GREAT SOUTHERN BANCORP INC
Form 10-K
March 17, 2008

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, 2007

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland	43-1524856
(State of Incorporation)	(IRS Employer Identification Number)
1451 E. Battlefield, Springfield, Missouri	65804
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes [ ] No [X]
Indicated 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [ ]

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

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

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

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on June 30, 2007, computed by reference to the closing price of such shares on that date, was $279,762,987. At March 13, 2008, 13,380,303 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 financial holding company and parent of Great Southern Bank ("Great Southern" or the "Bank"). Bancorp was incorporated under the laws of the State of Delaware in July 1989 as a unitary savings and loan holding company. After receiving the approval of the Federal Reserve Bank of St. Louis (the "Federal Reserve Board" or "FRB"), the Company became a one-bank holding company on June 30, 1998, upon the conversion of Great Southern to a Missouri-chartered trust company. In 2004, Bancorp was re-incorporated under the laws of the State of Maryland.

As a Maryland corporation, the Company is authorized to engage in any activity that is permitted by the Maryland General Corporation Law and is not prohibited by law or regulatory policy. The Company currently conducts its business as a financial holding company. Through the financial holding company structure, it is possible to expand the size and scope of the financial services offered by the Company beyond those offered by the Bank. The financial holding company structure provides the Company with greater flexibility than the Bank has to diversify its business activities, through existing or newly formed subsidiaries, or through acquisitions or mergers of other financial institutions as well as other companies. At December 31, 2007, Bancorp's consolidated assets were $2.43 billion, consolidated net loans were $1.81 billion, consolidated deposits were $1.76 billion and consolidated stockholders' equity was $190 million. The assets of the Company consist primarily of the stock of Great Southern, available-for-sale securities, minority interests in a local trust company and a merchant banking company and cash.

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

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

Great Southern Bank

Great Southern was formed as a Missouri-chartered mutual savings and loan association in 1923, and, in 1989, converted to a Missouri-chartered stock savings and loan association. In 1994, Great Southern changed to a federal savings bank charter and then, on June 30, 1998, changed to a Missouri-chartered trust company (the equivalent of a commercial bank charter). Headquartered in Springfield, Missouri, Great Southern offers a broad range of banking services through its 38 branches located in southwestern and central Missouri and the Kansas City, Missouri area. At December 31, 2007, the Bank had total assets of $2.43 billion, net loans of $1.81 billion, deposits of $1.77 billion and stockholders' equity of $215.6 million, or 8.9% of total assets. Its deposits are insured by the Deposit Insurance Fund ("DIF") to the maximum levels permitted by the Federal Deposit Insurance Corporation ("FDIC").

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

For many years, Great Southern has followed a strategy of emphasizing quality loan origination through residential, commercial and consumer lending activities in its local market area. The goal of this strategy has been to maintain its position as one of the leading providers of financial services in its market area, while simultaneously diversifying assets and reducing interest rate risk by originating and holding adjustable-rate loans in its portfolio and selling fixed-rate single-family mortgage loans in the secondary market. The Bank continues to place primary emphasis on residential mortgage and other real estate lending while also expanding and increasing its originations of commercial business and consumer loans.

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

Forward-Looking Statements

When used in this Form 10-K and in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result" "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, 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.

Internet Website

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

Primary Market Area

Great Southern's primary market area encompasses 16 counties in southwestern, western and central Missouri. The Bank's branches and ATMs support deposit and lending activities throughout the region, serving such diversified markets as Springfield, Joplin, the Kansas City metropolitan area, the resort areas of Branson and Lake of the Ozarks, and various smaller communities in the Bank's market area. Management believes that the Bank's share of the deposit and lending markets in its market area is approximately 10% and that the Bank's affiliates have an even smaller percent, with the exception of the travel agency which has a larger percent of its respective business in its market area.

Great Southern’s largest concentration of loans and deposits is in the Greater Springfield area. With a population of approximately 407,000, the Greater Springfield area is the third largest metropolitan area in Missouri. Employment in this area is diversified, including small and medium-sized manufacturing concerns, service industries, especially in the resort and leisure activities sectors, agriculture, the federal government, and a major state university along with other smaller universities and colleges. Springfield is also a regional health care center with two major hospitals that employ a total of more than 14,000 people. The unemployment rate in this area is, and has consistently been, below the national average.

Beyond the significant concentration of loans in the Greater Springfield market, the Bank's loan portfolio is geographically diversified with various loan concentrations in several regional markets in Missouri, Kansas and Northwest Arkansas. The portfolio diversification is due in part to the Company's initiative during the last five years to open loan production offices (LPOs) in high growth markets. In 2003, offices were opened in Overland Park, Kan., and Rogers, Ark, which serves the Kansas City metropolitan area and Northwest Arkansas region, respectively. In 2005, a LPO in Creve Coeur, Mo., was opened serving the St. Louis metropolitan area; and in 2006, the Company opened an office in Columbia, Mo., which serves the Central Missouri region, including Jefferson City

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and the Lake of the Ozarks region. Before opening the LPOs, Great Southern historically served commercial lending needs in the St. Louis, Kansas City, Lake of the Ozarks and Northwest Arkansas regions from its Springfield office. The Bank's familiarity with these four growth markets, coupled with potential strong loan demand, led to physical expansion in these regions that allows Great Southern to more conveniently serve and expand client relationships and attract new business. Managed by seasoned commercial lenders who have personal experience and knowledge in their respective markets, the offices offer all Great Southern commercial lending services. Underwriting of all loan production in these regions is performed in Springfield, so credit decisions are consistent across all markets.

As of December 31, 2007, the Company's total loan portfolio balance was $1.84 billion. Geographically, the total loan portfolio consists of loans collateralized in the following regions (including loan balance and percentage of total loans): Springfield ($565 million, 30%); St. Louis ($255 million, 13%); Branson ($214 million, 12%); Northwest Arkansas ($203 million, 11%); Kansas City ($113 million, 6%); Central Missouri ($67 million, 4%); other Missouri regions ($158 million, 9%), other Kansas regions ($49 million, 3%), and other out-of-state regions ($216 million, 12%).

As noted above, Great Southern has historically served commercial real estate and construction needs in both the St. Louis and Kansas City markets. Concentrations of loans have increased in both of these major metropolitan markets with the establishment of LPOs. Both markets have diverse and relatively stable economies and are currently experiencing some slow-down in home sales and residential construction. The Kansas City market has experienced some weakness in the commercial real estate market while the St. Louis market remained relatively positive in this sector, according to the March 5, 2008, Beige Book released by the Federal Reserve.

The Company has a long history of lending in the Branson market. The region is a vacation and entertainment center, attracting tourists to its theme parks, resorts, music and novelty shows, and other recreational facilities. In the mid-1990's, the region experienced overbuilding in commercial and residential properties which created downward pressure on property values. In recent years, commercial real estate values have stabilized and residential real estate demand and values have shown improvement. Branson is currently experiencing significant growth again due in part to a large retail and hotel/convention center development that opened in Branson's historic downtown. This project has created hundreds of new jobs in the area. In addition, several large national retailers have opened or will soon open stores in Branson.

The Northwest Arkansas region continues to be a burgeoning center of economic activity and growth. Home to the world's largest retailer, Wal-Mart, Inc., the country's largest poultry producer, Tyson Foods, Inc., and JB Hunt, one of the country's largest trucking firms, the region was recently ranked 21st in the Milken Institute's "2007 Best Performing Cities Index." The Index ranks U.S. metropolitan areas based on their ability to create and sustain jobs and includes both long-term and short-term measurements of employee and salary growth. While the area continues to experience significant growth, the region is currently experiencing some effects of overbuilding in the commercial and residential sectors.

Recent Acquisitions

In early 2007, Great Southern purchased The Travel Company, a travel agency with two locations in the greater St. Louis, Missouri area. The agency serves both leisure and corporate travel needs in the St. Louis market.

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 have merged with larger institutions and changed their business practices or moved operations away from the local area, and others have consolidated operations from the local area to larger cities. This has provided Great Southern expanded opportunity in the residential and commercial real estate lending areas as well as in the origination of commercial business and consumer loans, primarily in the indirect automobile area. In addition to origination of these loans, the Bank has expanded and enlarged its relationships with smaller banks to purchase participations (at par, generally with no servicing costs) in loans the smaller banks originate but are unable to retain in their portfolios due to capital limitations. The Bank uses the same underwriting guidelines in evaluating these participations as it does in its direct loan originations. At December 31, 2007, the balance of participation loans purchased was $49.5 million, or 2.4% of the total loan portfolio. None of these participation loans were non-performing at December 31, 2007.

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

Another principal lending activity of Great Southern is the origination of commercial real estate and commercial construction loans. Since the early 1990s, this area of lending has been an increasing percentage of the loan portfolio and accounted for approximately 48% of the portfolio at December 31, 2007.

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

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

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

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

Loan Portfolio Composition

The following table sets 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 table is based on information prepared in accordance with generally accepted accounting principles and is qualified by reference to the Company's consolidated financial statements and the notes thereto contained in Item 8 of this report.

	December 31,									
	2007		2006		2005		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Real Estate Loans:										
Residential										
One- to four- family	$ 191,970	9.1%	$ 176,630	9.1%	$ 173,135	9.7%	$ 171,197	11.6%	$ 158,990	12.4%
Other residential (multi-family)	87,177	4.1	73,366	3.8	105,845	6.0	117,755	8.0	107,090	8.4
Commercial and industrial revenue bonds	532,797	25.3	529,046	27.4	553,195	31.2	526,776	35.6	494,158	38.7
Residential Construction:										
One- to four-family	318,131	15.1	347,287	18.0	246,912	13.9	160,161	10.8	92,126	7.2
Other residential	83,720	4.0	69,077	3.6	72,262	4.1	40,587	2.7	29,211	2.3
Commercial construction	517,208	24.6	443,286	22.9	382,651	21.6	230,103	15.5	180,211	14.1
Total real estate loans	1,731,003	82.2	1,638,692	84.8	1,534,000	86.5	1,246,579	84.2	1,061,786	83.1
Other Loans:										
Consumer loans:										
Guaranteed student loans	3,342	.2	3,592	.2	3,345	.2	2,976	.2	3,090	.3
Automobile, boat, etc.	112,984	5.4	96,242	5.0	84,092	4.7	80,517	5.4	78,828	6.2
Home equity and improvement	44,287	2.1	42,824	2.2	48,992	2.8	45,703	3.1	40,028	3.1
Other	4,161	.2	2,152	.1	1,371	.1	1,318	.1	1,482	.1
	164,774	7.9	144,810	7.5	137,800	7.8	130,514	8.8	123,428	9.7

Total consumer loans										
Other commercial loans	207,059	9.9	149,593	7.7	102,034	5.7	103,635	7.0	92,039	7.2
Total other loans	371,833	17.8	294,403	15.2	239,834	13.5	234,149	15.8	215,467	16.9
Total loans	2,102,836	100.0%	1,933,095	100.0%	1,773,834	100.0%	1,480,728	100.0%	1,277,253	100.0%
Less:										
Loans in process	254,562		229,794		233,213		121,677		109,004	
Deferred fees and discounts	2,704		2,425		1,902		1,054		834	
Allowance for loan losses	25,459		26,258		24,549		23,489		20,844	
Total loans receivable, net	$ 1,820,111		$ 1,674,618		$ 1,514,170		$ 1,334,508		$ 1,146,571	

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The following table shows the fixed- and adjustable-rate composition of the Bank's loan portfolio at the dates indicated. The table is based on information prepared in accordance with generally accepted accounting principles.

	December 31,									
	2007		2006		2005		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Fixed-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	$ 48,790	2.3%	$ 33,378	1.7%	$ 22,269	1.3%	$ 25,266	1.7%	$ 26,136	2.1%
Other residential	34,798	1.7	31,575	1.6	38,473	2.2	65,646	4.4	51,961	4.1
Commercial	158,223	7.5	117,701	6.1	130,316	7.3	110,414	7.5	125,949	9.9
Residential construction:										
One- to four- family	17,872	.8	9,740	.5	18,224	1.0	83,306	5.6	59,070	4.6
Other residential	4,040	.2	11,946	.6	16,166	.9	11,880	.8	8,165	.6
Commercial construction	12,483	.6	8,495	.4	13,980	.8	24,391	1.7	22,007	1.7
Total real estate loans	276,206	13.1	211,835	10.9	239,428	13.5	320,903	21.7	293,288	23.0
Consumer loans	123,232	5.9	104,789	5.4	91,639	5.2	87,868	5.9	85,710	6.7
Other commercial loans	33,903	1.6	26,173	1.4	20,374	1.1	36,660	2.5	29,242	2.3
Total fixed-rate loans	433,341	20.6	342,797	17.7	351,441	19.8	445,431	30.1	408,240	32.0
Adjustable-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	143,180	6.8	143,252	7.4	150,866	8.5	145,931	9.9	132,854	10.4
	52,379	2.5	41,791	2.2	67,372	3.8	52,109	3.5	55,129	4.3

Other residential										
Commercial	374,574	17.8	411,346	21.3	422,879	23.8	416,362	28.1	368,210	28.8
Residential construction:										
One- to four-family	300,259	14.3	337,547	17.4	228,688	12.9	76,855	5.2	33,056	2.6
Other residential	79,680	3.8	58,131	3.0	56,096	3.2	28,707	1.9	21,046	1.6
Commercial construction	504,725	24.0	434,791	22.5	368,671	20.8	205,712	13.9	158,204	12.4
Total real estate loans	1,454,797	69.2	1,426,858	73.8	1,294,572	73.0	925,676	62.5	768,499	60.1
Consumer loans	41,542	2.0	40,020	2.1	46,161	2.6	42,646	2.9	37,718	3.0
Other commercial loans	173,156	8.2	123,420	6.4	81,660	4.6	66,975	4.5	62,796	4.9
Total adjustable-rate loans	1,669,495	79.4	1,590,298	82.3	1,422,393	80.2	1,035,297	69.9	869,013	68.0
Total loans	2,102,836	100.0%	1,933,095	100.0%	1,773,834	100.0%	1,480,728	100.0%	1,277,253	100.0%
Less:										
Loans in process	254,562		229,794		233,213		121,677		109,004	
Deferred fees and discounts	2,704		2,425		1,902		1,054		834	
Allowance for loan losses	25,459		26,258		24,549		23,489		20,844	
Total loans receivable, net	$ 1,820,111		$ 1,674,618		$ 1,514,170		$ 1,334,508		$ 1,146,571	

The following table presents the contractual maturities of loans at December 31, 2007. The table is based on information prepared in accordance with generally accepted accounting principles.

	Less Than One Year	One to Five Years	After Five Years	Total
		(Dollars in thousands)		
Real Estate Loans:				
Residential				
One- to four- family	$ 33,820	$ 23,211	$ 134,939	$ 191,970
Other residential	19,013	53,761	14,403	87,177
Commercial	163,574	258,851	110,372	532,797
Residential construction:				
One- to four- family	245,266	65,010	7,855	318,131
Other residential	41,280	38,400	4,040	83,720
Commercial construction	399,771	98,759	18,678	517,208
Total real estate loans	902,724	537,992	290,287	1,731,003
Other Loans:				
Consumer loans:				
Guaranteed student loans	3,342	---	---	3,342
Automobile	16,433	40,946	55,605	112,984
Home equity and improvement	3,192	12,585	28,510	44,287
Other	4,161	---	---	4,161
Total consumer loans	27,128	53,531	84,115	164,774
Other commercial loans	103,789	71,169	32,101	207,059
Total other loans	130,917	124,700	116,216	371,833
Total loans	$ 1,033,641	$ 662,692	$ 406,503	$ 2,102,836

As of December 31, 2007, loans due after December 31, 2008 with fixed interest rates totaled $346.1 million and loans due after December 31, 2008 with adjustable rates totaled $723.1 million.

Environmental Issues

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

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

Residential Real Estate Lending

At December 31, 2007 and 2006, loans secured by residential real estate, excluding that which is under construction, totaled $279 million and $250 million, respectively, and represented approximately 13.2% and 12.9%, respectively, of the Bank's total loan portfolio. Compared to historical levels, market rates for fixed rate mortgages were low during the years ended December 31, 2003 through 2004. This caused a higher than normal level of refinancing of adjustable-rate loans into fixed-rate loans primarily during 2003 and the early portion of 2004, most of which were sold in the secondary market, and accounted for the decline in the Bank's one- to four-family residential real estate loan portfolio prior to 2004. As rates began to move up in 2004 through 2007, fewer loans were refinanced and paid off early. In addition, in some instances borrowers opted for adjustable-rate loans which the Bank generally retains in its portfolio. Other residential real estate loan balances decreased in 2005 and 2006, primarily as a result of loans secured by apartments and other multi-family units being refinanced elsewhere. Other residential real estate loan balances increased somewhat in 2007, although not back to levels seen in 2003 through 2005.

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

The Bank's portfolio of adjustable-rate mortgage loans also includes a number of loans with different adjustment periods, without limitations on periodic rate increases and rate increases over the life of the loans, or which are tied to other short-term market indices. These loans were originated prior to the industry standardization of adjustable-rate loans. Since the adjustable-rate mortgage loans currently held in the Bank's portfolio have not been subject to an interest rate environment which causes them to adjust to the maximum, these loans entail unquantifiable risks resulting from potential increased payment obligations on the borrower as a result of upward repricing. Many of these loans have experienced upward interest rate adjustments in 2006 and 2007; however, the indices used by Great Southern for these types of loans have decreased to date in 2008, so upcoming loan rate adjustments should be stable to declining. Further, the adjustable-rate mortgages offered by Great Southern, as well as by many other financial institutions, sometimes provide for initial rates of interest below the rates which would prevail were the index used for pricing applied initially. Compared to fixed-rate mortgage loans, these loans are subject to increased risk of delinquency or default as the higher, fully-indexed rate of interest subsequently comes into effect in replacement of the lower initial rate. The Bank had not experienced a significant increase in delinquencies in adjustable-rate mortgage loans due to a relatively low interest rate environment and favorable economic conditions in recent years. However, in 2007 delinquencies on mortgage loans increased.

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

Commercial Real Estate and Construction Lending

Commercial real estate lending has been a significant part of Great Southern's business activities since the mid-1980's. Great Southern does commercial real estate lending in order to increase the yield on, and the proportion of interest rate sensitive loans in, its portfolio. Great Southern expects to maintain or increase the current percentage of commercial real estate and commercial construction loans in its total loan portfolio subject to commercial real estate and other market conditions and to applicable regulatory restrictions. See "Government Supervision and Regulation" below.

At December 31, 2007 and 2006, loans secured by commercial real estate (excluding that which is under construction) totaled $533 million and $529 million, respectively, or approximately 25.3% and 27.4%, respectively, of the Bank's total loan portfolio. In addition, at December 31, 2007 and 2006, construction loans secured by projects under construction and the land on which the projects are located aggregated $919 million and $860 million, respectively, or 43.7% and 44.5%, respectively, of the Bank's total loan portfolio. The majority of the Bank's commercial real estate loans have been originated with adjustable rates of interest, most of which are tied to the Bank's prime rate. Substantially all of these loans were originated with loan commitments which did not exceed 80% of the appraised value of the properties securing the loans.

The Bank's construction loans generally have a term of eighteen months or less. The construction loan agreements for one- to four-family projects generally provide that principal reductions are required as individual condominium units or single-family houses are built and sold to a third party. This insures that the remaining loan balance, as a proportion to the value of the remaining security, does not increase. Loan proceeds are disbursed in increments as construction progresses. Generally, the amount of each disbursement is based on the construction cost estimate of an independent architect, engineer or qualified fee inspector who inspects the project in connection with each disbursement request. Normally, Great Southern's commercial real estate and other residential construction loans are made either as the initial stage of a combination loan (i.e., with a commitment from the Bank to provide permanent financing upon completion of the project) or with a commitment from a third party to provide permanent financing.

