

GREAT SOUTHERN BANCORP INC  
Form 10-K/A  
April 07, 2005

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

FORM 10-K/A

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

For the fiscal year ended December 31, 2003

Commission File Number 0-18082

**GREAT SOUTHERN BANCORP, INC.**

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(Exact name of registrant as specified in its charter)

**Delaware**

**43-1524856**

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(State of Incorporation)

(IRS Employer Identification Number)

**1451 E. Battlefield, Springfield, Missouri**

**65804**

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(Address of Principal Executive Offices)

(Zip Code)

**(417) 887-4400**

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(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value \$.01

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  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 an accelerated filer (as defined in Rule 12b-2 of the Act

Yes  No

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on June 30, 2003, computed by reference to the closing price of such shares on that date, was \$218,445,953. At March 8,

2004, 6,853,351 shares of the Registrant's common stock were outstanding.

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EXPLANATORY NOTE

This amendment to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003 is being filed in response to comments issued by the Staff of the SEC as part of its normal review process. Various changes throughout the document have been made in response to these comments. No changes have been made to the Registrant's balance sheet or income statement as a result of these comments; however, additional detailed information has been provided in certain notes to the consolidated financial statements.

PART I

ITEM 1. BUSINESS.

THE COMPANY

**Great Southern Bancorp, Inc.**

Great Southern Bancorp, Inc. ("Bancorp" or "Company") is a financial holding company which, as of December 31, 2003, owned directly all of the stock of Great Southern Bank ("Great Southern" or the "Bank") and other non-banking subsidiaries. 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" 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.

As a Delaware corporation, the Company is authorized to engage in any activity that is permitted by the Delaware 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 would have 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, 2003, Bancorp's consolidated assets were

\$1.54 billion, consolidated net loans were \$1.09 billion, consolidated deposits were \$1.14 billion and consolidated stockholders' equity was \$120 million. The assets of the Company consist primarily of the stock of Great Southern, 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, discount brokerage 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 incorporated as a Missouri-chartered mutual savings and loan association in 1923, and, in 1989, was 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 29 branches located in southwestern and central Missouri. At December 31, 2003, the Bank had total assets of \$1.54 billion, net loans of \$1.09 billion, deposits of \$1.14 billion and stockholders' equity of \$134 million, or 8.7% of total assets. Its deposits are insured by the Savings Association Insurance Fund ("SAIF") to the maximum levels permitted by the Federal Deposit Insurance Corporation ("FDIC").

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Great Southern is principally engaged in the business of originating residential and commercial real estate loans, other commercial and consumer loans and funding these loans through attracting deposits from the general public, originating brokered deposits and borrowing funds 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" 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, 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](http://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 on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

### **Primary Market Area**

Great Southern's primary market area encompasses 15 counties in southwestern 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 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 its 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.

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Great Southern's largest concentration of loans and deposits is in the Greater Springfield area. With a population of approximately 379,000, 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. Springfield is also a regional health care center. The unemployment rate in this area is, and has consistently been, below the national average.

The second largest concentration of loans is in the Branson area. The region is a vacation and entertainment center, attracting tourists to its theme parks, resorts, country music and novelty shows and other recreational facilities. As a result of the rapid growth of the Branson area in the early 1990's, property values increased at unusually high rates. This growth also provided for increased loan demand and a more volatile lending market than had previously been present in that area. Due to overbuilding of commercial properties during the mid-1990's, property values had experienced downward pressure in the late 1990's. In recent years, commercial real estate values have stabilized. Reduced demand for residential properties in the 1990's similarly created downward pressure on one- to four-family and multi-family, primary and vacation residences in this area. In recent years, residential real estate demand and values have shown improvements.

A significant portion of the Bank's loan originations have been secured by properties in the two county region that includes the Branson area. Approximately \$163 million, or 13%, of the total loan portfolio at December 31, 2003, was secured by commercial real estate, commercial construction, other residential properties, one- to four-family residential properties, and one- to four-family construction properties, and consumer loans in the Branson area. Residential mortgages account for approximately \$60 million of this total. Included in the Branson concentration totals are approximately \$1.1 million of non-performing loans.

To expand and diversify the Bank's loan portfolio, the Bank opened a loan production branch in Kansas City, Missouri, and a loan production office in Rogers, Arkansas, in 2003. Great Southern has historically served commercial lending needs in the Greater Kansas City and Northwest Arkansas regions from its Springfield office. The Bank's familiarity with these two 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 relationships with existing customers 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, including fixed and variable rate commercial real estate loans for new and existing customers. Underwriting of all loan production in these regions is performed in Springfield, so credit decisions are consistent across all markets.

The Kansas City branch, which does not currently accept deposits or perform cash transactions, opened in January 2003 and primarily serves the Greater Kansas City market. In 2003, the Kansas City branch experienced strong growth with \$41.4 million in commercial loan originations. As of December 31, 2003, the Kansas City branch had \$85.0 million in outstanding loan balances, which includes loans previously originated and serviced by the Springfield office.

In September 2003, the Northwest Arkansas loan production office opened in Rogers and primarily serves the Northwest Arkansas corridor, which includes the cities of Fayetteville, Rogers, Springdale and Bentonville. The Northwest Arkansas corridor was named as the strongest regional economy in the nation, according to a recent Milken Institute Report. Loan originations in 2003 for the Northwest Arkansas office were \$33.0 million. As of December 31, 2003, the Arkansas office has outstanding loan balances of \$57.7 million, which includes loans previously originated and serviced by the Springfield office.

**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. Substantially all of the adjustable-rate mortgage loans originated by Great Southern are held for its own portfolio and substantially all of the long-term fixed-rate residential mortgage loans originated by Great Southern are sold in the secondary market.

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 these areas as well as in the origination of commercial business and consumer loans, primarily 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, 2003, the balance of participation loans purchased was \$88.0 million, or 7.2% of the total loan portfolio. None of these participation loans were non-performing at December 31, 2003.

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 in its portfolio.

Another principal lending activity of Great Southern is the origination of commercial real estate and construction loans. Since the early 1990s, this area of lending has been an increasing percentage of the loan portfolio and accounts for approximately 51% of the portfolio at December 31, 2003.

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. See "-- Other Commercial Lending," "- Classified Assets," and "Loan Delinquencies and Defaults" below. Letters of credit are contingent obligations and are not included in the Bank's loan portfolio.

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Great Southern has a policy of obtaining collateral for substantially all real estate loans. 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 80% of the appraised value on one- to four-family residential property and will loan up to an additional

15% with private mortgage insurance for the loan amount above the 80% level. For commercial real estate and other residential real property loans, Great Southern generally loans up to a maximum of 80% 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 \$500,000 (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 some loans, secured primarily by commercial real estate, in other states, primarily Oklahoma, Kansas and other Midwestern states.

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### 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,

	2003		2002		2001		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(Dollars in thousands)										
Real Estate Loans:										
Residential										
One- to four- family	\$ 158,990	13.0%	\$ 172,142	16.0%	\$ 190,556	18.4%	\$226,136	23.6%	\$208,466	25.3%
Other residential	107,090	8.7	84,862	7.9	88,274	8.5	81,143	8.5	76,926	9.4
Commercial	441,784	36.1	401,941	37.4	351,037	34.0	328,432	34.3	251,338	30.5
Residential Construction:										
One- to four-family	92,126	7.5	68,416	6.4	49,306	4.8	47,241	4.9	39,795	4.8
Other residential	29,211	2.4	29,107	2.7	30,408	2.9	23,703	2.5	7,106	.9
Commercial construction	180,211	14.7	115,148	10.7	127,171	12.3	73,398	7.7	63,722	7.8
Total real estate loans	1,009,412	82.4	871,616	81.1	836,752	80.9	780,053	81.5	647,353	78.7



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Other Loans:										
Consumer loans:										
Guaranteed student loans	3,090	.3	3,407	.3	3,818	.4	3,892	.5	4,067	.5
Automobile	78,828	6.4	74,160	6.9	67,909	6.6	67,356	7.0	55,625	6.8
Home equity and improvement	40,028	3.3	33,896	3.2	27,198	2.6	19,460	2.0	14,431	1.8
Other	1,482	.1	980	.1	630	.1	491	.1	255	--
<b>Total Consumer loans</b>	<b>123,428</b>	<b>10.1</b>	<b>112,443</b>	<b>10.5</b>	<b>99,555</b>	<b>9.7</b>	<b>91,199</b>	<b>9.6</b>	<b>74,378</b>	<b>9.1</b>
Other commercial loans	92,039	7.5	91,123	8.4	97,557	9.4	85,334	8.9	100,419	12.2
<b>Total other loans</b>	<b>215,467</b>	<b>17.6</b>	<b>203,566</b>	<b>18.9</b>	<b>197,112</b>	<b>19.1</b>	<b>176,533</b>	<b>18.5</b>	<b>174,797</b>	<b>21.3</b>
<b>Total loans</b>	<b>1,224,879</b>	<b>100.0%</b>	<b>1,075,182</b>	<b>100.0%</b>	<b>1,033,864</b>	<b>100.0%</b>	<b>956,586</b>	<b>100.0%</b>	<b>822,150</b>	<b>100.0%</b>
Less:										
Loans in process	109,004		55,468		46,744		45,834		36,048	
Deferred fees and discounts	834		779		906		1,274		2,002	
Allowance for loan losses	20,844		21,288		21,328		18,694		17,293	
<b>Total loans receivable, net</b>	<b>\$1,094,197</b>		<b>\$ 997,647</b>		<b>\$ 964,886</b>		<b>\$890,784</b>		<b>\$766,807</b>	

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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,

	2003		2002		2001		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(Dollars in thousands)										
Fixed-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	\$ 26,136	2.1%	\$ 19,142	1.8%	\$ 10,477	1.0%	\$ 6,414	.7%	\$ 5,960	.7%
Other Residential	51,961	4.2	48,661	4.5	48,518	4.7	38,345	4.0	37,079	4.5
Commercial	98,014	8.0	82,760	7.7	50,039	4.8	40,102	4.2	37,636	4.6
Residential construction:										
One- to four- family	59,070	4.8	35,843	3.3	5,925	.6	1,130	.1	---	---
Other Residential	8,165	.7	7,291	.7	---	---	---	---	---	---
Commercial construction	22,007	1.8	10,843	1.0	---	---	---	---	---	---

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Total real estate loans	265,353	21.6	204,540	19.0	114,959	11.1	85,991	9.0	80,675	9.8
Consumer loans	85,710	7.0	80,544	7.5	67,496	6.5	66,751	7.0	54,829	6.7
Other commercial loans	29,243	2.4	14,977	1.4	14,465	1.4	10,526	1.1	4,266	.5
<hr/>										
Total fixed-rate loans	380,306	31.0	300,061	27.9	196,920	19.0	163,268	17.1	139,770	17.0
<hr/>										
Adjustable-Rate Loans:										
Real Estate Loans										
Residential										
One- to four- family	132,854	10.9	153,000	14.2	180,079	17.4	219,722	23.0	202,506	24.6
Other Residential	55,129	4.5	36,201	3.4	39,756	3.9	42,798	4.5	39,847	4.9
Commercial	343,770	28.1	319,181	29.7	300,998	29.1	288,330	30.1	213,702	26.0
Residential construction:										
One- to four-family	33,056	2.7	32,573	3.0	43,381	4.2	46,111	4.8	39,795	4.8
Other residential	21,046	1.7	21,816	2.0	30,408	2.9	23,703	2.5	7,106	.9
Commercial construction	158,204	12.9	104,305	9.7	127,171	12.3	73,398	7.7	63,722	7.7
<hr/>										
Total real estate loans	744,059	60.8	667,076	62.0	721,793	69.8	694,062	72.6	566,678	68.9
Consumer loans	37,718	3.1	31,899	3.0	32,059	3.1	24,448	2.5	19,549	2.4
Other commercial loans	62,796	5.1	76,146	7.1	83,092	8.1	74,808	7.8	96,153	11.7
<hr/>										
Total adjustable-rate loans	844,573	69.0	775,121	72.1	836,944	81.0	793,318	82.9	682,380	83.0
<hr/>										
Total loans	1,224,879	100.0%	1,075,182	100.0%	1,033,864	100.0%	956,586	100.0%	822,150	100.0%
<hr/>										
Less:										
Loans in process	109,004		55,468		46,744		45,834		36,048	
Deferred fees and discounts	834		779		906		1,274		2,002	
Allowance for loan losses	20,844		21,288		21,328		18,694		17,293	
<hr/>										
Total loans receivable, net	\$1,094,197		\$ 997,647		\$ 964,886		\$890,784		\$766,807	
<hr/>										

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The following table presents the contractual maturities of loans at December 31, 2003. 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	\$ 11,622	\$ 21,606	\$ 125,762	\$ 158,990
Other residential	19,063	55,125	32,902	107,090

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Commercial	98,224	256,980	86,580	441,784
Residential construction:				
One- to four- family	79,092	13,034	---	92,126
Other residential	11,198	13,562	4,451	29,211
Commercial construction	142,665	22,716	14,830	180,211
Total real estate loans	361,864	383,023	264,525	1,009,412
Other Loans:				
Consumer loans:				
Guaranteed student loans	3,090	---	---	3,090
Automobile	6,950	57,433	14,445	78,828
Home equity and improvement	717	4,939	34,372	40,028
Other	1,482	---	---	1,482
Total consumer loans	12,239	62,372	48,817	123,428
Other commercial loans	40,919	45,625	5,495	92,039
Total other loans	53,158	107,997	54,312	215,467
Total loans	\$ 415,022	\$ 491,020	\$ 318,837	\$1,224,879

As of December 31, 2003, loans due after December 31, 2004 with fixed interest rates totaled \$254.6 million and loans due after December 31, 2004 with adjustable rates totaled \$555.3 million.

### Environmental Issues

Loans secured with 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 of the Bank is aware of the risk that the Bank may be negatively affected by environmentally contaminated collateral and attempts to control such 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.

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### **Residential Real Estate Lending**

At December 31, 2003 and 2002, loans secured by residential real estate totaled \$266 million and \$257 million, respectively, and represented approximately 21.7% and 23.9%, 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 and 2002. This caused a higher than normal level of refinancing of adjustable-rate loans into fixed-rate loans during both years, 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 during 2003 and 2002.

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 months U.S. Dollar-denominated deposits in the London Market. 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 adjustable-rate mortgage loans 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. 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 has not experienced a significant increase in delinquencies in adjustable-rate mortgage loans due to a relatively low interest rate environment in recent years.

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.

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### Commercial Real Estate and Construction Lending

Commercial real estate lending has traditionally been a part of Great Southern's business activities. Since fiscal 1986, Great Southern has expanded its 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 continue to maintain or increase the current percentage of commercial real estate loans in its total loan portfolio by originating loans secured by commercial real estate, subject to commercial real estate and other market conditions and to applicable regulatory restrictions. See "Government Supervision and Regulation" below.

At December 31, 2003 and 2002, loans secured by commercial real estate, excluding that which is under construction, totaled \$442 million and \$402 million, respectively, or approximately 36.1% and 37.4%, respectively, of the Bank's total loan portfolio. In addition, at December 31, 2003 and 2002, construction loans secured by projects under construction and the land on which the projects are located aggregated \$302 million and \$213 million, respectively, or 24.6% and 19.8%, 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 terms of one year or less. The construction loan agreements for one- to four-family projects generally provide that principal payments are required as individual condominium units or single-family houses are built and sold to a third party. This insures 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 and construction loan portfolio consists of loans with diverse collateral types. The following table sets forth loans that are secured by certain types of collateral at December 31, 2003. These collateral types represent the four highest percentage concentrations of commercial real estate and construction loan types to the total loan portfolio.

Collateral Type	Loan Balance	Percentage of Total Loan Portfolio	Non-Performing Loans at December 31, 2003
(Dollars in thousands)			
Motels/Hotels	\$112,762	9.2%	\$ 851
Health Care Facilities	\$ 90,667	7.4%	\$ ---
Subdivisions	\$ 55,392	4.5%	\$ 178
Recreational Facilities	\$ 41,082	3.4%	\$ ---

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The Bank's commercial real estate 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, 2003, this limit was approximately \$38.5 million. See "Government Supervision and Regulation." At December 31, 2003, the Bank was in compliance with the loans-to-one borrower limit. At December 31, 2003, the Bank's largest relationship totaled \$23.4 million. All loans included in this relationship were current at December 31, 2003.

