GREAT SOUTHERN BANCORP INC
Form 10-Q
May 19, 2008

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

FORM 10-Q

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

For the Quarterly Period ended March 31, 2008

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)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition 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 / /

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

The number of shares outstanding of each of the registrant's classes of common stock: 13,380,969 shares of common stock, par value $.01, outstanding at May 15, 2008.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

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

	MARCH 31, 2008 (Unaudited)	DECEMBER 31, 2007
ASSETS		
Cash	$ 76,560	$ 79,552
Interest-bearing deposits in other financial institutions	3,410	973
Cash and cash equivalents	79,970	80,525
Available-for-sale securities	464,600	425,028
Held-to-maturity securities (fair value $1,551 – March 2008; $1,508 - December 2007)	1,420	1,420
Mortgage loans held for sale	3,983	6,717
Loans receivable, net of allowance for loan losses of $26,492 - March 2008; $25,459 - December 2007	1,828,892	1,813,394
Interest receivable	14,195	15,441
Prepaid expenses and other assets	25,188	14,904
Foreclosed assets held for sale, net	22,935	20,399
Premises and equipment, net	29,800	28,033
Goodwill and other intangible assets	1,851	1,909
Investment in Federal Home Loan Bank stock	10,151	13,557
Refundable income taxes	8,892	1,701
Deferred income taxes	10,354	8,704
Total Assets	$ 2,502,231	$ 2,431,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 1,929,814	$ 1,763,146
Federal Home Loan Bank advances	123,213	213,867
Short-term borrowings	222,463	216,721
Subordinated debentures issued to capital trust	30,929	30,929
Accrued interest payable	4,498	6,149
Advances from borrowers for taxes and insurance	694	378
Accounts payable and accrued expenses	19,044	10,671
Total Liabilities	2,330,655	2,241,861
Stockholders' Equity:		
Capital stock		
Serial preferred stock, $.01 par value; authorized 1,000,000 shares; none issued	--	--
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding March 2008 - 13,389,303 shares; December 2007 - 13,400,197 shares	134	134
Additional paid-in capital	19,460	19,342
Retained earnings	152,981	170,933

Accumulated other comprehensive income (loss)	(999)	(538)
Total Stockholders' Equity	171,576	189,871
Total Liabilities and Stockholders' Equity	$ 2,502,231	$ 2,431,732

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31, 2008	THREE MONTHS ENDED MARCH 31, 2007
	(Unaudited)	
INTEREST INCOME		
Loans	$ 32,739	$ 34,677
Investment securities and other	5,601	4,781
TOTAL INTEREST INCOME	38,340	39,458
INTEREST EXPENSE		
Deposits	16,900	18,226
Federal Home Loan Bank advances	1,582	1,863
Short-term borrowings	1,597	1,743
Subordinated debentures issued to capital trust	418	440
TOTAL INTEREST EXPENSE	20,497	22,272
NET INTEREST INCOME	17,843	17,186
PROVISION FOR LOAN LOSSES	37,750	1,350
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	(19,907)	15,836
NONINTEREST INCOME		
Commissions	2,640	2,480
Service charges and ATM fees	3,566	3,503
Net realized gains on sales of loans	393	175
Net realized gains on sales of available for-sale securities	6	---
Late charges and fees on loans	219	163
Change in interest rate swap fair value net of change in hedged deposit fair value	2,977	296
Other income	373	348
TOTAL NONINTEREST INCOME	10,174	6,965
NONINTEREST EXPENSE		
Salaries and employee benefits	8,276	7,136
Net occupancy and equipment expense	2,048	1,942
Postage	564	532
Insurance	614	221
Advertising	278	247
Office supplies and printing	219	232
Telephone	372	335
Legal, audit and other professional fees	378	249
Expense (income) on foreclosed assets	353	114
Other operating expenses	1,006	910
TOTAL NONINTEREST EXPENSE	14,108	11,918
INCOME (LOSS) BEFORE INCOME TAXES	(23,841)	10,883
PROVISION (CREDIT) FOR INCOME TAXES	(8,688)	3,548
NET INCOME (LOSS)	$ (15,153)	$ 7,335
BASIC EARNINGS PER COMMON SHARE	$(1.13)	$.54
DILUTED EARNINGS PER COMMON SHARE	$(1.13)	$.53
DIVIDENDS DECLARED PER COMMON SHARE	$.18	$.16

See Notes to Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31,	
	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (15,153)	$ 7,335
Proceeds from sales of loans held for sale	24,742	11,268
Originations of loans held for sale	(18,030)	(7,882)
Items not requiring (providing) cash:		
Depreciation	610	644
Amortization	98	92
Provision for loan losses	37,750	1,350
Net gains on loan sales	(393)	(175)
Net gains on sale of available-for-sale investment securities	(6)	--
Net gains on sale of premises and equipment	(10)	(10)
Gain on sale of foreclosed assets	(29)	(85)
Amortization of deferred income, premiums and discounts	(716)	(1,097)
Change in interest rate swap fair value net of change in hedged deposit fair value	(2,977)	(296)
Deferred income taxes	(1,402)	(439)
Changes in:		
Interest receivable	1,246	(579)
Prepaid expenses and other assets	(10,600)	826
Accounts payable and accrued expenses	8,931	(11,444)
Income taxes refundable/payable	(7,191)	3,976
Net cash provided by operating activities	16,870	3,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(61,086)	(44,885)
Purchase of loans	(1,647)	(1,320)
Proceeds from sale of student loans	208	945
Purchase of additional business units	--	(730)
Purchase of premises and equipment	(2,381)	(917)
Proceeds from sale of premises and equipment	14	14
Proceeds from sale of foreclosed assets	4,080	804
Capitalized costs on foreclosed assets	(146)	--
Proceeds from sales of available-for-sale investment securities	51,421	--
Proceeds from maturing available-for-sale investment securities	21,000	120,000
Proceeds from called investment securities	45,500	5,250
Principal reductions on mortgage-backed securities	17,430	14,524
Purchase of available-for-sale securities	(175,659)	(177,650)
Redemption of Federal Home Loan Bank stock	3,406	1,604
Net cash used in investing activities	(97,860)	(82,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in certificates of deposit	87,175	19,412
Net increase in checking and savings deposits	80,541	33,965

Proceeds from Federal Home Loan Bank advances	503,000	341,000
Repayments of Federal Home Loan Bank advances	(593,654)	(399,750)
Net increase in short-term borrowings	5,742	51,503
Advances from borrowers for taxes and insurance	316	355
Stock repurchases	(408)	(617)
Dividends paid	(2,412)	(2,188)
Stock options exercised	135	545
Net cash provided by financing activities	80,435	44,225
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(555)	(34,652)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	80,525	133,150
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 79,970	$ 98,498

See Notes to Consolidated Financial Statements

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

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three months ended March 31, 2008 and 2007 are not necessarily indicative of the results that may be expected for the full year. The consolidated statement of financial condition of the Company as of December 31, 2007, has been derived from the audited consolidated statement of financial condition of the Company as of that date.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2007 filed with the Securities and Exchange Commission.

NOTE 2: OPERATING SEGMENTS

The Company's banking operation is its only reportable segment. The banking operation is principally engaged in the business of originating residential and commercial real estate loans, construction loans, commercial business loans and consumer loans and funding these loans through deposits attracted from the general public and correspondent account relationships, brokered deposits and borrowings from the Federal Home Loan Bank ("FHLBank") and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance.

