffer consisting of additional common equity Tier 1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, repurchasing shares, and paying discretionary bonuses. This capital conservation buffer requirement began phasing in beginning on January 1, 2016 when a buffer greater than 0.625% of risk-weighted assets was required, which amount increased by an additional 0.625% as of January 1, 2017 and 2018, and will continue to increase an equal amount each year until the buffer requirement of greater than 2.5% of risk-weighted assets is fully implemented on January 1, 2019.

For additional information, see "Item 1. Business--Government Supervision and Regulation-Capital" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Dividends. During the three months ended September 30, 2018, the Company declared a common stock cash dividend of $0.32 per share, or 20% of net income per diluted common share for that three month period, and paid a common stock cash dividend of $0.28 per share (which was declared in June 2018). During the three months ended September 30, 2017, the Company declared a common stock cash dividend of $0.24 per share, or 29% of net income per diluted common share for that three month period, and paid a common stock cash dividend of $0.24 per share (which was declared in June 2017). During the nine months ended September 30, 2018, the Company declared common stock cash dividends totaling $0.88 per share, or 25% of net income per diluted common share for that nine month period, and paid common stock cash dividends totaling $0.80 per share. During the nine months ended September 30, 2017, the Company declared common stock cash dividends totaling $0.70 per share, or 25% of net income per diluted common share for that nine month period, and paid common stock cash dividends totaling $0.68 per share. The Board of Directors meets regularly to consider the level and the timing of dividend payments. The $0.32 per share dividend declared but unpaid as of September 30, 2018, was paid to stockholders in October 2018.

Common Stock Repurchases and Issuances. The Company has been in various buy-back programs since May 1990. During the three and nine month periods ended September 30, 2018 and 2017, respectively, the Company did not repurchase any shares of its common stock. During the three months ended September 30, 2018, the Company issued 19,467 shares of stock at an average price of $25.38 per share to cover stock option exercises. During the three months ended September 30, 2017, the Company issued 10,257 shares of stock at an average price of $24.59 per share to cover stock option exercises. During the nine months ended September 30, 2018, the Company issued 65,757 shares of stock at an average price of $25.38 per share to cover stock option exercises. During the nine months ended September 30, 2017, the Company issued 76,524 shares of stock at an average price of $26.54 per share to cover stock option exercises.

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

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

Non-GAAP Financial Measures

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

In calculating the ratio of tangible common equity to tangible assets, we subtract period-end intangible assets from common equity and from total assets. Management believes that the presentation of 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.

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

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

	September 30, 2018	December 31, 2017
	(Dollars in Thousands)	
Common equity at period end	$508,127	$471,662
Less: Intangible assets at period end	9,613	10,850
Tangible common equity at period end (a)	$498,514	$460,812
Total assets at period end	$4,584,086	$4,414,521
Less: Intangible assets at period end	9,613	10,850
Tangible assets at period end (b)	$4,574,473	$4,403,671
Tangible common equity to tangible assets (a) / (b)	10.90 %	10.46 %

74

ITEM 3. 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 September 30, 2018, Great Southern's interest rate risk models indicate that, generally, rising interest rates are expected to have a positive impact on the Company's net interest income, while declining interest rates would have a negative impact on net interest income. We model various interest rate scenarios for rising and falling rates, including both parallel and non-parallel shifts in rates. The results of our modeling indicate that net interest income is not likely to be materially affected either positively or negatively in the first twelve months following a rate change, regardless of any changes in interest rates, because our portfolios are relatively well matched in a twelve-month horizon. The effects of interest rate changes, if any, are expected to be more impacting to net interest income in the 12 to 36 months following a rate change.

The current level and shape of the interest rate yield curve poses challenges for interest rate risk management. Prior to its increase of 0.25% on December 16, 2015, the FRB had last changed interest rates on December 16, 2008. This was

the first rate increase since June 29, 2006. The FRB has now also implemented rate increases of 0.25% on seven different occasions beginning December 14, 2016, with the Federal Funds rate now at 2.25%. A substantial portion of Great Southern's loan portfolio ($1.39 billion at September 30, 2018) is tied to the one-month or three-month LIBOR index and will be subject to adjustment at least once within 90 days after September 30, 2018. Of these loans, $1.21 billion as of September 30, 2018 had interest rate floors. Great Southern also has a significant portfolio of loans ($283 million at September 30, 2018) which are tied to a "prime rate" of interest and will adjust immediately with changes to the "prime rate" of interest.