The Bank's commercial real estate, construction and other residential loan portfolios consist of loans with diverse collateral types. The following table sets forth loans that were secured by certain types of collateral at December 31, 2007. These collateral types represent the five highest percentage concentrations of commercial real estate, construction and other residential loan types to the total loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio	Non-Performing Loans at December 31, 2007
	(Dollars in thousands)		
Health Care Facilities	$149,618	7.1%	$ 60
Apartments	$144,647	6.9%	$ 561
Motels/Hotels	$127,368	6.1%	$ 768
Condominiums	$125,314	6.0%	$8,210
Subdivisions	$123,240	5.9%	$2,315

The Bank's commercial real estate loans and construction loans generally involve larger principal balances than do its residential loans. In general, state banking laws restrict loans to a single borrower and related entities to no more than 25% of a bank's unimpaired capital and unimpaired surplus, plus an additional 10% if the loan is collateralized by certain readily marketable collateral. (Real estate is not included in the definition of "readily marketable collateral.") As computed on the basis of the Bank's unimpaired capital and surplus at December 31, 2007, this limit was approximately $59.9 million. See "Government Supervision and Regulation." At December 31, 2007, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2007, the Bank's largest relationship for purposes of this limit totaled $40.2 million. All loans included in this relationship were current at December 31, 2007.

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

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

Other Commercial Lending

At December 31, 2007 and 2006, respectively, Great Southern had $207 million and $150 million in other commercial loans outstanding, or 9.9% and 7.7%, respectively, of the Bank's total loan portfolio. Great Southern's other commercial lending activities encompass loans with a variety of purposes and security, including loans to finance stock investments, accounts receivable, inventory and equipment.

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

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

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

At December 31, 2007, the Bank's largeset other commercial loan relationship was with an Arkansas-based bank holding company, and totaled $30.0 million. In addition, the Bank had other loans to stockholders of that bank holding company, at least partially secured by the individuals' stock in the holding company. Subsequent to December 31, 2007, a significant portion of these loans have been classified. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets -- Subsequent Event Regarding Potential problem Loans."

As part of its commercial lending activities, Great Southern issues letters of credit and receives fees averaging approximately 1% of the amount of the letter of credit per year. At December 31, 2007, Great Southern had 120 letters of credit outstanding in the aggregate amount of $20.4 million. Approximately 79% of the aggregate amount of these letters of credit were secured, including one $5.0 million letter of credit secured by real estate which was issued to enhance the issuance of housing revenue refunding bonds.

Consumer Lending

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

Great Southern offers a variety of secured consumer loans, including automobile loans, home equity loans and loans secured by savings deposits. In addition, Great Southern also offers home improvement loans, guaranteed student loans and unsecured consumer loans. Consumer loans totaled $165 million and $145 million at December 31, 2007 and 2006, respectively, or 7.9% and 7.5%, respectively, of the Bank's total loan portfolio.

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

Beginning in 1998, the Bank implemented indirect lending relationships, primarily with automobile dealerships. Through these dealer relationships, the dealer completes the application with the consumer and then submits it to the Bank for credit approval. At December 31, 2007 and 2006, the Bank had $104.5 million and $87.0 million, respectively, of indirect auto, boat, modular home and recreational vehicle loans in its portfolio. While the Bank's initial concentrated effort was on automobiles, the program has evolved for use with other tangible products where financing of the product is provided through the seller, including boats and manufactured homes.

Student loans are underwritten in compliance with the regulations of the U.S. Department of Education for the Federal Family Education Loan Programs ("FFELP"). The FFELP loans are administered and guaranteed by the Missouri Coordinating Board for Higher Education as long as the Bank complies with the regulations. The Bank has contracted with the Missouri Higher Education Loan Authority (the "MOHELA") to originate and service these loans and to purchase these loans during the grace period immediately prior to the loans beginning their repayment period. This repayment period generally commences at the time the student graduates or does not maintain the required hours of enrollment.

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

Originations, Purchases, Sales and Servicing of Loans

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

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

A number of banks, both locally and regionally, do not have the capital to handle large commercial credits or are seeking diversification of risk in their portfolios. In order to take advantage of this situation, beginning in 1998, Great Southern increased the number and amount of participations purchased in commercial real estate and commercial construction loans. Great Southern subjects these loans to its normal underwriting standards used for originated loans and rejects any credits that do not meet those guidelines. The originating bank retains the servicing of these loans. The Bank purchased $1.6 million of these loans in the fiscal year ended December 31, 2007 and $44.2 million in the fiscal year ended December 31, 2006. Of the total $49.5 million of purchased participation loans outstanding at December 31, 2007, $10.0 million was purchased from one institution, secured by properties located in Arkansas. None of these loans were non-performing at December 31, 2007.

There have been no whole loan purchases by the Bank in the last five years. At December 31, 2007 and 2006, approximately $193,000, or 0.01%, and $223,000, or 0.01%, respectively, of the Bank's total loan portfolio consisted of purchased whole loans.

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

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

The Bank sold one- to four-family whole real estate loans and loan participations in aggregate amounts of $76.2 million, $71.1 million and $49.2 million during fiscal 2007, 2006 and 2005, respectively. Sales of whole real estate loans and participations in real estate loans can be beneficial to the Bank since these sales generally generate income at the time of sale, produce future servicing income on loans where servicing is retained, provide funds for additional lending and other investments, and increase liquidity.

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

The Bank sold guaranteed student loans in aggregate amounts of $3.0 million, $2.3 million and $3.9 million during fiscal 2007, 2006 and 2005, respectively. Sales of guaranteed student loans generally can be beneficial to the Bank since these sales remove the burdensome servicing requirements of these types of loans once the borrower begins repayment.

Gains, losses and transfer fees on sales of loans and loan participations are recognized at the time of the sale. When real estate loans and loan participations sold have an average contractual interest rate that differs from the agreed upon yield to the purchaser (less the agreed upon servicing fee), resulting gains or losses are recognized in an amount equal to the present value of the differential over the estimated remaining life of the loans. Any resulting discount or premium is accreted or amortized over the same estimated life using a method approximating the level yield interest method. When real estate loans and loan participations are sold with servicing released, as the Bank primarily does, an additional fee is received for the servicing rights. Net gains and transfer fees on sales of loans for fiscal 2007, 2006 and 2005 were $1,037,000, $944,000 and $983,000, respectively. Of these amounts, $53,000, $40,000 and $72,000, respectively, were gains from the sale of guaranteed student loans and $984,000, $904,000 and $911,000, respectively, were gains from the sale of fixed-rate residential loans.

Although most loans currently sold by the Bank are sold with servicing released, the Bank had the servicing rights for approximately $66.0 million and $70.7 million at December 31, 2007 and 2006, respectively, of loans owned by others. The servicing of these loans generated net servicing fees to the Bank for the years ended December 31, 2007 and 2006, of $50,000 and $44,000, respectively.

In addition to interest earned on loans and loan origination fees, the Bank receives fees for loan commitments, letters of credit, prepayments, modifications, late payments, transfers of loans due to changes of property ownership and other miscellaneous services. The fees vary from time to time, generally depending on the supply of funds and other competitive conditions in the market. Fees from prepayments, commitments, letters of credit and late payments totaled $1.2 million, $1.8 million and $1.7 million for the years ended December 31, 2007, 2006 and 2005, respectively. Loan origination fees, net of related costs, are accounted for in accordance with Statement of Financial Accounting

Standards No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the level-yield method over the contractual life of the loan. For further discussion of this matter, see Note 1 of the Notes to Consolidated Financial Statements.

Loan Delinquencies and Defaults

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

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

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

The following table sets forth our loans delinquent 30 - 89 days by type, number, amount and percentage of type at December 31, 2007.

	Loans Delinquent for 30-89 Days		
	Number	Amount	Percent of Total Delinquent Loans
	(Dollars in thousands)		
Real Estate:			
One- to four-family	90	$ 5,578	27%
Other residential	2	224	1
Commercial	12	2,401	12
Construction or development	16	2,403	12
Consumer and overdrafts	943	2,580	13
Other commercial	17	7,209	35
Total	1,080	$ 20,395	100%

Classified Assets

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered to be of lesser quality as "substandard," "doubtful" or "loss" assets. The regulations require insured institutions to classify their own assets and to establish prudent specific allocations for losses from assets classified "substandard" or "doubtful." For the portion of assets classified as "loss," an institution is required to either establish specific allowances of 100% of the amount classified or charge such amount off its books. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess a potential weakness, are required to be listed on the Bank's watch list and monitored for further deterioration. In addition, a bank's regulators may require the establishment of a general allowance for losses based on the general quality of the asset portfolio of the bank. Following are the total classified assets at December 31, 2007, per the Bank's internal asset classification list. There were no significant off- balance sheet items classified at December 31, 2007.

Asset Category	Substandard	Doubtful	Loss	Total Classified	Allowance for Losses
	(Dollars in thousands)				
Investment securities	$ ---	$---	$ ---	$ ---	$ ---
Loans	64,433	---	---	64,433	25,459
Foreclosed assets	20,399	---	---	20,399	---
Total	$84,832	$---	$ ---	$84,832	$25,459

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Non-Performing Assets

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

	December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Non-accruing loans:					
One- to four-family residential	$ 4,836	$ 1,627	$ 1,500	$ 1,382	$ 1,935
One- to four-family construction	1,767	3,931	2,103	---	---
Other residential	561	---	---	---	---
Commercial real estate	9,145	6,247	8,368	2,016	2,658
Other commercial	5,923	4,843	2,123	302	1,949
Commercial construction	12,935(1)	2,968	1,049	388	289
Consumer	112	186	237	271	213
Total gross non-accruing loans	35,279	19,802	15,380	4,359	7,044
Loans over 90 days delinquent still accruing interest:					
One- to four-family residential	38	---	640	---	10
Commercial real estate	---	59	---	---	---
Other commercial	34	---	---	---	---
Commercial construction	---	121	---	---	---
Consumer	124	261	190	120	337
Total loans over 90 days delinquent still accruing interest	196	441	830	120	347
Other impaired loans	---	---	---	---	---
Total gross non-performing loans	35,475	20,243	16,210	4,479	7,391
Foreclosed assets:					
One- to four-family residential	742	80	---	195	608
One- to four-family construction	7,701	400	2	431	543
Other residential	---	3,190	---	---	---
Commercial real estate	5,130	825	76	564	939
Commercial construction	6,416	2	---	242	6,277
Total foreclosed assets	19,989	4,497	78	1,432	8,367

Repossessions	410	271	517	603	667
Total gross non-performing assets	$ 55,874	$ 25,011	$ 16,805	$ 6,514	$ 16,425
Total gross non-performing assets as a percentage of average total assets	2.39%	1.15%	0.85%	0.38%	1.14%

(1) One relationship is $10.3 million of this total. The project has been completed in the first quarter of 2008 and the company expects to resolve this non-performing asset shortly. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-performing Assets.

Gross impaired loans totaled $35.5 million at December 31, 2007 and $20.2 million at December 31, 2006. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

For the year ended December 31, 2007, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $2.7 million. The amount that was included in interest income on these loans was $1.1 million for the year ended December 31, 2007.

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

Allowances for Losses on Loans and Foreclosed Assets

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

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

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

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

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

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

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

At December 31, 2007 and 2006, Great Southern had an allowance for losses on loans of $25.5 million and $26.3 million, respectively, of which $9.6 million and $6.4 million, respectively, had been allocated as an allowance for specific loans, including $6.0 million and $3.3 million, respectively, allocated for impaired loans. The allowance is discussed further in Note 4 of the Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

	December 31,								
	2007		2006		2005		2004		2003
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount
	(Dollars in thousands)								
One- to four-family residential and construction	$ 6,042	26.2%	$ 2,029	27.1%	$ 1,679	23.7%	$ 2,019	23.1%	$ 1,485
Other residential and construction	1,929	8.1	1,436	7.4	2,084	10.0	1,030	11.0	2,092
Commercial real estate	2,257	22.4	9,363	27.4	9,331	31.2	8,984	33.5	8,986
Commercial construction	10,266	22.7	9,189	22.9	7,563	21.6	8,843	16.1	4,875
Other commercial	2,736	12.8	2,150	7.7	2,081	5.7	894	7.2	1,625
Consumer and overdrafts	2,229	7.8	2,091	7.5	1,811	7.8	1,719	9.1	1,781
Total	$ 25,459	100.0%	$ 26,258	100.0%	$ 24,549	100.0%	$ 23,489	100.0%	$ 20,844

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

	December 31, 2007	2006	2005	2004	2003
	(Dollars in thousands)				
Balance at beginning of period	$ 26,258	$ 24,549	$ 23,489	$ 20,844	$ 21,288
Charge-offs:					
One- to four-family residential	549	189	215	241	369
Other residential	---	96	---	---	---
Commercial real estate	1,122	310	163	70	1,016
Construction	3,428	1,618	570	36	1,016
Consumer, overdrafts and other loans	3,568	3,704	3,345	3,510	3,646
Other commercial	202	324	963	1,123	1,497
Total charge-offs	8,869	6,241	5,256	4,980	7,544
Recoveries:					
One- to four-family residential	24	59	16	265	22
Other residential	16	1	---	3	---
Commercial real estate	40	27	48	92	50
Construction	183	41	7	6	20
Consumer, overdrafts and other loans	2,132	2,290	2,109	2,138	2,089
Other commercial	200	82	111	321	119
Total recoveries	2,595	2,500	2,291	2,825	2,300
Net charge-offs	6,274	3,741	2,965	2,155	5,244
Provision for losses on loans	5,475	5,450	4,025	4,800	4,800
Balance at end of period	$ 25,459	$ 26,258	$ 24,549	$ 23,489	$ 20,844
Ratio of net charge-offs to average loans Outstanding	0.35%	0.23%	0.20%	0.17%	0.47%

Investment Activities

Excluding those issued by the United States Government, or its agencies, there were no investment securities in excess of 10% of the Bank's retained earnings at December 31, 2007 and 2006, respectively. Agencies, for this purpose, primarily include Freddie Mac, Fannie Mae and FHLBank.

As of December 31, 2007 and 2006, the Bank held approximately $1.4 million and $1.5 million, respectively, in principal amount of investment securities which the Bank intends to hold until maturity. As of such dates, these securities had fair values of approximately $1.5 million and $1.6 million, respectively. In addition, as of December 31, 2007 and 2006, the Company held approximately $425.0 million and $344.2 million, respectively, in principal amount of investment securities which the Company classified as available-for-sale. See Notes 1 and 2 of the Notes to Consolidated Financial Statements. Agencies, for this purpose, primarily include Freddie Mac, Fannie Mae and FHLBank.

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

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

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$ 59,494	$ ---	$ 798	$ 58,696
Collateralized mortgage obligations	30,536	1	453	30,084
Mortgage-backed securities	191,282	221	3,027	188,476
Corporate bonds	3,355	101	---	3,456
States and political subdivisions	51,128	870	31	51,967
Equity securities	11,196	317	---	11,513
Total available-for-sale securities	$ 346,991	$ 1,510	$ 4,309	$ 344,192
HELD-TO-MATURITY SECURITIES:				
States and political subdivisions	$ 1,470	$ 99	$ ---	$ 1,569
Total held-to-maturity securities	$ 1,470	$ 99	$ ---	$ 1,569

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	$ 37,913	$ ---	$ 1,381	$ 36,532
Collateralized mortgage obligations	32,671	---	628	32,043
Mortgage-backed securities	240,534	122	4,628	236,028
Corporate bonds	5,861	160	---	6,021
States and political subdivisions	45,215	507	107	45,615
Equity securities	13,334	5	262	13,077
Total available-for-sale securities	$ 375,528	$ 794	$ 7,006	$ 369,316
HELD-TO-MATURITY SECURITIES:				
States and political subdivisions	$ 1,510	$ 93	$ ---	$ 1,603
Total held-to-maturity securities	$ 1,510	$ 93	$ ---	$ 1,603

The following tables present the contractual maturities and weighted average tax-equivalent yields of available-for-sale securities at December 31, 2007.

	Cost	Tax-Equivalent Amortized Yield	Approximate Fair Value
	(Dollars in thousands)		
One year or less	$ ---	---%	$ ---
After one through five years	17,989	4.66%	17,922
After five through ten years	107,074	6.00%	107,084
After ten years	65,127	6.21%	64,917
Securities not due on a single maturity date	222,792	5.05%	222,466
Equity securities	12,874	7.41%	12,639
Total	$ 425,856	5.52%	$ 425,028

	One Year or Less	After One Through Five Years	After Five Through Ten Years	After Ten Years	Securities Not Due on a Single Maturity Date	Equity Securities	Total
	(Dollars in thousands)						
U.S. government agencies	$ ---	$17,354	$ 103,798	$ 4,965	$ ---	$ ---	$ 126,117
Collateralized mortgage obligations	---	---	---	---	39,769	---	39,769
Mortgage-backed securities	---	---	---	---	183,023	---	183,023
States and political subdivisions	---	635	3,276	58,661	---	---	62,572
Corporate bonds	---	---	---	1,501	---	---	1,501
Equity securities	---	---	---	---	---	12,874	12,874
Total	$ ---	$17,989	$107,074	$65,127	$222,792	$12,874	$425,856

The following table presents the contractual maturities and weighted average tax-equivalent yields of held-to-maturity securities at December 31, 2007.

	Cost	Tax-Equivalent Amortized Yield	Approximate Fair Value
	(Dollars in thousands)		
States and political subdivisions:			
After one through five years	$ ---	---%	$ ---
After five through ten years	---	---%	---
After ten years	1,420	7.48%	1,508
Total	$ 1,420	7.48%	$ 1,508

The following table shows our investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2007, 2006 and 2005, respectively:

	2007					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
	$ 43,418	$ 80	$ 13,524	$ 295	$ 56,942	$ 375

U.S. government agencies						
Mortgage-backed securities	22,498	100	62,817	816	85,315	916
Collateralized mortgage obligations	11,705	154	18,238	500	29,943	654
State and political subdivisions	23,398	421	2,216	32	25,614	453
Equity securities	4,766	239	---	---	4,766	239
Corporate bonds	1,476	25	---	---	1,476	25
	$ 107,261	$ 1,019	$ 96,795	$ 1,643	$ 204,056	$ 2,662

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	2006					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government agencies	$ ---	$ ---	$ 23,455	$ 798	$ 23,455	$ 798
Mortgage-backed securities	17,772	48	130,509	2,979	148,281	3,027
Collateralized mortgage obligations	---	---	28,246	453	28,246	453
State and political subdivisions	1,685	3	3,090	28	4,775	31
	$ 19,457	$ 51	$ 185,300	$ 4,258	$ 204,757	$ 4,309

	2005					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government agencies	$ 13,886	$ 385	$ 22,646	$ 996	$ 36,532	$ 1,381
Mortgage-backed securities	110,202	1,850	92,965	2,778	203,167	4,628
State and political subdivisions	10,874	71	2,775	36	13,649	107
Equity securities	2,761	193	10,308	69	13,069	262
Collateralized mortgage obligations	20,101	252	11,942	376	32,043	628
	$ 157,824	$ 2,751	$ 140,636	$ 4,255	$ 298,460	$ 7,006

Sources of Funds

General. Deposit accounts have traditionally been the principal source of the Bank's funds for use in lending and for other general business purposes. In addition to deposits, the Bank obtains funds through advances from the Federal Home Loan Bank of Des Moines ("FHLBank") and other borrowings, loan repayments, loan sales, and cash flows generated from operations. Scheduled loan payments are a relatively stable source of funds, while deposit inflows and outflows and the related costs of such funds have varied widely. Borrowings such as FHLBank advances may be used on a short-term basis to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels and may be used on a longer-term basis to support expanded lending activities. The availability of funds from loan sales is influenced by general interest rates as well as the volume of originations.

