GREAT SOUTHERN BANCORP INC
Form 10-K
March 24, 2010

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

FORM 10-K

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

For the fiscal year ended December 31, 2009

Commission File Number 0-18082

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

Maryland	43-1524856
(State of Incorporation)	(IRS 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

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

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

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

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

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

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

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on June 30, 2009, computed by reference to the closing price of such shares on that date, was $206,701,106. At March 22, 2010, 13,425,250 shares of the Registrant's common stock were outstanding.

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PART I

ITEM 1. BUSINESS.

THE COMPANY

Great Southern Bancorp, Inc.

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

As a Maryland corporation, the Company is authorized to engage in any activity that is permitted by the Maryland General Corporation Law and is not prohibited by law or regulatory policy. The Company currently conducts its business as a financial holding company. Through the financial holding company structure, it is possible to expand the size and scope of the financial services offered by the Company beyond those offered by the Bank. The financial holding company structure provides the Company with greater flexibility than the Bank has to diversify its business activities, through existing or newly formed subsidiaries, or through acquisitions or mergers of other financial institutions as well as other companies. At December 31, 2009, Bancorp's consolidated assets were $3.64 billion, consolidated net loans were $2.08 billion, consolidated deposits were $2.71 billion and consolidated total stockholders' equity was $299 million. The assets of the Company consist primarily of the stock of Great Southern, available-for-sale securities, minority interests in a local trust company and a merchant banking company and cash.

Through the Bank and subsidiaries of the Bank, the Company offers insurance, travel, investment and related services, which are discussed further below. The activities of the Company are funded by retained earnings and through dividends from Great Southern. Activities of the Company may also be funded through borrowings from third parties, sales of additional securities or through income generated by other activities of the Company. The Company expects to finance its future activities in a similar manner.

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

Great Southern Bank

Great Southern was formed as a Missouri-chartered mutual savings and loan association in 1923, and, in 1989, converted to a Missouri-chartered stock savings and loan association. In 1994, Great Southern changed to a federal savings bank charter and then, on June 30, 1998, changed to a Missouri-chartered trust company (the equivalent of a commercial bank charter). Headquartered in Springfield, Missouri, Great Southern offers a broad range of banking services through its 72 banking centers located in southwestern and central Missouri, the Kansas City, Missouri area, the St. Louis, Missouri area, eastern Kansas, eastern Nebraska and western and central Iowa. At December 31, 2009, the Bank had total assets of $3.64 billion, net loans of $2.08 billion, deposits of $2.76 billion and stockholders' equity of $285 million, or 7.8% of total assets. Its deposits are insured by the Deposit Insurance Fund ("DIF") to the maximum levels permitted by the Federal Deposit Insurance Corporation ("FDIC").

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

For many years, Great Southern has followed a strategy of emphasizing quality loan origination through residential, commercial and consumer lending activities in its market areas. The goal of this strategy has been to maintain its position as one of the leading providers of financial services in its market area, while simultaneously

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diversifying assets and reducing interest rate risk by originating and holding adjustable-rate loans in its portfolio and selling fixed-rate single-family mortgage loans in the secondary market. The Bank continues to place primary emphasis on residential mortgage and other real estate lending while also expanding and increasing its originations of commercial business and consumer loans.

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

Forward-Looking Statements

When used in this Form 10-K and in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result" "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, (i) expected cost savings, synergies and other benefits from the Company’s merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (ii) changes in economic conditions, either nationally or in the Company’s market areas; (iii) fluctuations in interest rates; (iv) the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; (v) the possibility of other-than-temporary impairments of securities held in the Company’s securities portfolio; (vi) the Company’s ability to access cost-effective funding; (vii) fluctuations in real estate values and both residential and commercial real estate market conditions; (viii) demand for loans and deposits in the Company’s market areas; (ix) legislative or regulatory changes that adversely affect the Company’s business; (x) monetary and fiscal policies of the Federal Reserve Board and the U.S. Government and other governmental initiatives affecting the financial services industry; (xi) results of examinations of the Company and Great Southern by their regulators, including the possibility that the regulators may, among other things, require the Company to increase its allowance for loan losses or to write-down assets; (xii) the uncertainties arising from the Company’s participation in the TARP Capital Purchase Program, including impacts on employee recruitment and retention and other business and practices, and uncertainties concerning the potential redemption by us of the U.S. Treasury’s preferred stock investment under the program, including the timing of, regulatory approvals for, and conditions placed upon, any such redemption; (xiii) costs and effects of litigation, including settlements and judgments; and (xiv) competition. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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

Internet Website

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

Market Areas

Until 2009, Great Southern's primary market area encompassed 16 counties in southwestern, western and central Missouri. In 2009, the Company increased its banking center network from 39 to 72 full-service banking centers serving more than 148,000 customer households in four states. The Company accomplished this primarily

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through two FDIC-assisted transactions which significantly expanded its geographic footprint and customer base in Iowa, Kansas and Nebraska. In addition to the FDIC-assisted transactions, two de novo banking centers were opened in 2009. The Company opened its first retail banking center in the St. Louis metropolitan area, complementing its loan production office and travel agency already serving this market area. A second banking center in Lee's Summit, Mo., a suburb of the Kansas City metropolitan area, was opened providing added convenience for customers in this market.

Great Southern's largest concentration of loans and deposits is in the Springfield, Mo., area. The Company's growth in 2009 provided greater diversification of its loan and deposit portfolios with additional concentrations in the Kansas City and St. Louis metropolitan markets, the Branson, Mo., area, and the Sioux City and Des Moines, Iowa, markets. Loans and deposits are also generated in banking centers in rural markets in Missouri, Iowa, Kansas and Nebraska. In addition, the Company operates a loan production office in Rogers, Ark., which serves the Northwest Arkansas region.

As of December 31, 2009, the Company's total loan portfolio balance, excluding loans covered by FDIC loss sharing agreements, was $1.7 billion. Geographically, the loan portfolio consists of loans collateralized by property (real estate and other assets) located in the following regions (including loan balance and percentage of total loans): Springfield ($511 million, 30%); St. Louis ($238 million, 14%); Branson ($205 million, 12%); Northwest Arkansas ($150 million, 9%); Kansas City ($103 million, 6%); other Missouri regions ($138 million, 8%), and other states ($363 million, 21%). The Company's balance of its portfolio of loans covered by FDIC loss sharing agreements was $619 million as of December 31, 2009. The FDIC loss sharing agreements, which were a part of the two FDIC-assisted transactions completed in 2009, provide the Company significant protection against losses on the loans in this portfolio. Geographically, the total loan portfolio covered by FDIC loss sharing agreements consists of loans collateralized by pr(real estate and other assets) located in the following regions (including loan balance and percentage of total loans): Iowa ($227 million, 37%); Kansas City ($167 million, 27%); Kansas ($32 million, 5%); other Missouri regions ($34 million, 5%), and other regions ($159 million, 26%).

According to the January 2010 Federal Reserve Beige Book, general market economic conditions continued to be challenging in the Company's geographic footprint. Loan demand remained weak with some continued credit quality deterioration in most of the markets. Home sales picked up somewhat with sales of lower-priced homes increasing proportionately more than sales of higher-priced homes, due at least in part to the first-time buyer federal tax credit. Commercial real estate markets remained relatively weak. Unemployment in each of Great Southern's market areas was below the national unemployment rate, except for the St. Louis metropolitan statistical area, which was slightly above the national rate.