Revenue from segments below the reportable segment threshold is attributable to three operating segments of the Company. These segments include insurance services, travel services and investment services. Selected information is not presented separately for the Company's reportable segment, as there is no material difference between that information and the corresponding information in the consolidated financial statements.

For the three months ended March 31, 2008, the travel, insurance and investment divisions reported gross revenues of $1.7 million, $408,000 and $525,000, respectively, and net income of $57,000, $53,000 and $114,000, respectively. For the three months ended March 31, 2007, the travel, insurance and investment divisions reported gross revenues of $1.6 million, $380,000 and $520,000, respectively, and net income of $178,000, $65,000 and $8,000, respectively.

NOTE 3: COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, requires the reporting of comprehensive income and its components. Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources, and excludes investments by and distributions to owners. Comprehensive income includes net income and other items of comprehensive income meeting the above criteria. The Company's only component of other comprehensive income is the unrealized gains and losses on available-for-sale securities.

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	Three Months Ended March 31,	
	2008	2007
	(In thousands)	
Net income (loss)	$(15,153)	$ 7,335
Unrealized holding gains (losses), net of income taxes	(457)	583
Less: reclassification adjustment for gains (losses) included in net income, net of income taxes	4	--
	(461)	583
Comprehensive income (loss)	$(15,614)	$ 7,918

NOTE 4: RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure related to the use of fair value measures in financial statements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, and does not expand the use of fair value measures in financial statements, but standardizes its definition and guidance in generally accepted accounting principles. SFAS No. 157 emphasizes that fair value is a market-based measurement based on an exchange transaction between market participants in which an entity sells an asset or transfers a liability. SFAS No. 157 also establishes a fair value hierarchy from observable market data as the highest level to fair value based on an entity's own fair value assumptions as the lowest level. This hierarchy is the basis for the disclosure requirements, with fair value estimates based on the least reliable inputs requiring more extensive disclosures about the valuation method used and the gains and losses associated with those estimates. The Company adopted SFAS No. 157 on January 1, 2008, as required. The adoption of this standard did not have a material effect on the Company's financial position or results of operations. See Note 10, Fair Value Measurement, for additional disclosures.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 provides companies with the option to report selected financial assets and liabilities at fair value. Under the option, any changes in fair value would be included in earnings. This Statement seeks to reduce both complexity in accounting and volatility in earnings caused by differences in the existing accounting rules. Existing accounting principles use different measurement attributes for different assets and liabilities, which can lead to earnings volatility. SFAS No. 159 helps to mitigate this type of accounting-induced volatility by enabling companies to achieve a more consistent accounting for changes in the fair value of related assets and liabilities without having to apply complex hedge accounting provisions. Under this Statement, entities may measure at fair value financial assets and liabilities selected on a contract-by-contract basis. They are required to display those values separately from those measured under different attributes on the face of the statement of financial condition. Furthermore, companies must provide additional information that would help investors and other users of financial statements to more easily understand the effect on earnings. The Company adopted SFAS No. 159 on January 1, 2008, as required. The Company did not choose to report additional assets and liabilities at fair value other than those required to be accounted for at fair value prior to the adoption of SFAS No. 159. Therefore, the adoption of this standard did not have a material effect on the Company's financial position or results of operations.

In November 2007, the Securities and Exchange Commission Staff issued Staff Accounting Bulletin ("SAB") No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings. This SAB supersedes the guidance previously issued in SAB No. 105, Application of Accounting Principles to Loan Commitments. SAB No. 109 expresses the current view of the staff that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SAB No. 109 was effective for the Company on January 1, 2008 and did not have a material effect on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised), Business Combinations. SFAS No. 141(revised) retains the fundamental requirements in Statement 141 that the acquisition method of accounting be used for business combinations, but broadens the scope of Statement 141 and contains improvements to the application of this method. The Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Costs incurred to effect the acquisition are to be recognized separately from the acquisition. Assets and liabilities arising from contractual contingencies must be measured at fair value as of the acquisition date. Contingent consideration must also be measured at fair value as of the acquisition date. SFAS No. 141 (revised) applies to business combinations occurring after January 1, 2009. Based on its current activities, the Company does not expect the adoption of this Statement will have a material effect on the Company’s financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an Amendment of ARB No. 51. SFAS No. 160 requires that a noncontrolling interest in a subsidiary be accounted for as equity in the consolidated statement of financial position and that net income include the amounts for both the parent and the noncontrolling interest, with a separate amount presented in the income statement for the noncontrolling interest share of net income. SFAS No. 160 also expands the disclosure requirements and provides guidance on how to account for changes in the ownership interest of a subsidiary. SFAS No. 160 is effective for the Company on January 1, 2009. Based on its current activities, the Company does not expect the adoption of this Statement will have a material effect on the Company’s financial position or results of operations.

In January 2008, the FASB issued Statement 133 Implementation Issue No. E23 – Issues Involving the Application of the Shortcut Method Under Paragraph 68. This Implementation Issue amends the accounting and reporting requirements of paragraph 68 of Statement 133 (the shortcut method) to address certain practice issues. It addresses a limited number of issues that have caused implementation difficulties in the application of paragraph 68 of Statement 133. The objective is to improve financial reporting related to the shortcut method to increase comparability in financial statements. This pronouncement was effective for hedging relationships designated on or after January 1, 2008 and did not have a material effect on the Company’s financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133, which requires enhanced disclosures about an entity’s derivative and hedging activities intended to improve the transparency of financial reporting. Under SFAS No. 161, entities will be required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company expects to adopt SFAS No. 161 effective January 1, 2009. The adoption of this standard is not anticipated to have a material effect on the Company’s financial position or results of operations.

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses derivative financial instruments (primarily interest rate swaps) to assist in its interest rate risk management. In accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, all derivatives are measured and reported at fair value on the Company's consolidated statement of financial condition as either an asset or a liability. For derivatives that are designated and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings during the period of the change in the fair values. For all hedging relationships, derivative gains and losses that are not effective in hedging the changes in fair value of the hedged item are recognized immediately in current earnings during the period of the change. Similarly, the changes in the fair value of derivatives that do not qualify for hedge accounting under SFAS 133 are also reported currently in earnings in noninterest income.

The net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. The net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income.

At the inception of the hedge and quarterly thereafter, a formal assessment is performed to determine whether changes in the fair values of the derivatives have been highly effective in offsetting the changes in the fair values of the hedged item and whether they are expected to be highly effective in the future. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the method for assessing effectiveness and measuring ineffectiveness. In addition, on a quarterly basis, the Company assesses whether the derivative used in the hedging transaction is highly effective in offsetting changes in fair value of the hedged item and measures and records any ineffectiveness. The Company discontinues hedge accounting prospectively when it is determined that the derivative is or will no longer be effective in offsetting changes in the fair value of the hedged item, the derivative expires, is sold or terminated or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

The estimates of fair values of the Company's derivatives and related liabilities are calculated by an independent third party using proprietary valuation models. The fair values produced by these valuation models are in part theoretical and reflect assumptions which must be made in using the valuation models. Small changes in assumptions could result in significant changes in valuation. The risks inherent in the determination of the fair value of a derivative may result in income statement volatility.