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

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

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

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

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

In the normal course of business, the Company may use derivative financial instruments (primarily interest rate swaps) from time to time to assist in its interest rate risk management. In 2011, the Company began executing interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. Because the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair

value of both the customer swaps and the offsetting swaps are recognized directly in earnings. These interest rate derivatives result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

In 2013, the Company entered into an interest rate cap agreement related to its floating rate debt associated with its trust preferred securities. The agreement provided that the counterparty would reimburse the Company if interest rates rise above a certain threshold, thus creating a cap on the effective interest rate paid by the Company. This agreement was classified as a hedging instrument, and the effective portion of the gain or loss on the derivative was

reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The interest rate cap related to the $25.0 million trust preferred security terminated per its contractual terms in the third quarter of 2017.

For further information on derivatives and hedging activities, see Note 15 of the Notes to Consolidated Financial Statements contained in this report.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures (as defined in Rule 13(a)-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that is designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate. An evaluation of our disclosure controls and procedures was carried out as of September 30, 2018, under the supervision and with the participation of our principal executive officer, principal financial officer and several other members of our senior management. Our principal executive officer and principal financial officer concluded that, as of September 30, 2018, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the principal executive officer and principal financial officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting (as defined in Rule 13(a)-15(f) under the Act) that occurred during the quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our internal control over financial reporting will prevent all errors and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company and its subsidiaries are subject to pending and threatened legal actions, some of which seek substantial relief or damages. While the ultimate outcome of such legal proceedings cannot be predicted with certainty, after reviewing pending and threatened litigation with counsel, management believes at this

time that, except as noted below, the outcome of such litigation will not have a material adverse effect on the Company's business, financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

As indicated below, no shares were purchased during the three months ended September 30, 2018.

	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan(1)
July 1, 2018 – July 31, 2018	--	$ --	--	500,000
August 1, 2018 – August 31, 2018	--	--	--	500,000
September 1, 2018 – September 30, 2018	--	--	--	500,000
	--	$ --	--	

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.		Description
(2)		Plan of acquisition, reorganization, arrangement, liquidation, or succession
	(i)	The Purchase and Assumption Agreement, dated as of March 20, 2009, among Federal Deposit Insurance Corporation, Receiver of TeamBank, N.A., Paola, Kansas, Federal Deposit Insurance Corporation and Great Southern Bank, previously filed with the Commission (File no. 000-18082) as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on March 26, 2009 is incorporated herein by reference as Exhibit 2.1(i).
	(ii)	The Purchase and Assumption Agreement, dated as of September 4, 2009, among Federal Deposit Insurance Corporation, Receiver of Vantus Bank, Sioux City, Iowa, Federal Deposit Insurance Corporation and Great Southern Bank, previously filed with the Commission (File no. 000-18082) as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on September 11, 2009 is incorporated herein by reference as Exhibit 2.1(ii).
	(iii)	The Purchase and Assumption Agreement, dated as of October 7, 2011, among Federal Deposit Insurance Corporation, Receiver of Sun Security Bank, Ellington, Missouri, Federal Deposit Insurance Corporation and Great Southern Bank, previously filed with the Commission (File no. 000-18082) as Exhibit 2.1(iii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 is incorporated herein by reference as Exhibit 2(iii).
	(iv)	The Purchase and Assumption Agreement, dated as of April 27, 2012, among Federal Deposit Insurance Corporation, Receiver of Inter Savings Bank, FSB, Maple Grove, Minnesota, Federal Deposit Insurance Corporation and Great Southern Bank, previously filed with the Commission (File no. 000-18082) as Exhibit 2.1(iv) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 is incorporated herein by reference as Exhibit 2(iv).
	(v)	The Purchase and Assumption Agreement All Deposits, dated as of June 20, 2014, among Federal Deposit Insurance Corporation, Receiver of Valley Bank, Moline, Illinois, Federal Deposit Insurance Corporation and Great Southern Bank, previously filed with the Commission (File no. 000-18082) as Exhibit 2.1(v) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 is incorporated herein by reference as Exhibit 2(v).
(3)		Articles of incorporation and Bylaws
	(i)	The Registrant's Charter previously filed with the Commission as Appendix D to the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 31, 2004 (File No. 000-18082), is incorporated herein by reference as Exhibit 3.1.
	(iA)	The Articles Supplementary to the Registrant's Charter setting forth the terms of the Registrant's Senior Non-Cumulative Perpetual Preferred Stock, Series A, previously filed with the Commission (File no. 000-18082) as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 18, 2011, are incorporated herein by reference as Exhibit 3(i).
	(ii)	

The Registrant's Bylaws, previously filed with the Commission (File no. 000-18082) as Exhibit 3(ii) to the Registrant's Current Report on Form 8-K filed on October 19, 2007, is incorporated herein by reference as Exhibit 3.2.

(4) Instruments defining the rights of security holders, including indentures

The Company hereby agrees to furnish the SEC upon request, copies of the instruments defining the rights of the holders of each issue of the Registrant's long-term debt.

(9) Voting trust agreement

Inapplicable.