Deposits. The Bank attracts both short-term and long-term deposits from the general public by offering a wide variety of accounts and rates and also purchases brokered deposits. In recent years, the Bank has been required by market conditions to rely increasingly on short-term accounts and other deposit alternatives that are more responsive to market interest rates. The Bank offers regular savings accounts, checking accounts, various money market accounts, fixed-interest rate certificates with varying maturities, certificates of deposit in minimum amounts of $100,000 ("Jumbo" accounts), brokered certificates and individual retirement accounts.

The following table sets forth the dollar amount of deposits, by interest rate range, in the various types of deposit programs offered by the Bank at the dates indicated. Interest rates on time deposits reflect the rate paid to the certificate holder and do not reflect the effects of the Company's interest rate swaps.

	December 31,					
	2007		2006		2005	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Time deposits:						
0.00% - 1.99%	$ 598	.04%	$ ---	---%	$ 3,605	.23%
2.00% - 2.99%	22,850	1.30	1,457	0.09	47,156	3.04
3.00% - 3.99%	93,717	5.34	155,213	9.13	398,560	25.72
4.00% - 4.99%	470,718	26.84	358,428	21.08	395,830	25.54
5.00% - 5.99%	497,877	28.39	567,767	33.39	94,588	6.10
6.00% - 6.99%	10,394	0.59	21,694	1.28	20,621	1.33
7.00% and above	374	0.02	369	0.02	365	0.02
Total time deposits	1,096,528	62.52	1,104,928	64.99	960,725	61.98
Non-interest-bearing demand deposits	166,231	9.48	205,191	12.07	192,247	12.40
Interest-bearing demand and savings deposits (2.75%-3.03%-2.55%)	491,135	28.00	390,158	22.94	397,064	25.62
	1,753,894	100.00%	1,700,277	100.00%	1,550,036	100.00%
Interest rate swap fair value adjustment	9,252		3,527		217	
Total Deposits	$ 1,763,146		$ 1,703,804		$ 1,550,253	

A table showing maturity information for the Bank's time deposits as of December 31, 2007, is presented in Note 6 of the Notes to Consolidated Financial Statements.

The variety of deposit accounts offered by the Bank has allowed it to be competitive in obtaining funds and has allowed it to respond with flexibility to changes in consumer demand. The Bank has become more susceptible to short-term fluctuations in deposit flows, as customers have become more interest rate conscious. The Bank manages the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, management believes that its certificate accounts are relatively stable sources of deposits, while its checking accounts have proven to be more volatile. However, the ability of the Bank to attract and maintain deposits, and the rates paid on these deposits, has been and will continue to be significantly affected by money market conditions.

The following table sets forth the time remaining until maturity of the Bank's time deposits as of December 31, 2007. The table is based on information prepared in accordance with generally accepted accounting principles.

	Maturity				
	3 Months or Less	Over 3 Months to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
	(Dollars in thousands)				
Time deposits:					
Less than $100,000	$ 95,302	$ 72,564	$ 55,130	$ 30,304	$ 253,300
$100,000 or more	66,234	45,296	34,556	13,965	160,051
Brokered	229,361	61,453	67,914	315,881	674,609
Public funds(1)	5,334	2,217	1,015	2	8,568
Total	$ 396,231	$ 181,530	$ 158,615	$ 360,152	$ 1,096,528

(1) Deposits from governmental and other public entities.

Brokered deposits. Brokered deposits are marketed through national brokerage firms to their customers in $1,000 increments. The Bank maintains only one account for the total deposit amount while the records of detailed owners are maintained by the Depository Trust Company under the name of CEDE & Co. The deposits are transferable just like a stock or bond investment and the customer can open the account with only a phone call, just like buying a stock or bond. This provides a large deposit for the Bank at a lower operating cost since the Bank only has one account to maintain versus several accounts with multiple interest and maturity checks. At December 31, 2007 and 2006, the Bank had approximately $674.6 million and $708.2 million in brokered deposits, respectively.

Unlike non-brokered deposits where the deposit amount can be withdrawn prior to maturity with a penalty for any reason, including increasing interest rates, a brokered deposit can only be withdrawn in the event of the death, or court declared mental incompetence, of the depositor. This allows the Bank to better manage the maturity of its deposits. Currently, the rates offered by the Bank for brokered deposits are comparable to that offered for retail certificates of deposit of similar size and maturity.

The Company uses interest rate swaps to manage its interest rate risks from recorded financial liabilities. During fiscal 2007 and 2006, the Company entered into interest rate swap agreements with the objective of economically hedging against the effects of changes in the fair value of its liabilities for fixed rate brokered certificates of deposit caused by changes in market interest rates. These interest rate swaps have allowed the Company to create funding of varying maturities at a variable rate that in the past has approximated three-month LIBOR.

Borrowings. Great Southern's other sources of funds include advances from the FHLBank and a Qualified Loan Review ("QLR") arrangement with the FRB and other borrowings.

As a member of the FHLBank, the Bank is required to own capital stock in the FHLBank and is authorized to apply for advances from the FHLBank. Each FHLBank credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLBank may prescribe the acceptable uses for these advances, as well as other risks on availability, limitations on the size of the advances and repayment provisions. At December 31, 2007 and

2006, the Bank's FHLBank advances outstanding were $213.9 million and $179.2 million, respectively.

The FRB has a QLR program where the Bank can borrow on a temporary basis using commercial loans pledged to the FRB. Under the QLR program, the Bank can borrow any amount up to a calculated collateral value of the commercial loans pledged, for virtually any reason that creates a temporary cash need. Examples of this could be: (1) the need to fund for late outgoing wires or cash letter settlements, (2) the need to disburse one or several loans but the permanent source of funds will not be available for a few days; (3) a temporary spike in interest rates on other funding sources that are being used; or (4) the need to purchase a security for collateral pledging purposes a few days prior to the funds becoming available on an existing security that is maturing. The Bank had commercial loans pledged to the FRB at December 31, 2007 that would have allowed approximately $169.2 million to be borrowed under the above arrangement. Other than the Term Auction Facility described below, there were no outstanding borrowings from the FRB at December 31, 2007.

In December 2007, the FRB established a temporary Term Auction Facility (“TAF”). Under the TAF program, the FRB auctions term funds to depository institutions against the collateral that can be used to secure loans at the discount window. All depository institutions that are judged to be in generally sound financial condition by their local Reserve Bank and that are eligible to borrow under the primary credit discount window program are eligible to participate in TAF auctions. All advances must be fully collateralized. Each TAF auction is for a fixed amount and a fixed maturity date, with the rate determined by the auction process. At December 31, 2007, the Bank had an outstanding balance of $50 million under the TAF program. This advance matured January 31, 2008. The interest rate on this advance was 4.67%. New advances of $50 million were entered into in January and February 2008 upon maturity of the previous advances. The interest rate on the currently outstanding advance is 3.08%.

Great Southern Capital Trust I ("Trust I"), a Delaware statutory trust, issued 1,725,000 shares of unsecured 9.00% Cumulative Trust Preferred Securities at $10 per share in an underwritten public offering. The gross proceeds of the offering were used to purchase 9.00% Junior Subordinated Debentures from the Company totaling $17,784,000. The Company's proceeds from the issuance of the Subordinated Debentures to Trust I, net of underwriting fees and offering expenses, were $16.3 million. The Subordinated Debentures were scheduled to mature in 2031; however, the Company elected to redeem the debentures (and as a result the Trust I Securities) in November 2006. As a result of the redemption of the Trust I securities, approximately $510,000 (after tax) of related unamortized issuance costs were written off as a noncash expense in 2006. The Company entered into an interest rate swap agreement to effectively convert the subordinated debentures, which are fixed rate debt, into variable rates of interest. The variable rate was three-month LIBOR plus 202 basis points, adjusting quarterly. This interest rate swap was terminated in November 2006 at no cost to the Company.

In November 2006, Great Southern Capital Trust II ("Trust II"), a statutory trust formed by the Company for the purpose of issuing the securities, issued $25,000,000 aggregate liquidation amount of floating rate cumulative trust preferred securities. The Trust II securities bear a floating distribution rate equal to 90-day LIBOR plus 1.60%. The Trust II securities are redeemable at the Company's option beginning in February 2012, and if not sooner redeemed, mature on February 1, 2037. The Trust II securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended. The gross proceeds of the offering were used to purchase Junior Subordinated Debentures from the Company totaling $25,774,000. The initial interest rate on the Trust II debentures and the rate at December 31, 2006, was 6.98%. The interest rate was 6.51% at December 31, 2007.

In July 2007, Great Southern Capital Trust III ("Trust III"), a statutory trust formed by the Company for the purpose of issuing the securities, issued $5,000,000 aggregate liquidation amount of floating rate cumulative trust preferred securities. The Trust III securities bear a floating distribution rate equal to 90-day LIBOR plus 1.40%. The Trust III securities are redeemable at the Company's option beginning in October 2012, and if not sooner redeemed, mature on October 1, 2037. The Trust III securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended. The gross proceeds of the offering were used to purchase Junior Subordinated Debentures from the Company totaling $5,155,000. The initial interest rate on the Trust III debentures was 6.76%. The interest rate was 6.63% at December 31, 2007.

The following table sets forth the maximum month-end balances, average daily balances and weighted average interest rates of FHLBank advances during the periods indicated.

	Year Ended December 31,		
	2007	2006	2005

	(Dollars in thousands)		
FHLBank Advances:			
Maximum balance	$ 213,867	$ 263,984	$ 241,946
Average balance	144,773	180,414	203,719
Weighted average interest rate	4.81%	4.51%	3.86%

The following table sets forth certain information as to the Company's FHLBank advances at the dates indicated.

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	December 31, 2007	2006	2005
	(Dollars in thousands)		
FHLBank advances	$ 213,867	$ 179,170	$ 203,435
Weighted average interest rate of FHLBank advances	4.22%	5.13%	4.16%

The following tables set forth the maximum month-end balances, average daily balances and weighted average interest rates of other borrowings during the periods indicated. Other borrowings includes primarily overnight borrowings and securities sold under reverse repurchase agreements.

	Year Ended December 31, 2007		
	Maximum Balance	Average Balance	Weighted Average Interest Rate
	(Dollars in thousands)		
Other Borrowings:			
Overnight borrowings	$ 30,000	$ 7,820	5.24%
Securities sold under reverse repurchase agreements	184,214	162,346	4.26
Federal Reserve term auction facility	50,000	779	4.86
Other	4	1	---
Total		$ 170,946	4.30%
Total maximum month-end balance	$ 216,721		

	Year Ended December 31, 2006		
	Maximum Balance	Average Balance	Weighted Average Interest Rate
	(Dollars in thousands)		
Other Borrowings:			
Overnight borrowings	$ 37,000	$ 6,831	5.26%
Securities sold under reverse repurchase agreements	153,819	122,688	4.31
Other	3	4	---
Total		$ 129,523	4.36%
Total maximum month-end balance	$ 186,688		

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	Year Ended December 31, 2005		
	Maximum Balance	Average Balance	Weighted Average Interest Rate
	(Dollars in thousands)		
Other Borrowings:			
Overnight borrowings	$ 51,500	$ 8,200	3.65%
Securities sold under reverse repurchase agreements	172,162	149,418	3.12
Other	282	129	---
Total		$ 157,747	3.15%
Total maximum month-end balance	$ 199,076		

The following tables set forth year-end balances and weighted average interest rates of the Company's other borrowings at the dates indicated.

	December 31, 2007	
	Balance	Weighted Average Interest Rate
	(Dollars in thousands)	
Other borrowings:		
Overnight borrowings	$ 23,000	3.18%
Securities sold under reverse repurchase agreements	143,721	3.52
Federal Reserve term auction facility	50,000	4.67
Total	$ 216,721	3.75%

	December 31, 2006	
	Balance	Weighted Average Interest Rate
	(Dollars in thousands)	
Other borrowings:		
Securities sold under reverse repurchase agreements	$ 120,956	4.45%
Total	$ 120,956	4.45%

December 31, 2005

		Balance	Weighted Average Interest Rate
		(Dollars in thousands)	
Other borrowings:			
Overnight borrowings	$	1,001	4.33%
Securities sold under reverse repurchase agreements		132,512	4.01
Other		45	---
Total	$	133,558	4.01%

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The following table sets forth the maximum month-end balances, average daily balances and weighted average interest rates of subordinated debentures issued to capital trust during the periods indicated.

	Year Ended December 31,		
	2007	2006	2005
	(Dollars in thousands)		
Subordinated debentures:			
Maximum balance	$ 30,929	$ 25,774	$ 18,612
Average balance	28,223	18,739	18,305
Weighted average interest rate	6.78%	7.12%	5.39%

The following table sets forth certain information as to the Company's subordinated debentures issued to capital trust at the dates indicated.

	December 31,		
	2007	2006	2005
	(Dollars in thousands)		
Subordinated debentures	$ 30,929	$ 25,774	$ 17,784
Interest rate swap fair value adjustment	N/A	N/A	275
	$ 30,929	$ 25,774	$ 18,059
Weighted average interest rate of subordinated debentures	6.53%	6.98%	6.04%

Subsidiaries

Great Southern. As a Missouri-chartered trust company, Great Southern may invest up to 3%, which was equal to $73.0 million at December 31, 2007, of its assets in service corporations. At December 31, 2007, the Bank's total investment in Great Southern Real Estate Development Corporation ("Real Estate Development") was $2.4 million. Real Estate Development was incorporated and organized in 2003 under the laws of the State of Missouri. At December 31, 2007, the Bank's total investment in Great Southern Financial Corporation ("GSFC") was $4.0 million. GSFC is incorporated under the laws of the State of Missouri, and does business as Great Southern Insurance and Great Southern Travel. At December 31, 2007, the Bank's total investment in Great Southern Community Development Corporation ("Community Development") was $1.7 million. Community Development was incorporated and organized in 2004 under the laws of the State of Missouri. At December 31, 2007, the Bank's total investment in GS, L.L.C. ("GSLLC") was $(816,000). GSLLC was incorporated and organized in 2005 under the laws of the State of Missouri. At December 31, 2007, the Bank's total investment in GSSC, L.L.C. ("GSSCLLC") was $1.1 million. GSSCLLC was incorporated and organized in 2007 under the laws of the State of Missouri. These subsidiaries are primarily engaged in the activities described below. In addition, Great Southern has two other subsidiary companies that are not considered service corporations, GSB One, L.L.C. and GSB Two, L.L.C. These companies are also described below.

Great Southern Real Estate Development Corporation. Generally, the purpose of Real Estate Development is to hold real estate assets which have been obtained through foreclosure by the Bank and which require ongoing operation of a business or completion of construction. In 2007 and 2006, Real Estate Development did not hold any significant real estate assets. Real Estate Development had net income of $-0- and $-0- in the years ended December 31, 2007 and 2006, respectively.

General Insurance Agency. Great Southern Insurance, a division of GSFC, was organized in 1974. It acts as a general property, casualty and life insurance agency for a number of clients, including the Bank. Great Southern

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Insurance had net income of $189,000 and $176,000 in the years ended December 31, 2007 and 2006, respectively. In addition, Great Southern Insurance had gross revenues of $1.6 million and $1.5 million in the years ended December 31, 2007 and 2006, respectively.

Travel Agency. Great Southern Travel, a division of GSFC, was organized in 1976. At December 31, 2007, it was the largest travel agency based in southwestern Missouri and was estimated to be in the top 5% (based on gross revenue) of travel agencies nationwide. Great Southern Travel operates from thirteen full-time locations, including a facility at the Springfield-Branson National Airport, and additional corporate on-site locations. It engages in personal, commercial and group travel services. Great Southern Travel had net income of $195,000 and $436,000 in the years ended December 31, 2007 and 2006, respectively. In addition, Great Southern Travel had gross revenues of $6.7 million and $5.7 million in the years ended December 31, 2007 and 2006, respectively.

GSB One, L.L.C. At December 31, 2007, the Bank's total investment in GSB One, L.L.C. ("GSB One") and GSB Two, L.L.C. ("GSB Two") was $691 million. The capital contribution was made by transferring participations in loans to GSB Two. GSB One is a Missouri limited liability company that was formed in March of 1998. Currently the only activity of this company is the ownership of GSB Two.

GSB Two, L.L.C. This is a Missouri limited liability company that was formed in March of 1998. GSB Two is a real estate investment trust ("REIT"). It holds participations in real estate mortgages from the Bank. The Bank continues to service the loans in return for a management and servicing fee from GSB Two. GSB Two had net income of $39.3 million and $39.0 million in the years ended December 31, 2007 and 2006, respectively.

Great Southern Community Development Corporation. Generally, the purpose of Community Development is to invest in community development projects that have a public benefit, and are permissible under Missouri law. These include such activities as investing in real estate and investing in other community development corporations. Community Development had a net loss of $1,000 and net income of $29,000 in the years ended December 31, 2007 and 2006, respectively.

GS, L.L.C. GS, L.L.C. was organized in 2005. GSLLC is a limited liability corporation that invests in multiple limited liability corporations (as a limited partner) for the purpose of acquiring state and federal historic tax credits which are utilized by Great Southern. GSLLC had net losses of $2.3 million and $2.6 million in the years ended December 31, 2007 and 2006, respectively, which primarily resulted from the cost to acquire tax credits. These losses were offset by the tax credits utilized by Great Southern.

GSSC, L.L.C. GSSC, L.L.C. was organized in 2007. GSSCLLC is a limited liability corporation that invests in multiple limited liability corporations (as a limited partner) for the purpose of acquiring state tax credits which are utilized by Great Southern. GSSCLLC had a net loss of $-0- in the year ended December 31, 2007. Losses in GSSCLLC will primarily result from the cost to acquire tax credits. Losses will be offset by the tax credits utilized by Great Southern.

Competition

Great Southern faces strong competition both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from other commercial banks, savings institutions and mortgage bankers making loans secured by real estate located in the Bank's market area. Commercial banks and finance companies provide vigorous competition in commercial and consumer lending. The Bank competes for real estate and other loans principally on the basis of the interest rates and loan fees it charges, the types of loans it originates and the quality of services it provides to borrowers. The other lines of business of the Bank, including loan servicing and loan sales, as well as the Bank and Company subsidiaries, face significant competition in their markets.

The Bank faces substantial competition in attracting deposits from other commercial banks, savings institutions, money market and mutual funds, credit unions and other investment vehicles. The Bank attracts a significant amount of deposits through its branch offices primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other commercial banks and savings institutions located in the same communities. The Bank competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch and ATM locations with inter-branch deposit and withdrawal privileges at each branch location.

Employees

At December 31, 2007, the Bank and its affiliates had a total of 775 employees, including 174 part-time employees. None of the Bank's employees are represented by any collective bargaining agreement. Management considers its employee relations to be good.

Government Supervision and Regulation

General

On June 30, 1998, the Bank converted from a federal savings bank to a Missouri-chartered trust company, with the approval of the Missouri Division of Finance ("MDF") and the FRB. The Bank is regulated as a bank under state and federal law. By converting, the Bank was able to expand its consumer and commercial lending authority.

The Company and its subsidiaries are subject to supervision and examination by applicable federal and state banking agencies. The earnings of the Bank's subsidiaries, and therefore the earnings of the Company, are affected by general economic conditions, management policies and the legislative and governmental actions of various regulatory authorities, including the FRB, the Federal Deposit Insurance Corporation ("FDIC") and the MDF. The following is a brief summary of certain aspects of the regulation of the Company and the Bank and does not purport to fully discuss such regulation.

Bank Holding Company Regulation

The Company is a bank holding company that has elected to be treated as a financial holding company by the FRB. Financial holding companies are subject to comprehensive regulation by the FRB under the Bank Holding Company Act, and the regulations of the FRB. As a financial holding company, the Company is required to file reports with the FRB and such additional information as the FRB may require, and is subject to regular examinations by the FRB. The FRB also has extensive enforcement authority over financial holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices.

Under FRB policy, a bank holding company must serve as a source of strength for its subsidiary banks. Under this policy, the FRB may require, and has required in the past, that a bank holding company contribute additional capital to an undercapitalized subsidiary bank.