The Company uses derivatives to modify the repricing characteristics of certain assets and liabilities so that changes in interest rates do not have a significant adverse effect on net interest income and cash flows and to better match the repricing profile of its interest bearing assets and liabilities. As a result of interest rate fluctuations, certain interest-sensitive assets and liabilities will gain or lose market value. In an effective fair value hedging strategy, the effect of this change in value will generally be offset by a corresponding change in value on the derivatives linked to the hedged assets and liabilities.

At March 31, 2008 and December 31, 2007, the Company's fair value hedges include interest rate swaps to convert the economic interest payments on certain brokered CDs from a fixed rate to a floating rate based on LIBOR. At March 31, 2008, these fair value hedges were considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amounts of the liabilities being hedged were $230.1 million and $419.2 million at March 31, 2008 and December 31, 2007, respectively. At March 31, 2008, swaps in a net settlement receivable position totaled $230.1 million and swaps in a net settlement payable position totaled $-0-. At December 31, 2007, swaps in a net settlement receivable position totaled $225.7 million and swaps in a net settlement payable position totaled $193.5 million. The net gains recognized in earnings on fair value hedges were $3.0 million and $296,000 for the three months ended March 31, 2008 and 2007, respectively.

NOTE 6: STOCKHOLDERS' EQUITY

Previously, the Company's stockholders approved the Company's reincorporation to the State of Maryland. Under Maryland law, there is no concept of "Treasury Shares." Instead, shares purchased by the Company constitute authorized but unissued shares under Maryland law. Accounting principles generally accepted in the United States of America state that accounting for treasury stock shall conform to state law. The cost of shares purchased by the Company has been allocated to Common Stock and Retained Earnings balances.

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NOTE 7: INVESTMENT SECURITIES

	March 31, 2008				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value	Tax Equivalent Yield
	(Dollars in thousands)				
AVAILABLE -FOR-SALE SECURITIES:					
U.S. government agencies	$112,526	$ 73	$456	$112,143	5.49%
Collateralized mortgage obligations	28,767	500	1,305	27,962	5.87
Mortgage-backed securities	259,045	1,277	299	260,023	5.05
Corporate bonds	1,501	---	85	1,416	8.50
States and political subdivisions	55,360	339	821	54,878	6.17
Equity securities	8,938	2	762	8,178	6.74
Total available-for-sale securities	$466,137	$2,191	$3,728	$464,600	5.38%
HELD-TO-MATURITY SECURITIES:					
States and political subdivisions	$ 1,420	$ 131	---	$ 1,551	7.48%
Total held-to-maturity securities	$ 1,420	$ 131	---	$ 1,551	7.48%

	December 31, 2007				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value	Tax Equivalent Yield
	(Dollars in thousands)				
AVAILABLE -FOR-SALE SECURITIES:					
U.S. government agencies	$ 126,117	$ 53	$ 375	$ 125,795	5.81%
Collateralized mortgage obligations	39,769	214	654	39,329	5.65
Mortgage-backed securities	183,023	1,030	916	183,137	4.92
Corporate bonds	1,501	---	25	1,476	8.50
States and political subdivisions	62,572	533	453	62,652	6.17
Equity securities	12,874	4	239	12,639	7.42
Total available-for-sale securities	$425,856	$1,834	$2,662	$425,028	5.52%
HELD-TO-MATURITY SECURITIES:					
States and political subdivisions	$ 1,420	$ 88	---	$ 1,508	7.48%
Total held-to-maturity securities	$ 1,420	$ 88	---	$ 1,508	7.48%

NOTE 8: LOANS AND ALLOWANCE FOR LOAN LOSSES

	March 31, 2008	December 31, 2007
	(Dollars in Thousands)	
One-to four-family residential mortgage loans	$ 194,247	$ 185,253
Other residential mortgage loans	98,886	87,177
Commercial real estate loans	486,808	471,573
Other commercial loans	172,894	207,059
Industrial revenue bonds	58,220	61,224
Construction loans	891,168	919,059
Installment, education and other loans	155,587	154,015
Prepaid dealer premium	11,251	10,759
Discounts on loans purchased	(5)	(6)
Undisbursed portion of loans in process	(211,034)	(254,562)
Allowance for loan losses	(26,492)	(25,459)
Deferred loan fees and gains, net	(2,638)	(2,698)
	$1,828,892	$1,813,394
Weighted average interest rate	6.58%	7.58%

NOTE 9: DEPOSITS

	March 31, 2008	December 31, 2007
	(In Thousands)	
Time Deposits:		
0.00% - 1.99%	$ 31,397	$ 598
2.00% - 2.99%	36,082	22,850
3.00% - 3.99%	386,284	93,717
4.00% - 4.99%	435,992	470,718
5.00% - 5.99%	283,276	497,877
6.00% - 6.99%	10,298	10,394
7.00% and above	374	374
Total time deposits (3.79% - 4.83%)	1,183,703	1,096,528
Non-interest-bearing demand deposits	151,885	166,231
Interest-bearing demand and		

savings deposits (1.78% - 2.75%)	586,022	491,135
	1,921,610	1,753,894
Interest rate swap fair value adjustment	8,204	9,252
Total Deposits	$1,929,814	$1,763,146

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NOTE 10: FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 has been applied prospectively as of the beginning of this fiscal year. The adoption of SFAS 157 did not have an impact on our financial statements except for the expanded disclosures noted below.

The following definitions describe the fair value hierarchy of levels of inputs used in the Fair Value Measurements.

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

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

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

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

The following is a description of valuation methodologies used for assets recorded at fair value on a recurring basis at March 31, 2008.

Securities Available for Sale. Investment securities available for sale are recorded at fair value on a recurring basis. The fair values used by the Company are obtained from an independent pricing service, which represent either quoted market prices for the identical or fair values determined by pricing models, or other model-based valuation techniques, that consider observable market data, such as interest rate volatilities, LIBOR yield curve, credit spreads and prices from market makers and live trading systems. Recurring Level 1 securities include exchange traded equity securities. Recurring Level 2 securities include U.S. government agency securities, mortgage-backed securities, collateralized mortgage obligations, state and municipal bonds and U.S. government agency equity securities. Recurring Level 3 securities include one U.S. government agency security and one corporate debt security.

		Fair value measurements at March 31, 2008, using		
	Fair value March 31, 2008	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(Dollars in thousands)			
Available for sale securities				
U.S government agencies	$112,143	$	$102,143	$10,000
Collateralized mortgage obligations	27,962		27,962	
Mortgage-backed securities	260,023		260,023	
Corporate bonds	1,416	947		469
States and political subdivisions	54,878		54,878	
Equity securities	8,178	1,780	6,398	
Total available-for-sale securities	$464,600	$2,727	$451,404	$10,469

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The following is a reconciliation of activity for available-for-sale securities measured at fair value based on significant unobservable (Level 3) information:

	Investment Securities (In thousands)
Balance, January 1, 2008	$ 10,450
Unrealized gain included in comprehensive income	19
Balance, March 31, 2008	$ 10,469

Interest Rate Swap Agreements. The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. These fair value estimations include primarily market observable inputs, such as yield curves and option volatilities, and include the value associated with counterparty credit risk. Fair value estimates related to the Company's hedged deposits are derived in the same manner. As of March 31, 2008, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate swap positions, and determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. The fair value of interest rate swaps at March 31, 2008, was an asset of $3.0 million.