Commercial real estate and construction lending generally affords the Bank an opportunity to receive interest at rates higher than those obtainable from residential lending and to receive higher origination and other loan fees. In addition, commercial real estate 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, 2003 and 2002, respectively, Great Southern had \$92.0 million and \$91.1 million in other commercial loans outstanding, or 7.5% and 8.4%, 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 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.

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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, 2003, Great Southern had 81 letters of credit outstanding in the aggregate amount of \$16.0 million. Approximately 80% of the aggregate amount of these letters of credit were secured, including one \$6.6 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 \$123.4 million and \$112.4 million at December 31, 2003 and 2002, respectively, or 10.1% and 10.5%, 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, 2003, the Bank had \$64.9 million of indirect auto, boat and recreational vehicle loans in its portfolio. While the Bank's initial concentrated effort has been on automobiles, the program is available for use with most tangible products where financing of the product is provided through the seller.

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 is generally 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.

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### **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. Walk-in customers and referrals from real estate brokers and builders are also important sources of loan originations.

Management does not expect the high level of originations experienced during the past five years to continue. However, as long as the lower interest rate environment continues, there is a higher level of financing and refinancing expected than would exist in a higher rate environment.

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 private investors, such as 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 business 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 \$65.2 million of these loans in the fiscal year ended December 31, 2003 and \$21.2 million in the fiscal year ended December 31, 2002. Of the total \$88.0 million of purchased participation loans outstanding at December 31, 2003, \$25.8 million was purchased from one institution, secured by properties located in Missouri, Colorado, Nebraska and Texas. None of these loans were non-performing at December 31, 2003.

There have been no whole loan purchases by the Bank in the last five years. At December 31, 2003 and 2002, approximately \$616,000, or .1% and \$1.7 million, or .2%, 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.

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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 \$144.8 million, \$105.1 million and \$103.4 million during fiscal 2003, 2002 and 2001, 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 \$9.1 million, \$10.8 million and \$11.7 million during fiscal 2003, 2002 and 2001, 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 2003, 2002 and 2001 were \$2.2 million, \$1.6 million and \$1.8 million, respectively. Of these amounts, \$157,000, \$186,000 and \$179,000, respectively, were gains from the sale of guaranteed student loans and \$2.0 million, \$1.4 million and \$1.6 million, 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 \$39.3 million and \$36.8 million at December 31, 2003 and 2002, respectively, of loans owned by others. The servicing of these loans generated net servicing fees to the Bank for the years ended December 31, 2003 and 2002, of \$192,000 and \$57,000, 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 \$923,000, \$855,000 and \$784,000 for the years ended December 31, 2003, 2002 and 2001, 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.

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### 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, 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 monthly 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, 2003.

Loans Delinquent for 30-89 Days			
	Number	Amount	Percent of Total Delinquent Loans
(Dollars in thousands)			
Real Estate:			
One- to four-family	82	\$ 5,406	28%
Other residential	2	486	3
Commercial	10	4,990	26
Construction or development	22	4,775	25
Consumer and overdrafts	911	3,137	16
Other commercial	9	378	2



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December 31,

	2003	2002	2001	2000	1999
(Dollars in thousands)					
Non-accruing loans:					
One- to four-family residential	\$ 1,935	\$ 1,999	\$ 1,333	\$ 2,171	\$ 880
One- to four-family construction	---	---	---	---	1
Other residential	---	---	---	---	1,002
Commercial real estate	2,658	1,619	3,407	4,112	4,371
Other commercial	1,949	1,353	1,021	1,236	444
Commercial construction	289	8,353	2,844	4,858	2,377
Consumer	213	173	393	109	146
<b>Total gross non-accruing loans</b>	<b>7,044</b>	<b>13,497</b>	<b>8,998</b>	<b>12,486</b>	<b>9,221</b>
Loans over 90 days delinquent still accruing interest:					
One- to four-family residential	10	---	---	---	49
Commercial real estate	---	640	489	---	---
Other commercial	---	---	---	---	---
Commercial construction	---	---	59	---	---
Consumer	337	384	---	---	---
<b>Total over 90 days delinquent still accruing loans</b>	<b>347</b>	<b>1,024</b>	<b>548</b>	<b>---</b>	<b>49</b>
Other impaired loans	---	---	---	---	---
<b>Total gross non-performing loans</b>	<b>7,391</b>	<b>14,521</b>	<b>9,546</b>	<b>12,486</b>	<b>9,270</b>
Foreclosed assets:					
One- to four-family residential	608	565	460	165	167
One- to four-family construction	543	160	468	508	---
Other residential	---	---	---	---	---
Commercial real estate	939	1,844	1,280	1,645	650
Commercial construction	6,277	495	---	---	---
<b>Total foreclosed assets</b>	<b>8,367</b>	<b>3,064</b>	<b>2,208</b>	<b>2,318</b>	<b>817</b>
Repossessions	667	1,264	849	370	---
<b>Total gross non-performing assets</b>	<b>\$16,425</b>	<b>\$18,849</b>	<b>\$12,603</b>	<b>\$15,174</b>	<b>\$10,087</b>
<b>Total gross non-performing assets as a percentage of average total assets</b>	<b>1.14%</b>	<b>1.40%</b>	<b>1.06%</b>	<b>1.50%</b>	<b>1.09%</b>

Gross impaired loans totaled \$7.4 million at December 31, 2003 and \$14.5 million at December 31, 2002.

For the year ended December 31, 2003, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to \$441,000. The amount that was included in interest income on these loans was \$304,000 for the year ended December 31, 2003.

The level of non-performing assets is primarily attributable to the Bank's commercial real estate, commercial construction, commercial business and one- to four-family residential lending activities. Commercial activities generally involve significantly greater credit risks than single-family residential lending. The level of non-performing assets increased at a rate greater than that of the Bank's commercial lending portfolio in the years ended December 31, 2002 and 2000, and at a rate less than that of the Bank's commercial lending portfolio in the years ended December 31, 2003, 2001 and 1999. For a discussion of significant non-performing assets, 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 conditions), trends in collateral values, loan volumes and concentrations, and recent loss experience in particular segments of the portfolio that existed as of the balance sheet date and the impact that such conditions were believed to have had on the collectibility of those loans.

Senior management reviews these conditions 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 populations 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.

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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 portfolios on a monthly basis, we can adjust specific and inherent loss estimates based upon more current information.

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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 values to less than the carrying value of the asset. Senior management assesses the market value of each foreclosed asset individually.

The Bank has maintained a strong lending presence in the Branson area during recent years, primarily due to the substantial growth in the area. While management believes the loans it has funded have been originated pursuant to sound underwriting standards, and individually have no unusual credit risk, the relatively short period of time in which the Branson area has grown, the reduction in values of real estate and the lower than expected increase in tourists visiting the area during recent years, causes some concern as to the credit risk associated with the Branson area as a whole. Due to this concern and the overall growth of the loan portfolio, and due more specifically to the growth of the commercial business, consumer and commercial real estate loan portfolios, and the related inherent risks, management provided increased levels of loan loss allowances over the past few years.

At December 31, 2003 and 2002, Great Southern had an allowance for losses on loans of \$20.8 million and \$21.3 million, respectively, of which \$2.7 million and \$5.4 million, respectively, had been allocated as an allowance for specific loans, including \$1.1 million and \$1.9 million, respectively, allocated for impaired loans. The allowance is discussed further in Note 3 of the Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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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,

	2003		2002		2001		2000		1999	
	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	% of Loans to Total Loans
(Dollars in thousands)										
One- to four-family residential and construction	\$ 1,485	20.5%	\$ 1,449	22.4%	\$ 1,388	23.2%	\$ 1,164	28.5%	\$ 798	30.1%
Other residential and construction	2,092	11.1	168	10.6	432	11.4	1,858	11.0	2,246	10.3
Commercial real estate	8,986	36.1	15,472	37.4	15,030	34.0	8,851	34.3	7,665	30.5
Commercial construction	4,875	14.7	953	10.7	1,452	12.3	3,215	7.7	3,427	7.8
Other commercial	1,625	7.5	740	8.4	692	9.4	1,370	8.9	1,590	12.2
Consumer and overdrafts	1,781	10.1	2,506	10.5	2,334	9.7	2,236	9.6	1,567	9.1
<b>Total</b>	<b>\$20,844</b>	<b>100.0%</b>	<b>\$21,288</b>	<b>100.0%</b>	<b>\$21,328</b>	<b>100.0%</b>	<b>\$18,694</b>	<b>100.0%</b>	<b>\$17,293</b>	<b>100.0%</b>

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

	December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
Balance at beginning of period	\$21,288	\$21,328	\$18,694	\$17,293	\$16,928
Charge-offs:					
One- to four-family residential	369	211	338	254	114
Other residential	---	---	---	---	---
Commercial real estate	1,016	572	961	260	131
Construction	1,016	3,426	171	218	375
Consumer, overdrafts and other loans	3,646	2,770	2,473	2,116	1,870
Other commercial	1,497	735	958	303	316
Total charge-offs	7,544	7,714	4,901	3,151	2,806
Recoveries:					
One- to four-family residential	22	19	30	66	33
Other residential	---	---	---	---	---
Commercial real estate and construction	70	92	692	166	64
Consumer, overdrafts and other loans	2,089	1,561	1,270	1,019	793
Other commercial	119	202	343	195	219
Total recoveries	2,300	1,874	2,335	1,446	1,109
Net charge-offs	5,244	5,840	2,566	1,705	1,697
Provision for losses on loans	4,800	5,800	5,200	3,106	2,062
Balance at end of period	\$20,844	\$21,288	\$21,328	\$18,694	\$17,293
Ratio of net charge-offs to average loans outstanding	0.50%	0.58%	0.27%	0.20%	0.23%

**Investment Activities**

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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, 2003 and 2002, respectively.

As of December 31, 2003 and 2002, the Bank held approximately \$53.9 million and \$52.6 million, respectively, in principal amount of investment securities which the Bank intends to hold until maturity. As of such dates, these securities had market values of approximately \$56.6 million and \$55.9 million, respectively. In addition, as of December 31, 2003 and 2002, the Company held approximately \$259.6 million and \$236.2 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.

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. The table is based on information prepared in accordance with generally accepted accounting principles.

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December 31, 2003				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
(Dollars in thousands)				
<b>AVAILABLE-FOR-SALE SECURITIES:</b>				
U.S. government agencies	\$ 53,084	\$ ---	\$1,160	\$ 51,924
Collateralized mortgage obligations	8,821	124	---	8,945
Mortgage-backed securities	170,596	1,547	640	171,503
Corporate bonds	8,408	831	11	9,228
States and political subdivisions	7,437	23	76	7,384
Equity securities	11,354	38	776	10,616
Total available-for-sale securities	\$259,700	\$2,563	\$2,663	\$259,600
<b>HELD-TO-MATURITY SECURITIES:</b>				
States and political subdivisions and industrial revenue bonds	\$53,944	\$2,614	\$ ---	\$ 56,558
Total held-to-maturity securities	\$53,944	\$2,614	\$ ---	\$ 56,558

December 31, 2002				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
(Dollars in thousands)				



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AVAILABLE-FOR-SALE SECURITIES:

U.S. government agencies	\$ 11,000	\$ ---	\$ 2	\$ 10,998
Collateralized mortgage obligations	5,082	---	11	5,071
Mortgage-backed securities	195,904	3,093	33	198,964
Corporate bonds	9,156	910	12	10,054
Equity securities	11,267	181	266	11,182
	<hr/>	<hr/>	<hr/>	<hr/>
Total available-for-sale securities	\$232,409	\$4,184	\$ 324	\$236,269
	<hr/>	<hr/>	<hr/>	<hr/>

HELD-TO-MATURITY SECURITIES:

States and political subdivisions and industrial revenue bonds	\$ 52,587	\$3,313	\$ ---	\$ 55,900
	<hr/>	<hr/>	<hr/>	<hr/>
Total held-to-maturity securities	\$ 52,587	\$3,313	\$ ---	\$ 55,900
	<hr/>	<hr/>	<hr/>	<hr/>

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December 31, 2001

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
AVAILABLE-FOR-SALE SECURITIES:				
U.S. government agencies	\$ 84,719	\$ 669	\$ ---	\$ 85,388
Collateralized mortgage obligations	5,188	---	71	5,117
Mortgage-backed securities	120,544	28	1,147	119,425
Corporate bonds	8,311	417	---	8,728
Equity securities	13,967	1,214	34	15,147
	<hr/>	<hr/>	<hr/>	<hr/>
Total available-for-sale securities	\$232,729	\$2,328	\$1,252	\$233,805
	<hr/>	<hr/>	<hr/>	<hr/>
HELD-TO-MATURITY SECURITIES:				
States and political subdivisions and industrial revenue bonds	\$ 37,465	\$3,280	\$ 45	\$ 40,700
	<hr/>	<hr/>	<hr/>	<hr/>
Total held-to-maturity securities	\$ 37,465	\$3,280	\$ 45	\$ 40,700
	<hr/>	<hr/>	<hr/>	<hr/>

The following table presents the contractual maturities and weighted average tax-equivalent yields of available-for-sale securities at December 31, 2003. The table is based on information prepared in accordance with generally accepted accounting principles.

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	Cost	Amortized Yield	Approximate Fair Value
(Dollars in thousands)			
After one through five years	\$ 246	9.01%	\$ 265
After ten years	68,683	5.29%	68,272
Securities not due on a single maturity date	179,417	4.08%	180,447
Equity securities	11,354	3.75%	10,616
<b>Total</b>	<b>\$259,700</b>		<b>\$259,600</b>

	After One Through Five Years	After Five Through Ten Years	After Ten Years	Securities Not Due on a Single Maturity Date	Total
(Dollars in thousands)					
U.S. government agencies	\$ ---	\$ ---	\$53,084	\$ ---	\$ 53,084
Collateralized mortgage obligations	---	---	---	8,821	8,821
Mortgage-backed securities	---	---	---	170,596	170,596
States and political subdivisions	---	---	7,437	---	7,437
Corporate bonds	246	--	8,162	---	8,408
Equity securities	4	---	11,350	---	11,354
<b>Total</b>	<b>\$ 250</b>	<b>\$ ---</b>	<b>\$80,033</b>	<b>\$179,417</b>	<b>\$259,700</b>

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The following table presents the contractual maturities and weighted average tax-equivalent yields of held-to-maturity securities at December 31, 2003. The table is based on information prepared in accordance with generally accepted accounting principles.

	Cost	Amortized Yield	Approximate Fair Value
(Dollars in thousands)			
States and political subdivisions and industrial revenue bonds:			
After one through five years	\$ 223	8.98%	\$ 224
After five through ten years	8,881	11.16%	9,485

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After ten years	44,840	7.69%	46,849
	<hr/>		<hr/>
Total	\$53,944		\$56,558
	<hr/>		<hr/>

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2003:

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	\$ 51,924	\$1,160	\$ ---	\$ ---	\$ 51,924	\$1,160
Mortgage-backed securities	70,294	631	955	9	71,249	640
State and political subdivisions	3,192	76	---	---	3,192	76
Equity securities	7,385	115	2,814	661	10,199	776
Corporate bonds and ABS	---	---	501	11	501	11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$132,795	\$1,982	\$4,270	\$681	\$137,065	\$2,663
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**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, Iowa ("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. 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, individual retirement accounts and certificates of deposit obtained directly from depositors through rates posted on an internet website.

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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. The table is based on information prepared in accordance with generally accepted accounting principles.