Under the Bank Holding Company Act, a financial holding company must obtain FRB approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the assets of another bank or bank or financial holding company; or (iii) merging or consolidating with another bank or financial holding company.

The Bank Holding Company Act also prohibits a financial holding company generally from engaging directly or indirectly in activities other than those involving banking, activities closely related to banking that are permitted for a bank holding company, securities, insurance or merchant banking.

Interstate Banking and Branching

Federal law allows the FRB to approve an application of a bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's home state, without regard to whether the transaction is prohibited by the laws of any state. The FRB may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state. Federal law also prohibits the FRB from approving such an application if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or if the applicant would control 30% or more of the deposits in any state in which the target bank maintains a branch and in which the applicant or any of its depository institution affiliates controls a depository institution or branch immediately prior to the acquisition of the target bank. Federal law does not affect the authority of states to limit the percentage of total insured deposits in the state which may be held or controlled by a bank or bank holding company to the extent such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% state-wide concentration limit.

The federal banking agencies are generally authorized to approve interstate bank merger transactions without regard to whether such transactions are prohibited by the law of any state. Interstate acquisitions of branches are permitted only if the law of the state in which the branch is located permits such acquisitions. Interstate mergers and branch acquisitions are also subject to the nationwide and statewide insured deposit concentration amounts described above.

Federal law also authorizes the Office of the Comptroller of the Currency ("OCC"), FRB and the FDIC to approve interstate branching de novo by national and state banks, respectively, only in states which specifically allow for such branching. As required by federal law, the OCC, FDIC and FRB have prescribed regulations which prohibit any out-of-state bank from using the interstate branching authority primarily for the purpose of deposit production, including guidelines to ensure that interstate branches operated by an out-of-state bank in a host state reasonably help to meet the credit needs of the communities which they serve.

Certain Transactions with Affiliates and Other Persons

Transactions involving the Bank and its affiliates are subject to sections 23A and 23B of the Federal Reserve Act, and regulations thereunder, which impose certain quantitative limits and collateral requirements on such transactions, and require all such transactions to be on terms at least as favorable to the Bank as are available in transactions with non-affiliates.

All loans by the Bank to the principal shareholders, directors and executive officers of the Bank or any affiliate are subject to FRB regulations restricting loans and other transactions with affiliated persons of the Bank. Transactions involving such persons must be on terms and conditions comparable to those for similar transactions with non-affiliates. A bank may have a policy allowing favorable rate loans to employees as long as it is an employee benefit available to bank employees. The Bank has such a policy in place that allows for loans to all employees.

Dividends

The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB's view that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The FRB also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, a bank holding company may be prohibited from paying any dividends if the holding company's bank subsidiary is not adequately capitalized.

A bank holding company is required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB. This notification requirement does not apply to any company that meets the well-capitalized standard for bank holding companies, is well-managed, and is not subject to any unresolved supervisory issues. Under Missouri law, the Bank may pay dividends from certain undivided profits and may not pay dividends if its capital is impaired.

The Federal banking agencies have adopted various capital-related regulations. Under those regulations, a bank will be well capitalized if it has: (i) a total risk- based capital ratio of 10% or greater; (ii) a Tier 1 risk-based ratio of 6% or greater; (iii) a leverage ratio of 5% or greater; and (iv) is not subject to a regulatory requirement to maintain any specific capital measure. A bank will be adequately capitalized if it is not "well capitalized" and: (i) has a total risk-based capital ratio of 8% or greater; (ii) has a Tier 1 risk-based ratio of 4% or greater; and (iii) has a leverage ratio of 4% or greater. As of December 31, 2007, the Bank was "well capitalized."

Federal banking agencies take into consideration concentrations of credit risk and risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation will generally be made as part of the institution's regular safety and soundness examination.

Under their regulations, the federal banking agencies consider interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position) in the evaluation of a bank's capital adequacy. The banking agencies have issued guidance on evaluating interest rate risk.

The FRB has established capital regulations for bank holding companies that generally parallel the capital regulations for banks. To be considered "well capitalized," a bank holding company must have, on a consolidated basis, a total risk-based capital ratio of 10.0% or greater and a Tier 1 risk-based capital ratio of 6.0% or greater and must not be subject to an individual order, directive or agreement under which the FRB requires it to maintain a specific capital level. As of December 31, 2007, the Company was "well capitalized."

Insurance of Accounts and Regulation by the FDIC

The FDIC currently maintains the Deposit Insurance Fund (the "DIF"), which was created in 2006 in the merger of the Bank Insurance Fund and the Savings Association Insurance Fund. The Bank's depositors are insured by the DIF generally up to $100,000 per insured account (as defined by law and regulation). This insurance is backed by the full faith and credit of the United States Government.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against banks and savings associations.

The FDIC's regulations for risk-based deposit insurance assessments establish four Risk Categories. Risk Category I, for well-capitalized institutions that are financially sound with only a few minor weaknesses, includes about 95% of FDIC-insured institutions. Risk Categories II, III and IV present progressively greater risks to the DIF. Effective January 1, 2007, Risk Category I institutions pay quarterly assessments for deposit insurance at annual rates of 5 to 7 basis points. The rates for Risk Categories II, III and IV are 7, 28 and 43 basis points, respectively. With advance notice to insured institutions, rates are subject to change. Within Risk Category I, the precise rate for an individual institution with less than $10 billion in assets is generally determined by a formula using CAMELS ratings, which are assigned in examinations, and financial ratios. A different method applies for larger institutions. The rate for an individual institution is applied to its assessment base, which is generally its deposit liabilities subject to certain adjustments. An institution insured by the FDIC on December 31, 1996 which had previously paid assessments (or its successor) is eligible for certain credit against deposit insurance assessments.

The FDIC also collects assessments against the assessable deposits of insured institutions to service the debt on bonds issued during the 1980's to resolve the thrift bailout. For the quarter ended December 31, 2007, the assessment rate was 1.14 basis points per $100 of assessable deposits.

The Federal banking regulators are required to take prompt corrective action if an institution fails to satisfy the requirements to qualify as adequately capitalized. All institutions, regardless of their capital levels, will be restricted from making any capital distribution or paying any management fees that would cause the institution to fail to satisfy the requirements to qualify as adequately capitalized. An institution that is not at least adequately capitalized will be: (i) subject to increased monitoring by the appropriate Federal banking regulator; (ii) required to submit an acceptable capital restoration plan (including certain guarantees by any company controlling the institution) within 45 days; (iii) subject to asset growth limits; and (iv) required to obtain prior regulatory approval for acquisitions, branching and new lines of business. Additional restrictions, including appointment of a receiver or conservator, can apply, depending on the institution's capital level. The FDIC has jurisdiction over the Bank for purposes of prompt corrective action.

Federal Reserve System

The FRB requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. At December 31, 2007, the Bank was in compliance with these reserve requirements.

Banks are authorized to borrow from the FRB "discount window," but FRB regulations only allow this borrowing for short periods of time and generally require banks to exhaust other reasonable alternative sources of funds where practical, including FHLBank advances, before borrowing from the FRB. See "Sources of Funds Borrowings" above.

Federal Home Loan Bank System

The Bank is a member of the FHLBank of Des Moines, which is one of 12 regional FHLBanks.

As a member, Great Southern is required to purchase and maintain stock in the FHLBank of Des Moines in an amount equal to the greater of 1% of its outstanding home loans or 5% of its outstanding FHLBank advances. At December 31, 2007, Great Southern had $13.6 million in FHLBank stock, which was in compliance with this requirement. In past years, the Bank has received dividends on its FHLBank stock. Over the past five years, such dividends have averaged 3.22% and were 4.31% for year the ended December 31, 2007.

Legislative and Regulatory Proposals

Any changes in the extensive regulatory scheme to which the Company or the Bank is and will be subject, whether by any of the Federal banking agencies or Congress, could have a material effect on the Company or the Bank, and the Company and the Bank cannot predict what, if any, future actions may be taken by legislative or regulatory authorities or what impact such actions may have.

Federal and State Taxation

The following discussion contains a summary of certain federal and state income tax provisions applicable to the Company and the Bank. It is not a comprehensive description of the federal income tax laws that may affect the Company and the Bank. The following discussion is based upon current provisions of the Internal Revenue Code of 1986 (the "Code") and Treasury and judicial interpretations thereof.

General

The Company and its subsidiaries file a consolidated federal income tax return using the accrual method of accounting, with the exception of GSB Two which files a separate return as a REIT. All corporations joining in the consolidated federal income tax return are jointly and severally liable for taxes due and payable by the consolidated group. The following discussion primarily focuses upon the taxation of the Bank, since the federal income tax law contains certain special provisions with respect to banks.

Financial institutions, such as the Bank, are subject, with certain exceptions, to the provisions of the Code generally applicable to corporations.

Bad Debt Deduction

As of December 31, 2007 and 2006, retained earnings included approximately $17.5 million for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $6.5 million at December 31, 2007 and 2006.

The Bank is required to follow the specific charge-off method which only allows a bad debt deduction equal to actual charge-offs, net of recoveries, experienced during the fiscal year of the deduction. In a year where recoveries exceed charge-offs, the Bank would be required to include the net recoveries in taxable income.

Interest Deduction

In the case of a financial institution, such as the Bank, no deduction is allowed for the pro rata portion of its interest expense which is allocable to tax-exempt interest on obligations acquired after August 7, 1986. A limited class of tax-exempt obligations acquired after August 7, 1986 will not be subject to this complete disallowance rule. For tax-exempt obligations acquired after December 31, 1982 and before August 8, 1986 and for obligations acquired after August 7, 1986 that are not subject to the complete disallowance rule, 80% of interest incurred to purchase or carry such obligations will be deductible. No portion of the interest expense allocable to tax-exempt obligations acquired by a financial institution before January 1, 1983, which is otherwise deductible, will be disallowed. The interest expense disallowance rules cited above have not significantly impacted the Bank.

Alternative Minimum Tax

Corporations generally are subject to a 20% corporate alternative minimum tax ("AMT"). A corporation must pay the AMT to the extent it exceeds that corporation's regular federal income tax liability The AMT is imposed on "alternative minimum taxable income," defined as taxable income with certain adjustments and tax preference items, less any available exemption. Such adjustments and items include, but are not limited to, (i) net interest received on certain tax-exempt bonds issued after August 7, 1986; and (ii) 75% of the difference between adjusted current earnings and alternative minimum taxable income, as otherwise determined with certain adjustments. Net operating loss carryovers may be utilized, subject to adjustment, to offset up to 90% of the alternative minimum taxable income, as otherwise determined. A portion of the AMT paid, if any, may be credited against future regular federal income tax liability.

Missouri Taxation

Missouri-based banks, such as the Bank, are subject to a franchise tax which is imposed on the larger of (i) the bank's taxable income at the rate of 7% of the taxable income (determined without regard for any net operating losses) - income-based calculation; or (ii) the bank's assets at a rate of .033% of total assets less deposits and the investment in greater than 50% owned subsidiaries - asset-based calculation. Missouri-based banks are entitled to a credit against the income-based franchise tax for all other state or local taxes on banks, except taxes on real estate, unemployment taxes, bank tax, and taxes on tangible personal property owned by the Bank and held for lease or rental to others.

The Company and all subsidiaries are subject to an income tax that is imposed on the corporation's taxable income at the rate of 6.25%. The return is filed on a consolidated basis by all members of the consolidated group including the Bank, but excluding GSB Two. As a REIT, GSB Two files a separate Missouri income tax return.

Maryland Taxation

As a Maryland corporation, the Company is required to file an annual report with and pay an annual fee to the State of Maryland.

Examinations

The Company and its consolidated subsidiaries have not been audited recently by the Internal Revenue Service or the State of Missouri with respect to income or franchise tax returns, and as such, tax years through December 31, 2003, have been closed without audit.

ITEM 1A. RISK FACTORS

An investment in the common stock of the Company is speculative in nature and is subject to certain risks inherent in the business of the Company and the Bank. The material risks and uncertainties that management believes affect the Company and the Bank are described below. You should carefully consider the risks described below, as well as the other information included in this Annual Report on Form 10-K, before making an investment in the Company's common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in price.

References to "we," "us," and "our" in this "Risk Factors" section refer to the Company and its subsidiaries, including the Bank, unless otherwise specified or unless the context otherwise requires.

Since our business is primarily concentrated in the Southwest Missouri area, including the Springfield metropolitan area and Branson, a downturn in the Springfield or Branson economies may adversely affect our business.

Our lending and deposit gathering activities have been historically concentrated primarily in the Springfield and Branson, Missouri areas. Our success depends on the general economic condition of Springfield and Branson and their surrounding areas. Although we believe the economy in these areas has been favorable, we do not know whether these conditions will continue. Our greatest concentration of loans and deposits is in the Greater Springfield area. With a population of approximately 407,000, the Greater Springfield area is the third largest metropolitan area in Missouri.

Another large concentration of loans contiguous to Springfield is in the Branson area. The region is a vacation and entertainment center, attracting tourists to its lakes, theme parks, resorts, country music and novelty shows and other recreational facilities. The Branson area experienced rapid growth in the early 1990's, with stable to slightly negative growth trends occurring in the late 1990's and into the early 2000's. Branson is currently experiencing significant growth again as a result of a large retail, hotel, convention center project which has been constructed in Branson's historic downtown. This project has created hundreds of new jobs in the area. In addition, several large national retailers have opened new stores in Branson. At December 31, 2007, approximately 10% of our loan portfolio consisted of loans in the two county region that includes the Branson area.

Adverse changes in the regional and general economic conditions could reduce our growth rate, impair our ability to collect loans, increase loan delinquencies, increase problem assets and foreclosure, increase claims and lawsuits, decrease the demand for the Bank's products and services, and decrease the value of collateral for loans, especially real estate, thereby having a material adverse effect on our financial condition and results of operations.

Our loan portfolio possesses increased risk due to our relatively high concentration of commercial and residential construction, commercial real estate, multi-family and other commercial loans.

Our commercial and residential construction, commercial real estate, multi-family and other commercial loans accounted for approximately 83.0% of our total loan portfolio as of December 31, 2007. Generally, we consider these types of loans to involve a higher degree of risk compared to first mortgage loans on one- to four-family, owner-occupied residential properties. At December 31, 2007, we had $149.6 million of loans secured by healthcare facilities, $144.6 million of loans secured by apartments, $127.4 million of loans secured by motels, $125.3 million of loans secured by condominiums and $123.2 million of loans secured by residential subdivisions and $207.1 million of loans secured by business assets or stock investments, which are particularly sensitive to certain risks including the following:

- large loan balances owed by a single borrower;
- payments that are dependent on the successful operation of the project; and
- loans that are more directly impacted by adverse conditions in the real estate market or the economy generally.

The risks associated with construction lending include the borrower's inability to complete the construction process on time and within budget, the sale of the project within projected absorption periods, the economic risks associated with real estate collateral, and the potential of a rising interest rate environment. These loans may include financing the development and/or construction of residential subdivisions. This activity may involve financing land purchase, infrastructure development (i.e. roads, utilities, etc.), as well as construction of residences or multi-family dwellings for subsequent sale by the developer/builder. Because the sale of developed properties is critical to the success of developer business, loan repayment may be especially subject to the volatility of real estate market values. Management has established underwriting and monitoring criteria to help minimize the inherent risks of commercial real estate construction lending. However, there is no guaranty that these controls and procedures will avoid all losses on this type of lending.

Commercial and multi-family real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Other commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business or investment. These loans may therefore be more adversely affected by conditions in the real estate markets or in the economy generally. For example, if the cash flow from the borrower's project is reduced due to leases not being obtained or renewed, the borrower's ability to repay the loan may be impaired. In addition, many commercial and multi-family real estate loans are not fully amortized over the loan period, but have balloon payments due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or completing a timely sale of the underlying property.

We plan to continue to originate commercial real estate and construction loans based on economic and market conditions. Because of the increased risks related to these types of loans, we may determine it necessary to increase the level of our provision for loan losses. Increased provisions for loan losses would adversely impact our operating results. See "Item 1. Business-The Company-Lending Activities-Commercial Real Estate and Construction Lending," "-Other Commercial Lending," "-Residential Real Estate Lending" and "-Allowance for Losses on Loans and Foreclosed Assets" and "Item 7. Management's Discussion of Financial Condition and Results of Operations -- Non-performing Assets -- Subsequent Events Regarding Potential Problem Loans" in this Annual Report on Form 10-K.

A slowdown in the residential or commercial real estate markets may have a negative impact on our earnings and liquidity position.

The overall credit quality of our construction loan portfolio is impacted by trends in real estate values. We continually monitor changes in key regional and national economic factors because changes in these factors can impact our residential and commercial construction loan portfolio and the ability of our borrowers to repay their loans. Across the United States over the past year, the residential real estate market began to experience significant adverse trends, including accelerated price depreciation and rising delinquency and default rates, and weaknesses are beginning to be seen in the commercial real estate market as well. The conditions in the residential real estate market have led to significant increases in loan delinquencies and credit losses as well as higher provisioning for loan losses which in turn have had a negative effect on earnings for many banks across the country. Likewise, we have also experienced loan delinquencies in our construction loan portfolio. The current slowdown in both the residential and the commercial real estate markets could continue to negatively impact real estate values and the ability of our borrowers to liquidate properties. Despite reduced sales prices, the lack of liquidity in the real estate market and tightening of credit standards within the banking industry may continue to diminish all sales, further reducing our borrowers' cash flows and weakening their ability to repay their debt obligations to us. As a result, we may experience a further negative material impact on our earnings and liquidity positions.

Our allowance for loan losses may prove to be insufficient to absorb potential losses in our loan portfolio.

Lending money is a substantial part of our business. However, every loan we make carries a certain risk of non-payment. This risk is affected by, among other things:

- cash flow of the borrower and/or the project being financed;
- in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral;
- the credit history of a particular borrower;
- changes in economic and industry conditions; and
- the duration of the loan.

We maintain an allowance for loan losses that we believe is a reasonable estimate of known and inherent losses within the loan portfolio. We make various assumptions and judgments about the collectibility of our loan portfolio. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for loan losses by considering general market conditions, credit quality of the loan portfolio, the collateral supporting the loans and performance of customers relative to their financial obligations with us. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and these losses may exceed current estimates. Growing loan portfolios are, by their nature, unseasoned. As a result, estimating loan loss allowances for growing portfolios is more difficult, and may be more susceptible to changes in estimates, and to losses exceeding estimates, than more seasoned portfolios. We cannot fully predict the amount or timing of losses or whether the loss allowance will be adequate in the future. Excessive loan losses and significant additions to our allowance for loan losses could have a material adverse impact on our financial condition and results of operations.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

Our operations depend upon our continued ability to access brokered deposits and Federal Home Loan Bank advances.

Due to the high level of competition for deposits in our market, we utilize a sizable amount of certificates of deposit obtained through deposit brokers and advances from the Federal Home Loan Bank of Des Moines to help fund our asset base. Brokered deposits are marketed through national brokerage firms that solicit funds from their customers for deposit in banks, including our bank. Brokered deposits and Federal Home Loan Bank advances may generally be more sensitive to changes in interest rates and volatility in the capital markets than retail deposits attracted through our branch network, and our reliance on these sources of funds increases the sensitivity of our portfolio to these external factors. At December 31, 2007, we had $674.6 million in brokered deposits and $213.9 million in Federal Home Loan Bank advances.

Bank regulators can restrict our access to these sources of funds in certain circumstances. For example, if the Bank's regulatory capital ratios declined below the "well capitalized" status, banking regulators would require the Bank to obtain their approval prior to obtaining or renewing brokered deposits. The regulators might not approve our acceptance of brokered deposits in amounts that we desire or at all. In addition, the availability of brokered deposits and the rates paid on these brokered deposits may be volatile as the balance of the supply of and the demand for brokered deposits changes. Market credit and liquidity concerns may also impact the availability and cost of brokered deposits. Similarly, Federal Home Loan Bank advances are only available to borrowers that meet certain conditions. If the Bank were to cease meeting these conditions, our access to Federal Home Loan Bank advances could be significantly reduced or eliminated.