The following is a description of valuation methodologies used for assets recorded at fair value on a nonrecurring basis at March 31, 2008.

Loans Held for Sale. Mortgage loans held for sale are recorded at the lower of carrying value or fair value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Company classifies mortgage loans held for sale as Nonrecurring Level 2. Write-downs to fair value typically do not occur as the Company generally enters into commitments to sell individual mortgage loans at the time the loan is originated to reduce market risk. The Company typically does not have commercial loans held for sale.

Impaired Loans. A loan is considered to be impaired when it is probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a loan is considered impaired, the amount of reserve required under SFAS No. 114 is measured based on the fair value of the underlying collateral. The Company makes such measurements on all material loans deemed impaired using the fair value of the collateral for collateral dependent loans. The fair value of collateral used by the Company is determined by obtaining an observable market price or by obtaining an appraised value from an independent, licensed or certified appraiser, using observable market data. This data includes information such as selling price of similar properties and capitalization rates of similar properties sold within the market, expected future cash flows or earnings of the subject property based on current market expectations, and other relevant factors. In addition, management may apply selling and other discounts to the underlying collateral value to determine the fair value. If an appraised value is not available, the fair value of the impaired loan is determined by an adjusted appraised value including unobservable cash flows.

The Company records impaired loans as Nonrecurring Level 3. If a loan's fair value as estimated by the Company is less than its carrying value, the Company either records a charge-off of the portion of the loan that exceeds the fair value or establishes a specific reserves as part of the allowance for loan losses. In accordance with the provisions of SFAS No. 114, impaired loans with a carrying value of $23.6 million, with an associated valuation reserve of $4.1 million, were recorded at their fair value of $19.5 million at March 31, 2008. A loss of $36.8 million related to impaired loans was recognized in earnings through the provision for loan losses during the three months ended March 31, 2008.

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

Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q and 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, changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, 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, the Company's ability to access cost-effective funding, fluctuations in real estate values and both residential and commercial real estate market conditions, demand for loans and deposits in the Company's market area and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. 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.

Critical Accounting Policies, Judgments and Estimates

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

The Company believes that the determination of the allowance for loan losses involves a higher degree of judgment and complexity than its other significant accounting policies. The allowance for loan losses is calculated with the objective of maintaining an allowance level believed by management to be sufficient to absorb estimated loan losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates of, including, among others, expected default probabilities, loss once loans default, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses, and general amounts for historical loss experience. The process also considers economic conditions, uncertainties in estimating losses and inherent risks in the loan portfolio. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods. In addition, the Bank’s regulators may require additional provisions for loan losses as part of their examination process.

Additional discussion of the allowance for loan losses is included in the Company's 2007 Annual Report on Form 10-K under the section titled "Management's Discussion and Analysis of Financial Condition and Results of

Operations -- Allowances for Losses on Loans and Foreclosed Assets." Judgments and assumptions used by management in the past have resulted in an overall allowance for loan losses that has been sufficient to absorb estimated loan losses. Inherent in this process is the evaluation of individual significant credit relationships. From time to time certain credit relationships may deteriorate due to payment performance, cash flow of the borrower, value of collateral, or other factors. In these instances, management may have to revise its loss estimates and assumptions for these specific credits due to changing circumstances. In some cases, additional losses may be realized; in other instances, the factors that led to the deterioration may improve or the credit may be refinanced elsewhere and allocated allowances may be released from the particular credit. For the periods included in these financial statements, management's overall methodology for evaluating the allowance for loan losses has not changed significantly.

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

General

The profitability of the Company and, more specifically, the profitability of its primary subsidiary, Great Southern Bank (the "Bank"), depends primarily on its net interest income. Net interest income is the difference between the interest income the Bank earns on its loans and investment portfolio, and the interest it pays on interest-bearing liabilities, which consists mainly of interest paid on deposits and borrowings. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on these balances. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income.

In the three months ended March 31, 2008, Great Southern's total loans increased $15.5 million, or 0.9%, from $1.81 billion at December 31, 2007, to $1.83 billion at March 31, 2008. As loan demand is affected by a variety of factors, including general economic conditions, and because of the competition we face, we cannot be assured that our loan growth will match or exceed the level of increases achieved in prior years. The main loan areas experiencing increases in the first quarter of 2008 were one- to four-family and multifamily residential loans and commercial real estate loans. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels given the current credit and economic environments. The Company does not expect to grow the loan portfolio significantly at this time. In the three months ended March 31, 2008, the disbursed portion of residential and commercial construction loan balances decreased $27.9 million. Based upon the current lending environment and economic conditions, annual growth in our loan portfolio may be limited in 2008 to an amount that could be below our annual average of 11% over the last five years.

In addition, the level of non-performing loans and foreclosed assets may affect our net interest income and net income. While we have not historically had an overall high level of charge-offs on our non-performing loans, we do not accrue interest income on these loans and do not recognize interest income until the loan is repaid or interest payments have been made for a period of time sufficient to provide evidence of performance on the loans. Generally, the higher the level of non-performing assets, the greater the negative impact on interest income and net income.

In the three months ended March 31, 2008, the Company recorded a provision for loan losses and related charge-off of $35 million related to a loan to a bank holding company and associated loans to individuals. This provision for loan losses caused the Company to record a net loss for the first quarter of 2008. For additional information, see the discussion in this Form 10-Q under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Provision for Loan Losses and Allowance for Loan Losses." Interest income related to these loan relationships was accrued and collected through March 31, 2008. In future periods, the Company's interest income will be negatively impacted to the extent that it will no longer accrue interest income on these loans.

The Company attracts deposit accounts through our retail branch network, correspondent banking and corporate services areas, and brokered deposits. The Company then utilizes these deposit funds, along with FHLBank advances and other borrowings, to meet loan demand. In the three months ended March 31, 2008, total deposit balances increased $166.7 million. Of this total increase, interest-bearing transaction accounts increased $94.9 million and retail certificates of deposit increased $24.5 million. Partially offsetting the increases in these deposit categories, non-interest-bearing checking accounts decreased $14.3 million. As the generation of increased net interest income is critical to the growth of Great Southern's earnings, the continued ability to attract deposits or generate other funding sources is very important to successful loan growth. There is a high level of competition for deposits in our markets. While it is our goal to gain checking account and certificate of deposit market share in our branch footprint, we cannot be assured of this in future periods. In 2007 and so far in 2008, our interest-bearing checking account balances have continued to increase; however, our non-interest-bearing checking account balances have decreased in this same time period. Non-interest-bearing checking accounts decreased primarily as a result of lower balances being kept in correspondent bank customers' accounts. These lower balances are due to the effects of the correspondent customers clearing checks through other avenues using electronic presentment, thus requiring lower compensating balances. If this decrease in non-interest-bearing checking account balances relative to the balances in other deposit categories continues, it could negatively impact our net interest income. In the three months ended March 31, 2008, brokered deposit balances increased $74.6 million. The Company elected to increase its brokered certificates of deposit in the first quarter of 2008 to provide liquidity for operations. Several brokered certificates were redeemed by the Company as the related interest rate swaps were terminated by the swap counterparties. The Company issued new brokered certificates which are fixed rate certificates with maturity terms of generally two to four years, which the Company (at its discretion) may redeem at par typically after six months. There are no interest rate swaps associated with these brokered certificates.