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December 31,

	2003		2002		2001	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(Dollars in thousands)						
Time deposits:						
0.00% - 1.99%	\$ 173,617	15.29%	\$ 38,962	3.85%	\$ 7,538	.85%
2.00% - 2.99%	122,575	10.79	208,708	20.64	59,443	6.73
3.00% - 3.99%	131,248	11.56	168,186	16.63	94,097	10.65
4.00% - 4.99%	96,489	8.50	62,045	6.14	145,515	16.47
5.00% - 5.99%	60,259	5.30	91,892	9.08	118,769	13.44
6.00% - 6.99%	80,618	7.10	119,145	11.78	212,617	24.06
7.00% and above	6,224	0.55	10,298	1.02	24,527	2.77
Total Time deposits	671,030	59.09	699,236	69.14	662,506	74.97
Non-interest-bearing demand deposits	120,790	10.64	94,508	9.35	62,131	7.03
Savings deposits (1.53%-1.23%-1.37%)	1,140	0.10	876	.08	980	.11
Interest-bearing demand deposits (.92%-1.08%-1.02%)	342,687	30.17	216,699	21.43	158,067	17.89
	1,135,647	100.00%	1,011,319	100.00%	883,684	100.00%
Interest rate swap fair value adjustment	1,780		10,638		3,186	
Total Deposits	\$1,137,427		\$1,021,957		\$886,870	

A table showing maturity information for the Bank's time deposits as of December 31, 2003, 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 passbook and 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.

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The following table sets forth the time remaining until maturity of the Bank's time deposits as of December 31, 2003. The table is based on information prepared in accordance with generally accepted accounting principles.

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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	\$ 72,683	\$52,037	\$63,122	\$ 56,754	\$244,596
\$100,000 or more	22,489	16,657	21,379	18,540	79,065
Brokered	16,085	8,576	8,185	296,507	329,353
Public funds <sup>(1)</sup>	6,656	9,608	1,297	455	18,016
<b>Total</b>	<b>\$117,913</b>	<b>\$86,878</b>	<b>\$93,983</b>	<b>\$372,256</b>	<b>\$671,030</b>

<sup>(1)</sup> 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, 2003 and 2002, the Bank had approximately \$329.4 million and \$339.8 million in brokered deposits, respectively.

Unlike non-brokered deposits where the deposit amount can be withdrawn 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 2003 and 2002, the Company entered into interest rate swap agreements with the objective of 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. In fiscal 2003 and 2002, the Company's interest rate swaps reduced interest expense on deposits by approximately \$10.3 million and \$10.4 million, respectively, due to continued low interest rates.

*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, 2003, the amount outstanding was \$204.8 million.

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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 disburse one or several loans but the permanent source of funds will not be available for a few days; (2) a temporary spike in interest rates on other funding sources that are being used; or (3) the need to purchase a

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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, 2003 that would have allowed approximately \$107.6 million to be borrowed under the above arrangement. At December 31, 2003, the amount outstanding was \$0.

Previously, the Company had a line of credit available with a commercial bank. The amount available under the line of credit was \$12,000,000 at December 31, 2002. There were no amounts outstanding under the line at December 31, 2002. Upon maturity of the note on November 1, 2003, the Company elected to not renew the line of credit.

Great Southern Capital Trust I ("GSBCP"), a Delaware business trust subsidiary of the Company, has 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 a 9.00% Subordinated Debenture from the Company. The Company's proceeds from the issuance of the Subordinated Debentures to GSBCP, net of underwriting fees and offering expenses, were \$16.3 million. The Company records distributions payable on the trust preferred securities as interest expense for financial reporting purposes. The proceeds from the offering were used to reduce the Company's indebtedness under the previous note payable to bank to \$0. The trust preferred securities mature in 2031 and are redeemable at the Company's option beginning in 2006. The trust preferred securities qualify as Tier I capital for regulatory purposes.

The Company entered into an interest rate swap agreement to effectively convert the trust preferred securities, which are fixed rate debt, into variable rates of interest. The variable rate is three-month LIBOR plus 202 basis points, adjusting quarterly. The initial rate was 6.25% and the rate at December 31, 2003 and 2002, was 3.20% and 3.87%, respectively.

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. The table is based on information prepared in accordance with generally accepted accounting principles.

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
FHLBank Advances:			
Maximum balance	\$231,125	\$270,544	\$265,321
Average balance	189,194	218,564	214,325
Weighted average interest rate	2.85%	3.14%	4.82%

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The following table sets forth certain information as to the Company's FHLBank advances at the dates indicated. The table is based on information prepared in accordance with generally accepted accounting principles.

	December 31,		
	2003	2002	2001
	(Dollars in thousands)		
FHLBank advances	\$204,787	\$206,226	\$258,743
Weighted average interest rate of FHLBank advances	2.55%	2.90%	3.03%

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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 federal funds purchased, securities sold under reverse repurchase agreements, note payable to bank, and trust preferred securities. The tables are based on information prepared in accordance with generally accepted accounting principles.

Year Ended December 31, 2003

	Maximum Balance	Average Balance	Weighted Average Interest Rate
(Dollars in thousands)			
Other Borrowings:			
Federal funds purchased	\$14,400	\$ 3,295	1.33%
Securities sold under reverse repurchase agreements	62,405	48,066	1.12
Trust preferred securities	17,250	17,250	3.44
Other	42	81	.72
Total		\$68,692	1.71%
Total maximum month-end balance	\$83,590		

Year Ended December 31, 2002

	Maximum Balance	Average Balance	Weighted Average Interest Rate
(Dollars in thousands)			
Other Borrowings:			
Federal funds purchased	\$41,000	\$11,284	2.00%
Securities sold under reverse repurchase agreements	38,504	22,037	1.31
Trust preferred securities	17,250	17,250	4.16
Other	2	59	.64
Total		\$50,630	2.43%
Total maximum month-end balance	\$71,462		

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Year Ended December 31, 2001

	Maximum Balance	Average Balance	Weighted Average Interest Rate
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(Dollars in thousands)			
Other Borrowings:			
Federal funds purchased	\$113,100	\$45,550	3.37%
Securities sold under reverse repurchase agreements	20,852	15,128	3.18
Trust preferred securities	17,250	11,966	5.68
Other	16,447	6,155	7.58
Total		\$78,799	4.02%
Total maximum month-end balance	\$144,586		

The following tables set forth year-end balances and weighted average interest rates of the Company's other borrowings at the dates indicated. The tables are based on information prepared in accordance with generally accepted accounting principles.

December 31, 2003		
	Balance	Weighted Average Interest Rate
(Dollars in thousands)		
Other borrowings:		
Securities sold under reverse repurchase agreements	\$53,534	0.96%
Trust preferred securities	18,263	3.20
Total	\$71,797	1.51%

December 31, 2002		
	Balance	Weighted Average Interest Rate
(Dollars in thousands)		
Other borrowings:		
Federal funds purchased	\$ 4,800	1.50%
Securities sold under reverse repurchase agreements	38,503	1.02
Trust preferred securities	18,964	3.88
Other	1	---
Total	\$62,268	1.88%



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December 31, 2001		
Balance	Weighted Average Interest Rate	
(Dollars in thousands)		
Other borrowings:		
Federal funds purchased	\$37,900	1.98%
Securities sold under reverse repurchase agreements	19,866	.96
Trust preferred securities	17,160	4.62
Other	(3)	1.66
<b>Total</b>	<b>\$74,923</b>	<b>2.32%</b>

### Subsidiaries

*Great Southern.* As a Missouri-chartered trust company, Great Southern may invest up to 3%, which is equal to \$50.0 million, of its assets in service corporations. At December 31, 2003, 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, 2003, the Bank's total investment in Great Southern Financial Corporation ("GSFC") was \$2.2 million. GSFC is incorporated under the laws of the State of Missouri, and does business as Great Southern Insurance and Great Southern Travel. These subsidiaries are primarily engaged in the activities described below.

*Great Southern Real Estate Development Corporation.* Great Southern Real Estate Development Corporation was organized in 2003. Generally, its purpose 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 2003, Real Estate Development operated one motel which was foreclosed and subsequently sold. Real Estate Development had a net loss of \$479,000 in the year ended December 31, 2003.

*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 Insurance had net income of \$195,000 and \$120,000 in the years ended December 31, 2003 and 2002, respectively.

*Travel Agency.* Great Southern Travel, a division of GSFC, was organized in 1976. At December 31, 2003, 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 ten full-time locations, including a facility at the Springfield-Branson Regional Airport, and additional part-time locations. It engages in personal, commercial and group travel services. Great Southern Travel had net income of \$209,000 and \$133,000 in the years ended December 31, 2003 and 2002, respectively.

*GSB One, L.L.C.* At December 31, 2003, the Bank's total investment in GSB One, L.L.C. ("GSB One") and GSB Two, L.L.C. ("GSB Two") was \$530 million. The capital contribution was made by transferring participations in loans to GSB Two. GSB One is a Missouri limited liability company that was incorporated in March of 1998. Currently the only activity of this company is the ownership of GSB Two.

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*GSB Two, L.L.C.* This is a Missouri limited liability company that was incorporated 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 \$24.2 million and \$23.4 million in the years ended December 31, 2003 and 2002, respectively.

### 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, 2003, the Bank and its affiliates had a total of 627 employees, including 147 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.

Bancorp 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 Bancorp, 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. In addition, there are numerous governmental requirements and regulations that affect the activities of the Company and its subsidiaries. The following is a brief summary of certain aspects of the regulation of the Company and Great Southern 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.

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Under FRB policy, a financial 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 holding company to 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 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.

Additionally, 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.

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Federal law also authorizes the Office of the Comptroller of the Currency ("OCC") 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 Great Southern to its directors and executive officers are subject to FRB regulations restricting loans and other transactions with affiliated persons of Great Southern. 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 earning 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.

Bank holding companies are 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 I 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 I risk-based ratio of 4% or greater; and (iii) has a leverage ratio of 4% or greater. As of December 31, 2003, the Bank was "well capitalized."

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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. As of December 31, 2003, the Company was "well capitalized."

#### **Insurance of Accounts and Regulation by the FDIC**

The FDIC maintains two separate deposit insurance funds: the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund (the "SAIF"). Great Southern's depositors are insured by the SAIF 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 SAIF-insured associations. 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 SAIF. The FDIC also has the authority to take enforcement actions against banks and savings associations.

Great Southern pays annual assessments for SAIF insurance. Under current FDIC regulations, the annual SAIF assessment rate is based, in part, on the degree of risk to the deposit insurance fund that, in the opinion of the FDIC, is presented by a particular depository institution compared to other depository institutions. The FDIC uses a matrix having as variables the level of capitalization of a particular institution and the level of supervision that its operations require; and the rates determined in this fashion range from 0.00% of deposits for the least risky to 0.27% for the most risky. In establishing the SAIF assessment rate, the FDIC is required to consider the SAIF's expected operating expenses, case resolution expenditures and income and the effect of the assessment rate on SAIF members' earnings and capital. There is no cap on the amount the FDIC may increase the SAIF assessment rate. The Bank currently has a risk based assessment rate of 0.00%. In addition, the FDIC is authorized to raise the assessment rates in certain instances. Any increases in the assessments would negatively impact the earnings of Great Southern.

The FDIC collects assessments against BIF and SAIF assessable deposits to service the debt on bonds issued during the 1980's to resolve the thrift bailout. For the quarter ended December 31, 2003, the assessment rate for both BIF and SAIF insured institutions was 1.52 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.

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### **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, 2003, 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, 2003, Great Southern had \$11.8 million in FHLBank stock, which was in compliance with this requirement. In past years, the Bank has received substantial dividends on its FHLBank stock. Over the past five years, such dividends have averaged 4.75% and were 3.00% for year the ended December 31, 2003.

### **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.

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### **Bad Debt Deduction**

Legislation passed by Congress and signed by the President repealed the bad debt reserve method of accounting for bad debts by large thrifts for taxable years beginning after 1995 (year ended June 30, 1997 for the Bank). The legislation requires applicable excess reserves accumulated after 1987 (year ended June 30, 1988 for the Bank) be recaptured and restored to income over a six year period with the first year beginning after 1995 (year ended June 30, 1997 for the Bank), and eliminates recapture of the applicable excess reserves accumulated prior to 1988 for thrifts converting to bank charters. The post 1987 recapture may be delayed for a one- or two-year period if certain residential loan origination requirements are met. The Bank met the residential loan origination requirements and delayed the recapture for two years. The amount of post 1987 recapture for the Bank is estimated at \$5.2 million which created tax of approximately \$1.8 million, or \$300,000 per year for each of the six years. The \$1.8 million of tax has been accrued by the Bank in previous periods and would not be reflected in earnings when paid. The amount of the deferred tax liability was fully recaptured by December 31, 2003.

As of December 31, 2003 and 2002, retained earnings includes approximately \$17,500,000 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 \$6,475,000 at December 31, 2003 and 2002.

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.

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**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.

**Delaware Taxation**

As a Delaware corporation, the Company is required to file annual returns with and pay annual fees to the State of Delaware. The Company is also subject to an annual franchise tax imposed by the State of Delaware based on the number of issued shares of Company common stock.

**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, 1999, have been closed without audit.

**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, 2003. The aggregate net book value of the Company's premises and equipment was \$19.9 million at December 31, 2003 and \$17.0 million at December 31, 2002. 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.

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Location	Year Opened	Owned or Leased	Lease Expiration (Including any Renewal Option)	
<b>CORPORATE HEADQUARTERS AND BANK:</b>				
1451 E. Battlefield	Springfield, Missouri	1976	Owned	N/A
<b>OPERATIONS CENTER AND BANK:</b>				
218 S. Glenstone(1)	Springfield, Missouri	2004	Owned	N/A
<b>BRANCH BANKS:</b>				
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

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723 N. Benton	Springfield, Missouri	1985	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	2006
1710 E. 32nd Street	Joplin, Missouri	1989	Leased*	2031
1232 S. Rangeline	Joplin, Missouri	1998	Leased	2016
Highway 00 and 13	Kimberling City, Missouri	1984	Owned	N/A
528 S. Jefferson	Lebanon, Missouri	1978	Leased*	2028
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
4571 Highway 54	Osage Beach, Missouri	1987	Owned	N/A
1701 W. Jackson	Ozark, Missouri	1997	Owned	N/A
1198 W. State Highway NN(2)	Ozark, Missouri	2003	Owned	N/A
208 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:				
9229 Ward Parkway	Kansas City, Missouri	2003	Leased	2004
2104 S. 54Th	Rogers, Arkansas	2003	Leased	2005

\* Building owned with land leased.

- (1) The Company purchased land and a commercial building in Springfield, Missouri, to be used as an operations center for most of the Company's back-office activities. Renovation of the building is expected to be completed in early 2004. Upon completion, this facility will house most of the employees currently at 430 South Avenue, Springfield, Missouri, and some employees from 1451 E. Battlefield, Springfield, Missouri, as well as some staff additions.
- (2) In 2003, the Company purchased land on West Highway NN for a second branch location in Ozark, Missouri. The new facility is owned by the Company with a planned opening in 2004.

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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 customer's 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, 2003 was \$481,000 compared to \$261,000 at December 31, 2002. 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 139 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, 2003 was \$609,000 compared to \$559,000 at December 31, 2002. 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.

The Registrant and its subsidiaries are involved as plaintiff or defendant in various legal actions arising in the normal course of their businesses. While the ultimate outcome of the various legal proceedings involving the Registrant and its subsidiaries cannot be predicted with certainty, it is the opinion of management, after consultation with legal counsel, that these legal actions currently are not material to the Registrant.

### 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 52, 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 39, 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. He was Accounting Director of a division of H&R Block from 1999 to 2000, Division Controller of Bank One Corporation from 1996 to 1999 and an auditor with BKD, LLP, prior to that.

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Doug W. Marrs. Mr. Marrs, age 46, is 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.

Larry A. Larimore. Mr. Larimore, age 63, is Secretary of the Company and Secretary, Vice President - Compliance Officer of the Bank. He joined the Bank in 1998 and is responsible for Compliance and Internal Audit for the Company and Bank. Prior to joining the Bank, Mr. Larimore was a bank officer in the areas of lending, compliance and internal audit at a competing area bank from 1990 to 1998.

**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 AND RELATED STOCKHOLDER MATTERS.**

*Market Information.* The Company's Common Stock is listed on The Nasdaq Stock Market under the symbol "GSBC."

As of December 31, 2003 there were 6,851,353 total shares outstanding and approximately 2,100 shareholders of record.