We rely on these sources of funds because we believe that generating funds through brokered deposits and Federal Home Loan Bank advances in many instances decreases our cost of funds, relative to the cost of generating and retaining retail deposits through our branch network. If our access to brokered deposits or Federal Home Loan Bank advances were reduced or eliminated for whatever reason, the resulting decrease in our net interest income or limitation on our ability to fund additional loans would adversely affect our business, financial condition and results of operations.

Certain Federal Home Loan Banks, including Des Moines, have experienced lower earnings from time to time and paid out lower dividends to its members. Future problems at the Federal Home Loan Banks may impact the collateral necessary to secure borrowings and limit the borrowings extended to its member banks, as well as require additional capital contributions by its member banks. Should this occur, Great Southern's short term liquidity needs could be negatively impacted. Should Great Southern be restricted from using Federal Home Loan Bank advances due to weakness in the system or with the Federal Home Loan Bank of Des Moines, Great Southern may be forced to find alternative funding sources. These alternative funding sources may include the utilization of existing lines of credit with third party banks or the Federal Reserve Bank along with seeking other lines of credit, borrowing under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing additional brokered deposits, or selling certain investment securities categorized as available-for-sale in order to maintain adequate levels of liquidity. At December 31, 2007, the Bank owned $13.6 million of Federal Home Loan Bank of Des Moines stock, which paid an annualized dividend approximating 4.50% for the fourth quarter of 2007. The Federal Home Loan Bank of Des Moines may eliminate or reduce dividend payments at any time in the future in order for it to maintain or restore its retained earnings.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, we have grown our business successfully by focusing on our geographic market and emphasizing the high level of service and responsiveness desired by our customers. We compete for loans, deposits and other financial services with other commercial banks, thrifts, credit unions, consumer finance companies, insurance companies and brokerage firms. Many of our competitors offer products and services which we do not offer, and many have substantially greater resources, name recognition and market presence that benefit them in attracting business. In addition, larger competitors (including certain national banks that have a significant presence in Great Southern's market area) may be able to price loans and deposits more aggressively than we do, and smaller and newer competitors may also be more aggressive in terms of pricing loan and deposit products than us in order to obtain a larger share of the market. As we have grown, we have become increasingly dependent on outside funding sources, including funds borrowed from the Federal Home Loan Bank and brokered deposits, where we face nationwide competition. Some of the financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies, federally insured state-chartered banks and national banks and federal savings banks. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services.

We also experience competition from a variety of institutions outside of the Company's market area. Some of these institutions conduct business primarily over the Internet and may thus be able to realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the customer.

Our business may be adversely affected by the highly regulated environment in which we operate, including the various capital adequacy guidelines we are required to meet.

We are subject to extensive federal and state legislation, regulation, examination and supervision. Recently enacted, proposed and future legislation and regulations have had, will continue to have, or may have a material adverse effect on our business and operations. Our success depends on our continued ability to maintain compliance with these regulations. Some of these regulations may increase our costs and thus place other financial institutions in stronger, more favorable competitive positions. We cannot predict what restrictions may be imposed upon us with future legislation. See "Item 1.-The Company -Government Supervision and Regulation" in this Annual Report on Form 10-K.

The Company and the Bank are required to meet certain regulatory capital adequacy guidelines and other regulatory requirements imposed by the FRB, the FDIC and the Missouri Division of Finance. If the Company or the Bank fails to meet these minimum capital guidelines and other regulatory requirements, our financial condition and results of operations could be materially and adversely affected and could compromise the status of the Company as a financial holding company. See "Item 1 -The Company -Government Supervision and Regulation" in this Annual Report on Form 10-K for descriptions of the capital guidelines applicable to the Company and the Bank.

We may be adversely affected by interest rate changes.

Our earnings are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, and (iii) the average duration of our loan and mortgage-backed securities portfolios. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

We generally seek to maintain a neutral position in terms of the volume of assets and liabilities that mature or re-price during any period. As such, Great Southern has adopted asset and liability management strategies to attempt to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources, including interest rate swaps, so that it may reasonably maintain its net interest income and net interest margin. However, interest rate fluctuations, the level and shape of the interest rate yield curve, loan prepayments, loan production and deposit flows are constantly changing and influence the ability to maintain a neutral position. Accordingly, we may not be successful in maintaining a neutral position and, as a result, our net interest margin may be adversely impacted.

Our exposure to operational risks may adversely affect the Company.

Similar to other financial institutions, the Company is exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, the risk that sensitive customer or Company data is compromised, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors. If any of these risks occur, it could result in material adverse consequences for the Company.

We continually encounter technological change, and we may have fewer resources than many of our competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our clients.

As a service to our clients, we currently offer an Internet PC banking product. Use of this service involves the transmission of confidential information over public networks. We cannot be sure that advances in computer capabilities, new discoveries in the field of cryptography or other developments will not result in a compromise or breach in the commercially available encryption and authentication technology that we use to protect our clients' transaction data. If we were to experience such a breach or compromise, we could suffer losses and our operations could be adversely affected.

Our accounting policies and methods impact how we report our financial condition and results of operations. Application of these policies and methods may require management to make estimates about matters that are uncertain.

The Company's accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment of the most appropriate manner to report its financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in the Company reporting materially different amounts than would have been reported under a different alternative. Note 1 "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" describes the Company's significant accounting policies. These accounting policies are critical to presenting the Company's financial condition and results of operations. They may require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions.

Changes in accounting standards could materially impact our consolidated financial statements.

The accounting standard setters, including the Financial Accounting Standards Board, Securities and Exchange Commission and other regulatory bodies, from time to time may change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes can be hard to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to retained earnings.

Our internal controls may be ineffective.

We regularly review and update our internal controls, disclosure controls and procedures and corporate governance policies and procedures. As a result, we may incur increased costs to maintain and improve our controls and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls or procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations or financial condition.

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors. Factors include actual or anticipated variations in our quarterly operating results, recommendations by securities analysts, operating and stock price performance of other companies, news reports, results of litigation and other factors, including those described in this "Risk Factors" section. General market fluctuations, industry factors and general economic conditions and events, such as economic slowdowns or recessions, interest rate changes and credit loss trends could also cause Great Southern's common stock price to decrease regardless of the Company's operating results. Our common stock also has a low average daily trading volume relative to many other stocks, which may limit a person's ability to quickly accumulate or divest themselves of large blocks of our stock. This can lead to significant price swings even when a relatively small number of shares are being traded.

UNRESOLVED STAFF COMMENTS
ITEM

1B.

None.

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ITEM 2. PROPERTIES.

The following table sets forth certain information concerning the main corporate office and each branch office of the Company at December 31, 2007. The aggregate net book value of the Company's premises and equipment was $28.0 million at December 31, 2007 and $26.4 million at December 31, 2006. See also Note 5 and Note 13 of the Notes to Consolidated Financial Statements. Substantially all buildings owned are free of encumbrances or mortgages. In the opinion of management, the facilities are adequate and suitable for the needs of the Company.

Location		Year Opened	Owned or Leased	Lease Expiration (Including any Renewal Option)
CORPORATE HEADQUARTERS AND BANK:				
1451 E. Battlefield	Springfield, Missouri	1976	Owned	N/A
OPERATIONS CENTER AND BRANCH OFFICE:				
218 S. Glenstone	Springfield, Missouri	2004	Owned	N/A
218A S. Glenstone	Springfield, Missouri	2004	Owned	N/A
BRANCH OFFICES:				
430 South Avenue	Springfield, Missouri	1983	Leased	2043
1607 W. Kearney	Springfield, Missouri	1976	Leased*	2022
1615 W. Sunshine	Springfield, Missouri	2001	Owned	N/A
2562 N. Glenstone	Springfield, Missouri	2003	Owned	N/A
1955 S. Campbell	Springfield, Missouri	1979	Leased*	2020
3961 S. Campbell	Springfield, Missouri	1998	Leased	2028
2609 A E. Sunshine	Springfield, Missouri	2001	Owned	N/A
2735 W. Chestnut	Springfield, Missouri	2002	Owned	N/A
1580 W. Battlefield	Springfield, Missouri	1985	Leased*	2017
723 N. Benton	Springfield, Missouri	1985	Owned	N/A
507 E. Kearney	Springfield, Missouri	2004	Owned	N/A
2945 W. Republic Road	Springfield, Missouri	2007	Owned	N/A
1500 S. Elliot	Aurora, Missouri	2003	Owned	N/A
102 N. Jefferson	Ava, Missouri	1982	Owned	N/A
110 W. Hensley	Branson Missouri	1982	Owned	N/A
1729 W. Highway 76	Branson, Missouri	1983	Owned	N/A
919 W. Dallas	Buffalo Missouri	1976	Owned	N/A
527 Ozark	Cabool, Missouri	1989	Leased	2026
398 E. State Highway 54	Camdenton, Missouri	2005	Owned	N/A
8736 N. State Highway 5	Camdenton, Missouri	2005	Owned	N/A
14411 State Highway 7	Climax Springs, Missouri	2005	Owned	N/A
1710 E. 32nd Street	Joplin, Missouri	1989	Leased*	2031
1232 S. Rangeline	Joplin, Missouri	1998	Leased	2018
2711 N. Rangeline(2)	Joplin, Missouri	2004	Owned	N/A
Highway 00 and 13	Kimberling City, Missouri	1984	Owned	N/A
528 S. Jefferson	Lebanon, Missouri	1978	Leased*	2028
300 S.W. Ward Street	Lee's Summit, Missouri	2006	Owned	N/A
714 S. Neosho Boulevard	Neosho, Missouri	1991	Owned	N/A

717 W. Mt. Vernon	Nixa, Missouri	1995	Owned	N/A
1391 N. Main Street	Nixa, Missouri	2003	Owned	N/A

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Location		Year Opened	Owned or Leased	Lease Expiration (Including any Renewal Option)
4571 Highway 54	Osage Beach, Missouri	1987	Owned	N/A
1701 W. Jackson	Ozark, Missouri	1997	Owned	N/A
1198 W. State Highway NN(1)	Ozark, Missouri	2003	Owned	N/A
1444 W. State Highway J(1)	Ozark, Missouri	2006	Owned	N/A
620 E. Harrison	Republic, Missouri	2004	Owned	N/A
118 South Street	Stockton, Missouri	2003	Owned	N/A
323 E. Walnut	Thayer, Missouri	1978	Leased*	2011
1210 Parkway Shopping Center	West Plains, Missouri	1975	Owned	N/A
LOAN PRODUCTION OFFICES:				
14 Corporate Woods, Suite 500, 8717 W. 110 th Street	Overland Park, Kansas	2003	Leased	2009
5430 Pinnacle Point Dr, Suite 204	Rogers, Arkansas	2003	Leased	Monthly
Three City Place Dr., Suite 570	Creve Coeur, Missouri	2005	Leased	2010
1603 Chapel Hill Road	Columbia, Missouri	2006	Leased	2009
1625 E. Primrose(3)	Springfield, Missouri	2008	Leased	Monthly

* Building owned with land leased.

(1) In 2003, the Company purchased land on West Highway NN for a second branch location in Ozark, Missouri. In 2004 and 2005, nearby properties became available on West Highway J and were purchased by the Company. The land on West Highway NN is currently being marketed for sale. The new facility on West Highway J is owned by the Company and was opened in 2006.

(2) In 2004, the Company purchased land on North Rangeline for a possible third branch location in Joplin, Missouri. This land is currently being marketed for sale.

(3) In 2008, the Company leased space in the office of a local realtor for the purpose of generating mortgage loans.

The Company also has land under contract for purchase for two future banking center locations. One of the properties is located in the Kansas City metropolitan area in Lee’s Summit, Missouri and the other property is located in the St. Louis metropolitan area in Creve Coeur, Missouri. The Company expects to close these land acquisitions in 2008, with completion of the banking centers expected in late 2008 or 2009.

In addition, the travel division has offices in many of the above locations as well as several small offices in other locations including some of its larger corporate customers' headquarters.

The Bank maintains depositor and borrower customer files on an on-line basis, utilizing a telecommunications network, portions of which are leased. The book value of all data processing and computer equipment utilized by the Bank at December 31, 2007 was $550,000 compared to $441,000 at December 31, 2006. Management has a disaster recovery plan in place with respect to the data processing system as well as the Bank's operations as a whole.

The Bank maintains a network of Automated Teller Machines ("ATMs"). The Bank utilizes an external service for operation of the ATMs that also allows access to the various national ATM networks. A total of 177 ATMs are located at various branches and primarily convenience stores located throughout southwest and central Missouri. The book value of all ATMs utilized by the Bank at December 31, 2007 was $213,000 compared to $283,000 at December 31, 2006. The Bank will evaluate and relocate existing ATMs as needed, but has no plans in the near future to materially increase its investment in the ATM network.

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business, the Company and its subsidiaries are subject to pending and threatened legal actions, some for which the relief or damages sought are substantial. After reviewing pending and threatened litigation with counsel, management believes at this time that the outcome of such litigation will not have a material adverse effect on the results of operations or stockholders' equity. We are not able to predict at this time whether the outcome or such actions may or may not have a material adverse effect on the results of operations in a particular future period as the timing and amount of any resolution of such actions and its relationship to the future results of operations are not known.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

Pursuant to General Instruction G(3) of Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, the following list is included as an unnumbered item in Part I of this Form 10-K in lieu of being included in the Registrant's Definitive Proxy Statement.

The following information as to the business experience during the past five years is supplied with respect to executive officers of the Company and its subsidiaries who are not directors of the Company and its subsidiaries. There are no arrangements or understandings between the persons named and any other person pursuant to which such officers were selected. The executive officers are elected annually and serve at the discretion of their respective Boards of Directors.

Steven G. Mitchem. Mr. Mitchem, age 56, is Senior Vice President and Chief Lending Officer of the Bank. He joined the Bank in 1990 and is responsible for all lending activities of the Bank. Prior to joining the Bank, Mr. Mitchem was a Senior Bank Examiner for the Federal Deposit Insurance Corporation.

Rex A. Copeland. Mr. Copeland, age 43, is Treasurer of the Company and Senior Vice President and Chief Financial Officer of the Bank. He joined the Bank in 2000 and is responsible for the financial functions of the Company, including the internal and external financial reporting of the Company and its subsidiaries. Mr. Copeland is a Certified Public Accountant. Prior to joining the Bank, Mr. Copeland served other financial services companies in the areas of corporate accounting, internal audit and independent public accounting.

Douglas W. Marrs. Mr. Marrs, age 50, is Secretary of the Company and Secretary, Vice President - Operations of the Bank. He joined the Bank in 1996 and is responsible for all operations functions of the Bank. Prior to joining the Bank, Mr. Marrs was a bank officer in the areas of operations and data processing at a competing $1 billion bank.

Linton J. Thomason. Mr. Thomason, age 51, is Vice President - Information Services of the Bank. He joined the Bank in 1997 and is responsible for information services for the Company and all of its subsidiaries and all treasury management sales/operations of the Bank. Prior to joining the Bank, Mr. Thomason was a bank officer in the areas of technology and data processing, operations and treasury management at a competing $1 billion bank.

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PART II

Responses incorporated by reference into the items under Part II of this Form 10-K are done so pursuant to Rule 12b-23 and General Instruction G(2) for Form 10-K.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information. The Company's Common Stock is listed on The NASDAQ Global Select Market under the symbol "GSBC."

As of December 31, 2007 there were 13,400,197 total shares outstanding and approximately 2,650 shareholders of record.

High/Low Stock Price

	2007		2006		2005	
	High	Low	High	Low	High	Low
First Quarter	$30.40	$27.30	$30.04	$27.15	$36.99	$29.96
Second Quarter	30.09	25.96	31.00	25.05	33.15	28.45
Third Quarter	28.00	23.67	30.65	26.10	35.77	28.61
Fourth Quarter	26.45	21.10	32.14	26.58	32.61	26.32

The last sale price of the Company's Common Stock on December 31, 2007 was $21.96.

Dividend Declarations

	December 31, 2007	December 31, 2006	December 31, 2005
First Quarter	$.160	$.140	$.120
Second Quarter	.170	.150	.130
Third Quarter	.170	.150	.130
Fourth Quarter	.180	.160	.140

The Company's ability to pay dividends is substantially dependent on the dividend payments it receives from the Bank. For a description of the regulatory restrictions on the ability of the Bank to pay dividends to the Company, and the ability of the Company to pay dividends to its stockholders, see "Item 1. Business - Government Supervision and Regulation - Dividends."

Issuer Purchases of Equity Securities

On November 15, 2006, the Company's Board of Directors authorized management to repurchase up to 700,000 shares of the Company's outstanding common stock, under a program of open market purchases or privately negotiated transactions. The plan does not have an expiration date. Information on the shares purchased during the fourth quarter of 2007 is shown below.

	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan (1)
October 1, 2007 - October 31, 2007	35,000	$24.00	35,000	501,191
November 1, 2007 - November 30, 2007	83,429	22.53	83,429	417,762
December 1, 2007 - December 31, 2007	---	---	---	417,762
	118,429	$22.97	118,429	

(1) Amount represents the number of shares available to be repurchased under the November 2006 plan as of the last calendar day of the month shown.

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SELECTED CONSOLIDATED FINANCIAL DATA
ITEM
6.

The following table sets forth selected consolidated financial information and other financial data of the Company. The selected balance sheet and statement of income data, insofar as they relate to the years ended December 31, 2007, 2006, 2005, 2004 and 2003, are derived from our consolidated financial statements, which have been audited by BKD, LLP. The amounts for 2004 and 2003 are restated amounts, as described in the discussion following the table under "Restatement of Previously Issued Consolidated Financial Statements." See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Information." Results for past periods are not necessarily indicative of results that may be expected for any future period. All share and per share amounts have been adjusted for the two-for-one stock split in the form of a stock dividend declared in May 2004.