Lending Activities

General

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

In addition to origination of these loans, the Bank has expanded and enlarged its relationships with smaller banks to purchase participations (at par, generally with no servicing costs) in loans the smaller banks originate but are unable to retain in their portfolios due to capital limitations. The Bank uses the same underwriting guidelines in evaluating these participations as it does in its direct loan originations. At December 31, 2009, the balance of participation loans purchased and held in portfolio, excluding those covered by loss sharing agreements, was $25.7 million, or 1.5% of the total loan portfolio. None of these participation loans were non-performing at December 31, 2009.

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

Another principal lending activity of Great Southern is the origination of commercial real estate and commercial construction loans. Since the early 1990s, this area of lending has been an increasing percentage of the loan portfolio and accounted for approximately 38% of the combined portfolio, excluding those commercial real estate and commercial construction loans covered by loss sharing agreements, at December 31, 2009. For the portfolio of loans covered by loss sharing agreements, commercial real estate and commercial construction loans accounted for approximately 10% of the combined portfolio at December 31, 2009.

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

The percentage of collateral value Great Southern will loan on real estate and other property varies based on factors including, but not limited to, the type of property and its location and the borrower's credit history. As a general rule, Great Southern will loan up to 95% of the appraised value on single-family properties and up to 90% on two- to four-family residential property. Typically, private mortgage insurance is required for loan amounts above the 80% level. For commercial real estate and other residential real property loans, Great Southern may loan up to a maximum of 85% of the appraised value. The origination of loans secured by other property is considered and determined on an individual basis by management with the assistance of any industry guides and other information which may be available.

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

Although Great Southern is permitted under applicable regulations to originate or purchase loans and loan participations secured by real estate located in any part of the United States, the Bank has concentrated its lending efforts in Missouri and Northern Arkansas, with the largest concentration of its lending activity being in southwestern and central Missouri. As a result of the acquisitions in 2009, the Bank has significant lending activity in Iowa, Kansas and Nebraska, as well. In addition, the Bank has made loans, secured primarily by commercial real estate, in other states, primarily Oklahoma, Texas, Colorado and Minnesota.

Acquired Loans and Loss Sharing Agreements

TeamBank

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

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

The Bank recorded a preliminary one-time gain of $27.8 million (pre-tax) based upon the initial estimated fair value of the assets acquired and liabilities assumed in accordance with FASB ASC 805 (SFAS No. 141 (R), Business Combinations). FASB ASC 805 allows a measurement period of up to one year to adjust initial fair value estimates as of the acquisition date. Subsequent to the initial fair value estimate calculations in the first quarter of 2009, additional information was obtained about the fair value of assets acquired and liabilities assumed as of March 20, 2009, which resulted in adjustments to the initial fair value estimates. Most significantly, additional information was obtained on the credit quality of certain loans as of the acquisition date which resulted in increased fair value estimates of the acquired loan pools. The fair values of these loan pools were adjusted and the provisional fair values finalized. These adjustments resulted in a $16.1 million increase to the initial one-time gain of $27.8 million. Thus, the final gain was $43.9 million related to the fair value of the acquired assets and assumed liabilities. This gain was included in Non-Interest Income in the Company's Consolidated Statement of Operations for the year ended December 31, 2009.

The Bank originally recorded the fair value of the acquired loans at their preliminary fair value of $222.8 million and the related FDIC indemnification asset was originally recorded at its preliminary fair value of $153.6 million. As discussed above, these initial fair values were adjusted during the measurement period, resulting in a final fair value at the acquisition date of $264.4 million for acquired loans and $128.3 million for the FDIC indemnification asset. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during 2009 since acquisition was $966,000. No reclassifications were made in 2009 from nonaccretable discount to accretable discount.

In addition to the loan and FDIC indemnification assets noted above, the acquisition consisted of assets with a fair value of approximately $628.2 million, including $111.8 million of investment securities, $83.4 million of cash and cash equivalents, $2.9 million of foreclosed assets and $3.9 million of FHLB stock. Liabilities with a fair value of $610.2 million were also assumed, including $515.7 million of deposits, $80.9 million of FHLB advances and $2.3 million of repurchase agreements with a commercial bank. A customer-related core deposit intangible asset of $2.9 million was also recorded. In addition to the excess of liabilities over assets, the Bank received approximately $42.4 million in cash from the FDIC and entered into a loss sharing agreement with the FDIC.

Vantus Bank

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

The loans, commitments and foreclosed assets purchased in the Vantus Bank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank which affords the Bank significant protection. Under the loss sharing agreement, the Bank will share in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $102.0 million, the FDIC has agreed to reimburse the Bank for 80% of the losses. On losses exceeding $102.0 million, the FDIC has agreed to reimburse the Bank for 95% of the losses. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by Great Southern. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value of $62.2 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. The transaction resulted in an initial preliminary gain of $45.9 million, which was included in Non-Interest Income in the Company's Consolidated Statement of Operations for the year ended December 31, 2009. The Company continues to analyze its estimates of the fair values of the loans acquired and the indemnification asset recorded. The Company has not yet finalized its analysis of these assets and, therefore, adjustments to the recorded carrying values may occur.

The acquisition consisted of assets with a fair value of approximately $294.2 million, including $247.0 million of loans, $23.1 million of investment securities, $12.8 million of cash and cash equivalents, $2.2 million of foreclosed assets and $5.9 million of FHLB stock. Liabilities with a fair value of $444.0 million were also assumed, including $352.7 million of deposits, $74.6 million of FHLB advances, $10.0 million of borrowings from the Federal Reserve Bank and $3.2 million of repurchase agreements with a commercial bank. A customer-related core deposit intangible asset of $2.2 million was also recorded. In addition to the excess of liabilities over assets, the Bank received approximately $131.3 million in cash from the FDIC and entered into a loss sharing agreement with the FDIC.

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

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Method of Accounting for Loans Acquired in a Business Combination

FASB ASC 310-30 (AICPA Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer), applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. ASC 310-30 must be applied to all loans which meet its specific criteria and prohibits carrying over or creating an allowance for loan losses upon initial recognition.

For loans acquired through a business combination that do not meet the specific criteria of ASC 310-30, there is an issue as to the method of recognition of the discount accretion for these loans receivable that:

- were acquired in a business combination or asset purchase;
- resulted in recognition of a discount attributable, at least in part, to credit quality; and
- were not subsequently accounted for at fair value.

The discount relating to such acquired loans must be accounted for subsequently through accretion. One accounting policy method of recognizing this discount accretion is based on the acquired loans' contractual cash flow, as described in the guidance for accounting for loan origination fees and costs that is included in FASB ASC 310-20 (FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases). This method would accrete to income the entire discount recorded on the acquired loans over the life of the loans, regardless of whether the discount is attributable, at least in part, to credit quality.