Our ability to fund growth in future periods may also be dependent on our ability to continue to access brokered deposits and Federal Home Loan Bank advances. In times when our loan demand has outpaced our generation of new deposits, we have utilized brokered deposits and Federal Home Loan Bank advances to fund these loans. These funding sources have been attractive to us because we can create variable rate funding which more closely matches the variable rate nature of much of our loan portfolio. While we do not currently anticipate that our ability to access these sources will be reduced or eliminated in future periods, if this should happen, the limitation on our ability to fund additional loans would adversely affect our business, financial condition and results of operations.

Our net interest income may be affected positively or negatively by market interest rate changes. A large portion of our loan portfolio is tied to the "prime" rate and adjusts immediately when this rate adjusts. We also have a large portion of our liabilities that will reprice with changes to the federal funds rate or the three-month LIBOR rate. We monitor our sensitivity to interest rate changes on an ongoing basis (see "Quantitative and Qualitative Disclosures About Market Risk"). While we currently believe that neither increases nor decreases in market interest rates will materially adversely impact our net interest income, circumstances could change which may alter that outlook.

Ongoing changes in the level and shape of the interest rate yield curve pose challenges for interest rate risk management. Beginning in the second half of 2004 and through September 30, 2006, the Board of Governors of the Federal Reserve System (the "FRB") increased short-term interest rates through steady increases to the Federal Funds rate. Other short-term rates, such as LIBOR and short-term U.S. Treasury rates, increased in conjunction with these increases by the FRB. By September 30, 2006, the FRB had raised the Federal Funds rates by 4.25% (from 1.00% in June 2004) and other short-term rates rose by corresponding amounts. However, there was not a parallel shift in the yield curve; intermediate and long-term interest rates did not increase at a corresponding pace. This caused the shape of the interest rate yield curve to become much flatter, which creates different issues for interest rate risk management. On September 18, 2007, the FRB decreased the Federal Funds rate by 50 basis points and many market interest rates began to fall in the following weeks. In the months following September 2007, the FRB has reduced the Federal Funds rate by an additional 275 basis points. The Federal Funds rate now stands at 2.00%.

Generally, the flattening interest rate yield curve hurt Great Southern's ability to reinvest proceeds from loan and investment repayments at higher rates. In 2006 and the first nine months of 2007, the Company's cost of funds increased faster than its yield on loans and investments. This trend moderated beginning in the third quarter of 2007 as market interest rates started moving lower and the FRB cut the Federal Funds rate beginning in September 2007 by a total of 325 basis points to date. Prior to this downward trend, Great Southern had increased rates on checking, money market and retail certificate accounts in order to remain competitive, while not leading the market. With the decreases in the Federal Funds rate, Great Southern has lowered rates paid on deposits while trying to remain competitive in the market. Great Southern's deposit mix has also led to a relatively increased cost of funds. The Company has significant balances in high-dollar money market and premium NOW accounts, the owners of which are very rate sensitive and compare these products to other bank and non-bank products available by competing financial services companies. Another factor that is again beginning to negatively impact net interest income is the increase in LIBOR interest rates compared to Federal Funds rates as a result of credit and liquidity concerns in financial markets. These LIBOR interest rates have become elevated approximately 30-60 basis points compared to historical averages versus the stated Federal Funds rate. The Company has interest rate swaps and other borrowings that are indexed to LIBOR, thereby causing increased funding costs. Funding costs related to brokered certificates of deposit have also been elevated due to competition by issuers to generate significant funding. Some of these issuers have heightened credit and liquidity risks. Additionally, recent FRB interest rate cuts have impacted net interest income. Generally, a rate cut by the FRB would have an anticipated immediate negative impact on net interest income due to the large total balance of loans that are tied to the "prime rate of interest" which generally adjust immediately as Federal Funds adjust. This negative impact is expected to be offset over the following 60- to 120-day period, and subsequently is expected to have a positive impact, as the Company's interest rates on deposits, borrowings and interest rate swaps should also generally reduce as a result of changes in interest rates by the FRB, assuming normal credit, liquidity and competitive loan and deposit pricing pressures.

In addition, Great Southern's net interest margin has been negatively affected by certain characteristics of some of its loans, deposit mix, loan and deposit pricing by competitors, and timing of interest rate changes by the FRB as compared to interest rate changes in the financial markets. For the three months ended March 31, 2008 and 2007, interest income was reduced $186,000 and $348,000, respectively, due to the reversal of accrued interest on loans which were added to non-performing status during those periods. This reduced net interest income and net interest margin. In addition, net interest income and net interest margin were negatively impacted by the effects of the accounting entries recorded for certain interest rate swaps (amortization of deposit broker origination fees). This amortization expense reduced net interest income by $1.4 million and $229,000 in the three months ended March 31, 2008 and 2007, respectively.

The negative impact of declining interest rates has been partially mitigated by the positive effects of the Company’s loans which have interest rate floors. At March 31, 2008, the Company had a portfolio of prime-based loans totaling approximately $1.18 billion with rates that change immediately with changes to the prime rate of interest. Of this total, $778 million represented loans which had interest rate floors. These floors were at varying rates, with $304 million of these loans having floor rates of 7.0% or greater and another $378 million of these loans having floor rates between 5.5% and 7.0%. At March 31, 2008, $576 million of these loans were at their floor rates. During 2003 and 2004, the Company's loan portfolio had loans with rate floors that were much lower. However, since market interest rates were also much lower at that time, these loan rate floors went into effect and established a loan rate which was higher than the contractual rate would have otherwise been. This contributed to a loan yield for the entire portfolio which was approximately 139 and 55 basis points higher than the "prime rate of interest" at December 31, 2003 and 2004, respectively. As interest rates rose in the second half of 2004 and throughout 2005 and 2006, these interest rate floors were exceeded and the loans reverted back to their normal contractual interest rate terms. At December 31, 2005, the loan yield for the portfolio was approximately 8 basis points higher than the "prime rate of interest," resulting in lower interest rate margins. At December 31, 2006, the loan portfolio yield was approximately 5 basis points lower than the "prime rate of interest." During the latter portion of 2007 and into 2008, as the "prime rate of interest" has gone down, the Company's loan portfolio again had loans with rate floors that went into effect and established a loan rate which was higher than the contractual rate would have otherwise been. This contributed to a loan yield for the entire portfolio which was approximately 33 basis points higher than the "prime rate of interest" at December 31, 2007. At March 31, 2008, the loan yield for the portfolio had increased to a level that was approximately 133 basis points higher than the "prime rate of interest." While interest rate floors have had an overall positive effect on the Company, they do subject the Company to the risk that borrowers will elect to refinance their loans with other lenders.

The Company's profitability is also affected by the level of its non-interest income and operating expenses. Non-interest income consists primarily of service charges and ATM fees, commissions earned by our travel, insurance and investment divisions, late charges and prepayment fees on loans, gains on sales of loans and available-for-sale investments and other general operating income. Non-interest income is also affected by the Company's interest rate hedging activities. Operating expenses consist primarily of salaries and employee benefits, occupancy-related expenses, postage, insurance, advertising and public relations, telephone, professional fees, office expenses and other general operating expenses.