(10) Material contracts

The Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission (File No. 000-18082) as Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 14, 2003, is incorporated herein by reference as Exhibit 10.2.

The employment agreement dated September 18, 2002 between the Registrant and William V. Turner previously filed with the Commission (File no.

000-18082) as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, is incorporated herein by reference as Exhibit 10.3.

The employment agreement dated September 18, 2002 between the Registrant and Joseph W. Turner previously filed with the Commission (File no. 000-18082) as Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, is incorporated herein by reference as Exhibit 10.4.

The form of incentive stock option agreement under the

Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File no. 000-18082) filed on February 24, 2005 is incorporated herein by reference as Exhibit 10.5.

The form of non-qualified stock option agreement under the Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File no. 000-18082) filed on February 24, 2005 is incorporated herein by reference as

Exhibit 10.6.

A description of the current salary and bonus arrangements for 2018 for the Registrant's executive officers previously filed with the Commission as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 is incorporated herein by reference as Exhibit 10.7.

A description of the current fee arrangements for the Registrant's directors previously filed with the Commission as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 is incorporated

herein by reference as Exhibit 10.8.

Small Business Lending Fund – Securities Purchase Agreement, dated August 18, 2011, between the Registrant and the Secretary of the United States Department of the Treasury, previously filed with the Commission as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 18, 2011, is incorporated herein by reference as Exhibit 10.9.

The Registrant's 2013 Equity Incentive Plan previously filed with the Commission (File No. 000-18082) as Annex A to the Registrant's

Definitive Proxy Statement on Schedule 14A filed on April 4, 2013, is incorporated herein by reference as Exhibit 10.10.

The form of incentive stock option award agreement under the Registrant's 2013 Equity Incentive Plan previously filed with the Commission as Exhibit 10.2 to the Registrant's Registration Statement on Form S-8 (File no. 333-189497) filed on June 20, 2013 is incorporated herein by reference as Exhibit 10.11.

The form of non-qualified stock option award agreement under the Registrant's 2013 Equity Incentive Plan previously filed with the

Commission as Exhibit 10.3 to the Registrant's Registration Statement on Form S-8 (File no. 333-189497) filed on June 20, 2013 is incorporated herein by reference as Exhibit 10.12.

The form of stock appreciation right award agreement under the Registrant's 2013 Equity Incentive Plan previously filed with the Commission as Exhibit 10.4 to the Registrant's Registration Statement on Form S-8 (File no. 333-189497) filed on June 20, 2013 is incorporated herein by reference as Exhibit 10.13.

The form of restricted stock award agreement under the Registrant's 2013 Equity

Incentive Plan previously filed with the Commission as Exhibit 10.5 to the Registrant's Registration Statement on Form S-8 (File no. 333-189497) filed on June 20, 2013 is incorporated herein by reference as Exhibit 10.14.

The Registrant's 2018 Omnibus Incentive Plan previously filed with the Commission (File No. 000-18082) as Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 27, 2018, is incorporated herein by reference as Exhibit 10.15.

The form of incentive stock option award agreement under the Registrant's 2018 Omnibus Incentive Plan previously filed with the Commission as Exhibit 10.2 to the Registrant's Registration Statement on Form S-8 (File no. 333-225665) filed on June 15, 2018 is incorporated herein by reference as Exhibit 10.16.

The form of non-qualified stock option award agreement under the

	Registrant's 2018 Omnibus Incentive Plan previously filed with the Commission as Exhibit 10.3 to the Registrant's Registration Statement on Form S-8 (File no. 333-225665) filed on June 15, 2018 is incorporated herein by reference as Exhibit 10.17.
(11)	Statement re computation of per share earnings
	Included in Note 4 to the Consolidated Financial Statements.
(15)	Letter re unaudited interim financial information
	Inapplicable.
(18)	Letter re change in accounting principles
	Inapplicable.
(19)	Report furnished to securityholders.
	Inapplicable.
(22)	Published report regarding matters

	submitted to vote of security holders
	Inapplicable.
(23)	Consents of experts and counsel
	Inapplicable.
(24)	Power of attorney
	None.
(31.1)	Rule 13a-14(a) Certification of Chief Executive Officer
	Attached as Exhibit 31.1
(31.2)	Rule 13a-14(a) Certification of Treasurer
	Attached as Exhibit 31.2
(32)	Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
	Attached as Exhibit 32
(99)	Additional Exhibits
	None.
(101)	Attached as Exhibit 101 are the following

financial statements from the Great Southern Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in Extensive Business Reporting Language (XBRL): (i) consolidated statements of financial condition, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of cash flows and (v) notes to consolidated financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Great Southern Bancorp, Inc.
Registrant

Date: November 5, 2018 /s/ Joseph W. Turner
Joseph W. Turner
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2018 /s/ Rex A. Copeland
Rex A. Copeland
Treasurer
(Principal Financial and Accounting Officer)