A second accounting policy method of recognizing this discount accretion is based on the acquired loans' expected cash flow, as described in the guidance for accounting for loans acquired in a transfer that have deteriorated in credit quality since origination that is included in FASB ASC 310-30. Applying the guidance in FASB 310-30 for interest income would result in recognition of the difference between the initial recorded investment and the loans' expected principal and interest cash flows using the interest method. This application would not accrete to income the portion of the discount that is attributable to credit quality. The Company has used this accounting method to account for loans acquired through a business combination that do not meet the specific criteria of ASC 310-30.

It is our understanding that representatives from the AICPA and the Accounting Standards Executive Committee have reviewed this practice issue with representatives of the Securities and Exchange Commission (SEC) to determine the appropriate accounting method(s). It is our further understanding that, in the absence of further standard setting, for acquired loans that do not meet the specific criteria of FASB ASC 310-30 the SEC would not object to an accounting policy based on contractual cash flows or an accounting policy based on expected cash flows, as long as that policy is applied consistently.

Loan Portfolio Composition

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

During the year ended December 31, 2009, the Bank acquired loans through two FDIC-assisted transactions involving TeamBank, N.A., a full service commercial bank headquartered in Paola, Kansas, and Vantus Bank, a full service thrift headquartered in Sioux City, Iowa. The loans acquired are covered by loss sharing agreements between the FDIC and the Bank which afford the Bank significant protection from potential principal losses. Because of these loss sharing agreements, the composition of former TeamBank and Vantus Bank loans is shown below in tables separate from the legacy Great Southern portfolio. These loans were initially recorded at their fair value at the acquisition date and are recorded by the Company at their discounted value.

Legacy Great Southern Loan Portfolio Composition:

	December 31,									
	2009		2008		2007		2006		2005	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Real Estate Loans:										
Residential										
One- to four-family	$ 248,892	14.1%	$ 226,796	12.4%	$ 191,970	9.1%	$ 176,630	9.1%	$ 173,135	9
Other residential (multi-family)	185,757	10.5	127,122	7.0	87,177	4.1	73,366	3.8	105,845	6
Commercial and industrial revenue bonds	633,373	35.9	536,963	29.4	532,797	25.3	529,046	27.4	553,195	31
Residential Construction:										
One- to four-family	147,367	8.3	230,862	12.6	318,131	15.1	347,287	18.0	246,912	13
Other residential	22,012	1.3	64,903	3.6	83,720	4.0	69,077	3.6	72,262	4
Commercial construction	187,663	10.7	309,200	16.9	517,208	24.6	443,286	22.9	382,651	21
Total real estate loans	1,425,064	80.8	1,495,846	81.9	1,731,003	82.2	1,638,692	84.8	1,534,000	86
Other Loans:										
Consumer loans:										
	10,808	.6	7,066	.4	3,342	.2	3,592	.2	3,345	

Guaranteed student loans										
Automobile, boat, etc.	126,227	7.2	132,344	7.2	112,984	5.4	96,242	5.0	84,092	4
Home equity and improvement	47,954	2.7	50,672	2.8	44,287	2.1	42,824	2.2	48,992	2
Other	1,330	.1	1,315	.1	4,161	.2	2,152	.1	1,371	
Total consumer loans	186,319	10.6	191,397	10.5	164,774	7.9	144,810	7.5	137,800	7
Other commercial loans	151,278	8.6	139,592	7.6	207,059	9.9	149,593	7.7	102,034	5
Total other loans	337,597	19.2	330,989	18.1	371,833	17.8	294,403	15.2	239,834	13
Total loans	1,762,661	100.0%	1,826,835	100.0%	2,102,836	100.0%	1,933,095	100.0%	1,773,834	100
Less:										
Loans in process	54,729		73,855		254,562		229,794		233,213	
Deferred fees and discounts	2,161		2,126		2,704		2,425		1,902	
Allowance for loan losses	40,101		29,163		25,459		26,258		24,549	
Total loans receivable, net	$ 1,665,670		$ 1,721,691		$ 1,820,111		$ 1,674,618		$ 1,514,170	

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Former TeamBank, N.A. Loan Portfolio Composition:

	December 31, 2009		
	Amount	%	
	(Dollars in thousands)		
Real Estate Loans:			
Residential			
One- to four- family	$ 35,146	17.6	%
Other residential (multi-family)	7,992	4.0	
Commercial and industrial revenue bonds	93,942	47.0	
Construction	32,043	16.1	
Total real estate loans	169,123	84.7	
Other Loans:			
Consumer loans:			
Home equity and improvement	6,511	3.2	
Other	2,521	1.3	
Total consumer loans	9,032	4.5	
Other commercial loans	21,619	10.8	
Total other loans	30,651	15.3	
Total loans	$ 199,774	100.0	%

Former Vantus Bank Loan Portfolio Composition:

	December 31, 2009		
	Amount	%	
	(Dollars in thousands)		
Real Estate Loans:			
Residential			
One- to four- family	$ 64,430	28.5	%
Other residential (multi-family)	19,241	8.5	
Commercial and industrial revenue bonds	71,963	31.9	
Construction	10,550	4.7	
Total real estate loans	166,184	73.6	
Other Loans:			
Consumer loans:			
Guaranteed student loans	1,063	0.5	
Home equity and improvement	9,353	4.1	
Other	35,030	15.5	
Total consumer loans	45,446	20.1	

Other commercial loans	14,320	6.3
Total other loans	59,766	26.4
Total loans	$ 225,950	100.0 %

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

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

	December 31,									
	2009		2008		2007		2006		2005	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	$ 92,164	5.2%	$ 71,990	3.9%	$ 48,790	2.3%	$ 33,378	1.7%	$ 22,269	
Other residential	79,152	4.5	44,436	2.4	34,798	1.7	31,575	1.6	38,473	
Commercial	211,862	12.0	185,631	10.2	158,223	7.5	117,701	6.1	130,316	
Residential construction:										
One- to four- family	26,547	1.5	22,054	1.2	17,872	.8	9,740	.5	18,224	
Other residential	2,693	0.2	7,977	.5	4,040	.2	10,946	.6	16,166	
Commercial construction	29,941	1.7	22,897	1.3	12,483	.6	8,495	.4	13,980	
Total real estate loans	442,359	25.1	354,985	19.5	276,206	13.1	211,835	10.9	239,428	1
Consumer loans	139,812	7.9	142,848	7.8	123,232	5.9	104,789	5.4	91,639	
Other commercial loans	43,271	2.5	27,653	1.5	33,903	1.6	26,173	1.4	20,374	
Total fixed-rate loans	625,442	35.5	525,486	28.8	433,341	20.6	342,797	17.7	351,441	1
Adjustable-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	156,728	8.9	154,806	8.5	143,180	6.8	143,252	7.4	150,866	
Other residential	106,605	6.1	82,686	4.6	52,379	2.5	41,791	2.2	67,372	