	December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Summary Statement of Condition Information:					
Assets	$2,431,732	$2,240,308	$ 2,081,155	$1,851,214	$1,544,052
Loans receivable, net	1,820,111	1,674,618	1,514,170	1,334,508	1,146,571
Allowance for loan losses	25,459	26,258	24,549	23,489	20,844
Available-for-sale securities	425,028	344,192	369,316	355,104	259,600
Held-to-maturity securities	1,420	1,470	1,510	1,545	1,570
Foreclosed assets held for sale, net	20,399	4,768	595	2,035	9,034
Deposits	1,763,146	1,703,804	1,550,253	1,298,723	1,138,625
Total borrowings	461,517	325,900	355,052	401,625	276,584
Stockholders' equity (retained Earnings substantially restricted)	189,871	175,578	152,802	140,837	121,679
Average loans receivable	1,774,253	1,653,162	1,458,438	1,263,281	1,106,714
Average total assets	2,340,443	2,179,192	1,987,166	1,704,703	1,437,869
Average deposits	1,784,060	1,646,370	1,442,964	1,223,895	1,057,798
Average stockholders' equity	185,725	165,794	150,029	130,600	113,822
Number of deposit accounts	95,908	91,470	85,853	76,769	74,822
Number of full-service offices	38	37	35	31	29

	For the Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Summary Income Statement Information:					
Interest income:					
Loans	$ 142,719	$ 133,094	$ 98,129	$ 74,162	$ 66,739
Investment securities and other	21,152	16,987	16,366	12,897	9,440
	163,871	150,081	114,495	87,059	76,179
Interest expense:					
Deposits	76,232	65,733	42,269	28,952	25,147
Federal Home Loan Bank advances	6,964	8,138	7,873	6,091	5,400
Short-term borrowings	7,356	5,648	4,969	1,580	588
Subordinated debentures issued to capital trust	1,914	1,335	986	610	594
	92,466	80,854	56,097	37,233	31,729
Net interest income	71,405	69,227	58,398	49,826	44,450
Provision for loan losses	5,475	5,450	4,025	4,800	4,800
Net interest income after provision for loan losses	65,930	63,777	54,373	45,026	39,650
Noninterest income:					
Commissions	9,933	9,166	8,726	7,793	5,859
Service charges and ATM fees	15,153	14,611	13,309	12,726	11,214
Net realized gains on sales of loans	1,037	944	983	992	2,187
Net realized gains (losses) on sales of available-for-sale securities	13	(1)	85	(373)	795
Realized impairment of available-for-sale securities	(1,140)	---	(734)	---	---
Late charges and fees on loans	962	1,567	1,430	872	771
Change in interest rate swap fair value net of change in hedged deposit fair value	1,632	1,498	---	---	---
Change in interest rate swap fair value	---	---	(6,600)	1,136	(3,089)
Interest rate swap net settlements	---	---	3,408	8,881	7,352
Other income	1,781	1,847	952	1,282	1,165
	29,371	29,632	21,559	33,309	26,254
Noninterest expense:					
Salaries and employee benefits	30,161	28,285	25,355	22,007	18,739
Net occupancy expense	7,927	7,645	7,589	7,247	6,335
Postage	2,230	2,178	1,954	1,784	1,691
Insurance	1,473	876	883	761	683
Advertising	1,446	1,201	1,025	794	735
Office supplies and printing	879	931	903	811	855
Telephone	1,363	1,387	1,068	903	797
Legal, audit and other professional fees	1,247	1,127	1,410	1,309	1,078
Expense on foreclosed assets	608	119	268	485	1,939
Write-off of trust preferred securities issuance costs	---	783	---	---	---

Other operating expenses	4,325	4,275	3,743	3,160	2,901
	51,659	48,807	44,198	39,261	35,753
Income before income taxes	43,642	44,602	31,734	39,074	30,151
Provision for income taxes	14,343	13,859	9,063	12,675	9,856
Net income	$ 29,299	$ 30,743	$ 22,671	$ 26,399	$ 20,295

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	At or For the Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands, except per share data)				
Per Common Share Data:					
Basic earnings per common share	$ 2.16	$ 2.24	$ 1.65	$ 1.93	$ 1.48
Diluted earnings per common share	2.15	2.22	1.63	1.89	1.46
Cash dividends declared	0.68	0.60	0.52	0.44	0.36
Book value	14.17	12.84	11.13	10.28	8.88
Average shares outstanding	13,566	13,697	13,713	13,702	13,707
Year-end actual shares outstanding	13,400	13,677	13,723	13,699	13,703
Year-end fully diluted shares outstanding	13,654	13,825	13,922	13,995	13,887
Earnings Performance Ratios:					
Return on average assets(1)	1.25%	1.41%	1.14%	1.55%	1.41%
Return on average stockholders' equity(2)	15.78	18.54	15.11	20.21	17.83
Non-interest income to average total assets	1.25	1.36	1.08	1.95	1.83
Non-interest expense to average total assets	2.18	2.23	2.21	2.27	2.35
Average interest rate spread(3)	2.71	2.83	2.73	2.81	2.98
Year-end interest rate spread	3.00	2.95	3.05	2.63	2.88
Net interest margin(4)	3.24	3.39	3.13	3.10	3.27
Efficiency ratio(5)	51.26	49.37	55.28	47.23	50.57
Net overhead ratio(6)	0.95	0.88	1.14	0.35	0.66
Common dividend pay-out ratio	31.63	27.03	31.90	23.28	24.32
Asset Quality Ratios:					
Allowance for loan losses/year-end loans	1.38%	1.54%	1.59%	1.73%	1.78%
Non-performing assets/year-end loans and foreclosed assets	2.99	1.46	1.09	0.48	1.40
Allowance for loan losses/non-performing loans	71.77	129.71	151.44	524.43	282.02
Net charge-offs/average loans	0.35	0.23	0.20	0.17	0.47
Gross non-performing assets/year end assets	2.30	1.12	0.81	0.35	1.06
Non-performing loans/year-end loans	1.92	1.19	1.05	0.33	0.63

Balance Sheet Ratios:					
Loans to deposits	103.23%	98.29%	97.67%	102.76%	100.70%
Average interest-earning assets as a percentage of average interest-bearing liabilities	112.71	114.26	113.05	112.56	112.30
Capital Ratios:					
Average stockholders' equity to average assets	7.9%	7.6%	7.6%	7.7%	7.9%
Year-end tangible stockholders' equity to assets	7.7	7.8	7.2	7.6	7.9
Great Southern Bank:					
Tier 1 risk-based capital ratio	10.4	10.2	10.1	10.7	11.0
Total risk-based capital ratio	11.7	11.5	11.3	11.9	12.3
Tier 1 leverage ratio	9.0	8.9	8.3	8.5	9.0
Ratio of Earnings to Fixed Charges:(7)					
Including deposit interest	1.47x	1.57x	2.05x	1.95x	2.18x
Excluding deposit interest	3.69x	3.29x	5.72x	5.58x	6.45x

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(1) Net income divided by average total assets.
(2) Net income divided by average stockholders' equity.
(3) Yield on average interest-earning assets less rate on average interest-bearing liabilities.
(4) Net interest income divided by average interest-earning assets.
(5) Non-interest expense divided by the sum of net interest income plus non-interest income.
(6) Non-interest expense less non-interest income divided by average total assets.
(7) In computing the ratio of earnings to fixed charges: (a) earnings have been based on income before income taxes and fixed charges, and (b) fixed charges consist of interest and amortization of debt discount and expense including amounts capitalized and the estimated interest portion of rents.

RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

On January 23, 2006, the Company announced that it would restate certain of its historical financial statements for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005, and years ended December 31, 2004, 2003, 2002, and 2001. The restatement of this financial information relates to the correction of prior accounting errors relating to certain interest rate swaps associated with brokered certificates of deposit (CDs).

The Company has entered into interest rate swap agreements to hedge the interest rate risk inherent in certain of its CDs. From the inception of the hedging program in 2000, the Company has applied a method of fair value hedge accounting under Statement of Financial Accounting Standards (SFAS) 133 to account for the CD swap transactions that allowed the Company to assume the effectiveness of such transactions (the so-called "short-cut" method). The Company concluded that the CD swap transactions did not qualify for this method in prior periods because the method to pay the related CD broker placement fee was determined, in retrospect, to have caused the swap to not have a fair value of zero at inception (which is required under SFAS 133 to qualify for the "short-cut" method). Although the impact of applying the alternative "long-haul" method of documentation using SFAS 133 and the results under the "short-cut" method are believed to result in no significant difference in the hedge effectiveness of the majority of these swaps, and management believes these interest rate swaps have been effective as economic hedges, hedge accounting under SFAS 133 is not allowed for the affected periods because the proper hedge documentation was not in place at the inception of the hedge.

The Company is charged a fee in connection with its acquisition of brokered CDs. For those CDs that were part of the Company's accounting restatement for interest rate swaps in 2005, this fee was not paid separately by the Company to the CD broker, but rather was built in as part of the overall rate on the interest rate swap. In connection with the restatement, the Company determined that this broker fee should be accounted for separately as a prepaid fee at the origination of the brokered CD and amortized into interest expense over the maturity period of the brokered CD. If the Company calls the brokered CD (at par) prior to maturity, the remaining unamortized broker fee is expensed at that time. The remaining unamortized prepaid broker fees related to these brokered CDs (that were subject to the restatement) at December 31, 2007 and 2006, were $3.5 million and $4.7 million, respectively. After December 31, 2005, and for any brokered CDs that do not have a corresponding interest rate swap, the broker fee may be paid separately by the Company to the CD broker, in which case the fee would be amortized into interest expense over the maturity period of the brokered CD. In any instances where the fee was not paid separately by the Company to the CD broker, but rather was built in as part of the overall rate on the interest rate swap, the Company must include this in its assessment of the transaction's qualification for hedge accounting.

As a result, the financial statements for all affected periods through December 31, 2005, reflect a cumulative charge of approximately $3.4 million (net of income taxes) to account for the interest rate swaps referred to above as if hedge accounting was never applicable to them. In addition, the fiscal year 2005 financial statements include a charge of approximately $5.1 million (net of income taxes), to reflect the same treatment.

Fair value hedge accounting allows a company to record the change in fair value of the hedged item (in this case, brokered CDs) as an adjustment to income by offsetting the fair value adjustment on the related interest rate swap. Eliminating the application of fair value hedge accounting reverses the fair value adjustments that were made to the brokered CDs. Therefore, while the interest rate swap is recorded on the balance sheet at its fair value, the related hedged items, the brokered CDs, are required to be carried at par. Additionally, the net cash settlement payments received during each of the above periods for these interest rate swaps were reclassified from interest expense on brokered CDs to noninterest income.

The effects of the change in accounting for certain interest rate swaps on the consolidated balance sheet as of, and income statement for the periods indicated previously, are detailed in the Company's December 31, 2005 Annual

Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward-looking Statements

When used in this Annual Report 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 considers 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, 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.

Additional discussion of the allowance for loan losses is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, under the section titled "Item 1. Business - 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, depends primarily on its net interest income. Net interest income is the difference between the interest income it 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 year ended December 31, 2007, the Company's net loans increased $141.4 million, or 8.5%. 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. If economic conditions do not deteriorate, we believe that we are well positioned to continue to originate a substantial amount of loans in our Southwest Missouri market as well as our loan production markets of St. Louis, Kansas City, Central Missouri and Northwest Arkansas. In addition, we may consider other markets in which to establish loan production offices. In the year ended December 31, 2007, the disbursed portion of residential and commercial construction loan balances increased $59 million. Based upon the current lending environment and economic conditions, growth in our loan portfolio may be limited in 2008 to an amount that could be below our 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 the Company has not historically had an overall high level of charge-offs on non-performing loans, the Company does not accrue interest income on these loans and does 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 loan. Generally, the higher the level of non-performing assets, the greater the negative impact on interest income and net income.

Loan growth continued in our Loan Production Offices (LPO). Many of these loans originated by our LPOs are construction loans where the customer has yet to draw the full line. In the year ended December 31, 2007, the Overland Park, Kansas LPO originated loans totaling $77.7 million with outstanding loan balances of $184.5 million at December 31, 2007. In the year ended December 31, 2007, the Rogers, Arkansas LPO originated loans totaling $130.8 million with outstanding loan balances of $173.7 million at December 31, 2007. In the year ended December 31, 2007, the St. Louis LPO originated loans totaling $160.4 million with outstanding loan balances of $251.5 million at December 31, 2007. The Columbia LPO, which began operating in March 2006 and serves the Columbia, Jefferson City, and Lake of the Ozarks, Mo., region, originated $47.9 million of loans with outstanding loan balances of $58.5 million at December 31, 2007.

The Company attracts deposit accounts through the Bank's 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 year ended December 31, 2007, total deposit balances increased $59.3 million. Of this total increase, interest-bearing transaction accounts increased $101.0 million and retail certificates of deposit increased $25.2 million. Partially offsetting the increases in these deposit categories, non-interest-bearing checking accounts decreased $39.0 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. During the year ended December 31, 2007, 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 have 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

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balances continues, it could negatively impact our net interest income. In the year ended December 31, 2007, brokered deposit balances decreased $33.6 million. As these balances matured, we elected to replace these funds with the retail deposits noted here and supplemented this with additional FHLBank advances.

Our ability to fund growth in future periods may also be dependent on our ability to continue to access brokered deposits and FHLBank advances. In times when our loan demand has outpaced our generation of new deposits, we have utilized brokered deposits and FHLBank advances to fund these loans. These funding sources have been attractive to us because we can create 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 "Item 7A. 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 175 basis points. The Federal Funds rate now stands at 3.00%. In addition, during 2006 and 2007, Great Southern's net interest margin was negatively affected by certain characteristics of some of its loans, deposit mix, loan and deposit pricing by competitors, and timing of interest rate increases by the FRB as compared to interest rate changes in the financial markets. For the years ended December 31, 2007 and 2006, interest income was reduced $1.6 million and $695,000, respectively, due to the reversal of accrued interest on loans which were added to non-performing status during 2007 and 2006. This reduced net interest income and net interest margin. Also, for the year ended December 31, 2007, the average balance of investment securities increased by approximately $44 million due to the purchase of securities to pledge against increased public funds deposits and customer repurchase agreements. While we earned a positive spread on these securities, it was much smaller than our overall net interest spread, having the effect of increasing net interest income but decreasing net interest margin.

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 225 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 negatively impacted net interest income in the latter portion of 2007, was the increase in LIBOR interest rates compared to Federal Funds rates in the last half of 2007 as a result of credit and liquidity concerns in financial markets. These LIBOR interest rates were elevated approximately 30-70 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. These higher LIBOR interest rates began to decline to more normal levels during the first two weeks of January 2008. 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 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.

In 2006 and the first half of 2007, margin compression also occurred in the Company's investment securities portfolio. The Company added securities in previous years to pledge as collateral to secure public funds deposits and customer reverse repurchase agreements. The interest rates paid to these customers increased consistent with short-term market interest rate increases, while the overall yield on the investment portfolio did not increase as rapidly. In previous years, the Company earned a greater spread on these securities due to the very low rate environment and the then-steeper interest rate yield curve compared to 2006 and 2007. As borrowing costs increased, the spread earned on these securities decreased. The Company has also repositioned some of its investment portfolio over time to shorten the time frame its securities will reprice. Margin compression related to the Company's investment securities portfolio improved in the last half of 2007 as yields on securities continue to increase and the FRB lowered the Federal Funds rate. In 2007, the overall yield on the investment portfolio (including other interest-earning assets) increased and was 5.49% at December 31, 2007 compared to 5.03% at December 31, 2006.

At December 31, 2007, the Company also had a portfolio of prime-based loans totaling approximately $1.22 billion with rates that change immediately with changes to the prime rate of interest. Of this total, $760 million represented loans which had interest rate floors. These floors were at varying rates, with $328 million of these loans having floor rates of 7.0% or greater and another $343 million of these loans having floor rates between 5.5% and 7.0%. 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. Through March 15, 2008, the "prime rate of interest" has decreased an additional 125 basis points since December 31, 2007.

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 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 year ended December 31, 2007 compared to the year ended December 31, 2006, non-interest income decreased slightly due primarily to the impairment write-down in value of one available-for-sale Freddie Mac preferred stock security. This write-down totaled $1.1 million. In November and December 2007, the value of this security declined sharply due to the credit and capital concerns faced by many financial services companies, including government-sponsored enterprises Freddie Mac and Fannie Mae. Excluding this securities loss, non-interest income increased primarily as a result of higher commission revenues from our travel, insurance and investment divisions and deposit account charges, partially offset by lower fees on loans. This increase in commission revenues was primarily in the travel division as a result of the acquisition of a St. Louis travel agency in the first quarter of 2007 and internal growth. Fees from service charges and overdrafts will likely increase modestly in 2008 compared to 2007 as we expect that retail checking accounts will 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 which will not generate as much fee income as smaller individual checking accounts. The level of commission revenue in our travel division in 2008 is likely to remain consistent with 2007 levels; however, given current general economic conditions, substantial shocks could occur in the financial markets or the travel industry that could reduce travel by businesses and individuals in 2008. Currently the Company does not have any plans to acquire additional travel agencies. Increasing non-interest income in 2006 was the early repayment of five unrelated loans that triggered significant prepayment fees. Non-interest income increased $1.6 million in the year ended December 31, 2007, and increased $1.5 million in the year ended December 31, 2006, 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.

In the year ended December 31, 2007 compared to the year ended December 31, 2006, operating expenses increased primarily due to the continued growth of the Company. The primary increases were in the categories of salaries and benefits expense, insurance, and expenses on foreclosed assets, with smaller increases and decreases in some of the other expense categories such as occupancy and equipment expense, postage, advertising and others. During the fourth quarter of 2006, Great Southern completed its acquisition of a travel agency in Columbia, Mo., and opened banking centers in Lee's Summit, Mo. and Ozark, Mo. In March 2007, Great Southern acquired a travel agency in St. Louis, Mo., and in June 2007, opened a banking center in Springfield, Mo. We anticipate that increases will occur again in 2008, at a moderate level, with regard to employee costs and occupancy expenses as we continue to add new banking centers to serve new and existing customers. We anticipate that expense increases in 2008 will be fairly consistent with the expense increases recorded in 2007. In addition, due to the increases in levels of foreclosed assets, foreclosure-related expenses in 2007 were higher than in 2006.

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 in the latter half of 2007. For the year ended December 31, 2007, the Company incurred additional insurance expense of $568,000. The Company expects a similar quarterly expense of $300,000 in future quarters, with additional expense based upon deposit growth.

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.

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.

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. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 is effective for the Company on January 1, 2008 and is not expected to have a material effect on the Company's financial position or results of operations.

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 would be 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. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 is effective for the Company on January 1, 2008 and is not expected to have a material effect on the Company's financial position or results of operations.

In January 2007, the FASB issued an exposure draft – Disclosures about Derivative Instruments and Hedging Activities. This exposure draft would amend and expand the disclosure requirements in SFAS No. 133, Accounting for Derivatives Instruments and Hedging Activities. The FASB issued this proposed Statement to address concerns that the existing disclosure requirements for derivative instruments and related hedged items do not provide adequate information on the effect that derivative activities have on an entity's overall consolidated financial condition or results of operations. Specific disclosure requirements are outlined in the proposed Statement. At this time, the FASB continues its deliberations regarding this exposure draft and has not adopted the final Statement. The Company continues to monitor the exposure draft to determine the impact, if any, on the consolidated financial condition or results of operations of the Company.

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 is effective for the Company on January 1, 2008 and is not expected to 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.

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 and is not expected to 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 is effective for hedging relationships designated on or after January 1, 2008 and is not expected to have a material effect on the Company's financial position or results of operations.

Comparison of Financial Condition at December 31, 2007 and December 31, 2006

During the year ended December 31, 2007, the Company increased total assets by $191.4 million to $2.43 billion. Net loans increased by $141.4 million. The main loan areas experiencing increases were commercial and residential construction, commercial business, consumer and residential mortgage loans. The Company's strategy continues to be focused on growing the loan portfolio, while maintaining credit risk and interest rate risk at appropriate levels. For many years, the Company has developed a niche in commercial real estate and construction lending in Southwest Missouri. Great Southern's strategy is to continue to build on this competency in Southwest Missouri and in other geographic areas through the Company's loan production offices. Available-for-sale investment securities increased by $80.8 million, primarily due to increased balances of U. S. Government Agency securities which were used for pledging to public fund deposit accounts. While there is no specifically stated goal, the available-for-sale securities portfolio has in recent years been approximately 15% to 20% of total assets. The available-for-sale securities portfolio was 17.5% and 15.4% of total assets at December 31, 2007 and 2006, respectively. Cash and cash equivalents decreased $52.6 million, primarily due to smaller cash letter settlements between the Company and other banks at December 31, 2007. Foreclosed assets increased $15.6 million, primarily due to the foreclosure of several loan relationships throughout 2007. See "Non-performing Assets" for additional information on foreclosed assets.

Total liabilities increased $177.1 million from December 31, 2006 to $2.24 billion at December 31, 2007. Deposits increased $59.3 million, FHLBank advances increased $34.7 million and short-term borrowings increased $95.8 million. The increase in short-term borrowings was the result of increases in securities sold under repurchase agreements with Bank customers ($23 million), increases in overnight borrowings ($23 million) and a term borrowing from the FRB ($50 million). FHLBank advances increased from $179.2 million at December 31, 2006, to $213.9 million at December 31, 2007. 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. Retail certificates of deposit increased $25.2 million, to $421.9 million. Total brokered deposits were $674.6 million at December 31, 2007, down from $708.2 million at December 31, 2006. Interest-bearing checking balances increased $101.0 million in the year ended December 31, 2007, to $491.1 million. Non-interest-bearing checking balances decreased $39.0 million in the year ended December 31, 2007, to $166.2 million. Checking account balances totaled $657.4 million at December 31, 2007, up from $595.3 million at December 31, 2006. Subordinated debentures issued to capital trust increased $5.2 million as a result of the Company's decision to add a new issue of trust preferred securities in 2007.

