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

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

Commission file number 0-18082

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

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

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

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

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

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

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

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

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

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

Smaller reporting company [ ]

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

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

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PART I

ITEM 1. BUSINESS.

THE COMPANY

Great Southern Bancorp, Inc.

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

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

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

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

Great Southern Bank

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

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

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

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

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

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

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

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

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

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

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

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

Forward-Looking Statements

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

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

Internet Website

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

Market Areas

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

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

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

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

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

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

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

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

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

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

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

Lending Activities

General

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

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

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

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

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

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

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

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

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

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

Loan Portfolio Composition

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

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

Legacy Great Southern Loan Portfolio Composition:

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

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

(1) Includes loans held for sale.

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

Former TeamBank, N.A. Loan Portfolio Composition:

	December 31,									
	2016		2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars In Thousands)									
Real Estate Loans:										
Residential										