Commercial	421,511	23.9	351,332	19.2	374,574	17.8	411,346	21.3	422,879	2
Residential construction:										
One- to four-family	121,312	6.9	208,808	11.4	300,259	14.3	337,547	17.4	228,688	1
Other residential	19,319	1.1	56,926	3.1	79,680	3.8	58,131	3.0	56,096	
Commercial construction	157,229	8.9	286,303	15.6	504,725	24.0	434,791	22.5	368,671	2
Total real estate loans	982,704	55.8	1,140,861	62.4	1,454,797	69.2	1,426,858	73.8	1,294,572	7
Consumer loans	46,508	2.6	48,549	2.7	41,542	2.0	40,020	2.1	46,161	
Other commercial loans	108,007	6.1	111,939	6.1	173,156	8.2	123,420	6.4	81,660	
Total adjustable-rate loans	1,137,219	64.5	1,301,349	71.2	1,669,495	79.4	1,590,298	82.3	1,422,393	8
Total loans	1,762,661	100.0%	1,826,835	100.0%	2,102,836	100.0%	1,933,095	100.0%	1,773,834	10
Less:										
Loans in process	54,729		73,855		254,562		229,794		233,213	
Deferred fees and discounts	2,161		2,126		2,704		2,425		1,902	
Allowance for loan losses	40,101		29,163		25,459		26,258		24,549	
Total loans receivable, net	$ 1,665,670		$ 1,721,691		$ 1,820,111		$ 1,674,618		$ 1,514,170	

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

	December 31, 2009	
	Amount	%
	(Dollars in thousands)	
Fixed-Rate Loans:		
Real Estate Loans		
Residential		
One- to four- family	$20,449	6.3 %
Other residential	5,955	1.8
Commercial	65,801	20.1
Construction	41,305	12.6
Total real estate loans	133,510	40.8
Consumer loans	2,450	0.8
Other commercial loans	16,028	4.9
Total fixed-rate loans	151,988	46.5
Adjustable-Rate Loans:		
Real Estate Loans		
Residential		
One- to four- family	23,466	7.2
Other residential	2,126	0.7
Commercial	64,414	19.7
Construction	65,615	20.1
Total real estate loans	155,621	47.7
Consumer loans	7,606	2.3
Other commercial loans	11,553	3.5
Total adjustable-rate loans	174,780	53.5
Total loans	$326,768	100.0 %

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

	December 31, 2009	
	Amount	%
	(Dollars in thousands)	
Fixed-Rate Loans:		
Real Estate Loans		
Residential		
One- to four- family	$47,653	16.4 %
Other residential	9,086	3.1
Commercial	47,845	16.4
Construction	8,658	3.0
Total real estate loans	113,242	38.9
Consumer loans	38,459	13.2
Other commercial loans	7,218	2.5
Total fixed-rate loans	158,919	54.6
Adjustable-Rate Loans:		
Real Estate Loans		
Residential		
One- to four- family	25,419	8.7
Other residential	12,568	4.3
Commercial	49,896	17.2
Construction	9,145	3.2
Total real estate loans	97,028	33.4
Consumer loans	14,950	5.1
Other commercial loans	20,039	6.9
Total adjustable-rate loans	132,017	45.4
Total loans	$290,936	100.0 %

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The following tables present the contractual maturities of loans at December 31, 2009. Amounts shown for TeamBank and Vantus Bank represent upaid principal balances, gross of fair value discounts. The tables are based on information prepared in accordance with generally accepted accounting principles.

Legacy Great Southern Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
		(Dollars in thousands)		
Real Estate Loans:				
Residential				
One- to four- family	$ 62,828	$ 51,855	$ 134,209	$ 248,892
Other residential	86,252	76,250	23,255	185,757
Commercial	265,844	267,411	100,118	633,373
Residential construction:				
One- to four- family	125,413	17,129	5,317	147,859
Other residential	18,380	939	2,693	22,012
Commercial construction	142,785	42,485	1,900	187,170
Total real estate loans	701,502	456,069	267,492	1,425,063
Other Loans:				
Consumer loans:				
Guaranteed student loans	10,808	---	---	10,808
Automobile	18,771	39,342	68,115	126,228
Home equity and improvement	3,811	15,812	28,331	47,954
Other	1,330	---	---	1,330
Total consumer loans	34,720	55,154	96,446	186,320
Other commercial loans	55,834	60,920	34,524	151,278
Total other loans	90,554	116,074	130,970	337,598
Total loans	$ 792,056	$ 572,143	$ 398,462	$ 1,762,661

As of December 31, 2009, loans due after December 31, 2010 with fixed interest rates totaled $446.9 million and loans due after December 31, 2010 with adjustable rates totaled $523.7 million.

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

	Less Than One Year	One to Five Years	After Five Years	Total
		(Dollars in thousands)		
Real Estate Loans:				
Residential				
One- to four- family	$ 25,922	$ 12,375	$ 5,618	$ 43,915
Other residential	6,529	756	796	8,081
Commercial	101,954	23,903	4,358	130,215
Construction	104,336	2,584	---	106,920
Total real estate loans	238,741	39,618	10,772	289,131
Other Loans:				
Consumer loans:				
Home equity and improvement	9	1,222	6,360	7,591
Other	555	1,885	25	2,465
Total consumer loans	564	3,107	6,385	10,056
Other commercial loans	21,956	5,571	54	27,581
Total other loans	22,520	8,678	6,439	37,637
Total loans	$ 261,261	$ 48,296	$ 17,211	$ 326,768

As of December 31, 2009, loans due after December 31, 2010 with fixed interest rates totaled $37.6 million and loans due after December 31, 2010 with adjustable rates totaled $27.9 million.

Former Vantus Bank Loan Portfolio Composition by Contractual Maturities:

	Less Than One Year	One to Five Years	After Five Years	Total
		(Dollars in thousands)		
Real Estate Loans:				
Residential				
One- to four- family	$ 2,188	$ 19,023	$ 51,861	$ 73,072
Other residential	2,666	11,323	7,665	21,654
Commercial	24,254	33,053	40,434	97,741
Construction	15,004	2,462	337	17,803
Total real estate loans	44,112	65,861	100,297	210,270
Other Loans:				
Consumer loans:				
Guaranteed student loans	1,063	---	---	1,063
Home equity and improvement	455	---	12,515	12,970
Other	1,352	8,343	29,681	39,376
Total consumer loans	2,870	8,343	42,196	53,409
Other commercial loans	13,704	8,820	4,733	27,257
Total other loans	16,574	17,163	46,929	80,666
Total loans	$ 60,686	$ 83,024	$ 147,226	$ 290,936

As of December 31, 2009, loans due after December 31, 2010 with fixed interest rates totaled $127.9 million and loans due after December 31, 2010 with adjustable rates totaled $102.4 million.

Environmental Issues

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

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

Residential Real Estate Lending

At December 31, 2009 and 2008, loans secured by residential real estate, excluding that which is under construction and excluding those covered by loss sharing agreements, totaled $435 million and $354 million, respectively, and represented approximately 20.0% and 19.4%, respectively, of the Bank's total loan portfolio. At December 31, 2009, loans secured by residential real estate and covered by loss sharing agreements totaled $127 million and represented approximately 5.8% of the Bank’s total loan portfolio. Compared to historical levels, market rates for fixed rate mortgages were low during the years ended December 31, 2003 and 2004. This caused a higher than normal level of refinancing of adjustable-rate loans into fixed-rate loans primarily during 2003 and the early portion of 2004, most of which were sold in the secondary market, and accounted for the decline in the Bank's one- to four-family residential real estate loan portfolio prior to 2004. As rates began to move up in 2004 through 2007, fewer loans were refinanced and paid off early. In addition, in some instances borrowers opted for adjustable-rate loans which the Bank generally retains in its portfolio. The Bank's one- to four-family residential real estate loan portfolio increased significantly in 2008 and 2009 as interest rates were falling and the Bank originated more adjustable-rate loans which it retained. Other residential real estate loan balances decreased in 2005 and 2006, primarily as a result of loans secured by apartments and other multi-family units being refinanced elsewhere. Other residential real estate loan balances increased somewhat in 2007 and more significantly in 2008 and 2009, as there was less competition to finance these projects by non-bank entities.