**High/Low Stock Price**

	2003		2002		2001	
	High	Low	High	Low	High	Low
First Quarter	\$39.74	\$36.14	\$32.70	\$26.70	\$23.00	\$15.63
Second Quarter	39.70	35.75	39.82	31.40	27.10	20.63
Third Quarter	43.86	37.99	41.34	34.51	33.95	25.41

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Fourth Quarter                      47.32                      38.90                      39.09                      35.65                      33.10                      25.75

The last sale of the Company's Common Stock on December 31, 2003 was \$46.37.

## Dividend Declarations

	December 31, 2003	December 31, 2002	December 31, 2001
First Quarter	\$.150	\$.265	\$.125
Second Quarter	.180	.140	.125
Third Quarter	.180	.140	.125
Fourth Quarter	.200	.150	.125

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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."

## ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

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, 2003, 2002, 2001, 2000 and 1999, are derived from our consolidated financial statements, which have been audited by BKD, LLP. 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.

	December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
<b>Summary Statement of Condition Information:</b>					
Assets	\$1,540,723	\$1,402,638	\$1,323,103	\$1,130,178	\$964,803
Loans receivable, net	1,094,197	997,647	964,886	890,784	766,807
Allowance for loan losses	20,844	21,288	21,328	18,694	17,293
Available-for-sale securities	259,600	236,269	233,805	126,409	79,891
Held-to-maturity securities	53,944	52,587	37,465	27,758	37,646
Foreclosed assets held for sale, net	9,034	4,328	3,057	2,688	817
Allowance for foreclosed asset losses	---	---	150	---	---
Deposits	1,137,427	1,021,957	886,870	751,042	625,900
Total borrowings	276,584	268,494	333,666	291,573	261,642
Stockholders' equity (retained earnings substantially restricted)	119,548	104,709	85,254	71,049	68,926
Average loans receivable	1,056,338	1,000,044	936,117	843,170	746,979
Average total assets	1,437,869	1,344,989	1,193,772	1,013,963	928,182
Average deposits	1,057,798	963,255	802,286	676,633	612,503
Average stockholders' equity	113,822	95,728	79,484	69,208	68,758
Number of deposit accounts	74,822	73,861	71,998	73,394	73,932
Number of full-service offices	29	29	28	27	27

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## For the Year Ended December 31,

	2003	2002	2001	2000	1999
(Dollars in thousands)					
<b>Summary Income Statement Information:</b>					
Interest income:					
Loans	\$63,283	\$64,062	\$76,107	\$77,399	\$63,386
Investment securities and other	12,896	16,099	13,390	8,751	4,652
	76,179	80,161	89,497	86,150	68,038
Interest expense:					
Deposits	16,582	22,244	32,405	32,244	24,966
Federal Home Loan Bank advances	5,400	6,852	10,339	14,312	9,403
Short-term borrowings and trust preferred securities	1,182	1,241	3,163	2,305	1,094
	23,164	30,337	45,907	48,861	35,463
Net interest income	53,015	49,824	43,590	37,289	32,575
Provision for loan losses	4,800	5,800	5,200	3,106	2,062
Net interest income after provision for loan losses	48,215	44,024	38,390	34,183	30,513
Noninterest income:					
Commissions	5,859	5,786	5,765	7,024	7,054
Service charges and ATM fees	11,214	8,430	8,352	5,968	4,502
Net realized gains on sales of loans	2,187	1,575	1,756	570	1,098
Net realized gains (losses) on sales of available-for-sale securities	795	3,443	139	(9)	316
Other income	1,775	1,186	1,237	1,135	2,379
	21,830	20,420	17,249	14,688	15,349
Noninterest expense:					
Salaries and employee benefits	18,739	15,842	15,126	13,642	13,765
Net occupancy expense	6,335	5,337	4,730	4,529	4,124
Postage	1,691	1,426	1,233	1,152	1,006
Insurance	683	514	485	521	639
Advertising	735	662	686	713	611
Office supplies and printing	855	828	774	703	991
(Income) expense on foreclosed assets	1,939	597	216	(295)	---
Other operating expenses	4,615	3,765	4,156	4,244	4,031
	35,592	28,931	27,406	25,209	25,167

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Income before income taxes	34,453	35,513	28,233	23,662	20,695
Provision for income taxes	11,362	12,301	9,475	8,184	7,018
Net income	\$23,091	\$23,212	\$18,758	\$15,478	\$13,677

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At or For the Year Ended December 31,

	2003	2002	2001	2000	1999
(Dollars in thousands, except per share data)					
<b>Per Common Share Data:</b>					
Basic earnings per common share	\$3.37	\$ 3.38	\$ 2.72	\$ 2.16	\$1.79
Diluted earnings per common share	3.33	3.34	2.70	2.12	1.76
Cash dividends declared	.71	.70	.50	.50	.50
Book value	17.45	15.27	12.42	10.30	9.20
Average shares outstanding	6,854	6,863	6,890	7,166	7,620
Year-end actual shares outstanding	6,851	6,857	6,863	6,897	7,489
Year-end fully diluted shares outstanding	6,941	6,940	6,929	7,098	7,601
<b>Earnings Performance Ratios:</b>					
Return on average assets(1)	1.61%	1.73%	1.57%	1.53%	1.56%
Return on average stockholders' equity(2)	20.29	24.25	23.60	22.36	19.98
Non-interest income to average total assets	1.52	1.52	1.44	1.55	1.75
Non-interest expense to average total assets	2.47	2.11	2.28	2.52	2.87
Average interest rate spread(3)	3.68	3.59	3.37	3.26	3.36
Year-end interest rate spread	3.60	3.70	3.44	3.26	3.40
Net interest margin(4)	3.89	3.85	3.80	3.81	3.86
Adjusted efficiency ratio (excl. foreclosed assets)(5)	44.96	40.34	44.69	49.07	52.51
Net overhead ratio(6)	.96	.63	.85	1.04	1.06
Common dividend pay-out ratio	21.32	20.81	18.52	23.58	28.41
<b>Asset Quality Ratios:</b>					
Allowance for loan losses/year-end loans	1.87%	2.09%	2.16%	2.06%	2.21%
Non-performing assets/year-end loans and foreclosed assets	1.46	1.84	1.22	1.66	1.26
Allowance for loan losses/non-performing loans	282.02	146.60	237.03	149.72	194.48
Net charge-offs/average loans	.50	.58	.27	.20	.23
Gross non-performing assets/year end assets	1.07	1.34	.91	1.34	1.05
Non-performing loans/year-end loans	.66	1.43	.91	1.37	1.18
<b>Balance Sheet Ratios:</b>					
Loans to deposits	96.20%	97.62%	108.80%	118.61%	122.51%
Average interest-earning assets as a percentage of average interest-bearing liabilities	112.30	111.22	110.67	111.06	111.95
<b>Capital Ratios:</b>					
Average stockholders' equity to average assets	7.92%	7.12%	6.66%	6.83%	7.41%
Year-end tangible stockholders' equity to assets	7.75	7.47	6.44	6.26	7.10
Great Southern Bank:					
Tier 1 risk-based capital ratio	10.86	10.32	8.93	8.91	8.97

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Total risk-based capital ratio	12.12	11.58	10.20	10.17	10.23
Tier 1 leverage ratio	8.88	8.22	7.18	7.36	7.45
<b>Ratio of Earnings to Fixed Charges:(7)</b>					
Including deposit interest	2.49x	2.17x	1.62x	1.48x	1.58x
Excluding deposit interest	6.23x	5.39x	3.09x	2.42x	2.97x

- 
- (1) Earnings divided by average total assets.
  - (2) Earnings 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, on a tax equivalent basis, 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.

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### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### 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" 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, 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 given 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.

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Additional discussion of the allowance for loan losses is included in the Company's 2003 Form 10-K under the section titled "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 significant individual 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 materially.

#### General

The profitability of the Company and, more specifically, the profitability of its primary subsidiary, Great Southern Bank (the "Bank"), depends primarily on its net interest income. Net interest income is the difference between the interest income 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 2003, Great Southern was able to generate increased net interest income by attracting deposit accounts from our retail branch network, correspondent banking and corporate services customers, and various local universities, hospitals and municipalities. The Company then utilized these funding sources to meet loan demand from existing and new customers. 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 the ability to fund loan growth through other funding sources is very important to our success. There is a high level of competition for deposits in our markets. We have been successful in attracting a large dollar volume of those deposits in 2003. While it is our goal to continue to aggressively gain deposit market share in our branch footprint, we cannot be assured of this in future periods.

Our ability to fund growth in future periods may also be dependent on our ability to continue to access brokered deposits and Federal Home Loan Bank advances. In times when our loan demand has outpaced our generation of new deposits, we have utilized brokered deposits and Federal Home Loan Bank advances to fund these loans. This type of funding has 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 funding 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.

On the opposite side of the net interest income equation, we have been able to generate adequate loan growth to utilize our funding increases and thereby generate additional net interest income. As loan demand is affected by a variety of factors, including general economic conditions, we cannot be assured that our loan growth will continue at its current pace. If economic conditions improve in future periods, we believe that we are well positioned to maintain current and capture additional loan market share in our Southwest Missouri market as well as our loan production markets of Kansas City and Northwest Arkansas. We expect that the majority of our loan portfolio growth will continue to be in the commercial real estate and residential and commercial construction categories.

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Finally, 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. Additionally, a large portion of our deposits and borrowings have interest rates which may adjust with changes in market interest rates due to the maturities of deposits and borrowings and interest rate

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swaps which create variable rates of interest on a portion of our liabilities. We monitor our sensitivity to interest rate changes on an ongoing basis (see "Quantitative and Qualitative Disclosures About Market Risk"). While we currently believe that either increases or decreases in market interest rates will not significantly adversely impact our net interest income, circumstances could change which may alter that outlook.

The Company's profitability is also affected by the level of its non-interest income and operating expenses. Non-interest income consists primarily of gains on sales of loans and available-for-sale investments, service charges and ATM fees, commissions earned by non-bank subsidiaries and divisions and other general operating income. Operating expenses consist primarily of salaries and employee benefits, occupancy-related expenses, postage, insurance, advertising, office expenses and other general operating expenses.

In 2003, non-interest income increased primarily due to increases in service charges and overdraft fees. Also, net gains on loan sales were significantly higher in 2003 than in 2002. We expect that the gains on loan sales will decline significantly in 2004, as there is likely to be higher market interest rates in 2004 which will reduce home loan refinancing activity. Fees from service charges and overdrafts should continue to increase somewhat as we add more checking account customers.

In 2003, operating expenses increased primarily in the categories of salaries and benefits, occupancy expense and expense on foreclosed assets. We anticipate that increases will occur again in 2004 with regard to employee costs and occupancy expenses as we continue to add new branches in Southwest Missouri to serve new and existing customers and support growth in lending and operational areas. In 2003, Great Southern had a couple of unusually large and complex foreclosed assets which caused abnormally high operating costs and additional write-downs due to declining asset valuations. While there is always the risk that similar situations may occur in the future, management does not currently anticipate additional foreclosed asset losses of this magnitude.

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.

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### Recent Accounting Pronouncements

In January 2003 the Financial Accounting Standards Board ("FASB") issued its Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," which requires the consolidation of certain special purpose entities ("SPE's) by a company if it is determined to be the primary beneficiary of the SPE's operating activities. One financial liability of the Company that is impacted by FIN 46 is the Company's trust preferred securities and related debentures. This liability is, and has been, presented in the Company's financial statements as a liability and not a component of equity for financial reporting purposes. In addition, the Federal Reserve Board has allowed these securities to be included as capital for purposes of regulatory capital calculations. The FASB has issued a revised interpretation of FIN 46, which must be applied to certain variable instruments by March 31, 2004. At that time the Company expects for financial reporting purposes to de-consolidate the trust and to instead report the junior subordinated debentures of the Company owned by the trust. This is not expected to have a significant impact on the Company's financial statements. To date, no final determination has been reached for regulatory reporting purposes and the Federal Reserve Board has instructed bank holding companies to continue to include these securities in regulatory capital calculations until further notice.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 modifies the accounting for certain financial instruments that issuers previously could account for as equity. Under SFAS 150, certain instruments with characteristics of both liabilities and equity must be classified

as liabilities in the balance sheets, with the corresponding payment to holders of the instruments recognized as interest expense. The adoption of this standard had no impact on the financial position or results of operations of the Company as the Company's Trust Preferred Securities were already classified as liabilities on the Company's balance sheets and recorded as interest expense on the statements of income.

#### **Comparison of Financial Condition at December 31, 2003 and December 31, 2002**

During the year ended December 31, 2003, the Company increased total assets by \$138 million to \$1.54 billion. Net loans increased by \$98 million. The main loan areas experiencing increases were commercial real estate, commercial construction, multi-family residential and consumer. One- to four-family mortgage loans decreased during 2003. Commercial real estate and construction loans have long been a focus of Great Southern's lending operations. Loan demand for these types of loans in the Southwest Missouri market increased in the latter half of 2003, as interest rates remained historically low. In addition, in 2003, Great Southern established two loan production offices in Kansas City and Northwest Arkansas. New loans generated by these offices totaled approximately \$70 million, and were primarily commercial real estate and construction loans. Increases in deposits were the primary source utilized to fund this loan growth. The Company expects that it will continue to generate new loans, primarily commercial real estate and construction, in all of these markets. Total investment securities increased by \$25 million, which was primarily an increase in available-for-sale United States government agency debt securities and securities issued by states and political subdivisions, partially offset by a decrease in United States government agency mortgage-backed securities. These securities were primarily purchased to secure repurchase agreements with customers and for pledging to public fund deposits which increased during 2003. The Company will continue to add investment securities as needed for collateral and pledging purposes. Cash and cash equivalents increased \$19 million primarily due to higher balances of vault cash and interest-bearing deposits and larger cash letter settlements at December 31, 2003. Prepaid expenses and other assets decreased \$9 million, primarily as a result of recording the change in mark-to-market value of the Company's interest rate swaps. Based upon the terms of these swap agreements, in accordance with generally accepted accounting principles, the Company records changes in the market value of its interest rate swaps in the category "other assets," with a corresponding increase or decrease to the liability being hedged. Foreclosed assets increased \$5 million primarily due to the addition of one significant real estate asset that was foreclosed in 2003.

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Total liabilities increased \$123 million from December 31, 2002 to December 31, 2003, to \$1.42 billion. Deposits increased \$115 million and short-term borrowings increased \$10 million. The increase in short-term borrowings was the result of increases in securities sold under repurchase agreements. Retail certificates of deposit decreased \$18 million, to \$342 million. Total brokered deposits were \$329 million at December 31, 2003, down from \$340 million at December 31, 2002. The weighted average cost of these brokered deposits was approximately 206 basis points higher than the retail certificate of deposit portfolio, excluding the effect of the Company's interest rate swaps on a portion of these brokered certificates of deposit. The interest rate swaps reduced the weighted average cost of the entire brokered certificate of deposit portfolio to a rate that is approximately 113 basis points lower than the retail certificate of deposit portfolio. Management continues to feel that FHLBank advances and brokered deposits are viable alternatives to retail deposits when factoring in all the costs associated with the generation and maintenance of additional retail deposits. Interest-bearing checking balances accounted for \$126 million of the increase in deposits. Non-interest-bearing checking balances increased \$26 million. Checking and savings account balances totaled \$465 million at December 31, 2003, up from \$312 million at December 31, 2002. During 2003 and 2002, the Company became a correspondent bank for several local financial institutions, which led to a portion of the increase in checking account balances. At December 31, 2003, the Company had approximately 40 correspondent banking customers, primarily banks and credit unions in Southwest Missouri, with account balances totaling approximately \$93 million. Great Southern offers coin and currency services and check clearing for a nominal fee. In return, these correspondent customers must maintain minimum balances with Great Southern in interest-bearing or non-interest-bearing accounts. In addition, during 2003, the Company obtained deposit accounts from several area universities, hospitals and municipalities in excess of \$49 million at December 31, 2003.

Stockholders' equity increased \$14.8 million from \$104.7 million at December 31, 2002 to \$119.5 million at December 31, 2003. Net income for fiscal year 2003 was \$23.1 million, partially offset by a decrease of \$2.6 million in accumulated other comprehensive income, dividends of \$4.9 million and net treasury stock repurchases of \$756,000. The Company repurchased 39,276 shares of common stock at an average price of \$39.50 per share during 2003.