In the three months ended March 31, 2008 compared to the three months ended March 31, 2007, non-interest income increased primarily as a result of the change in the fair value of certain interest rate swaps and the related change in fair value of hedged deposits, totaling $3.0 million in the three months ended March 31, 2008, and totaling $296,000 in the three months ended March 31, 2007. In addition, non-interest income also increased as the result of higher revenue from gains on the sale of mortgage loans. Fees from service charges and overdrafts increased slightly. These fees will likely continue to increase modestly in 2008 compared to 2007 as we expect that retail checking accounts will continue to grow at a modest pace in 2008. We expect to continue to add checking balances; however, much of this growth is expected to come from additional corporate banking relationships and high-balance retail deposits which will not generate as much fee income as smaller individual checking accounts. First quarter 2008 commission income from the Company's travel, insurance and investment divisions increased compared to the same period in 2007. The travel division experienced the largest increase in commission revenues while the insurance and investment divisions experienced slight increases in the three months ended March 31, 2008. The travel division's increase was primarily the result of the acquisition of a St. Louis travel agency in the first quarter of 2007.

Total non-interest expense increased 18.4% in the three months ended March 31, 2008 compared to the same period in 2007. The increase was due to the continued growth of the Company, expenses related to FDIC insurance premiums and expenses related to problem loans and foreclosed assets. In late March 2007, Great Southern acquired a travel agency in St. Louis, Mo., and in June 2007, opened a banking center in Springfield, Mo. As a result, in the three months ended March 31, 2008, compared to the same period in 2007, non-interest expenses increased related to the ongoing operations of these new offices. In 2007, the Federal Deposit Insurance Corporation (FDIC) began to once again assess insurance premiums on insured institutions. Under the new pricing system, institutions in all risk categories, even the best rated, are charged an FDIC premium. Great Southern received a deposit insurance credit as a result of premiums previously paid. The Company's credit offset assessed premiums for the first half of 2007, but premiums were owed by the Company beginning in the latter half of 2007. The Company incurred additional insurance expense of $393,000 related to this in the first quarter of 2008 compared to the first quarter of 2007, and the Company expects a similar expense in future quarters. In addition, the Company’s expenses related to foreclosed assets and legal and professional fees (largely to collect problem loans) increased $368,000 in the three months ended March 31, 2008 compared to the same period in 2007.

The operations of the Bank, and banking institutions in general, are significantly influenced by general economic conditions and related monetary and fiscal policies of regulatory agencies. Deposit flows and the cost of deposits and borrowings are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing real estate and other types of loans, which in turn are affected by the interest rates at which such financing may be offered and other factors affecting loan demand and the availability of funds.

Business Initiatives

In the first quarter of 2008, the Company opened its 39th retail banking center. Located in Branson, Mo., the new banking center, which includes a Great Southern Travel office, is the third retail center in this growing southwest Missouri market. In addition, the Company received regulatory approval in the first quarter of 2008 to open and operate a retail banking center in the St. Louis metropolitan market. Specifically, construction will begin soon on a full-service banking center in Creve Couer, Mo., which is expected to open in late 2008 or early 2009. The new retail banking center will complement a loan production office and a Great Southern Travel office, which are both located in Creve Couer. The Company also continues to actively look for potential retail sites in the Kansas City metropolitan area.

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Effective April 9, 2008, Great Southern Financial Services, a division of Great Southern Bank, formed a new alliance with Springfield, Mo.-based Penney, Murray and Associates – a private wealth advisory practice of Ameriprise Financial Services. In addition, Great Southern transferred its broker dealer relationship from Raymond James Financial Services to Ameriprise Financial Services. This new alliance brings a more comprehensive range of investment products and a higher level of service to Great Southern Financial Services clients. Penney, Murray and Associates has served client investment needs through Ameriprise for more than 25 years. Ameriprise, a Fortune 500 company, has more than 110 years of history providing financial solutions and helping clients plan for and achieve their financial objectives.

In April 2008, the Company announced that it will close the Columbia, Mo., loan production office (LPO) in July 2008 due to unrealized business expectations. The LPO opened in January 2006. Loans originated out of this office will be serviced from the Springfield, Mo., office. The Company will continue to have two Great Southern Travel offices in the Columbia market.

Effect of Federal Laws and Regulations

Federal legislation and regulation significantly affect the banking operations of the Company and the Bank, and have increased competition among commercial banks, savings institutions, mortgage banking enterprises and other financial institutions. In particular, the capital requirements and operations of regulated depository institutions such as the Company and the Bank have been and will be subject to changes in applicable statutes and regulations from time to time, which changes could, under certain circumstances, adversely affect the Company or the Bank.

Comparison of Financial Condition at March 31, 2008 and December 31, 2007

During the three months ended March 31, 2008, the Company increased total assets by $70.5 million to $2.50 billion. Net loans increased by $15.5 million. The main loan areas experiencing increases were one- to four-family and multifamily residential loans and commercial real estate loans. The Company's strategy continues to be focused on maintaining credit risk and interest rate risk at appropriate levels given the current credit and economic environments. The Company does not expect to grow the loan portfolio significantly at this time. Available-for-sale investment securities increased by $39.6 million. For the three months ended March 31, 2008, the average balance of investment securities increased by $49 million compared to the same period in 2007 due to the purchase of securities to provide liquidity and pledge against increased public funds deposits. While the Company earned a positive spread on these securities, it was much smaller than the Company's overall net interest spread, having the effect of increasing net interest income but decreasing net interest margin. While there is no specifically stated goal, the available-for-sale securities portfolio has recently been approximately 15% to 20% of total assets. The available-for-sale securities portfolio was 18.4% and 17.5% of total assets at March 31, 2008 and December 31, 2007, respectively.

Total liabilities increased $92.2 million from December 31, 2007 to $2.33 billion at March 31, 2008. Deposits increased $166.7 million and short-term borrowings increased $5.7 million. Partially offsetting these increases, FHLBank advances decreased $90.7 million, from $213.9 million at December 31, 2007, to $123.2 million at March 31, 2008. The level of FHLBank advances will fluctuate depending on growth in the Company's loan portfolio and other funding needs and sources of the Company. This decrease during the three months ended March 31, 2008, primarily related to the maturity of very short-term advances which had been obtained near the end of 2007 to meet funding needs at year-end. Deposits (excluding brokered and national certificates of deposit) increased $105.1 million from December 31, 2007. Retail CDs and interest-bearing transaction accounts (mainly money market accounts) increased $24.5 million and $94.9 million, respectively. Some of the increased money market account balances may prove to be seasonal, as a portion of the increase is attributed to public entities which received tax dollars in the first quarter of the year. Partially offsetting the increases in these deposit categories, non-interest-bearing checking accounts decreased $14.3 million. Checking account balances totaled $737.9 million at March 31, 2008, up from $657.4 million at December 31, 2007. Total brokered deposits were $749.2 million at March 31, 2008, up from $674.6 million at December 31, 2007. The Company elected to increase its brokered certificates of deposit in the first quarter of 2008 to provide liquidity for operations. Several brokered certificates were redeemed by the Company as the related interest rate swaps were terminated by the swap counterparties. The Company issued new brokered certificates which are fixed rate certificates with maturity terms of generally two to four years, which the Company (at its discretion) may redeem at par typically after six months. There are no interest rate swaps associated with these brokered certificates. The increase in short-term borrowings was mainly the result of increases ($10.0 million) in the Federal Reserve Term Auction Facility, increases ($9.6 million) in securities sold under repurchase agreements with Bank customers and decreases ($14.0 million) in overnight borrowings.