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

The Bank's portfolio of adjustable-rate mortgage loans also includes a number of loans with different adjustment periods, without limitations on periodic rate increases and rate increases over the life of the loans, or which are tied to other short-term market indices. These loans were originated prior to the industry standardization of adjustable-rate loans. Since the adjustable-rate mortgage loans currently held in the Bank's portfolio have not been subject to an interest rate environment which causes them to adjust to the maximum, these loans entail unquantifiable risks resulting from potential increased payment obligations on the borrower as a result of upward repricing. Many of these loans experienced upward interest rate adjustments in 2006 and 2007; however, the indices used by Great Southern for these types of loans decreased in 2008 and 2009. Compared to fixed-rate mortgage loans, these loans are subject to increased risk of delinquency or default as the higher, fully-indexed rate of interest subsequently comes into effect in replacement of the lower initial rate. Prior to 2008, the Bank did not experience a significant increase in delinquencies in adjustable-rate mortgage loans due to a relatively low interest rate environment and favorable economic conditions. However, in 2008 and 2009 delinquencies on mortgage loans increased.

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

Commercial Real Estate and Construction Lending

Commercial real estate lending has been a significant part of Great Southern's business activities since the mid-1980s. Great Southern does commercial real estate lending in order to increase the yield on, and the proportion of interest rate sensitive loans in, its portfolio. Given the current state of the U. S. economy and real estate markets, Great Southern expects to generally maintain the current percentage of commercial real estate loans in its total loan portfolio subject to commercial real estate and other market conditions and to applicable regulatory restrictions. Great Southern had seen its commercial real estate loan portfolio balance remain fairly constant since December 31, 2006. However, in 2009, its commercial real estate loan portfolio balance increased significantly. This was primarily the result of commercial construction projects being completed and the loans transferring to permanent status in the commercial real estate category. Great Southern has seen a significant decrease in its commercial construction loan portfolio since December 31, 2007. This trend is expected to continue in 2010. See "Government Supervision and Regulation" below.

At December 31, 2009 and 2008 loans secured by commercial real estate, excluding that which is under construction and excluding loans covered under loss sharing agreements, totaled $633 million and $537 million, respectively, or approximately 29.1% and 29.4%, respectively, of the Bank's total loan portfolio. At December 31, 2009, loans secured by commercial real estate and covered by loss sharing agreements totaled $166 million and represented approximately 7.6% of the Bank’s total loan portfolio. In addition, at December 31, 2009 and 2008, construction loans, excluding loans covered under loss sharing agreements, secured by projects under construction and the land on which the projects are located aggregated $357 million and $605 million, respectively, or 16.4% and 33.1%, respectively, of the Bank's total loan portfolio. At December 31, 2009, construction loans covered by loss sharing agreements totaled $43 million and represented approximately 2.0% of the Bank’s total loan portfolio. The majority of the Bank's commercial real estate loans have been originated with adjustable rates of interest, most of which are tied to the Bank's prime rate. Substantially all of these loans were originated with loan commitments which did not exceed 80% of the appraised value of the properties securing the loans.

The Bank's construction loans generally have a term of eighteen months or less. The construction loan agreements for one- to four-family projects generally provide that principal reductions are required as individual condominium units or single-family houses are built and sold to a third party. This insures that the remaining loan balance, as a proportion to the value of the remaining security, does not increase. Loan proceeds are disbursed in increments as construction progresses. Generally, the amount of each disbursement is based on the construction cost estimate of an independent architect, engineer or qualified fee inspector who inspects the project in connection with each disbursement request.

Normally, Great Southern's commercial real estate and other residential construction loans are made either as the initial stage of a combination loan (i.e., with a commitment from the Bank to provide permanent financing upon completion of the project) or with a commitment from a third party to provide permanent financing.

The Bank's commercial real estate, construction and other residential loan portfolios consist of loans with diverse collateral types. The following table sets forth loans that were secured by certain types of collateral at December 31, 2009, excluding loans covered by loss sharing agreements. These collateral types represent the six highest percentage concentrations of commercial real estate, construction and other residential loan types to the loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio		Non-Performing Loans at December 31, 2009
		(Dollars in thousands)		
Apartments	$156,883	8.9	%	$479
Health Care Facilities	$156,149	8.9	%	$0
Motels/Hotels	$122,359	6.9	%	$1,364
Retail (Varied Projects)	$110,565	6.3	%	$2,925
Subdivisions	$90,847	5.2	%	$2,206
Condominiums	$71,187	4.0	%	$0

The Bank's commercial real estate loans and construction loans generally involve larger principal balances than do its residential loans. In general, state banking laws restrict loans to a single borrower and related entities to no more than 25% of a bank's unimpaired capital and unimpaired surplus, plus an additional 10% if the loan is collateralized by certain readily marketable collateral. (Real estate is not included in the definition of "readily marketable collateral.") As computed on the basis of the Bank's unimpaired capital and surplus at December 31, 2009, this limit was approximately $73.5 million. See "Government Supervision and Regulation." At December 31, 2009, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2009, the Bank's largest relationship for purposes of this limit totaled $35.3 million. All loans included in this relationship were current at December 31, 2009.

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

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

Other Commercial Lending

At December 31, 2009 and 2008, respectively, Great Southern had $151 million and $140 million in other commercial loans outstanding, excluding loans covered by loss sharing agreements, or 6.9% and 7.6%, respectively, of the Bank's total loan portfolio. At December 31, 2009, other commercial loans covered by loss sharing agreements totaled $36 million and represented approximately 1.7% of the Bank’s total loan portfolio. Great Southern's other commercial lending activities encompass loans with a variety of purposes and security, including loans to finance accounts receivable, inventory and equipment.

Great Southern expects to continue to originate loans in this category subject to market conditions and applicable regulatory restrictions. See "Government Supervision and Regulation" below.

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

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

As part of its commercial lending activities, Great Southern issues letters of credit and receives fees averaging approximately 1% of the amount of the letter of credit per year. At December 31, 2009, Great Southern had 100 letters of credit outstanding in the aggregate amount of $16.2 million. Approximately 79% of the aggregate amount of these letters of credit were secured, including one $4.2 million letter of credit secured by real estate which was issued to enhance the issuance of housing revenue refunding bonds.

Consumer Lending

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

Great Southern offers a variety of secured consumer loans, including automobile loans, boat loans, home equity loans and loans secured by savings deposits. In addition, Great Southern also offers home improvement loans, guaranteed student loans and unsecured consumer loans. Consumer loans, excluding those covered by loss sharing agreements, totaled $186 million and $191 million at December 31, 2009 and 2008, respectively, or 8.6% and 10.5%, respectively, of the Bank's total loan portfolio. At December 31, 2009, consumer loans covered by loss sharing agreements totaled $54 million and represented approximately 2.5% of the Bank’s total loan portfolio.