#### **Results of Operations and Comparison for the Years Ended December 31, 2003 and 2002**

##### **General**



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The decrease in earnings of \$121,000, or .5%, during the year ended December 31, 2003, compared to the year ended December 31, 2002, was primarily due to an increase in non-interest expense of \$6.7 million, or 23.0%, partially offset by an increase in net interest income of \$3.2 million, or 6.4%, an increase in non-interest income of \$1.4 million, or 6.9%, a decrease in provision for loan losses of \$1.0 million, or 17.2%, and a decrease in provision for income taxes of \$.9 million, or 7.6%.

### **Total Interest Income**

Total interest income decreased \$4.0 million, or 5.0%, during the year ended December 31, 2003 compared to the year ended December 31, 2002. The decrease was due to a \$779,000, or 1.2%, decrease in interest income on loans and a \$3.2 million, or 19.9%, decrease in interest income on investments and other interest-earning assets. Interest income for both loans and investment securities and other interest-earning assets decreased due to significantly lower average rates of interest, while interest income for both was positively impacted by higher average balances. In addition, interest income in 2002 was higher due to the recovery of \$415,000 of interest on a commercial real estate loan that was charged off in a prior year.

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### **Interest Income - Loans**

During the year ended December 31, 2003 compared to December 31, 2002, interest income on loans decreased due to lower average interest rates, partially offset by higher average balances. Interest income decreased \$4.3 million as the result of lower average interest rates. The average yield on loans decreased from 6.41% during the year ended December 31, 2002, to 5.99% during the year ended December 31, 2003, as a result of decreases in market rates of interest, primarily the "prime rate" of interest. A large portion of the Bank's loan portfolio adjusts with changes to the "prime rate" of interest.

Interest income increased \$3.5 million as the result of higher average loan balances from \$1.000 billion during the year ended December 31, 2002 to \$1.056 billion during the year ended December 31, 2003. The higher average balance resulted principally from the Bank's increased commercial real estate and construction lending, multi-family real estate lending and consumer lending. The Bank's one- to four-family residential loan portfolio has decreased since December 31, 2000, due to the origination of a greater dollar amount of fixed-rate rather than adjustable-rate loans. The Bank generally sells these fixed-rate loans in the secondary market.

### **Interest Income - Investments and Other Interest-earning Deposits**

Interest income on investments and other interest-earning assets decreased mainly as a result of lower average interest rates, partially offset by higher average balances during the year ended December 31, 2003, when compared to the year ended December 31, 2002. Interest income decreased \$3.8 million as a result of a decrease in average interest rates from 5.49% during the year ended December 31, 2002, to 4.23% during the year ended December 31, 2003. This decrease was primarily due to declining market interest rates throughout 2002 and 2003. As the Company's mortgage-backed securities prepaid rapidly, premiums were amortized reducing yields on the investments. In addition, these proceeds were reinvested in lower yielding securities as interest rates fell. The decrease in interest income was partially offset by \$638,000 as a result of an increase in average balances from \$293 million during the year ended December 31, 2002, to \$305 million during the year ended December 31, 2003.

### **Total Interest Expense**

Total interest expense decreased \$7.2 million, or 23.6%, during the year ended December 31, 2003, when compared with the year ended December 31, 2002, primarily due to a decrease in interest expense on deposits of \$5.7 million, or 25.5%, a decrease in interest expense on FHLBank advances of \$1.5 million, or 21.2 %, and a decrease in interest expense on short-term borrowings and trust preferred securities of \$59,000, or 4.8%.

### **Interest Expense - Deposits**

Interest expense on deposits decreased \$5.6 million as a result of a decrease in average rates of interest on time deposits from 2.83% during the year ended December 31, 2002, to 2.00% during the year ended December 31, 2003, and decreased \$825,000 due to a decrease in average balances of time deposits from \$705 million during the year ended December 31, 2002, to \$677 million during the year ended December

31, 2003. The average interest rates decreased due to lower overall market rates of interest in 2003 and the effects of the Company's interest rate swaps. In 2003, the Company attracted a significant amount of demand deposit balances and allowed the certificate of deposit balances to decrease as they matured.

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Interest on demand deposits increased \$983,000 due to an increase in average balances from \$187 million during the year ended December 31, 2002, to \$275 million during the year ended December 31, 2003, and decreased \$247,000 due to a reduction in average rates from 1.22% during the year ended December 31, 2002, to 1.09% during the year ended December 31, 2003. The other deposit category, savings, experienced a \$5,000 decrease due to decreases in both average balances and average rates of interest.

#### **Interest Expense - FHLBank Advances, Short-term Borrowings and Trust Preferred Securities**

Interest expense on FHLBank advances, short-term borrowings and trust preferred securities decreased \$1.2 million due to a decrease in average rates from 3.00% in the year ended December 31, 2002, to 2.54% in the year ended December 31, 2003. In addition, average balances decreased from \$270 million during the year ended December 31, 2002, to \$259 million during the year ended December 31, 2003, resulting in decreased interest expense of \$331,000. The average balance decrease was offset by increases in deposits. Average interest rates decreased due to lower overall market rates during 2003. The Company's use of FHLBank advances, short-term borrowings and trust preferred securities that repriced frequently (daily, monthly or quarterly) contributed to the significant decrease in average rates of interest.

#### **Net Interest Income**

The Company's overall interest rate spread increased 9 basis points, or 2.5%, from 3.59% during the year ended December 31, 2002, to 3.68% during the year ended December 31, 2003. The increase was due to a 70 basis point decrease in the weighted average rate paid on interest-bearing liabilities, partially offset by a 61 basis point decrease in the weighted average yield received on interest-earning assets. The Company's overall net interest margin increased 4 basis points, or 1.0%, from 3.85% during the year ended December 31, 2002, to 3.89% during the year ended December 31, 2003. In comparing the two years, the yield on loans decreased 42 basis points while the yield on investment securities and other interest-earning assets decreased 126 basis points. The rate paid on deposits decreased 75 basis points, while the rate paid on FHLBank advances and other borrowings decreased 46 basis points.

The prime rate of interest averaged 4.68% during the year ended December 31, 2002, compared to an average of 4.12% during the year ended December 31, 2003. As a large percentage of the Bank's loans are tied to prime, this decrease was the primary reason for the decrease in the weighted average yield received on loans. The decrease in the weighted average yield received on investment securities primarily resulted from maturities of higher yielding securities with the proceeds being reinvested at lower market yields and the increased amortization of premiums paid on the Company's mortgage-backed securities portfolio due to higher levels of prepayments on the underlying mortgages.

Interest rates paid on deposits, FHLBank advances and other borrowings decreased significantly during 2003 compared to 2002. As certificates of deposit matured and were renewed or replaced, in most cases the new interest rate on these deposits was significantly lower than the previous rate. In addition, the Company continued to utilize interest rate swaps and FHLBank advances which repriced frequently to further reduce interest expense. See "Item III. Quantitative and Qualitative Disclosures About Market Risk" for additional information on the Company's interest rate swaps.

#### **Provision for Loan Losses and Allowance for Loan Losses**

The provision for loan losses decreased \$1.0 million, or 17.2%, during the year ended December 31, 2003, from \$5.8 million during the year ended December 31, 2002 to \$4.8 million during the year ended December 31, 2003. The provision recorded in 2003 was consistent with the Company's level of net charge-offs (\$5.2 million) and lower balances of non-performing loans. The allowance for loan losses decreased \$444,000, or 2.1%, at December 31, 2003 compared to December 31, 2002.

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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. 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 1.87% and 2.09% at December 31, 2003 and 2002, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at this time, based on current economic conditions. If economic conditions deteriorate significantly, it is possible that additional assets would be classified as non-performing, and accordingly, additional provisions for losses would be required, thereby adversely affecting future results of operations and financial condition.

### **Non-performing Assets**

Non-performing assets decreased \$2.4 million, or 12.9%, from \$18.8 million at December 31, 2002, to \$16.4 million at December 31, 2003. Non-performing loans decreased \$7.1 million, or 49.1%, from \$14.5 million at December 31, 2002, to \$7.4 million at December 31, 2003, and foreclosed assets increased \$4.7 million, or 108.7%, from \$4.3 million at December 31, 2002, to \$9.0 million at December 31, 2003.

*Non-performing Loans.* Non-performing loans decreased primarily as a result of the transfer to foreclosed assets of one relationship with a remaining book balance at the time of transfer of \$7.3 million. The \$7.3 million relationship involves condominium buildings and lots, single-family residences and lots, a golf course, and other developed and undeveloped land. Great Southern is a one-third owner of this project and was not the lead bank in the original loan relationship. Commercial loans comprise \$5.4 million, or 73%, of the total \$7.4 million non-performing loans at December 31, 2003. Four unrelated credit relationships, totaling \$1.7 million, \$942,000, \$521,000 and \$504,000, respectively, account for a large portion of the non-performing loan total at December 31, 2003. The \$1.7 million relationship is comprised of five loans, which are primarily secured by the automobile floor plan assets of a car dealership in Springfield, Missouri. The \$942,000 relationship is secured by a commercial retail shopping center in Stone County near Branson, Missouri. The \$521,000 relationship is secured primarily by a dinner theater in Branson, Missouri, as well as additional real estate collateral and business assets. The \$504,000 relationship is secured by a restaurant and small motel in Springfield, Missouri. The restaurant and motel have subsequently been foreclosed in 2004. Mortgage loans comprise \$1.2 million, or 16%, of the total \$7.4 million non-performing loans at December 31, 2003.

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*Foreclosed Assets.* Of the total \$9.0 million of foreclosed assets at December 31, 2003, foreclosed real estate totaled \$8.4 million and repossessed automobiles totaled \$667,000. Of the total real estate assets, two relationships accounted for \$6.5 million. The first relationship had a remaining balance of \$6.0 million as of December 31, 2003, and was discussed above in *Non-performing Loans* as the \$7.3 million relationship. At the time of foreclosure, the balance was reduced to \$6.7 million through a charge-off of approximately \$600,000. During 2003, Great Southern and the lead bank marketed the project for sale. These efforts led to some verbal indications of interest and offers. The range of these indications and offers, as well as sales activity of condominiums and lots during 2003, provided Great Southern additional information to assess the appropriate carrying value of the asset. Based upon these facts, Great Southern recorded an additional write-down of this asset in the amount of approximately \$670,000, resulting in a carrying value of \$6.0 million as of December 31, 2003. This loss was included in non-interest expense in 2003. The second relationship had a remaining balance of \$511,000 as of December 31, 2003, and involves a motel, restaurant, golf course and condominium units in the Branson, Missouri area. This relationship was foreclosed in late 2002. Each of these foreclosed assets is currently being marketed for sale. During 2003, one other significant property was foreclosed and subsequently sold and removed from foreclosed assets. This asset involved a motel in Springfield, Missouri. At the time of foreclosure, an updated valuation of the property was

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completed resulting in a \$900,000 charge-off recorded through the allowance for loan losses to reduce the carrying value of the asset. This property was ultimately sold with an additional loss of \$450,000 recognized by Great Southern. This loss was included in non-interest expense in 2003.

In February 2004, the Company completed the sale of the \$6.0 million foreclosed asset relationship described above. The Company received cash proceeds of \$6.0 million less expenses of approximately \$40,000.

*Potential Problem Loans.* Potential problem loans decreased \$4.5 million, or 40%, from \$11.4 million at December 31, 2002 to \$6.9 million at December 31, 2003. 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 loan repayment terms. These loans are not reflected in the non-performing loans. Potential problem loans decreased \$3.6 million as a result of the foreclosure of the motel in Springfield, Missouri, which is described above under *Foreclosed Assets*. In addition, potential problem loans decreased \$1.8 million as a result of the change of status to non-performing loans of the automobile floorplan relationship described above under *Non-performing Loans*. At the time this relationship was changed to non-performing status, certain loans in this relationship were written down by approximately \$300,000 through a charge against the allowance for loan losses. Potential problem loans also decreased as a result of the change of status to non-performing loans of the \$942,000 relationship described above under *Non-performing Loans*. These decreases were partially offset by the addition of two unrelated relationships totaling \$2.3 million and \$1.4 million, respectively. The \$2.3 million relationship is secured primarily by commercial real estate, equipment and inventory in Springfield, Missouri. The \$1.4 million relationship is secured primarily by a motel in Springfield, Missouri. In addition to these relationships, one other significant unrelated relationship was included in the potential problem loan total. This relationship totaled \$1.3 million as of December 31, 2003, and is secured by a motel in Branson, Missouri.

### Non-interest Income

Total non-interest income increased \$1.4 million, or 6.9%, in the year ended December 31, 2003 when compared to the year ended December 31, 2002. The increase was primarily due to: (i) an increase in service charges and ATM fees of \$2.8 million, or 33.0%; (ii) an increase in net realized gains on sales of fixed-rate residential and student loans of \$612,000, or 38.9%; and (iii) smaller increases in loan and commitment fees, late and prepayment charges on loans, loan servicing income, and merchant card fees. The increase in service charge fees resulted from a larger number of accounts, higher levels of insufficient funds transactions by customers, and increases in fees for insufficient funds checks. The increase in ATM fees was related to a change in 2003 by the Company to process its transactions in-house and increases in overall usage by customers and non-customers. During the year ended December 31, 2003, the Bank sold more residential and student loans than in the year ended December 31, 2002. During both years, lower interest rates were conducive to the generation of fixed-rate mortgages, which the bank typically sells, rather than adjustable-rate mortgages, which the Bank typically retains in its portfolio. In addition, unusually high levels of refinancing activity occurred in the three months ended September 30, 2003.

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This increase was partially offset by a decrease in net realized gains on sales of available-for-sale investment securities of \$2.6 million, or 76.9%. The decrease in gain on sale of available-for-sale securities was primarily due to the sale in 2002 of the Company's holdings of the common stock of another publicly traded company, with no such similar sale in 2003. This transaction was previously discussed in SEC filings by the Company.

### Non-Interest Expense

Total non-interest expense increased \$6.7 million, or 23.0%, in the year ended December 31, 2003, when compared to the year ended December 31, 2002. The increase was primarily due to: (i) an increase of \$2.9 million, or 18.3%, in salaries and employee benefits primarily due to increased incentives paid to mortgage loan originators due to increased loan closings, the hiring of additional experienced personnel to fill commercial lending, credit administration, and branch supervisory positions, the opening of two loan production offices, increased costs for health insurance and pension benefits, and normal merit increases for existing employees; (ii) an increase in net occupancy and equipment expense of \$998,000, or 18.7%, primarily due to increases in rent and depreciation on new offices and equipment and various maintenance projects on buildings and equipment; (iii) an increase in expenses on foreclosed assets of \$1.3 million, or 224%, due to a \$450,000 loss on the disposition of one foreclosed asset, a \$670,000 write-down of the carrying value of another unrelated foreclosed asset, and other expenses of maintaining various foreclosed assets; and (iv) smaller increases in other non-interest expense areas, such as postage, advertising, insurance, legal and professional fees, bank charges and fees related to additional correspondent relationships, and costs to reissue the Bank's debit cards due to a system conversion.

**Provision for Income Taxes**

Provision for income taxes as a percentage of pre-tax income decreased slightly from 34.6% for the year ended December 31, 2002, to 33.0% for the year ended December 31, 2003. The decrease was primarily due to higher balances of tax-exempt investment securities and loans.

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NEXT PAGE**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. The table does not reflect any effect of income taxes.