Stockholders' equity decreased $18.3 million from $189.9 million at December 31, 2007 to $171.6 million at March 31, 2008. Net loss for the three months ended March 31, 2008, was $15.2 million, dividends declared were $2.4 million, net repurchases of the Company's common stock were $273,000 and accumulated other comprehensive income decreased $461,000. During the three months ended March 31, 2008, the Company repurchased 21,200 shares of its common stock at an average price of $19.19 per share and issued 1,306 shares at an average price of $13.37 per share to cover stock option exercises.

In the three months ended March 31, 2008, the Company was not aggressively buying back shares of its stock. Management intends to continue its stock buy-back programs from time to time as long as it believes that repurchasing the stock contributes to the overall growth of shareholder value. The number of shares of stock that will be repurchased and the price that will be paid is the result of many factors, several of which are outside the control of the Company. The primary factors, however, are the number of shares available in the market from sellers at any given time, the price of the stock within the market as determined by the market, and the projected impact on the Company's capital and earnings per share.

Results of Operations and Comparison for the Three Months Ended March 31, 2008 and 2007

General

Including the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, net income decreased $22.5 million during the three months ended March 31, 2008, compared to the three months ended March 31, 2007. This decrease was primarily due to an increase in provision for loan losses of $36.4 million, or 2,700%, and an increase in non-interest expense of $2.2 million, or 18.4%, partially offset by an increase in net interest income of $657,000, or 3.8%, an increase in non-interest income of $3.2 million, or 46.1%, and a decrease in provision for income taxes of $12.2 million, or 345%.

Excluding the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, economically, net income decreased $23.5 million during the three months ended March 31, 2008, compared to the three months ended March 31, 2007. This decrease was primarily due to an increase in provision for loan losses of $36.4 million, or 2,700%, and an increase in non-interest expense of $2.2 million, or 18.4%, partially offset by an increase in net interest income of $1.8 million, or 10.2%, an increase in non-interest income of $576,000, or 8.7%, and a decrease in provision for income taxes of $12.7 million, or 363%.

The information presented in the table below and elsewhere in this report excluding hedge accounting entries recorded (for the 2008 and 2007 periods) is not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The tables below and elsewhere in this report excluding hedge accounting entries recorded (for the 2008 and 2007 periods) contain reconciliations of this information to the reported information prepared in accordance with GAAP. The Company believes that this non-GAAP financial information is useful in its internal management financial analyses and may also be useful to investors because the Company believes that the exclusion of these items from the specified components of net income better reflect the Company's underlying operating results during the periods indicated for the reasons described above. The amortization of the deposit broker fee and the net change in fair value of interest rate swaps and related deposits may be volatile. For example, if market interest rates decrease significantly, the interest rate swap counterparties may wish to terminate the swaps prior to their stated maturities. If a swap is terminated, it is likely that the Company would redeem the related deposit account at face value. If the deposit account is redeemed, any unamortized broker fee associated with the deposit account must be written off to interest expense. In addition, if the interest rate

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swap is terminated, there may be an income or expense impact related to the fair values of the swap and related deposit which were previously recorded in the Company's financial statements. The effect on net income, net interest income, net interest margin and non-interest income could be significant in any given reporting period.

Selected Financial Data and Non-GAAP Reconciliation
(Dollars in thousands)

	Three Months Ended March 31,			
	2008		2007	
	Dollars	Earnings Per Diluted Share	Dollars	Earnings Per Diluted Share
Reported Earnings (Loss)	$(15,153)	$(1.13)	$ 7,335	$.53
Amortization of deposit broker origination fees (net of taxes)	882	.06	149	.01
Net change in fair value of interest rate swaps and related deposits (net of taxes)	(1,933)	(.14)	(222)	(.01)
Earnings (loss) excluding impact of hedge accounting entries	$(16,204)	$(1.21)	$7,262	$.53

Total Interest Income

Total interest income decreased $1.1 million, or 2.8%, during the three months ended March 31, 2008 compared to the three months ended March 31, 2007. The decrease was due to a $1.9 million, or 5.6%, decrease in interest income on loans, partially offset by an $820,000, or 17.2%, increase in interest income on investments and other interest-earning assets. Interest income for investment securities and other interest-earning assets increased due to higher average rates of interest and higher average balances. Interest income for loans decreased due to lower average rates of interest, partially offset by higher average balances. The lower average rates were a result of the significant decreases to the prime rate of interest in the first quarter of 2008.

For the three months ended March 31, 2008 and 2007, interest income was reduced $186,000 and $348,000, respectively, due to the reversal of accrued interest on loans which were added to non-performing status during the quarter. This reduced net interest income and net interest margin. For the three months ended March 31, 2008, compared to the same period in 2007, the average balance of investment securities increased by approximately $49 million due to the purchase of securities in 2007 and 2008 to pledge against increased public funds deposits and customer repurchase agreements. While the Company earned a positive spread on these securities (leading to higher net interest income), it was much smaller than the Company's overall net interest spread, having the effect of decreasing net interest margin.

Interest Income - Loans

During the three months ended March 31, 2008 compared to the three months ended March 31, 2007, interest income on loans decreased due to lower average interest rates, partially offset by higher average balances. Interest income decreased $5.1 million as the result of lower average interest rates on loans. The average yield on loans decreased from 8.18% during the three months ended March 31, 2007, to 7.00% during the three months ended March 31, 2008. A large portion of the Bank's loan portfolio adjusts with changes to the "prime rate" of interest. The Company has a portfolio of prime-based loans which have interest rate floors. Prior to 2006, when market interest rates were lower, many of these loan rate floors were in effect and established a loan rate which was higher than the contractual rate would have otherwise been. During 2006 and 2007, as market interest rates rose, many of these interest rate floors were exceeded and the loans reverted back to their normal contractual interest rate terms. In the fourth quarter of 2007 and the first quarter of 2008, the FRB significantly lowered the Federal Funds interest rate. This has led to many of the Company’s loans which are tied to the prime rate of interest again having loan rate floors which are in effect as of March 31, 2008. In the three months ended March 31, 2008, the average yield on loans was 7.00% versus an average prime rate for the period of 6.24%, or a difference of a positive 76 basis points. In the three months ended March 31, 2007, the average yield on loans was 8.18% versus an average prime rate for the period of 8.25%, or a difference of a negative 7 basis points.

Interest income increased $3.2 million as the result of higher average loan balances from $1.72 billion during the three months ended March 31, 2007 to $1.88 billion during the three months ended March 31, 2008. The higher average balance resulted principally from the Bank's increases in average balances in commercial and residential construction lending, one- to four-family and multifamily real estate lending and commercial business lending. The increases in construction loan balances are primarily the result of draws being made on construction loans that were originated in prior periods. The Bank's one- to four-family residential loan portfolio balance has increased in 2007 and to date in 2008 due to increased production by the Bank’s mortgage division. The Bank generally sells fixed-rate one- to four-family residential loans in the secondary market.

For the three months ended March 31, 2008 and 2007, interest income was reduced $186,000 and $348,000, respectively, due to the reversal of accrued interest on loans that were added to non-performing status during the period. See "Net Interest Income" for additional information on the impact of this interest activity.