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

Beginning in 1998, the Bank implemented indirect lending relationships, primarily with automobile dealerships. Through these dealer relationships, the dealer completes the application with the consumer and then submits it to the Bank for credit approval. While the Bank’s initial concentrated effort was on automobiles, the program has evolved for use with other tangible products where financing of the product is provided through the seller, including boats and manufactured homes. At December 31, 2009 and 2008, the Bank had $155.6 million and $129.6 million, respectively, of indirect auto, boat, modular home and recreational vehicle loans in its portfolio, excluding those loans covered by loss sharing agreements. Of this total, $31.5 million are loans which are covered by loss sharing agreements.

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Student loans are underwritten in compliance with the regulations of the U.S. Department of Education for the Federal Family Education Loan Programs ("FFELP"). The FFELP loans are administered and guaranteed by the Missouri Coordinating Board for Higher Education as long as the Bank complies with the regulations. The Bank has contracted with the Missouri Higher Education Loan Authority (the "MOHELA") to originate and service these loans and to purchase these loans during the grace period immediately prior to the loans beginning their repayment period. This repayment period generally commences at the time the student graduates or does not maintain the required hours of enrollment. An insignificant amount of student loans acquired through the Vantus Bank FDIC-assisted transaction are guaranteed by Iowa Student Loans while the majority of these acquired student loans have no government guarantee. At the September 4, 2009 acquisition date, the Company acquired $1.9 million of student loans, of which $842,000 were guaranteed by Iowa Student Loans. At December 31, 2009, the remaining balance of these student loans was $1.1 million, of which $58,000 were guaranteed.

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

Originations, Purchases, Sales and Servicing of Loans

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

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

Over the years, a number of banks, both locally and regionally, have sought to diversify the risk in their portfolios. In order to take advantage of this situation, Great Southern purchases participations in commercial real estate and commercial construction loans. Great Southern subjects these loans to its normal underwriting standards used for originated loans and rejects any credits that do not meet those guidelines. The originating bank retains the servicing of these loans. Excluding those loans acquired and covered by loss sharing agreements with the FDIC, the Bank purchased $10.4 million of these loans in the fiscal year ended December 31, 2009 and $7.4 million in the fiscal year ended December 31, 2008. Of the total $25.7 million of purchased participation loans outstanding at December 31, 2009, $9.3 million was purchased from one institution, secured by one property located in Texas. None of these loans were non-performing at December 31, 2009. At December 31, 2009, loans which were covered by loss sharing agreements with the FDIC included purchased and participation loans of $93.9 million. This represents the undiscounted balance of these loans.

There have been no whole loan purchases by the Bank in the last five years. The Bank's total loan portfolio consisted of purchased whole loans of approximately $155,000, or 0.01% for the years ended December 31, 2009 and 2008.

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

Great Southern also sells whole residential real estate loans without recourse to Freddie Mac and Fannie Mae as well as private investors, such as other banks, thrift institutions, mortgage companies and life insurance companies. Whole real estate loans are sold with a provision for repurchase upon breach of representation, warranty or covenant. These loans are generally sold for cash in amounts equal to the unpaid principal amount of the loans determined using present value yields to the buyer. The sale amounts generally produce gains to the Bank and allow a margin for servicing income on loans when the servicing is retained by the Bank. However, residential real estate loans sold in recent years have primarily been with Great Southern releasing control of the servicing of the loans.

The Bank sold one- to four-family whole real estate loans and loan participations in aggregate amounts of $191.7 million, $93.5 million and $76.2 million during fiscal 2009, 2008 and 2007, respectively. Sales of whole real estate loans and participations in real estate loans can be beneficial to the Bank since these sales generally generate income at the time of sale, produce future servicing income on loans where servicing is retained, provide funds for additional lending and other investments, and increase liquidity.

Great Southern also sells guaranteed student loans to MOHELA. These loans are sold for cash in amounts equal to the unpaid principal amount of the loans and a premium based on average borrower indebtedness. Great Southern does not underwrite these loans. Students work with their respective colleges' or universities' financial aid offices to secure these loans directly from MOHELA, with all underwriting performed by MOHELA and the financial aid offices. Periodically, MOHELA sells loans to financial institutions such as Great Southern for a short time. Great Southern then holds the loans for a short period and sells the loans back to MOHELA. This is all done without recourse unless the Bank engaged in some action that would constitute gross misconduct. As a result of the Vantus Bank FDIC-assisted transaction, an insignificant amount of guaranteed student loans are also sold to Iowa Student Loans under terms similar to those described above for student loans sold to MOHELA.

The Bank sold guaranteed student loans in aggregate amounts of $9.3 million, $0.6 million and $3.0 million during fiscal 2009, 2008 and 2007, respectively. Sales of guaranteed student loans generally can be beneficial to the Bank since these sales remove the burdensome servicing requirements of these types of loans once the borrower begins repayment.

Gains, losses and transfer fees on sales of loans and loan participations are recognized at the time of the sale. When real estate loans and loan participations sold have an average contractual interest rate that differs from the agreed upon yield to the purchaser (less the agreed upon servicing fee), resulting gains or losses are recognized in an amount equal to the present value of the differential over the estimated remaining life of the loans. Any resulting discount or premium is accreted or amortized over the same estimated life using a method approximating the level yield interest method. When real estate loans and loan participations are sold with servicing released, as the Bank primarily does, an additional fee is received for the servicing rights. Net gains and transfer fees on sales of loans for fiscal 2009, 2008 and 2007 were $2.9 million, $1.4 million and $1.0 million, respectively. Of these amounts, $80,000, $11,000 and $53,000, respectively, were gains from the sale of guaranteed student loans and $2.8 million, $1.4 million and $984,000, respectively, were gains from the sale of fixed-rate residential loans.

Although most loans currently sold by the Bank are sold with servicing released, the Bank had the servicing rights for approximately $264.8 million and $87.1 million at December 31, 2009 and 2008, respectively, of loans owned by others. The servicing of these loans generated net servicing fees to the Bank for the years ended December 31, 2009, 2008 and 2007, of $203,000, $52,000 and $50,000, respectively.

In addition to interest earned on loans and loan origination fees, the Bank receives fees for loan commitments, letters of credit, prepayments, modifications, late payments, transfers of loans due to changes of property ownership and other miscellaneous services. The fees vary from time to time, generally depending on the supply of funds and other competitive conditions in the market. Fees from prepayments, commitments, letters of credit and late payments totaled $813,000, $1.0 million and $1.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. Loan origination fees, net of related costs, are accounted for in accordance with FASB ASC 310 (SFAS No. 91 Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases). Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the level-yield method over the contractual life of the loan. For further discussion of this matter, see Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 of this Report.

Loan Delinquencies and Defaults

When a borrower fails to make a required payment on a loan, the Bank attempts to cause the delinquency to be cured by contacting the borrower. In the case of loans secured by residential real estate, a late notice is sent 15 days after the due date. If the delinquency is not cured by the 30th day, a delinquent notice is sent to the borrower.

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

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

The following table sets forth our loans delinquent 30 - 89 days by type, number, amount and percentage of type at December 31, 2009, excluding those loans covered by loss sharing agreements with the FDIC.