	December 31, 2003			Year Ended December 31, 2003			Year Ended December 31, 2002			Year Ended December 31, 2001		
	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate		
(Dollars in thousands)												
Interest-earning assets:												
Loans receivable:												
One- to four-family residential	5.18%	\$ 165,524	\$ 9,297	5.62%	\$ 178,072	\$ 11,719	6.58%	\$ 208,060	\$ 16,854	8.18%		
Other residential	6.32	89,360	6,122	6.85	85,528	6,395	7.24	87,125	7,292	8.37		
Commercial real estate	5.40	415,529	23,144	5.57	359,789	21,139	5.88	331,450	26,142	7.89		
Construction	5.59	176,679	10,778	5.83	172,433	10,469	6.40	129,564	10,598	7.83		
Commercial business	5.51	92,041	5,370	6.10	95,842	6,131	6.07	87,546	6,857	8.18		
Other loans	7.44	117,205	8,572	7.31	108,380	8,409	7.76	94,372	8,364	8.86		
<b>Total loans receivable</b>	<b>5.46</b>	<b>1,056,338</b>	<b>63,283</b>	<b>5.99</b>	<b>1,000,044</b>	<b>64,062</b>	<b>6.41</b>	<b>936,117</b>	<b>76,107</b>	<b>8.13</b>		
Investment securities and other interest-earning assets(1)	4.64	305,051	12,896	4.23	293,022	16,099	5.49	211,461	13,390	6.33		
<b>Total interest-earning assets</b>	<b>5.25</b>	<b>\$1,361,389</b>	<b>76,179</b>	<b>5.59</b>	<b>\$1,293,066</b>	<b>80,161</b>	<b>6.20</b>	<b>\$1,147,578</b>	<b>89,497</b>	<b>7.80</b>		
Interest-bearing liabilities:												
Interest-bearing demand	.92	\$ 275,286	3,013	1.09	\$ 187,171	2,277	1.22	\$ 144,374	2,443	1.69		
Savings	1.53	923	12	1.30	1,005	17	1.69	5,358	125	2.33		
Time deposits	1.77	676,647	13,557	2.00	704,523	19,950	2.83	593,265	29,837	5.03		
<b>Total deposits</b>	<b>1.49</b>	<b>952,856</b>	<b>16,582</b>	<b>1.74</b>	<b>892,699</b>	<b>22,244</b>	<b>2.49</b>	<b>742,997</b>	<b>32,405</b>	<b>4.36</b>		
Short-term borrowings	.96	51,442	588	1.14	33,380	523	1.57	66,833	2,017	3.02		
FHLB advances and trust preferred debentures	2.60	207,951	5,994	2.88	236,521	5,570	3.20	226,291	11,485	5.08		
<b>Total interest-bearing liabilities</b>	<b>1.65</b>	<b>\$1,212,249</b>	<b>23,164</b>	<b>1.91</b>	<b>\$1,162,600</b>	<b>30,337</b>	<b>2.61</b>	<b>\$1,036,121</b>	<b>45,907</b>	<b>4.43</b>		
Net interest income:												
Interest rate spread	3.60%		\$53,015	3.68%		\$49,824	3.59%		\$43,590	3.37%		

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Net interest margin*	3.89%	3.85%	3.80%
Average interest-earning assets to average interest-bearing liabilities	112.3%	111.2%	110.8%

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

(1) Of the total average balances of investment securities, average tax-exempt investment securities were \$27,742,000, \$21,342,000 and \$16,679,000 for 2003, 2002 and 2001, respectively. Interest income on tax-exempt securities included in this table was \$1,689,000, \$1,625,000 and \$1,137,000 for 2003, 2002 and 2001, respectively. Interest income net of disallowed interest expense related to tax-exempt securities was \$1,334,000, \$1,161,000 and \$551,000 for 2003, 2002 and 2001, respectively.

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## Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities for the periods shown. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in rate (i.e., changes in rate multiplied by old volume) and (ii) changes in volume (i.e., changes in volume multiplied by old rate). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to volume and rate. Tax-exempt income was not calculated on a tax equivalent basis.

	Year Ended December 31, 2003 vs. December 31, 2002			Year Ended December 31, 2002 vs. December 31, 2001		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Rate	Volume		Rate	Volume	
(Dollars in thousands)						
<b>Interest-earning assets:</b>						
Loans receivable	\$(4,277)	\$ 3,498	\$(779)	\$(16,974)	\$4,929	\$(12,045)
Investment securities and other interest-earning assets	(3,841)	638	(3,203)	(1,947)	4,656	2,709
<b>Total interest-earning assets</b>	<b>(8,118)</b>	<b>4,136</b>	<b>(3,982)</b>	<b>(18,921)</b>	<b>9,585</b>	<b>(9,336)</b>
<b>Interest-bearing liabilities:</b>						
Demand deposits	(247)	983	736	(786)	620	(166)
Savings deposits	(3)	(2)	(5)	(49)	(59)	(108)
Time deposits	(5,568)	(825)	(6,393)	(14,748)	4,861	(9,887)
<b>Total deposits</b>	<b>(5,818)</b>	<b>156</b>	<b>(5,662)</b>	<b>(15,583)</b>	<b>5,422</b>	<b>(10,161)</b>
FHLBank advances and other borrowings	(1,180)	(331)	(1,511)	(4,230)	(1,179)	(5,409)
<b>Total interest-bearing liabilities</b>	<b>(6,998)</b>	<b>(175)</b>	<b>(7,173)</b>	<b>(19,813)</b>	<b>4,243</b>	<b>(15,570)</b>
<b>Net interest income</b>	<b>\$ (1,120)</b>	<b>\$ 4,311</b>	<b>\$ 3,191</b>	<b>\$ 892</b>	<b>\$ 5,342</b>	<b>\$ 6,234</b>

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## **Results of Operations and Comparison for the Years Ended December 31, 2002 and 2001**

### **General**

The increase in earnings of \$4.5 million, or 23.7%, during the year ended December 31, 2002, compared to the year ended December 31, 2001, was primarily due to an increase in net interest income of \$6.2 million, or 14.3%, and an increase in non-interest income of \$3.2 million, or 18.4%, partially offset by an increase in non-interest expense of \$1.5 million, or 5.6%, an increase in provision for loan losses of \$600,000, or 11.5%, and an increase in provision for income taxes of \$2.8 million, or 29.8%.

### **Total Interest Income**

Total interest income decreased \$9.3 million, or 10.4%, during the year ended December 31, 2002 compared to the year ended December 31, 2001. The decrease was due to a \$12.0 million, or 15.8%, decrease in interest income on loans, partially offset by a \$2.7 million, or 20.2%, increase in interest income on investments and other interest-earning assets. Interest income for both loans and investment securities and other interest-earning assets decreased due to significantly lower average rates of interest, while interest income for both was positively impacted by higher average balances.

In addition, interest income in 2002 was higher due to a recovery of \$415,000 of interest on a commercial real estate loan that was charged off in a prior year.

### **Interest Income - Loans**

During the year ended December 31, 2002 compared to December 31, 2001, interest income on loans decreased from lower average interest rates, partially offset by higher average balances. Interest income decreased \$17.0 million as the result of lower average interest rates. The average yield on loans decreased from 8.13% during the year ended December 31, 2001, to 6.41% during the year ended December 31, 2002, as a result of decreases in market rates of interest, primarily the "prime rate" of interest. A large portion of the Bank's loan portfolio adjusts with changes to the "prime rate" of interest.

Interest income increased \$5.0 million as the result of higher average loan balances from \$936 million during the year ended December 31, 2001 to \$1.00 billion during the year ended December 31, 2002. The higher average balance resulted principally from the Bank's increased commercial real estate and construction lending, commercial business lending and indirect dealer consumer lending. The Bank's one- to four-family residential loan portfolio has decreased since December 31, 2000, due to the origination of a greater dollar amount of fixed-rate rather than adjustable-rate loans. The Bank generally sells these fixed-rate loans in the secondary market.

### **Interest Income - Investments and Other Interest-earning Deposits**

Interest income on investments and other interest-earning assets increased mainly as a result of higher average balances during the year ended December 31, 2002, when compared to the year ended December 31, 2001. Interest income increased \$4.6 million as a result of an increase in average balances from \$211 million during the year ended December 31, 2001, to \$293 million during the year ended December 31, 2002. This increase was primarily in available-for-sale securities, where additional securities were acquired for liquidity and pledging to deposit accounts under repurchase agreements. The increase in interest income was offset by \$1.9 million as a result of a decrease in average yields from 6.33% during the year ended December 31, 2001, to 5.49% during the year ended December 31, 2002.

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### **Total Interest Expense**

Total interest expense decreased \$15.6 million, or 33.9%, during the year ended December 31, 2002, when compared with the year ended December 31, 2001, primarily due to a decrease in interest expense on FHLBank advances of \$3.5 million, or 33.7%, a decrease in interest expense on deposits of \$10.2 million, or 31.4%, and a decrease in interest expense on short-term borrowings and trust preferred securities of \$1.9 million, or 60.8%.

### **Interest Expense - Deposits**

Interest expense on deposits decreased \$14.8 million as a result of a decrease in average rates of interest on time deposits from 5.03% during the year ended December 31, 2001, to 2.83% during the year ended December 31, 2002, and increased \$4.9 million due to an increase in average balances of time deposits from \$593 million during the year ended December 31, 2001, to \$705 million during the year ended December 31, 2002. The average balances of time deposits increased primarily as a result of the Company's use of brokered and other time deposits to fund loan and investment securities growth. In recent years, brokered deposit rates have become competitive with rates on FHLBank advances and larger retail deposits. The average interest rates decreased due to lower overall market rates of interest in 2001 and the effects of the Company's interest rate swaps.

Interest on demand deposits decreased \$786,000 due to a decrease in average rates from 1.69% during the year ended December 31, 2001, to 1.22% during the year ended December 31, 2002, and increased \$620,000 due to an increase in average balances from \$144 million during the year ended December 31, 2001, to \$187 million during the year ended December 31, 2002. The other deposit category, savings, experienced a \$108,000 decrease due to decreases in both average balances and average rates of interest.

### **Interest Expense - FHLBank Advances, Short-term Borrowings and Trust Preferred Securities**

Interest expense on FHLBank advances, short-term borrowings and trust preferred securities decreased \$4.2 million due to a decrease in average rates from 4.61% in the year ended December 31, 2001, to 3.00% in the year ended December 31, 2002. In addition, average balances decreased from \$293 million during the year ended December 31, 2001, to \$270 million during the year ended December 31, 2002, resulting in decreased interest expense of 1.2 million due to lower average balances. The average balance decrease was offset by increases in deposits. Average interest rates decreased due to lower overall market rates during 2002. The Company's use of FHLBank advances, short-term borrowings and trust preferred securities which reprice daily, monthly or quarterly contributed to the significant decrease in average rates of interest.

### **Net Interest Income**

The Company's overall interest rate spread increased 22 basis points, or 6.5%, from 3.37% during the year ended December 31, 2001, to 3.59% during the year ended December 31, 2002. The increase was due to a 182 basis point decrease in the weighted average rate paid on interest-bearing liabilities partially offset by a 160 basis point decrease in the weighted average yield received on interest-earning assets. The Company's overall net interest margin increased 5 basis points, or 1.3%, from 3.80% during the year ended December 31, 2001, to 3.85% during the year ended December 31, 2002. In comparing the two years, the yield on loans decreased 172 basis points while the yield on investment securities and other interest-earning assets decreased 84 basis points. The rate paid on deposits decreased 187 basis points, while the rate paid on FHLBank advances and other borrowings decreased 161 basis points.

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The prime rate of interest averaged 6.92% during the year ended December 31, 2001, compared to an average of 4.68% during the year ended December 31, 2002. As a large percentage of the Bank's loans are tied to prime, this decrease was the primary reason for the decrease in the weighted average yield received on interest-earning assets.

Interest rates paid on deposits, FHLBank advances and other borrowings decreased significantly during 2002 compared to 2001. As market rates of interest declined during 2002, the Company reduced rates paid to depositors. In addition in 2002, the Company utilized interest rate swaps and FHLBank advances which repriced daily, monthly or quarterly to reduce interest expense.

### **Provision for Loan Losses and Allowance for Loan Losses**



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The provision for loan losses increased \$600,000, or 11.5%, during the year ended December 31, 2002, from \$5.2 million during the year ended December 31, 2001 to \$5.8 million during the year ended December 31, 2002.

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. 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 2.09% and 2.16% at December 31, 2002 and 2001, respectively. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at this time, based on current economic conditions. If economic conditions deteriorate significantly, it is possible that additional assets would be classified as non-performing, and accordingly, additional provision for losses would be required, thereby adversely affecting future results of operations and financial condition.

### Non-performing Assets

Non-performing assets increased \$6.2 million, or 49.2%, from \$12.6 million at December 31, 2001, to \$18.8 million at December 31, 2002. Non-performing loans increased \$5.0 million, or 52.6%, from \$9.5 million at December 31, 2001, to \$14.5 million at December 31, 2002, and foreclosed assets increased \$1.2 million, or 38.7%, from \$3.1 million at December 31, 2001, to \$4.3 million at December 31, 2002.

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*Non-performing Loans.* Non-performing loans increased primarily as a result of the addition of one relationship with a remaining balance of \$886,000 and another relationship with a remaining balance of \$7.3 million. These two relationships are described below. Commercial loans comprise \$12.1 million, or 84%, of the total \$14.5 million non-performing loans at December 31, 2002. Two unrelated commercial real estate credit relationships, totaling \$7.3 million and \$1.0 million, respectively, account for a majority of this non-performing total. The \$7.3 million relationship is primarily secured by condominium buildings and lots, single-family residences and lots, a golf course, and other developed and undeveloped land. This relationship was described in the December 31, 2001, Annual Report on Form 10-K and was included in potential problem loans at that time. Non-performing loans decreased during 2002 as a result of charging off a total of \$3.2 million, which had been part of this \$7.3 million relationship. The \$1.0 million relationship is secured by the real estate and business assets of a restaurant in Branson, Missouri. A portion of this credit is guaranteed by the Small Business Administration. This relationship was placed in a non-accrual status in the fourth quarter of 2001. Mortgage loans comprise \$1.7 million, or 12%, of the total \$14.5 million non-performing loans at December 31, 2002. One credit relationship, totaling \$886,000 accounted for a large portion of this non-performing total. The \$886,000 relationship is comprised of ten loans, which are primarily secured by residential rental properties and condominiums in Branson, Missouri. This relationship was first included in non-performing loans in the quarter ended March 31, 2002. This relationship was originally \$2.3 million; the balance has been reduced through charge-offs, foreclosures, and the sale of collateral and repayment of loans by the borrowers.

Subsequent to December 31, 2002, the \$7.3 million relationship described above was foreclosed upon, with Great Southern, along with the lead bank in this participation, as the successful bidders. An updated valuation of the property has been completed during the first quarter 2003. The Company's one-third interest in the property has been recorded in foreclosed assets at a carrying value of \$7.0 million, with the difference recorded as a loan charge-off in the quarter ended March 31, 2002.

*Foreclosed Assets.* Of the total \$4.3 million of foreclosed assets at December 31, 2002, foreclosed real estate totaled \$3.0 million and repossessed automobiles totaled \$1.3 million. Of the total real estate assets, three relationships account for \$2.4 million. The first relationship has a remaining balance of \$1.7 million and involves a motel, condominium units and vacant land in the Branson, Missouri, area. This relationship was described in the December 31, 2001, Annual Report on Form 10-K and was included in non-performing loans at that time. During 2002, a portion of the vacant land with a book value of \$650,000 was sold with no additional loss to the Company. The second

relationship has a remaining balance of \$519,000 and involves a golf course and condominium units in the Branson, Missouri, area. The third relationship has a remaining balance of \$275,000 and involves a commercial office building in Joplin, Missouri. Subsequent to December 31, 2002, this building was sold with no additional loss to the Company.

*Potential Problem Loans.* Potential problem loans decreased \$7.3 million, or 39%, from \$18.7 million at December 31, 2001, to \$11.4 million at December 31, 2002. These are loans which management has identified through routine internal review procedures as having possible credit problems which may cause the borrowers difficulty in complying with current loan repayment terms. These loans are not reflected in the non-performing loans. Potential problem loans decreased primarily as a result of the \$7.3 million commercial real estate credit relationship discussed above under "Non-performing Loans," which was reclassified from potential problem loans to non-performing loans, and other smaller relationships which were removed from or added to the problem asset watchlist. Three unrelated real estate credit relationships, totaling \$3.6 million, \$1.3 million and \$917,000, respectively, account for a majority of this potential problem loan total. The \$3.6 million relationship is secured by a motel in Springfield, Missouri. The \$1.3 million relationship is secured by a motel in Branson, Missouri. The \$917,000 relationship is secured by five single-family homes under construction in Monett, Missouri.