Stockholders' equity increased $14.3 million from $175.6 million at December 31, 2006 to $189.9 million at December 31, 2007. Net income for fiscal year 2007 was $29.3 million and accumulated other comprehensive income increased $1.3 million, partially offset by dividends declared of $9.2 million and net repurchases of the Company's common stock of $7.1 million. In 2007, the Company repurchased 342,377 shares of its common stock at an average price of $25.57 per share and reissued 65,609 shares of Company stock at an average price of $17.62 per share to cover stock option exercises.

Management intends to continue to repurchase stock from time to time as long as management believes that repurchasing the stock contributes to the overall growth of shareholder value. The timing of repurchases, 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 earnings per share.

Results of Operations and Comparison for the Years Ended December 31, 2007 and 2006

General

Including the effects of the Company's hedge accounting entries recorded in 2007 and 2006, net income decreased $1.4 million, or 4.7%, during the year ended December 31, 2007, compared to the year ended December 31, 2006. This decrease was primarily due to an increase in non-interest expense of $2.9 million, or 5.8%, an increase in provision for income taxes of $484,000, or 3.5%, and a decrease in non-interest income of $261,000, or 0.9%, partially offset by an increase in net interest income of $2.2 million, or 3.1%.

Excluding the effects of the Company's hedge accounting entries recorded in 2007 and 2006, net income decreased $1.7 million, or 5.7%, during the year ended December 31, 2007, compared to the year ended December 31, 2006. This decrease was primarily due to an increase in non-interest expense of $2.9 million, or 5.8%, an increase in provision for income taxes of $328,000, or 2.4%, and a decrease in non-interest income of $103,000, or 0.4%, partially offset by an increase in net interest income of $1.6 million, or 2.2%. See "Item 6. - Selected Consolidated Financial Data - Restatement of Previously Issued Consolidated Financial Statements" for a discussion of the current and previously reported financial statements due to the Company's accounting change for certain interest rate swaps in 2005.

The information presented in the table below and elsewhere in this report excluding hedge accounting entries recorded (for the 2007 and 2006 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 2007 and 2006 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 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.

Non-GAAP Reconciliation
(Dollars in thousands)

	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Dollars	Earnings Per Diluted Share	Dollars	Earnings Per Diluted Share
Reported Earnings	$ 29,299	$ 2.15	$ 30,743	$ 2.22
Amortization of deposit broker origination fees (net of taxes)	762	.05	1,155	.08
Net change in fair value of interest rate swaps and related deposits (net of taxes)	(1,102)	(.08)	(1,204)	(.08)
Earnings excluding impact of hedge accounting entries	$ 28,959	$ 2.12	$ 30,694	$ 2.22

Total Interest Income

Total interest income increased $13.8 million, or 9.2%, during the year ended December 31, 2007 compared to the year ended December 31, 2006. The increase was due to a $9.6 million, or 7.2%, increase in interest income on loans and a $4.2 million, or 24.5%, increase in interest income on investments and other interest-earning assets. Interest income for both loans and investment securities and other interest-earning assets increased due to higher average balances. Interest income for investment securities and other interest-earning assets also increased due to higher average rates of interest while loans experienced average rates of interest that were effectively unchanged.

Interest Income - Loans

During the year ended December 31, 2007 compared to December 31, 2006, interest income on loans increased primarily due to higher average balances. Interest income increased $9.7 million as the result of higher average loan balances from $1.65 billion during the year ended December 31, 2006 to $1.77 billion during the year ended December 31, 2007. The higher average balance resulted principally from the Bank's increased commercial and residential construction lending, commercial business lending and consumer lending. The Bank's commercial real estate and multi-family residential average loan balances experienced small decreases, while one- to four-family residential average loan balances increased slightly during 2007.

Interest income on loans decreased $116,000 as the result of a slight reduction in average interest rates. The average yield on loans decreased from 8.05% during the year ended December 31, 2006, to 8.04% during the year ended December 31, 2007. Average loan rates were generally similar in 2007 and 2006, as a result of market rates of interest, primarily the "prime rate" of interest. During the first half of 2006, market interest rates increased, with the "prime rate" of interest increasing 1.00% by the end of June 2006. 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 2005, 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 2005 and 2006, 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 year ended December 31, 2006, the average yield on loans was 8.05% versus an average prime rate for the period of 7.96%, or a difference of 9 basis points. In the year ended December 31, 2007, the average yield on loans was 8.04% versus an average prime rate for the period of 8.05%, or a difference of a negative 1 basis point.

For the years ended December 31, 2007, and 2006, interest income was reduced $1.6 million and $695,000, respectively, due to the reversal of accrued interest on loans that were added to non-performing status during the period. Partially offsetting this, the Company collected interest that was previously charged off in the amount of $227,000 and $189,000 in the years ended December 31, 2007 and 2006, respectively. See "Net Interest Income" for additional information on the impact of this interest activity.

Additionally, recent FRB interest rate cuts subsequent to December 31, 2007, 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 Deposits

Interest income on investments and other interest-earning assets increased as a result of higher average rates of interest during the year ended December 31, 2007, when compared to the year ended December 31, 2006. Interest income increased by $2.1 million as a result of an increase in average interest rates from 4.39% during the year ended December 31, 2006, to 4.91% during the year ended December 31, 2007. In 2006, as principal balances on mortgage-backed securities were paid down through prepayments and normal amortization, the Company replaced a 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, their rates increased along with market interest rate increases. Approximately $50-55 million will have interest rate resets at some time in 2008, with the currently projected weighted average coupon rate decreasing approximately .34% based on market interest rates at December 31, 2007. In addition, approximately $25-30 million will have initial interest rate resets at some time in 2009. 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 Company has total variable-rate mortgage-backed securities of approximately $109 million at December 31, 2007. In addition, the Company also increased its portfolio of tax-exempt securities issued by states and municipalities over the past two years from $46 million at December 31, 2005 to $63 million at December 31, 2007. These securities generally have coupon yields that are comparable to treasury market interest rates; however, the tax-equivalent yield is higher. Interest income increased $2.0 million as a result of an increase in average balances from $387 million during the year ended December 31, 2006, to $431 million during the year ended December 31, 2007. This increase was primarily in available-for-sale agency securities, where securities were needed for liquidity and pledging to deposit accounts under customer repurchase agreements and public fund deposits. Many of these agency securities 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 change in 2005 for certain interest rate swaps, total interest expense increased $11.6 million, or 14.4%, during the year ended December 31, 2007, when compared with the year ended December 31, 2006, primarily due to an increase in interest expense on deposits of $10.5 million, or 16.0%, an increase in interest expense on short-term borrowings of $1.7 million, or 30.2%, and an increase in interest expense on subordinated debentures issued to capital trust of $579,000, or 43.4%, partially offset by a decrease in interest expense on FHLBank advances of $1.2 million, or 14.4%.

Excluding the effects of the Company's hedge accounting entries recorded in 2007 and 2006 for certain interest rate swaps, economically, total interest expense increased $12.2 million, or 15.4%, during the year ended December 31, 2007, when compared with the year ended December 31, 2006, primarily due to an increase in interest expense on deposits of $11.1 million, or 17.4%, an increase in interest expense on short-term borrowings of $1.7 million, or 30.2%, and an increase in interest expense on subordinated debentures issued to capital trust of $579,000, or 43.4%, partially offset by a decrease in interest expense on FHLBank advances of $1.2 million, or 14.4%. See "Item 6. - Selected Consolidated Financial Data - Restatement of Previously Issued Consolidated Financial Statements" for a discussion of the current and previously reported financial statements due to the Company's accounting change for certain interest rate swaps in 2005.

Interest Expense - Deposits

Including the effects of the Company's hedge accounting entries recorded in 2007 and 2006, interest on demand deposits increased $1.5 million due to an increase in average rates from 3.01% during the year ended December 31, 2006, to 3.34% during the year ended December 31, 2007. Average interest rates increased due to higher overall market rates of interest in 2006 and the first nine months of 2007. Market rates of interest on checking and money market accounts began to increase prior to 2007 as the FRB raised short-term interest rates. Interest on demand deposits increased $1.9 million due to an increase in average balances. The Company's interest-bearing checking balances have grown in the past several years through increased relationships with correspondent, corporate and retail customers. Average interest-bearing demand balances were $481 million, $421 million and $382 million in 2007, 2006 and 2005, respectively. Average non-interest bearing demand balances were $171 million, $189 million and $170 million in 2007, 2006 and 2005, respectively.

Interest expense on deposits increased $2.1 million as a result of an increase in average rates of interest on time deposits from 5.12% during the year ended December 31, 2006, to 5.32% during the year ended December 31, 2007, and increased $5.1 million due to an increase in average balances of time deposits from $1.036 billion during the year ended December 31, 2006, to $1.132 billion during the year ended December 31, 2007. The average interest rates increased due to higher overall market rates of interest throughout 2006 and into 2007. As certificates of deposit matured in 2006 and the first half of 2007, they were generally replaced with certificates bearing a higher rate of interest. Market rates of interest on new certificates began to increase in the latter half of 2004 through the first half of 2007 as the FRB raised short-term interest rates. In 2006, the Company increased its balances of brokered certificates of deposit to fund a portion of its loan growth. Brokered certificates of deposit balances decreased $33.6 million in 2007, to $674.6 million. Retail certificates of deposit increased $25.2 million in 2007, to $421.9 million. In addition, the Company's interest rate swaps repriced higher in 2006 and 2007 in conjunction with the increases in market interest rates, specifically LIBOR. LIBOR interest rates increased compared to Federal Funds rates in the last half of 2007 as a result of credit and liquidity concerns in financial markets. These LIBOR interest rates were elevated approximately 30-70 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. These higher LIBOR interest rates have declined significantly during January and February 2008.

The effects of the Company's hedge accounting entries recorded in 2007 and 2006 did not impact interest on demand deposits.

Excluding the effects of the Company's hedge accounting entries recorded in 2007 and 2006, economically, interest expense on deposits increased $2.8 million as a result of an increase in average rates of interest on time deposits from 4.95% during the year ended December 31, 2006, to 5.21% during the year ended December 31, 2007, and increased $4.9 million due to an increase in average balances of time deposits from $1.036 billion during the year ended December 31, 2006, to $1.132 billion during the year ended December 31, 2007. The average interest rates increased due to higher overall market rates of interest throughout 2006 and into 2007. See "Item 6. - Selected Consolidated Financial Data - Restatement of Previously Issued Consolidated Financial Statements" for a discussion of the current and previously reported financial statements due to the Company's accounting change for certain interest rate swaps in 2005.

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

Interest expense on FHLBank advances decreased $1.7 million due to a decrease in average balances on FHLBank advances from $180 million in the year ended December 31, 2006, to $145 million in the year ended December 31, 2007. The reason for this decrease was the Company elected to utilize other forms of alternative funding during 2007. Partially offsetting this decrease, FHLBank advances experienced an increase in average interest rates from 4.51% during the year ended December 31, 2006, to 4.81% during the year ended December 31, 2007, resulting in increased interest expense of $514,000.

Interest expense on short-term borrowings increased $1.8 million due to an increase in average balances on short-term borrowings from $130 million during the year ended December 31, 2006, to $171 million during the year ended

December 31, 2007. Partially offsetting this increase, average interest rates decreased from 4.36% in the year ended December 31, 2006, to 4.30% in the year ended December 31, 2007, resulting in decreased interest expense of $75,000. The increase in balances of short-term borrowings was primarily due to increases in securities sold under repurchase agreements with Great Southern's corporate customers and increased short-term borrowings in the latter portion of 2007 to take advantage of declining Federal Funds rates. Market rates of interest on short-term borrowings increased beginning in the middle of 2004 through early 2007 as the FRB raised short-term interest rates. The FRB began to lower short-term interest rates in the latter portion of 2007 and has continued to lower these rates in the first two months of 2008.

Interest expense on subordinated debentures issued to capital trust increased $646,000 due to increases in average balances from $18.7 million in the year ended December 31, 2006, to $28.2 million in the year ended December 31, 2007. The average rate of interest on these subordinated debentures decreased slightly in 2007 as these liabilities pay a variable rate of interest that is indexed to LIBOR. In November 2006, the Company redeemed its trust preferred debentures which were issued in 2001 and replaced them with new trust preferred debentures. These new debentures are not subject to an interest rate swap; however, they are variable-rate debentures and bear interest at a rate of three-month LIBOR plus 1.60%, adjusting quarterly. In July 2007, the Company issued additional trust preferred debentures. These new debentures are also not subject to an interest rate swap; however, they are variable-rate debentures and bear interest at a rate of three-month LIBOR plus 1.40%, adjusting quarterly.

Net Interest Income

Including the impact of the accounting entries recorded for certain interest rate swaps, net interest income for the year ended December 31, 2007 increased $2.2 million to $71.4 million compared to $69.2 million for the year ended December 31, 2006. Net interest margin was 3.24% in the year ended December 31, 2007, compared to 3.39% in 2006, a decrease of 15 basis points. This margin decrease was caused by several factors. For the years ended December 31, 2007, and 2006, interest income was reduced $1.6 million and $695,000, respectively, due to the reversal of accrued interest on loans that were added to non-performing status during the period. Partially offsetting this, the Company collected interest that was previously charged off in the amount of $227,000 and $189,000 in the years ended December 31, 2007 and 2006, respectively. Another factor that negatively impacted net interest income and net interest margin in 2007, was the increase in the spread between LIBOR interest rates compared to Federal Funds rates in the last half of 2007 as a result of credit and liquidity concerns in financial markets. These LIBOR interest rates were elevated approximately 30-70 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. These relative higher LIBOR interest rates have declined to more normal levels in 2008. 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 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.

The Company's overall interest rate spread decreased 12 basis points, or 4.2%, from 2.83% during the year ended December 31, 2006, to 2.71% during the year ended December 31, 2007. The decrease was due to a 19 basis point increase in the weighted average rate paid on interest-bearing liabilities, partially offset by a 7 basis point increase in the weighted average yield on interest-earning assets. The Company's overall net interest margin decreased 15 basis points, or 4.4%, from 3.39% for the year ended December 31, 2006, to 3.24% for the year ended December 31, 2007. In comparing the two years, the yield on loans decreased 1 basis point while the yield on investment securities and other interest-earning assets increased 52 basis points. The rate paid on deposits increased 22 basis points, the rate paid on FHLBank advances increased 30 basis points, the rate paid on short-term borrowings decreased 6 basis points, and the rate paid on subordinated debentures issued to capital trust decreased 34 basis points. See "Item 6. - Selected Consolidated Financial Data - Restatement of Previously Issued Consolidated Financial Statements" for a discussion of the current and previously reported financial statements due to the Company's accounting change for certain interest rate swaps in 2005.

For the year ended December 31, 2007, compared to 2006, the average balance of investment securities increased by approximately $44 million due to the purchase of securities in early 2007 to pledge against increased public fund deposits and customer repurchase agreements. 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.

Excluding the impact of the accounting entries recorded for certain interest rate swaps, economically, net interest income for the year ended December 31, 2007 increased $1.6 million to $72.6 million compared to $71.0 million for the year ended December 31, 2006. Net interest margin excluding the effects of the accounting change was 3.29% in the year ended December 31, 2007, compared to 3.48% in the year ended December 31, 2006. The Company's overall interest rate spread decreased 16 basis points, or 5.5%, from 2.93% during the year ended

December 31, 2006, to 2.77% during the year ended December 31, 2007. The decrease was due to a 23 basis point increase in the weighted average rate paid on interest-bearing liabilities, partially offset by a 7 basis point increase in the weighted average yield on interest-earning assets. The Company's overall net interest margin decreased 19 basis points, or 5.5%, from 3.48% for the year ended December 31, 2006, to 3.29% for the year ended December 31, 2007. In comparing the two years, the yield on loans decreased 1 basis point while the yield on investment securities and other interest-earning assets increased 52 basis points. The rate paid on deposits increased 26 basis points, the rate paid on FHLBank advances increased 30 basis points, the rate paid on short-term borrowings decreased 6 basis points, and the rate paid on subordinated debentures issued to capital trust decreased 34 basis points.

The prime rate of interest averaged 8.05% during the year ended December 31, 2007 compared to an average of 7.96% during the year ended December 31, 2006. The prime rate began to increase in the second half of 2004 and throughout 2005 and 2006 as the FRB began to raise short-term interest rates, and stood at 8.25% at December 31, 2006. In the last three months of 2007, the FRB began to decrease short-term interest rates. At December 31, 2007, the prime rate stood at 7.25%. Over half of the Bank's loans were tied to prime at December 31, 2007. The Company continues to utilize interest rate swaps and FHLBank advances that reprice frequently to manage overall interest rate risk. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional information on the Company's interest rate risk management.

Non-GAAP Reconciliation:
(Dollars in thousands)

	Year Ended December 31			
	2007		2006	
	$	%	$	%
Reported Net Interest Income/Margin	$ 71,405	3.24%	$ 69,227	3.39%
Amortization of deposit broker origination fees	1,172	.05	1,777	.09
Net interest income/margin excluding impact of hedge accounting entries	$ 72,577	3.29%	$ 71,004	3.48%

For additional information on net interest income components, refer to "Average Balances, Interest Rates and Yields" table in this Annual Report on Form 10-K. This table is prepared including the impact of the accounting changes for interest rate swaps.

Provision for Loan Losses and Allowance for Loan Losses

The provision for loan losses was $5.5 million and $5.5 million during the years ended December 31, 2007 and December 31, 2006, respectively. The allowance for loan losses decreased $0.8 million, or 3.0%, to $25.5 million at December 31, 2007 compared to $26.3 million at December 31, 2006. Net charge-offs were $6.3 million in 2007 versus $3.7 million in 2006. The increases in charge-offs and foreclosed assets were due to general market conditions, and more specifically, housing supply, absorption rates and unique circumstances related to individual borrowers and projects. As properties were transferred into foreclosed assets, evaluations were made of the value of these assets with corresponding charge-offs as appropriate.

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

Weak economic conditions, higher inflation or interest rates, or other factors may lead to increased losses in the portfolio and/or requirements for an increase in loan loss provision expense. Management has established various controls in an attempt to limit future losses, such as a watch list of possible problem loans, documented loan administration policies and a loan review staff to review the quality and anticipated collectibility of the portfolio. Management determines which loans are potentially uncollectible, or represent a greater risk of loss and makes additional provisions to expense, if necessary, to maintain the allowance at a satisfactory level.

The Bank's allowance for loan losses as a percentage of total loans was 1.38% and 1.54% at December 31, 2007 and 2006, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at this time, based on recent internal and external reviews of the Company's loan portfolio and current economic conditions. Potential problem loans are included in management's consideration when determining the adequacy of the provision and allowance for loan losses.

Non-performing Assets

As a result of continued growth in the loan portfolio, changes in portfolio mix, changes in economic and market conditions that occur from time to time, and other factors specific to a borrower's circumstances, the level of non-performing assets will fluctuate. Non-performing assets at December 31, 2007, were $55.9 million, up $30.9 million from December 31, 2006. Non-performing assets as a percentage of total assets were 2.30% at December 31, 2007. Compared to December 31, 2006, non-performing loans increased $15.3 million to $35.5 million while foreclosed assets increased $15.6 million to $20.4 million. Commercial real estate, commercial and residential construction and business loans comprised $33.2 million, or 94%, of the total $35.5 million of non-performing loans at December 31, 2007. Commercial real estate, construction and business loans historically comprise the majority of non-performing loans.