Additionally, recent FRB interest rate cuts have impacted interest income and net interest income. Generally, a rate cut by the FRB would have an anticipated immediate negative impact on interest income and net interest income due to the large total balance of loans which generally adjust immediately as Fed Funds adjust. This negative impact is expected to be offset over the following 60- to 120-day period, and subsequently is expected to have a positive impact, as the Company's interest rates on deposits, borrowings and interest rate swaps should also reduce as a result of changes in interest rates by the FRB, assuming normal credit, liquidity and competitive loan and deposit pricing pressures.

Interest Income - Investments and Other Interest-earning Assets

Interest income on investments and other interest-earning assets increased $820,000, mainly as a result of higher average balances during the three months ended March 31, 2008, when compared to the three months ended March 31, 2007. Interest income increased $623,000 as a result of an increase in average balances from $409 million during the three months ended March 31, 2007, to $458 million during the three months ended March 31, 2008. Interest income increased $197,000 as a result of an increase in average rates from 4.74% during the three months ended March 31, 2007, to 4.92% during the three months ended March 31, 2008. In 2005 and 2006, as principal balances on mortgage-backed securities were paid down through prepayments and normal amortization, the Company replaced a large portion of these securities with variable-rate mortgage-backed securities (primarily one-year and hybrid ARMs) which had a lower yield at the time of purchase relative to the fixed-rate securities remaining in the portfolio. As these securities reached interest rate reset dates in 2007 and the first quarter of 2008, their rates typically have increased along with market interest rate increases. As market interest rates (primarily treasury rates and LIBOR rates) have generally declined from 2007 levels, the interest rates on those securities that reprice in 2008 likely will not increase and some could decrease at their next interest rate reset date. The actual amount of securities that will reprice and the actual interest rate changes on these securities is subject to the level of prepayments on these securities and the changes that actually occur in market interest rates (primarily treasury rates and LIBOR rates). The increase in average balances of investment securities in the first quarter of 2008 was primarily in available-for-sale mortgage-backed securities, where securities were needed for liquidity and pledging to deposit accounts under customer repurchase agreements and public fund deposits. The majority of these added securities are backed by hybrid ARMs which will have fixed rates of interest for a period of time (generally seven to ten years) and then will adjust annually. In addition, the Company has several agency securities that are callable at the option of the issuer, so it is likely that, as market interest rates have declined, agency security balances will be reduced in 2008.

Total Interest Expense

Including the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, total interest expense decreased $1.8 million, or 8.0%, during the three months ended March 31, 2008, when compared with the three months ended March 31, 2007, primarily due to a decrease in interest expense on deposits of $1.3 million, or 7.3%, a decrease in interest expense on short-term borrowings of $146,000, or 8.4%, and a decrease in interest expense on FHLBank advances of $281,000, or 15.1%.

Excluding the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, economically, total interest expense decreased $2.9 million, or 13.2%, during the three months ended March 31, 2008, when compared with the three months ended March 31, 2007, primarily due to a decrease in interest expense on deposits of $2.5 million, or 13.6%, a decrease in interest expense on short-term borrowings of $146,000, or 8.4%, and a decrease in interest expense on FHLBank advances of $281,000, or 15.1%.

The amortization of the deposit broker origination fees which were originally recorded as part of the 2005 accounting change regarding interest rate swaps significantly increased interest expense in the first quarter of 2008. The amortization of these fees totaled $1.4 million and $229,000 in the three months ended March 31, 2008 and 2007, respectively. The Company expects that this fee amortization will be significant again in the second quarter of 2008 as more interest rate swaps are likely to be called, with the Company likely to call the corresponding certificates of deposit.

Interest Expense - Deposits

Including the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, interest on demand deposits decreased $1.3 million due to a decrease in average rates from 3.28% during the three months ended March 31, 2007, to 2.25% during the three months ended March 31, 2008. The average interest rates decreased due to lower overall market rates of interest throughout the fourth quarter of 2007 and the first quarter of 2008. Market rates of interest on checking and money market accounts began to decrease in the fourth quarter of 2007 as the FRB reduced short-term interest rates. These FRB reductions continued into the first quarter of 2008. Interest on demand deposits decreased $768,000 due to an increase in average balances from $433 million during the three months ended March 31, 2007, to $540 million during the three months ended March 31, 2008. Average noninterest-bearing demand balances decreased from $175 million in the three months ended March 31, 2007, to $152 million in the three months ended March 31, 2008.

Interest expense on deposits decreased $1.2 million as a result of a decrease in average rates of interest on time deposits from 5.32% during the three months ended March 31, 2007, to 4.87% during the three

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months ended March 31, 2008. This average rate of interest included the amortization of the deposit broker origination fees discussed above. Interest expense on deposits increased $336,000 due to an increase in average balances of time deposits from $1.12 billion during the three months ended March 31, 2007, to $1.15 billion during the three months ended March 31, 2008. Market rates of interest on new certificates decreased since 2007 as the FRB reduced short-term interest rates. In addition, the Company's interest rate swaps repriced to lower rates in conjunction with the decreases in market interest rates in the first quarter of 2008.

The effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps did not impact interest on demand deposits.

Excluding the effects of the Company's accounting entries recorded in 2008 and 2007 for certain interest rate swaps, economically, interest expense on deposits decreased $2.3 million as a result of a decrease in average rates of interest on time deposits from 5.24% during the three months ended March 31, 2007, to 4.39% during the three months ended March 31, 2008. Interest expense on deposits also increased $321,000 due to an increase in average balances of time deposits from $1.12 billion during the three months ended March 31, 2007, to $1.15 billion during the three months ended March 31, 2008.

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

During the three months ended March 31, 2008 compared to the three months ended March 31, 2007, interest expense on FHLBank advances decreased due to lower average interest rates, partially offset by higher average balances. Interest expense on FHLBank advances decreased $504,000 due to a decrease in average interest rates from 5.13% in the three months ended March 31, 2007, to 3.84% in the three months ended March 31, 2008. Rates on advances decreased as the Company employed advances which mature in a relatively short term and advances which are indexed to one-month LIBOR and adjust monthly. Average rates on FHLBank advances are not likely to decrease significantly in the second quarter of 2008 as a large portion of the advances are fixed rate with the FHLBank having the option to redeem the advance at its discretion. Interest expense on FHLBank advances increased $223,000 due to an increase in average balances from $147 million during the three months ended March 31, 2007, to $166 million during the three months ended March 31, 2008.

Interest expense on short-term borrowings increased $623,000 due to an increase in average balances from $157 million during the three months ended March 31, 2007, to $225 million during the three months ended March 31, 2008. The increase in balances of short-term borrowings was primarily due to the Company’s use of borrowing lines available under the Federal Reserve’s Term Auction Facility and increases in securities sold under repurchase agreements with the Company's deposit customers. In addition, average rates on short-term borrowings decreased from 4.51% in the three months ended March 31, 2007, to 2.86% in the three months ended March 31, 2008, resulting in decreased interest expense of $769,000. The average interest rates decreased due to lower overall market rates of interest in the first quarter of 2008. Market rates of interest on short-term borrowings began to decrease in the fourth quarter of 2007 and continued to decrease throughout the first quarter of 2008 as the FRB has decreased short-term interest rates.