### **Non-interest Income**

Non-interest income increased \$3.2 million, or 18.4%, in the year ended December 31, 2002, when compared to the year ended December 31, 2001. The increase was primarily due to an increase of \$3.3 million in net realized gains on sales of available-for-sale investment securities. The increase in gain on sale of available-for-sale securities was primarily due to the sale of the Company's holdings of the common stock of another publicly traded company. This transaction was previously discussed in SEC filings by the Company. In addition, the Company sold some of its investments in debt securities to restructure its portfolio and realized the resulting gains and losses.

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This increase was partially offset by a decrease in net realized gains on sales of fixed-rate residential and student loans of \$181,000, or 10.3%. During 2001, the Company sold one commercial real estate loan that was purchased at a discount from the Resolution Trust Corporation in a prior year, resulting in a gain of \$300,000.

### **Non-Interest Expense**

Non-interest expense increased \$1.5 million, or 5.6%, in the year ended December 31, 2002, when compared to the year ended December 31, 2001. The increase was primarily due to: (i) an increase of \$716,000, or 4.7%, in salaries and employee benefits; (ii) an increase of \$607,000, or 12.8%, in net occupancy and equipment expense due primarily to increases in depreciation and various maintenance projects on buildings and equipment; and (iii) expenses on foreclosed assets of \$597,000 in 2002 versus expenses on foreclosed assets of \$216,000 in 2001. In 2002, the Company incurred higher expenses related to increased levels of foreclosures and repossessions. In addition, the Company recorded \$254,000 of provision for losses on foreclosed assets in 2002 compared to a provision of \$150,000 in 2001. The increase in salaries and employee benefits primarily relates to normal merit increases for existing employees and the hiring of additional experienced personnel to fill key supervisory and customer sales positions.

This was partially offset by smaller increases and decreases in other expense categories.

### **Provision for Income Taxes**

Provision for income taxes as a percentage of pre-tax income increased slightly from 33.6% for the year ended December 31, 2001, to 34.6% for the year ended December 31, 2002.

### **Liquidity and Capital Resources**

Liquidity is a measure of the Company's ability to generate sufficient cash to meet present and future financial obligations in a timely manner through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. These obligations include the credit needs of customers, funding deposit withdrawals and the day-to-day operations of the Company. Liquid assets include cash, interest-bearing deposits with financial institutions and certain investment securities and loans. As a result of the Company's management of the ability to generate liquidity primarily through liability funding, management believes that the Company maintains overall

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liquidity sufficient to satisfy its depositors' requirements and meet its customers' credit needs. At December 31, 2003 the Company had commitments of approximately \$208 million to fund loan originations, issued lines of credit, outstanding letters of credit and unadvanced loans. The majority of these commitments mature within one year.

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The following table summarizes the Company's fixed and determinable contractual obligations by payment date as of December 31, 2003. Additional information regarding these contractual obligations is discussed further in Notes 6, 7, 8, 10 and 13 of the Notes to Consolidated Financial Statements.

	Payments Due In:			Total
	One Year or Less	Over One to Five Years	Over Five Years	
Deposits without a stated maturity	\$464,617	\$ ---	\$ ---	\$ 464,617
Time and brokered certificates of deposit	298,774	121,759	250,497	671,030
Federal Home Loan Bank advances	<b>32,749</b>	86,227	85,811	204,787
Short-term borrowings	53,534	---	---	53,534
Trust preferred securities	---	---	17,250	17,250
Dividends declared, not paid	1,369	---	---	1,369
Operating leases	551	1,267	700	2,518
	<b>851,594</b>	<b>209,253</b>	<b>354,258</b>	<b>1,415,105</b>
Interest rate swap fair value adjustment	2,793	---	---	2,793
	<b>\$854,387</b>	<b>\$209,253</b>	<b>\$354,258</b>	<b>\$1,417,898</b>

Management continuously reviews the capital position of the Company and the Bank to ensure compliance with minimum regulatory requirements, as well as to explore ways to increase capital either by retained earnings or other means.

The Company's stockholders' equity was \$119.5 million, or 7.8% of total assets of \$1.54 billion at December 31, 2003, compared to equity of \$104.7 million, or 7.5% of total assets of \$1.40 billion at December 31, 2002.

Banks are required to maintain minimum risk-based capital ratios. These ratios compare capital, as defined by the risk-based regulations, to assets adjusted for their relative risk as defined by the regulations. Guidelines require banks to have a minimum Tier 1 risk-based capital ratio, as defined, of 4.00%, a minimum total risk-based capital ratio of 8.00%, and a minimum 4.00% Tier 1 leverage ratio. On December 31, 2003, the Bank's Tier 1 risk-based capital ratio was 10.86%, total risk-based capital ratio was 12.12% and the Tier 1 leverage ratio was 8.88%. As of December 31, 2003, the Bank was "well capitalized" as defined by the Federal banking agencies' capital-related regulations. The FRB has established capital regulations for bank holding companies that generally parallel the capital regulations for banks. On December 31, 2003, the Company's Tier 1 risk-based capital ratio was 11.05%, total risk-based capital ratio was 12.31% and the Tier 1 leverage ratio was 9.04%. As of December 31, 2003, the Company was "well capitalized" under the capital ratios described above.

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

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**Statements of Cash Flows.** During the years ended December 31, 2003, 2002 and 2001, the Company had positive cash flows from operating activities and positive cash flows from financing activities. The Company experienced negative cash flows from investing activities during each of these same time periods.

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Cash flows from operating activities for the periods covered by the Statements of Cash Flows have been primarily related to changes in accrued and deferred assets, credits and other liabilities, the provision for loan losses, the provision for losses on foreclosed assets, depreciation, and the amortization of deferred loan origination fees and discounts (premiums) on loans and investments, all of which are non-cash or non-operating adjustments to operating cash flows. Net income adjusted for non-cash and non-operating items and the origination and sale of loans held-for-sale were the primary sources of cash flows from operating activities. Operating activities provided cash flows of \$33.7 million, \$29.2 million and \$23.5 million during the years ended December 31, 2003, 2002 and 2001, respectively.

During the years ended December 31, 2003, 2002 and 2001, investing activities used cash of \$142.6 million, \$64.5 million and \$197.4 million, primarily due to the net increase of loans and the net purchases of investment securities in each period.

Changes in cash flows from financing activities during the periods covered by the Statements of Cash Flows are due to changes in deposits after interest credited, changes in FHLBank advances and changes in short-term borrowings, as well as the issuance of trust preferred securities, purchases of treasury stock and dividend payments to stockholders. Financing activities provided cash flows of \$127.8 million, \$56.0 million and \$168.9 million for the years ended December 31, 2003, 2002 and 2001, respectively. Financing activities in the future are expected to primarily include changes in deposits, changes in FHLBank advances, changes in short-term borrowings, purchases of treasury stock and dividend payments to stockholders.

**Dividends.** During the year ended December 31, 2003, the Company declared dividends of \$0.71 per share (21.3% of net income) and paid dividends of \$0.66 per share (19.8% of net income), compared to dividends declared of \$0.70 per share (20.8% of net income) and paid of \$0.55 per share (16.3% of net income) during the year ended December 31, 2002. The Board of Directors meets regularly to consider the level and the timing of dividend payments. At December 31, 2003, dividends declared but unpaid totaled \$1,369,000. This dividend was paid to shareholders on January 15, 2004.

**Common Stock Repurchases.** The Company has been in various buy-back programs since May 1990. During the year ended December 31, 2003, the Company repurchased 39,276 shares of its common stock at an average price of \$39.50 per share and reissued 33,508 shares of treasury stock at an average price of \$21.22 per share to cover stock option exercises. During the year ended December 31, 2002, the Company repurchased 38,676 shares of its common stock at an average price of \$34.71 per share and reissued 33,262 shares of treasury stock at an average price of \$18.78 per share to cover stock option exercises.

Management intends to continue its stock buy-back programs from time to time as long as repurchasing the stock contributes to the overall growth of shareholder value. The number of shares of stock that will be repurchased and the price that will be paid is the result of many factors, several of which are outside of the control of the Company. The primary factors, however, are the number of shares available in the market from sellers at any given time and the price of the stock within the market as determined by the market.

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### ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Asset and Liability Management and Market Risk

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A principal operating objective of the Company is to produce stable earnings by achieving a favorable interest rate spread that can be sustained during fluctuations in prevailing interest rates. The Company has sought to reduce its exposure to adverse changes in interest rates by attempting to achieve a closer match between the periods in which its interest-bearing liabilities and interest-earning assets can be expected to reprice through the origination of adjustable-rate mortgages and loans with shorter terms to maturity and the purchase of other shorter term interest-earning assets. Since the Company uses laddered brokered deposits and FHLBank advances to fund a portion of its loan growth, the Company's assets tend to reprice more quickly than its liabilities.

### Our Risk When Interest Rates Change

The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is Great Southern's most significant market risk.

### How We Measure the Risk To Us Associated with Interest Rate Changes

In an attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor Great Southern's interest rate risk. In monitoring interest rate risk we regularly analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities and their sensitivity to actual or potential changes in market interest rates.

The ability to maximize net interest income is largely dependent upon the achievement of a positive interest rate spread that can be sustained despite fluctuations in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference, or the interest rate repricing "gap," provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing during the same period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets during the same period. Generally, during a period of rising interest rates, a negative gap within shorter repricing periods would adversely affect net interest income, while a positive gap within shorter repricing periods would result in an increase in net interest income. During a period of falling interest rates, the opposite would be true.

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Great Southern's funds management policy adopted by the Board of Directors assesses interest rate risk primarily through the use of a net interest income simulation model. Great Southern's asset and liability committee determines the assumptions underlying the model. Great Southern's financial data is input into the model, along with the applicable assumptions. One significant area of assumptions relates to the repricing characteristics of certain assets and liabilities based on changes in market rates. For example, a large portion of the Company's loans reprice immediately with changes in the "prime" rate of interest, as determined by Great Southern and other national and regional banks. Other loans reprice annually based on changes in the U. S. Treasury or LIBOR rates. Other assets may have similar unique repricing characteristics. Likewise, the interest rates paid on deposits and other borrowings are affected by changes in market rates. For example, deposit rates may change as a result of changing market rates in national or local markets. The Federal Reserve Board may elect to increase "federal funds" by 50 basis points. That would have the effect of increasing the interest rate on "prime-rate" based loans by 50 basis points. However, based on market conditions and competition, Great Southern may increase its interest rates paid on certain types of deposit accounts by an amount more or less than 50 basis points. Great Southern uses interest rate swaps to convert fixed rate certificates of deposit into variable rate liabilities. These interest rate swaps generally adjust quarterly and are based on quoted three-month LIBOR rates. Other liabilities may have similar unique repricing characteristics. Assumptions regarding all of these factors are incorporated into Great Southern's net interest income simulation model. As of December 31, 2003, Great Southern's internal interest rate risk models indicate a one-year interest rate sensitivity position that is nearly neutral. The interest rate sensitivity position achieves all funds management policy guidelines at December 31, 2003.

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

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

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

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

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

The Company uses interest rate swap derivatives to help manage its interest rate risks from recorded financial liabilities. These derivatives are utilized when they can be demonstrated to effectively hedge a designated asset or liability and the asset or liability exposes the Company to interest rate risk.

Interest rate swaps are carried at fair value determined using quoted dealer prices and are recognized in the statement of financial condition in the prepaid expenses and other assets caption. The Company uses interest rate swaps to help manage its interest rate risks from recorded financial liabilities. These instruments are utilized when they can be demonstrated to effectively hedge a designated liability and the liability exposes the Company to interest rate risk. Amounts to be paid or received under interest rate swaps are accounted for on the accrual basis and recognized as interest income or expense of the related liability. Gains and losses on early termination of these instruments are deferred and amortized as an adjustment to the yield on the related liability over the shorter of the remaining contract life or the maturity of the related asset or liability. If the related liability is sold or otherwise liquidated, the instrument is marked to market, with the resultant gains or losses recognized in noninterest income. Fair values of interest rate swaps are estimated based on quoted dealer prices.

The Company has entered into interest rate swap agreements with the objective of hedging against the effects of changes in the fair value of its liabilities for fixed rate brokered certificates of deposit and trust preferred securities caused by changes in market interest rates. The swap agreements generally provide for the Company to pay a variable rate of interest based on a spread to the one-month or three-month London Interbank Offering Rate (LIBOR) and to receive a fixed rate of interest equal to that of the hedged instrument. Under the swap agreements the Company is to pay or receive interest monthly, quarterly, semiannually or at maturity.

At December 31, 2003, the notional amount of interest rate swaps outstanding was approximately \$318.5 million, all consisting of swaps in a receivable position. At December 31, 2002, the notional amount of interest rate swaps outstanding was approximately \$270.3 million, all consisting of swaps in a receivable position. The maturities of interest rate swaps outstanding at December 31, 2003 and 2002, in terms of notional amounts and their average pay and receive rates is discussed further in Note 14 of the Notes to Consolidated Financial Statements.

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The following tables illustrate the expected maturities and repricing, respectively, of the Bank's financial instruments at December 31, 2003. These schedules do not reflect the effects of possible prepayments or enforcement of due-on-sale clauses. The tables are based on information prepared in accordance with generally accepted accounting principles.

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Maturities

	December 31,						Total	2003 Fair Value
	2004	2005	2006	2007	2008	Thereafter		
(Dollars in thousands)								
Financial Assets:								
Interest bearing deposits	\$7,120	---	---	---	---	---	\$7,120	\$7,120
Weighted average rate	.77%	---	---	---	---	---	.77%	
Available-for-sale equity securities	\$12	---	---	---	---	\$10,604	\$10,616	\$10,616
Weighted average rate	12.79%	---	---	---	---	3.74%	3.75%	
Available-for-sale debt securities	---	\$265	---	---	---	\$248,719	\$248,984	\$248,984
Weighted average rate	---	9.01%	---	---	---	4.41%	4.42%	
Held-to-maturity securities	---	---	---	---	\$223	\$53,721	\$53,944	\$56,558
Weighted average rate	---	---	---	---	8.98%	8.26%	8.27%	
Adjustable rate loans	\$180,269	\$81,202	\$93,939	\$72,683	\$56,884	\$250,594	\$735,571	\$739,035
Weighted average rate	5.29%	5.22%	4.59%	5.42%	5.05%	4.88%	5.05%	
Fixed rate loans	\$125,749	\$43,356	\$50,288	\$45,440	\$47,227	\$68,244	\$380,304	\$383,076
Weighted average rate	5.58%	7.76%	7.73%	8.60%	7.59%	8.05%	7.17%	
Federal Home Loan Bank stock	---	---	---	---	---	\$11,785	\$11,785	\$11,785
Weighted average rate	---	---	---	---	---	3.00%	3.00%	
<b>Total financial assets</b>	<b>\$313,150</b>	<b>\$124,823</b>	<b>\$144,227</b>	<b>\$118,123</b>	<b>\$104,334</b>	<b>\$643,667</b>	<b>\$1,448,324</b>	
Financial Liabilities:								
Savings deposits	\$1,140	---	---	---	---	---	\$1,140	\$1,140
Weighted average rate	1.53%	---	---	---	---	---	1.53%	
Time deposits	\$298,774	\$67,356	\$22,336	\$9,920	\$22,147	\$250,497	\$671,030	\$673,556
Weighted average rate	2.03%	2.48%	2.36%	2.87%	1.66%	1.19%	1.77%	
Interest-bearing demand	\$342,687	---	---	---	---	---	\$342,687	\$342,687
Weighted average rate	.92%	---	---	---	---	---	.92%	
Non-interest-bearing demand	\$120,790	---	---	---	---	---	\$120,790	\$120,790
Weighted average rate	---	---	---	---	---	---	---	
Federal Home Loan Bank and short-term borrowings	\$86,282	\$3,100	\$26,318	\$3,357	\$53,453	\$103,061	\$275,571	\$287,485
Weighted average rate	1.16%	6.62%	1.32%	7.14%	1.33%	3.65%	2.28%	
<b>Total financial liabilities</b>	<b>\$849,673</b>	<b>\$70,456</b>	<b>\$48,654</b>	<b>\$13,277</b>	<b>\$75,600</b>	<b>\$353,558</b>	<b>\$1,411,218</b>	