Net charge-offs for the year ended December 31, 2007, were $6.3 million as compared to $3.7 million for the year ended December 31, 2006. The increases in charge-offs and foreclosed assets were due to general economic and market conditions, and more specifically, housing supply, absorption rates and unique circumstances related to individual borrowers and projects. As properties were transferred into foreclosed assets, evaluations were made of the value of these assets with corresponding charge-offs as appropriate. The Company's allowance for loan losses was $25.5 million and $26.3 million at December 31, 2007 and 2006, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at this time, based on recent internal and external reviews of the Company's loan portfolio and current economic conditions. Potential problem loans are included in management's consideration when determining the adequacy of the provision and allowance for loan losses.

Non-performing Loans. Compared to December 31, 2006, non-performing loans increased $15.3 million to $35.5 million. Non-performing loan increases and decreases are described below.

Increases in non-performing loans in 2007 included:

-- A $10.3 million loan relationship, which is primarily secured by a condominium and retail historic rehabilitation development in St. Louis, Mo. This was originally included as a $9.4 million relationship and has increased due to costs to complete construction. The project was completed during the first quarter of 2008 and the Company has begun marketing efforts to lease the condominium and retail spaces. The Company expects to receive Federal and State tax credits later in 2008, which should reduce the balance of this relationship to approximately $5.0 million. The Company has obtained a recent appraisal that substantiates the value of the project. Because of the tax credits involved, the Company expects to foreclose on this property at some point in the future and hold this property for several years. The Company expects to remove this relationship from loans and hold it as a depreciating asset once the tax credit process is completed. Current projections by the Company indicate that a positive return on the investment is expected once the space is leased.
-- A $1.3 million loan relationship, which is secured by a restaurant building in northwest Arkansas. The Company has begun foreclosure on this property.
-- A $2.4 million loan relationship, which was described in the March 31, 2007, Quarterly Report on Form 10-Q. During the six months ended December 31, 2007, the original $5.4 million relationship was reduced to $2.4 million through the foreclosure and subsequent sale of the real estate collateral. At the time of the foreclosure on these real estate assets, there was no charge-off against the allowance for loan losses. The remaining $2.4 million is secured by the borrower's ownership interest in a business. The borrower is pursuing options to pay off this loan.
-- A $5.7 million loan relationship, which is primarily secured by two office and retail historic rehabilitation developments. At the time this relationship was transferred to the Non-performing Loans category the Company recorded a write-down of $240,000. Both of the projects are completed and the space in both cases is partially leased. The projects are located in southeast Missouri and southwest Missouri, respectively. The borrower is marketing the properties for sale; however, the Company has begun foreclosure proceedings in the event that the borrower is not successful in selling the properties.
-- A $1.9 million loan relationship, which is secured by partially-developed subdivision lots in northwest Arkansas. The Company has begun foreclosure proceedings.

At December 31, 2007, eight significant loan relationships accounted for $27.7 million of the total non-performing loan balance of $35.5 million. In addition to the five relationships noted above, three other loan relationships were previously included in Non-performing Loans and remained there at December 31, 2007. These relationships were described in the December 31, 2006, Annual Report on Form 10-K, and in previous Quarterly Reports on Form 10-Q. One of these relationships, a $3.3 million loan on a nursing home in the State of Missouri, was paid off in the first quarter of 2008 upon the sale of the facility. The Company had previously recorded a charge to the allowance for loan losses regarding this relationship and recovered approximately $500,000 to the allowance upon receipt of the loan payoff. The other two unrelated relationships totaled $1.0 million and $1.7 million, respectively. Both of these relationships are secured primarily by single-family houses and residential subdivision lots. The $1.0 million relationship has been foreclosed upon and transferred to foreclosed assets at a book value of $700,000 after a charge-off to the allowance for loan losses of $320,000. The Company is in process of foreclosing on the $1.7 million relationship and is currently determining what, if any, charge-off to the allowance for loan losses is needed regarding this relationship.

Two other significant relationships were both added to the Non-performing Loans category and subsequently transferred to foreclosed assets during the year ended December 31, 2007:

- -- A $4.6 million loan relationship, described in the June 30, 2007, Quarterly Report on Form 10-Q, which is secured by two residential developments in the Kansas City, Mo., metropolitan area. At the time of the transfer to foreclosed assets, the asset was reduced to $4.3 million through a charge-off to the allowance for loan losses.
- -- A $1.5 million loan relationship, which was described in the June 30, 2007, Quarterly Report on Form 10-Q. During the quarter ended September 30, 2007, the loans in this relationship were transferred to foreclosed assets. At the time of the transfer, this relationship was reduced by $538,000 through a charge-off against the allowance for loan losses.

One other significant relationship was included in the Non-performing Loans category at December 31, 2006, and subsequently transferred to foreclosed assets during the year ended December 31, 2007. This relationship involved a motel located in the State of Illinois. At December 31, 2007, this relationship was included in foreclosed assets at $2.6 million. This motel was sold in the first quarter 2008 with no additional loss incurred by the Company.

Foreclosed Assets. Of the total $20.4 million of foreclosed assets at December 31, 2007, foreclosed real estate totaled $20.0 million and repossessed automobiles, boats and other personal property totaled $410,000. Foreclosed assets increased $15.6 million during the year ended December 31, 2007, from $4.8 million at December 31, 2006, to $20.4 million at December 31, 2007. During the year ended December 31, 2007, foreclosed assets increased primarily due to the addition of five significant relationships to the foreclosed assets category and the addition of several smaller relationships that involve houses that are completed and for sale or under construction, as well as developed subdivision lots, partially offset by the sale of similar houses and subdivision lots. These five significant relationships remain in foreclosed assets at December 31, 2007, and are described below.

At December 31, 2007, five separate relationships totaled $13.1 million, or 65%, of the total foreclosed assets balance. These five relationships include:

- -- A $2.6 million relationship, which involves a motel in the State of Illinois. As discussed above, the motel was sold in the first quarter 2008 at no additional loss to the Company.
- -- A $3.1 million relationship, which involves residential developments in Northwest Arkansas. One of the developments has some completed houses and additional lots. The second development is comprised of completed duplexes and triplexes. A few sales of single-family houses have occurred and the remaining properties are being marketed for sale.
- -- A $4.3 million loan relationship, which involves two residential developments in the Kansas City, Mo., metropolitan area. These two subdivisions are primarily comprised of developed lots with some additional undeveloped ground. The Company is marketing these projects and has seen some recent interest by prospective purchasers.
- -- A $1.8 million relationship, which involves a residence and commercial building in the Lake of the Ozarks, Mo., area. The Company is marketing these properties for sale.
- -- A $1.3 million relationship, which involves residential developments, primarily residential lots in three different subdivisions and undeveloped ground, in the Branson, Mo., area. The Company has been in contact with various developers to determine interest in the projects.

Potential Problem Loans. Potential problem loans increased $16.7 million during the year ended December 31, 2007 from $13.6 million at December 31, 2006 to $30.3 million at December 31, 2007. Potential problem loans are loans which management has identified through routine internal review procedures as having possible credit problems that may cause the borrowers difficulty in complying with current repayment terms. These loans are not reflected in non-performing assets.

During the year ended December 31, 2007, potential problem loans increased primarily due to the addition of six unrelated relationships totaling $20.0 million to the Potential Problem Loans category. Four of these relationships involve residential construction and development loans. Two relationships are in Springfield, Mo., and total $1.7 million and $3.0 million, respectively; one relationship near Little Rock, Ark. totals $4.8 million; and one relationship in the St. Louis area totals $4.3 million. This St. Louis area relationship was foreclosed in the first quarter 2008. The Company recorded a loan charge-off of $1.0 million at the time of transfer to foreclosed assets based upon updated valuations of the assets. The Company is pursuing collection efforts against the guarantors on this credit. The fifth relationship consists of a condominium development in Kansas City totaling $3.2 million. Some sales have occurred during 2007, with the outstanding balance decreasing $1.9 million in 2007. The sixth relationship consists of a retail center, improved commercial land and other collateral in the states of Georgia and Texas totaling $2.9 million. During the first quarter of 2008, performance on the relationship improved and the Company obtained additional collateral.

At December 31, 2007, two other large unrelated relationships were included in the Potential Problem Loan category. Both of these relationships were included in the potential problem loan category at December 31, 2006. The first relationship totaled $3.3 million at December 31, 2006, and was reduced to $1.4 million at December 31, 2007, through the sale of houses and townhomes. The relationship is secured primarily by a retail center, developed and undeveloped residential subdivisions, and single-family houses being constructed for resale in the Springfield, Missouri, area. The second relationship totaled $2.7 million and is secured primarily by a motel in the State of Florida. The motel is operating but payment performance has been slow at times. At December 31, 2007, these eight significant relationships described above accounted for $24.1 million of the potential problem loan total.

Subsequent Event Regarding Potential Problem Loans. One of the Bank's largest lending relationships is a loan to an Arkansas-based bank holding company (ABHC). In addition, the Bank has made other loans to three of ABHC's stockholders (two of which are directors and/or executive officers of the holding company and the bank), at least partially secured by ABHC's stock. ABHC, through its subsidiary bank (ABank), is primarily a commercial real estate lender with an emphasis on land development and residential construction lending. In addition to the Arkansas lending franchise, ABank also has significant lending activities in the Mountain West and Southwest regions of the United States. The lending relationship with ABHC began in 1997, and is secured by a first lien against 100% of the stock of ABank. The loans to the stockholders are secured by each stockholder's stock in ABHC, as well as other collateral. At December 31, 2007, the outstanding balance on the loan to ABHC was $30.0 million. The loan was current as of that date, and ABank's capital exceeded the amount of the loan, but the borrower was in default on certain of its financial covenants. During the past several months, markets for land development and new housing nationally, and particularly in Arkansas and portions of the Southwest, have seen a downturn. ABank began to experience the effects of this downturn through increased delinquencies and somewhat higher levels of non-performing loans in 2007. As a result, ABank's regulators restricted certain of ABank's operations and required increased reserves and capital. Subsequent to December 31, 2007, ABank reported that non-performing loans and foreclosed assets increased dramatically and significant additional reserves were being taken, reducing ABank's capital even further.

As a result, during the March 31, 2008 quarter, Great Southern has classified ABHC's loan as substandard and included it in "potential problem loans." Based upon ABank's most recent call report (as amended), ABank's capital has been reduced but is still at a level that appears to provide adequate collateral for Great Southern's loan. Thus, Great Southern has not made a specific allocation of its allowance for loan losses to the ABHC credit. Since the beginning of this year, Great Southern has obtained additional, unrelated collateral to help secure a portion of the outstanding balance of the loans to the individual stockholders, and a $3.3 million payment was made reducing one of the loans. To date, however, there is still a portion that is not covered by additional collateral. Therefore, $9.4 million of the loans to individual stockholders have been classified as substandard and are now included in "potential problem loans" and $6.4 million of these loans are now considered non-performing. A specific allocation in the Bank's allowance for loan losses has been set up for a portion of the non-performing and a portion of the substandard loans to the individual stockholders.

Based on the information currently available, the Company believes that its allowance for loan losses is adequate. The ability of ABHC to ultimately resolve its issues and pay the Bank's loan off is subject to a number of factors, including the land development and housing markets in its market areas, the strength of its borrowers, the ability of ABHC and ABank to restructure their balance sheets and increase capital and the ability of ABHC and ABank to timely comply with the requirements of their federal bank regulators. The federal bank regulators have extensive enforcement authority over ABHC and ABank, giving them the ability to take actions which could negatively impact our lending position without prior notice to us. In addition, if ABHC and ABank are not successful in their efforts, the loan may be required to be charged off in whole or in part, significantly reducing future income. ABHC and ABank are actively pursuing various alternatives to work out their credit problems, increase capital ratios and strengthen their balance sheets. Great Southern is monitoring these activities closely, but does not control the process.

Non-interest Income

Including the effects of the Company's hedge accounting entries recorded in 2007 and 2006 for certain interest rate swaps, non-interest income for the year ended December 31, 2007 was $29.4 million compared with $29.6 million for the year ended December 31, 2006. The $261,000, or 0.9%, decrease in non-interest income was primarily the result of the impairment write-down in value of one available-for-sale Freddie Mac preferred stock security. This write-down totaled $1.1 million. This security has an interest rate that resets to a market index every 24 months and currently yields a tax-equivalent interest rate of about 8.5-9.0%. The security has had unrealized gains and losses from time to time. These unrealized gains and losses were recorded directly to equity in prior periods, so this other-than-temporary write-down did not affect total equity. Throughout the first ten months of 2007, as expected, the fair value of the security increased as market interest rates fell. However, in November and December 2007 the value of this security declined sharply due to the credit and capital concerns faced by many financial services companies, including government-sponsored enterprises Freddie Mac and Fannie Mae. Freddie Mac and Fannie Mae have recently issued new perpetual preferred stock at higher yields than this security and that has also driven the value down for many of the previously issued preferred stocks. The Company has the ability to continue to hold this security in its portfolio for the foreseeable future and believes that the fair value of this security may recover from the current level in future periods, if and when credit and capital concerns subside for these government-sponsored enterprises.

Other items of non-interest income in 2007 increased $879,000 compared to 2006, primarily as a result of higher revenue from commissions and deposit account charges, partially offset by lower fees on loans. For the year ended December 31, 2007, service charges on deposit accounts and ATM fees increased $542,000, or 3.7%, compared to 2006 due to the increase in deposit accounts. During 2007, commission income from the Company's travel, insurance and investment divisions increased $767,000, or 8.4%, compared to the same period in 2006. This increase was primarily in the travel division as a result of the acquisition of a St. Louis travel agency in the first quarter of 2007 and internal growth. Total late charges and fees on loans decreased $605,000 in the year ended December 31, 2007, compared to the same period in 2006 due primarily to the early repayment of five unrelated loans that triggered total prepayment fees of $532,000 in the year ended December 31, 2006. Although the Company does receive prepayment fees from time to time, it is difficult to forecast when and in what amounts these fees will be collected. Non-interest income increased $1.6 million in the year ended December 31, 2007, and increased $1.5 million in the year ended December 31, 2006, 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. See "Item 6. - Selected Consolidated Financial Data - Restatement of Previously Issued Consolidated Financial Statements" for a discussion of the current and previously reported financial statements due to the Company's accounting change for certain interest rate swaps in 2005. Other income in 2007 and 2006 includes the net benefits realized on federal historic tax credits utilized by the Company in both 2007 and 2006. The Company expects to utilize federal historic tax credits in the future; however, the timing and amount of these credits will vary depending upon availability of the credits and ability of the Company to utilize the credits.

Non-GAAP Reconciliation
(Dollars in thousands)

	Year Ended December 31, 2007		
	As Reported	Effect of Hedge Accounting Entries Recorded	Excluding Hedge Accounting Entries Recorded
Non-interest income -- Net change in fair value of interest rate swaps and related deposits	$ 29,371	$ 1,695	$ 27,676

	Year Ended December 31, 2006		
	As Reported	Effect of Hedge Accounting Entries Recorded	Excluding Hedge Accounting Entries Recorded
Non-interest income -- Net change in fair value of interest rate swaps and related deposits	$ 29,632	$ 1,853	$ 27,779

Non-Interest Expense

Total non-interest expense increased $2.9 million, or 5.8%, from $48.8 million in the year ended December 31, 2006, compared to $51.7 million in the year ended December 31, 2007. The increase was primarily due to: (i) an increase of

$1.9 million, or 6.6%, in salaries and employee benefits; (ii) an increase of $597,000, or 68.2%, in insurance expense, primarily FDIC deposit insurance; (iii) an increase of $489,000, or 410%, in expense on foreclosed assets and (iv) smaller increases and decreases in other non-interest expense areas, such as occupancy and equipment expense, postage, advertising, telephone, legal and professional fees, and bank charges and fees related to additional correspondent relationships. The Company's efficiency ratio for the year ended December 31, 2007, was 51.26% compared to 49.37% in 2006. These efficiency ratios include the impact of the hedge accounting entries for certain interest rate swaps. Excluding the effects of these entries, the efficiency ratio for the full year 2007 was 51.53% compared to 49.41% in 2006. The Company's ratio of non-interest expense to average assets decreased from 2.23% for the year ended December 31, 2006, to 2.18% for the year ended December 31, 2007. As discussed in the Company's 2006 Annual Report on Form 10-K, changes were made to the Company's retirement plans in 2006. These changes resulted in a decrease of $315,000 in expenses in the year ended December 31, 2007, compared to 2006.

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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 in the latter half of 2007. The Company incurred additional insurance expense of $568,000 related to this in 2007, and the Company expects expense of approximately $300,000 per quarter in subsequent quarters, with additional expense based upon deposit growth.

Due to the increases in levels of foreclosed assets, foreclosure-related expenses in 2007 were higher than 2006 by approximately $489,000 (net of income received on foreclosed assets). As previously disclosed in the Company's filings for the fourth quarter and full year 2006, these periods included an expense item of $783,000 ($501,000 after tax), which was a non-cash write-off of unamortized issuance costs related to the redemption of the 9.0% Cumulative Trust Preferred Securities of Great Southern Capital Trust I.

The Company's increase in non-interest expense in 2007 compared to 2006 also related to the continued growth of the Company. During the fourth quarter of 2006, Great Southern completed its acquisition of a travel agency in Columbia, Mo., and opened banking centers in Lee's Summit, Mo. and Ozark, Mo. In 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 year ended December 31, 2007, compared to the year ended December 31, 2006, non-interest expenses increased $1.9 million related to the ongoing operations of these entities.

Non-GAAP Reconciliation:
(Dollars in thousands)

	Year Ended December 31,					
	2007			2006		
	Non-Interest Expense	Revenue Dollars*	%	Non-Interest Expense	Revenue Dollars*	%
Efficiency Ratio	$ 51,659	$ 100,776	51.26%	$ 48,807	$ 98,859	49.37%
Amortization of deposit broker origination fees	---	1,172	(.61)	---	1,777	(.88)
Net change in fair value of interest rate swaps and related deposits	---	(1,695)	.88	---	(1,853)	.92
Efficiency ratio excluding impact of hedge accounting entries	$ 51,659	$ 100,253	51.53%	$ 48,807	$ 98,783	49.41%

*Net interest income plus non-interest income.

Provision for Income Taxes

Provision for income taxes as a percentage of pre-tax income increased from 31.1% for the year ended December 31, 2006, to 32.9% for the year ended December 31, 2007. The lower effective tax rate (as compared to the statutory federal tax rate of 35.0%) was primarily due to higher balances and rates of tax-exempt investment securities and loans, federal tax credits and deductions for stock options exercised by certain employees. For future periods, the

Company expects the effective tax rate to be in the range of 32-33% of pre-tax net income.

Average Balances, Interest Rates and Yields

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Average balances of loans receivable include the average balances of non-accrual loans for each period. Interest income on loans includes interest received on non-accrual loans on a cash basis. Interest income on loans includes the amortization of net loan fees which were deferred in accordance with accounting standards. Fees included in interest income were $3.2 million, $2.8 million and $2.0 million for 2007, 2006 and 2005, respectively. Tax-exempt income was not calculated on a tax equivalent basis. The table does not reflect any effect of income taxes.

	December 31, 2007	Year Ended December 31, 2007			Year Ended December 31, 2006			Year Ended December 31, 2005		
	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:	(Dollars in thousands)									
Loans receivable:										
One- to four-family residential	7.02%	$ 180,797	$ 12,714	7.03%	$ 177,040	$ 12,031	6.80%	$ 177,572	$ 10,133	5.71%
Other residential	7.76	81,568	6,914	8.48	86,251	7,078	8.21	118,384	8,655	7.31
Commercial real estate	7.69	456,377	37,614	8.24	464,710	37,958	8.17	475,325	32,205	6.78
Construction	7.62	673,576	55,993	8.31	586,343	49,792	8.49	391,613	27,125	6.93
Commercial business	7.30	171,902	14,160	8.24	111,742	9,587	8.58	105,426		