	Loans Delinquent for 30-89 Days		
	Number	Amount	Percent of Total Delinquent Loans
		(Dollars in thousands)	
Real Estate:			
One- to four-family	123	$ 10,579	25%
Other residential	4	7,168	17
Commercial	10	3,979	9
Construction or development	16	17,843	42
Consumer and overdrafts	818	2,753	6

Other commercial	10		551	1
Total	981	$	42,873	100%

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The following table sets forth our loans delinquent 30 - 89 days by type, number, amount (net of discounts) and percentage of type at December 31, 2009, for those loans covered by loss sharing agreements with the FDIC.

	Loans Delinquent for 30-89 Days			
	Number		Amount	Percent of Total Delinquent Loans
	(Dollars in thousands)			
Real Estate:				
One- to four-family	88	$	804	30%
Other residential	1		86	3
Commercial	11		1,116	41
Construction or development	4		454	17
Consumer and overdrafts	16		61	2
Other commercial	23		193	7
Total	143	$	2,714	100%

Classified Assets

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered to be of lesser quality as "substandard," "doubtful" or "loss" assets. The regulations require insured institutions to classify their own assets and to establish prudent specific allocations for losses from assets classified "substandard" or "doubtful." "Substandard" assets include those characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Assets classified as "doubtful," have all the weaknesses inherent in those classified as "substandard" with the added characteristics that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. For the portion of assets classified as "loss," an institution is required to either establish specific allowances of 100% of the amount classified or charge such amount off its books. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess a potential weakness (referred to as "special mention" assets), are required to be listed on the Bank's watch list and monitored for further deterioration. In addition, a bank's regulators may require the establishment of a general allowance for losses based on the general quality of the asset portfolio of the bank. Following are the total classified assets at December 31, 2009, per the Bank's internal asset classification list, excluding assets acquired through FDIC-assisted transactions which are covered by loss sharing agreements. The allowance for loan losses reflected below is the portion of the Bank's total allowance for loan losses that relates to these classified loans. There were no significant off- balance sheet items classified at December 31, 2009.

Asset Category	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
	(Dollars in thousands)				
Investment securities	$1,789	$---	$---	$1,789	$---
Loans	75,725	---	---	75,725	10,415
Foreclosed assets	38,853	---	---	38,853	---
Total	$116,367	$---	$---	$116,367	$10,415

Non-Performing Assets

The table below sets forth the amounts and categories of gross non-performing assets (classified loans which are not performing under regulatory guidelines and all foreclosed assets, including assets acquired in settlement of loans) in the Bank's loan portfolio as of the dates indicated. Loans generally are placed on non-accrual status when the loan becomes 90 days delinquent or when the collection of principal, interest, or both, otherwise becomes doubtful. For all years presented, the Bank has not had any material troubled debt restructurings, which involve forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates.

Former TeamBank and Vantus Bank non-performing assets, including foreclosed assets, are not included in the totals of non-performing assets below due to the respective loss sharing agreements with the FDIC, which substantially cover principal losses that may be incurred in these portfolios. In addition, these covered assets were recorded at their estimated fair values as of March 20, 2009, for TeamBank and September 4, 2009, for Vantus Bank. The total book value of these loans (net of discounts) was $42.6 million at December 31, 2009. The Company does generate some yield on these loans due to the accretion of a portion of the discount on these loans. No material additional losses or changes to these estimated fair values have been identified as of December 31, 2009, other than the adjustment of the provisional fair value measurements of the former TeamBank loan portfolio.

	December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Non-accruing loans:					
One- to four-family residential	$ 6,720	$ 3,635	$ 4,836	$ 1,627	$ 1,500
One- to four-family construction	373	2,187	1,767	3,931	2,103
Other residential	479	9,344(1)	561	---	---
Commercial real estate	8,888(4)	2,480	9,145	6,247	8,368
Other commercial	743	1,220	5,923	4,843	2,123
Commercial construction	8,310(3)	13,703(2)	12,935(1)	2,968	1,049
Consumer	487	315	112	186	237
Total gross non-accruing loans	26,000	32,884	35,279	19,802	15,380
Loans over 90 days delinquent still accruing interest:					
One- to four-family residential	103	---	38	---	640
Commercial real estate	---	---	---	59	---
Other commercial	---	---	34	---	---
Commercial construction	---	---	---	121	---
Consumer	387	318	124	261	190
Total loans over 90 days delinquent still accruing interest	490	318	196	441	830
Other impaired loans	---	---	---	---	---
Total gross non-performing loans	26,490	33,202	35,475	20,243	16,210
Foreclosed assets:					
One- to four-family residential	5,662	4,810	742	80	---
One- to four-family construction	1,372	3,148	7,701	400	2
Other residential	---	---	---	3,190	---
Commercial real estate	2,143	6,905	5,130	825	76

Commercial construction	28,586	17,050	6,416	2	---
Total foreclosed assets	37,763	31,913	19,989	4,497	78
Repossessions	572	746	410	271	517
Total gross non-performing assets	$ 64,825	$ 65,861	$ 55,874	$ 25,011	$ 16,805
Total gross non-performing assets as a percentage of average total assets	1.90%	2.61%	2.39%	1.15%	0.85%

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(1) One relationship is $10.3 million of this total at December 31, 2007. The project was completed in the first quarter of 2008 and was reclassified from "construction" to "other residential." The outstanding balance of the relationship was reduced to $6.1 million at December 31, 2008. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets."
(2) One relationship is $8.3 million of this total at December 31, 2008. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets."
(3) A portion of one relationship is $4.0 million of this total at December 31, 2009. The total relationship is $5.3 million. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets."
(4) One relationship is $2.8 million of this total at December 31, 2009. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets."

Gross impaired loans totaled $61.9 million at December 31, 2009 and $45.6 million at December 31, 2008. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. See Note 14 "Disclosures About Fair Value of Financial Instruments" to the Consolidated Financial Statements included in Item 8 for additional information.

For the year ended December 31, 2009, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $1.9 million. The amount that was included in interest income on these loans was $388,000 for the year ended December 31, 2009. For the year ended December 31, 2008, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $2.9 million. The amount that was included in interest income on these loans was $1.1 million for the year ended December 31, 2008.

The level of commercial real estate non-performing assets is primarily attributable to the Bank's commercial and residential construction, commercial business, commercial real estate, multi-family residential and one- to four-family residential lending activities. Commercial activities generally involve significantly greater credit risks than single-family residential lending. For a discussion of significant non-performing assets and potential problem loans, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Allowances for Losses on Loans and Foreclosed Assets

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

The formula allowance is calculated by applying loss factors to outstanding loans based on the internal risk evaluation of such loans or pools of loans. Changes in risk evaluations of both performing and non-performing loans affect the amount of the formula allowance. Loss factors are based both on our historical loss experience and on significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. Loan loss factors for portfolio segments are representative of the credit risks associated with loans in those segments. The greater the credit risks associated with a particular segment, the greater the loss factor.

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

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

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

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

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

At December 31, 2009 and 2008, Great Southern had an allowance for losses on loans of $40.1 million and $29.2 million, respectively, of which $16.1 million and $8.2 million, respectively, had been allocated as an allowance for specific loans, including $9.7 million and $3.7 million, respectively, allocated for impaired loans. The allowance and the activity within the allowance during 2009 are discussed further in Note 4 of the Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 8 and Item 7 of this Report, respectively.

The allocation of the allowance for losses on loans at the dates indicated is summarized as follows. The table is based on information prepared in accordance with generally accepted accounting principles.

	December 31,								
	2009		2008		2007		2006		200
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount
	(Dollars in thousands)								
One- to four-family residential and construction	$ 11,698	22.5%	$ 11,942	25.1%	$ 6,042	26.2%	$ 2,029	27.1%	$ 1,679
Other residential and construction	3,006	11.8	2,667	10.5	1,929	8.1	1,436	7.4	2,084
Commercial real estate	9,281	32.4	4,049	29.4	2,257	22.4	9,363	27.4	9,331

Commercial construction	9,663	10.7	6,371	16.9	10,266	22.7	9,189	22.9	7,563
Other commercial	3,590	12.0	1,897	7.6	2,736	12.8	2,150	7.7	2,081
Consumer and overdrafts	2,863	10.6	2,237	10.5	2,229	7.8	2,091	7.5	1,811
Total	$ 40,101	100.0%	$ 29,163	100.0%	$ 25,459	100.0%	$ 26,258	100.0%	$ 24,549

The following table sets forth an analysis of activity in the Bank's allowance for losses on loans showing the details of the activity by types of loans. The table is based on information prepared in accordance with generally accepted accounting principles.

	December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Balance at beginning of period	$ 29,163	$ 25,459	$ 26,258	$ 24,549	$ 23,489
Charge-offs:					
One- to four-family residential	2,714	1,278	413	164	215
Other residential	1,878	342	---	96	---
Commercial real estate	9,235	886	1,122	310	163
Construction	6,977	7,501	3,564	1,618	570
Consumer, overdrafts and other loans	4,700	4,111	3,568	3,729	3,345
Other commercial	4,935	38,909	202	324	963
Total charge-offs	30,439	53,027	8,869	6,241	5,256
Recoveries:					
One- to four-family residential	776	111	24	59	16
Other residential	---	---	16	1	---
Commercial real estate	19	164	40	27	48
Construction	1,207	334	183	41	7
Consumer, overdrafts and other loans	2,173	2,279	2,132	2,290	2,109
Other commercial	1,402	1,643	200	82	111
Total recoveries	5,577	4,531	2,595	2,500	2,291
Net charge-offs	24,862	48,496	6,274	3,741	2,965
Provision for losses on loans	35,800	52,200	5,475	5,450	4,025
Balance at end of period	$ 40,101	$ 29,163	$ 25,459	$ 26,258	$ 24,549
Ratio of net charge-offs to average loans Outstanding	1.44%	2.63%	0.35%	0.23%	0.20%

Investment Activities

Excluding those issued by the United States Government, or its agencies, there were no investment securities in excess of 10% of the Bank's retained earnings at December 31, 2009 and 2008, respectively. Agencies, for this purpose, primarily include Freddie Mac, Fannie Mae and FHLBank.

As of December 31, 2009 and 2008, the Bank held approximately $16.3 million and $1.4 million, respectively, in principal amount of investment securities which the Bank intends to hold until maturity. As of such dates, these securities had fair values of approximately $16.1 million and $1.4 million, respectively. In addition, as of December

31, 2009 and 2008, the Company held approximately $764.3 million and $647.7 million, respectively, in principal amount of investment securities which the Company classified as available-for-sale. See Notes 1 and 2 of the Notes to Consolidated Financial Statements contained in Item 8 of this Report.

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

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$ 15,931	$ 28	$ ---	$ 15,959
Collateralized mortgage obligations	51,221	1,042	527	51,736
Mortgage-backed securities	614,338	18,508	672	632,174
Corporate bonds	49	21	13	57
States and political subdivisions	63,686	705	1,904	62,487
Equity securities	1, 374	504	---	1,878
Total available-for-sale securities	$ 746,599	$ 20,808	$ 3,116	$ 764,291
HELD-TO-MATURITY SECURITIES:				
U.S. government agencies	$ 15,000	$ ---	$ 365	$ 14,635
States and political subdivisions	1,290	140	---	1,430
Total held-to-maturity securities	$ 16,290	$ 140	$ 365	$ 16,065

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$ 34,968	$ 32	$ 244	$ 34,756
Collateralized mortgage obligations	73,976	585	2,647	71,914
Mortgage-backed securities	480,349	6,029	1,182	485,196
Corporate bonds	1,500	---	295	1,205
States and political subdivisions	55,545	107	2,549	53,103
Equity securities	1,552	---	48	1,504
Total available-for-sale securities	$ 647,890	$ 6,753	$ 6,965	$ 647,678
HELD-TO-MATURITY SECURITIES:				
States and political subdivisions	$ 1,360	$ 62	$ ---	$ 1,422
Total held-to-maturity securities	$ 1,360	$ 62	$ ---	$ 1,422

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	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$ 126,117	$ 53	$ 375	$ 125,795
Collateralized mortgage obligations	39,769	214	654	39,329
Mortgage-backed securities	183,023	1,030	916	183,137
Corporate bonds	1,501	—	25	1,476
States and political subdivisions	62,572	533	453	62,652
Equity securities	12,874	4	239	12,639
Total available-for-sale securities	$ 425,856	$ 1,834	$ 2,662	$ 425,028
HELD-TO-MATURITY SECURITIES:				
States and political subdivisions	$ 1,420	$ 88	$ —	$ 1,508
Total held-to-maturity securities	$ 1,420	$ 88	$ —	$ 1,508

Additional details of the Company's collateralized mortgage obligations and mortgage-backed securities at December 31, 2009, are described as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Collaterialized Mortgage Obligations				
FHLMC Fixed	$ 26,197	$ 637	$ —	$ 26,834
FHLMC Variable	20	4	—	24
Total FHLMC	26,217	641	—	26,858
FNMA Fixed	11,604	237	—	11,841
FNMA Variable	142	8	2	148
Total FNMA	11,746	245	2	11,989
GNMA Fixed	4,867	96	—	4,963
GNMA Variable	49	6	—	55
Total GNMA	4,916	102	—	5,018
Total Agency	$ 42,879	$ 988	$ 2	$ 43,865
Nonagency Fixed	$ 3,250	$ 10	$ 2	$ 3,258
Nonagency Variable	5,092	44	523	4,613
Total Nonagency	8,342	54	525	7,871

Total all collateralized mortgage obligations	$	51,221	$	1,042	$	527	$	51,736
Total Fixed	$	45,918	$	980	$	2	$	46,896
Total Variable		5,303		62		525		4,840
Total all collateralized mortgage obligations	$	51,221	$	1,042	$	527	$	51,736

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Mortgage-backed securities:				
FHLMC Fixed	$ 55,623	$ 1,758	$ 6	$ 57,375
FHLMC Hybrid ARM	242,103	8,407	58	250,452
Total FHLMC	297,726	10,165	64	307,827
FNMA Fixed	46,885	1,472	14	48,343
FNMA Hybrid ARM	182,180	6,600	1	188,779
Total FNMA	229,065	8,072	15	237,122
GNMA Fixed	19,128			