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## Repricing

	December 31,						Total	2003 Fair Value	
	2004	2005	2006	2007	2008	Thereafter			
	(Dollars in thousands)								
<b>Financial Assets:</b>									
Interest bearing deposits	\$7,120	---	---	---	---	---	\$7,120	\$7,120	
Weighted average rate	.77%	---	---	---	---	---	.77%		
Available-for-sale equity securities	\$7,771	---	\$2,441	---	\$404	---	\$10,616	\$10,616	
Weighted average rate	2.41%	---	5.70%	---	6.44%	---	3.75%		
Available-for-sale debt securities	\$163,753	\$1,684	\$2,779	\$2,593	\$2,111	\$76,064	\$248,984	\$248,984	
Weighted average rate	4.05%	10.41%	9.04%	8.52%	5.73%	4.72%	4.42%		
Held-to-maturity securities	\$14,970	---	---	\$6,413	\$1,323	\$31,238	\$53,944	\$56,558	
Weighted average rate	5.35%	---	---	7.58%	7.13%	9.86%	8.27%		
Adjustable rate loans	\$719,063	\$3,372	\$5,496	\$2,795	\$3,885	\$960	\$735,571	\$739,035	
Weighted average rate	5.02%	7.25%	6.11%	6.41%	5.91%	5.23%	5.05%		
Fixed rate loans	\$125,749	\$43,356	\$50,288	\$45,440	\$47,227	\$68,244	\$380,304	\$383,076	
Weighted average rate	5.58%	7.76%	7.73%	8.60%	7.59%	8.05%	7.17%		
Federal Home Loan Bank stock	\$11,785	---	---	---	---	---	\$11,785	\$11,785	
Weighted average rate	3.00%	---	---	---	---	---	3.00%		
<b>Total financial assets</b>	<b>\$1,050,211</b>	<b>\$48,412</b>	<b>\$61,004</b>	<b>\$57,241</b>	<b>\$54,950</b>	<b>\$176,506</b>	<b>\$1,448,324</b>		
<b>Financial Liabilities:</b>									
Savings deposits	\$1,140	---	---	---	---	---	\$1,140	\$1,140	
Weighted average rate	1.53%	---	---	---	---	---	1.53%		
Time deposits	\$559,991	\$67,356	\$22,336	\$9,920	\$7,147	\$4,280	\$671,030	\$673,556	
Weighted average rate	1.60%	2.48%	2.36%	2.87%	2.80%	5.16%	1.77%		
Interest-bearing demand	\$342,687	---	---	---	---	---	\$342,687	\$342,687	
Weighted average rate	.92%	---	---	---	---	---	.92%		
Non-interest-bearing demand	\$120,790	---	---	---	---	---	\$120,790	\$120,790	
Weighted average rate	---	---	---	---	---	---	---		
Federal Home Loan Bank and short-term borrowings	\$255,711	\$3,100	\$1,318	\$3,357	\$3,452	\$8,633	\$275,571	\$287,485	
Weighted average rate	1.95%	6.62%	6.73%	7.14%	6.28%	6.14%	2.28%		
<b>Total financial liabilities</b>	<b>\$1,280,319</b>	<b>\$70,456</b>	<b>\$23,654</b>	<b>\$13,277</b>	<b>\$10,599</b>	<b>\$12,913</b>	<b>\$1,411,218</b>		
<b>Periodic repricing GAP</b>	<b>\$(230,108)</b>	<b>\$(22,044)</b>	<b>\$37,350</b>	<b>\$43,964</b>	<b>\$44,351</b>	<b>\$163,593</b>	<b>\$37,106</b>		
<b>Cumulative repricing GAP</b>	<b>\$(230,108)</b>	<b>\$(252,152)</b>	<b>\$(214,802)</b>	<b>\$(170,838)</b>	<b>\$(126,487)</b>	<b>\$37,106</b>			

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION****Independent Accountants' Report**

Board of Directors  
Great Southern Bancorp, Inc.  
Springfield, Missouri

We have audited the consolidated statements of financial condition of Great Southern Bancorp, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Southern Bancorp, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ **BKD, LLP**

Springfield, Missouri  
January 30, 2004

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Financial Condition**  
**December 31, 2003 and 2002**  
**(In Thousands, Except Per Share Data)**

Assets	2003	2002
Cash	\$ 67,694	\$ 55,327
Interest-bearing deposits in other financial institutions	7,120	547
	<hr/>	<hr/>
Cash and cash equivalents	74,814	55,874
Available-for-sale securities	259,600	236,269
Held-to-maturity securities	53,944	52,587
Mortgage loans held for sale	1,243	2,636
Loans receivable, net of allowance for loan losses of \$20,844 and \$21,288 at December 31, 2003 and 2002, respectively	1,092,954	995,011
Interest receivable		
Loans	5,019	5,076

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Investments	1,919	1,490
Prepaid expenses and other assets	7,689	16,452
Foreclosed assets held for sale, net	9,034	4,328
Premises and equipment, net	19,892	16,963
Federal Home Loan Bank stock	11,785	14,962
Refundable income taxes	---	990
Deferred income taxes	2,830	---
Total assets	\$1,540,723	\$1,402,638

See Notes to Consolidated Financial Statements

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## Liabilities and Stockholders' Equity

	2003	2002
<b>Liabilities</b>		
Deposits	\$1,137,427	\$1,021,957
Federal Home Loan Bank advances	204,787	206,226
Short-term borrowings	53,534	43,304
Trust preferred securities	18,263	18,964
Accrued interest payable	1,679	2,485
Advances from borrowers for taxes and insurance	202	229
Accounts payable and accrued expenses	3,944	3,697
Income taxes payable	1,339	---
Deferred income taxes	---	1,067
Total liabilities	1,421,175	1,297,929
<b>Stockholders' Equity</b>		
Capital stock		
Serial preferred stock, \$.01 par value; authorized 1,000,000 shares	---	---
Common stock, \$.01 par value; authorized 20,000,000 shares, issued 12,325,002 shares	123	123
Additional paid-in capital	17,451	17,033
Retained earnings	164,159	145,931
Accumulated other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities, net of income taxes of \$(34) and \$1,286 at December 31, 2003 and 2002	(65)	2,568
	181,668	165,655
Less treasury common stock, at cost; December 31, 2003 and 2002 -- 5,473,649 and 5,467,881 shares, respectively	62,120	60,946
Total stockholders' equity	119,548	104,709

Total liabilities and stockholders' equity \$1,540,723 \$1,402,638

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2003, 2002 and 2001**  
**(In Thousands, Except Per Share Data)**

	2003	2002	2001
<b>Interest Income</b>			
Loans	\$63,283	\$64,062	\$76,107
Investment securities and other	12,896	16,099	13,390
	76,179	80,161	89,497
<b>Interest Expense</b>			
Deposits	16,582	22,244	32,405
Federal Home Loan Bank advances	5,400	6,852	10,339
Short-term borrowings and trust preferred securities	1,182	1,241	3,163
	23,164	30,337	45,907
<b>Net Interest Income</b>	53,015	49,824	43,590
<b>Provision for Loan Losses</b>	4,800	5,800	5,200
<b>Net Interest Income After Provision for Loan Losses</b>	48,215	44,024	38,390
<b>Noninterest Income</b>			
Commissions	5,859	5,786	5,765
Service charges and ATM fees	11,214	8,430	8,352
Net gains on loan sales	2,187	1,575	1,756
Net realized gains on sales of available-for-sale securities	795	3,443	139
Other income	1,775	1,186	1,237
	21,830	20,420	17,249
<b>Noninterest Expense</b>			
Salaries and employee benefits	18,739	15,842	15,126
Net occupancy expense	6,335	5,337	4,730
Postage	1,691	1,426	1,233
Insurance	683	514	485
Advertising	735	622	686
Office supplies and printing	855	828	774
Expense on foreclosed assets	1,939	597	216
Other operating expenses	4,615	3,765	4,156
	35,592	28,931	27,406

<b>Income Before Income Taxes</b>	34,453	35,513	28,233
<b>Provision for Income Taxes</b>	11,362	12,301	9,475
<b>Net Income</b>	\$23,091	\$23,212	\$18,758
<b>Earnings Per Common Share</b>			
Basic	\$3.37	\$3.38	\$2.72
Diluted	\$3.33	\$3.34	\$2.70

See Notes to Consolidated Financial Statements

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2003, 2002 and 2001**  
(In Thousands, Except Per Share Data)

	Comprehensive Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balance, January 1, 2001</b>	\$ ---	\$123	\$17,461	\$112,177	\$ 384	\$(59,096)	\$71,049
Net income	18,758	---	---	18,758	---	---	18,758
Stock issued under Stock Option Plan	---	---	(301)	---	---	507	206
Dividends declared, \$.50 per share	---	---	---	(3,446)	---	---	(3,446)
Change in unrealized gain on available-for-sale securities, net of income taxes of \$184	326	---	---	---	326	---	326
Treasury stock purchased	---	---	---	---	---	(1,639)	(1,639)
Comprehensive income	\$19,084						
<b>Balance, December 31, 2001</b>	\$ ---	123	17,160	127,489	710	(60,228)	85,254
Net income	23,212	---	---	23,212	---	---	23,212
Stock issued under Stock Option Plan	---	---	(127)	---	---	624	497
Dividends declared, \$.70 per share	---	---	---	(4,770)	---	---	(4,770)
Change in unrealized gain on available-for-sale securities, net of income taxes of \$902	1,858	---	---	---	1,858	---	1,858
Treasury stock purchased	---	---	---	---	---	(1,342)	(1,342)
Comprehensive income	\$25,070						
<b>Balance, December 31, 2002</b>	\$ ---	123	17,033	145,931	2,568	(60,946)	104,709
Net income	23,091	---	---	23,091	---	---	23,091

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Stock issued under Stock Option Plan	---	---	418	---	---	377	795
Dividends declared, \$.71 per share	---	---	---	(4,863)	---	---	(4,863)
Change in unrealized loss on available-for-sale securities, net of income tax benefit of \$(1,327)	(2,633)	---	---	---	(2,633)	---	(2,633)
Treasury stock purchased	---	---	---	---	---	(1,551)	(1,551)
<hr/>							
Comprehensive income	\$20,458						
<hr/>							
<b>Balance, December 31, 2003</b>		\$123	\$17,451	\$164,159	\$ (65)	\$(62,120)	\$119,548
<hr/>							

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2003, 2002 and 2001**  
**(In Thousands)**

	2003	2002	2001
	<hr/>	<hr/>	<hr/>
<b>Reclassification Disclosure</b>			
Unrealized gain (loss) on available-for-sale securities, net of income taxes of \$(1,057) for December 31, 2003; \$2,073 for December 31, 2002; \$231 for December 31, 2001	\$(2,108)	\$4,130	\$418
Less reclassification adjustment for gain included in net income, net of income taxes of \$263 for December 31, 2003; \$1,171 for December 31, 2002; \$47 for December 31, 2001	525	2,272	92
	<hr/>	<hr/>	<hr/>
Change in unrealized gain (loss) on available-for-sale securities, net of income taxes	\$(2,633)	\$1,858	\$326
	<hr/>	<hr/>	<hr/>

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2003, 2002 and 2001**  
**(In Thousands)**

	2003	2002	2001
<b>Operating Activities</b>			
Net income	\$ 23,091	\$ 23,212	\$ 18,758
Proceeds from sales of loans held-for-sale	146,839	106,487	104,997
Originations of loans held-for-sale	(140,816)	(98,939)	(105,766)
Items not requiring (providing) cash			
Depreciation	2,761	2,593	2,259
Amortization	149	136	409
Provision for loan losses	4,800	5,800	5,200
Provision for losses on foreclosed assets	---	254	150
Net gains on loan sales	(2,187)	(1,575)	(1,756)
Net realized (gains) losses on available-for-sale securities	(795)	(3,443)	(139)
(Gain) loss on sale of premises and equipment	(160)	(76)	87
(Gain) loss on sale of foreclosed assets	931	(271)	(576)
Amortization of deferred income, premiums and discounts	1,546	659	(1,493)
Deferred income taxes	(2,569)	(2,654)	(1,306)
Changes in			
Interest receivable	(372)	644	1,701
Prepaid expenses and other assets	(945)	132	90
Accounts payable and accrued expenses	(900)	(3,016)	(933)
Income taxes refundable/payable	2,329	(725)	1,781
	<b>33,702</b>	<b>29,218</b>	<b>23,463</b>

See Notes to Consolidated Financial Statements

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2003, 2002 and 2001**  
**(In Thousands)**

	2003	2002	2001
<b>Investing Activities</b>			
Net change in loans	\$(52,919)	\$(29,144)	\$(48,976)
Purchase of loans	(73,897)	(31,448)	(45,990)
Proceeds from sale of student loans	9,141	10,838	11,700

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Purchase of premises and equipment	(8,676)	(6,876)	(4,956)
Proceeds from sale of premises and equipment	3,146	235	87
Proceeds from sale of foreclosed assets	8,354	4,815	5,060
Capitalized costs on foreclosed assets	(243)	31	(523)
Proceeds from maturing held-to-maturity securities	8,104	11,687	5
Purchase of held-to-maturity securities	(9,450)	(26,811)	(17,315)
Proceeds from sale of available-for-sale securities	40,703	151,265	106,292
Proceeds from maturities, calls and repayments of available-for-sale securities	119,617	90,024	161,828
Purchase of available-for-sale securities	(189,633)	(239,087)	(363,762)
(Purchase) redemption of Federal Home Loan Bank stock	3,177	---	(867)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(142,576)	(64,471)	(197,417)
	<hr/>	<hr/>	<hr/>

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**Great Southern Bancorp, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2003, 2002 and 2001**  
(In Thousands)

	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<hr/>	<hr/>	<hr/>
<b>Financing Activities</b>			
Net increase (decrease) in certificates of deposit	\$ (28,205)	\$ 36,730	\$ 117,190
Net increase in checking and savings accounts	152,533	90,905	15,452
Proceeds from Federal Home Loan Bank advances and note payable to bank	1,246,000	2,829,500	1,459,300
Repayments of Federal Home Loan Bank advances and note payable to bank	(1,247,439)	(2,882,017)	(1,450,435)
Net increase (decrease) in short-term borrowings	10,230	(14,459)	16,068
	---	---	17,250

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Proceeds from issuance of trust preferred securities			
Payment of financing costs on trust preferred securities	---	---	(924)
Advances to borrowers for taxes and insurance	(27)	(66)	(49)
Purchase of treasury stock	(1,551)	(1,342)	(1,639)
Dividends paid	(4,522)	(3,741)	(3,446)
Stock options exercised	795	497	206
	<hr/>	<hr/>	<hr/>
Net cash provided by financing activities	127,814	56,007	168,973
	<hr/>	<hr/>	<hr/>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	18,940	20,754	(4,981)
<b>Cash and Cash Equivalents, Beginning of Year</b>	55,874	35,120	40,101
	<hr/>	<hr/>	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	\$74,814	\$55,874	\$35,120
	<hr/>	<hr/>	<hr/>

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**Great Southern Bancorp, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2003, 2002 and 2001**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

*Nature of Operations*



Great Southern Bancorp, Inc. ("GSBC" or the "Company") operates as a one-bank holding company. GSBC's business primarily consists of the business of Great Southern Bank (the "Bank"), which provides a full range of financial services as well as travel, insurance and investment services through the Company's and the Bank's other wholly owned subsidiaries to customers primarily in southwest and central Missouri. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

***Use of Estimates***

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Great Southern Bancorp, Inc., its wholly owned subsidiaries, Great Southern Capital Trust I, the Bank and the Bank's wholly owned subsidiaries, Great Southern Real Estate Development Corporation, GSB One LLC (including its wholly owned subsidiary, GSB Two LLC) and Great Southern Financial Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Reclassifications***

Certain prior periods' amounts have been reclassified to conform to the 2003 financial statements presentation. These reclassifications had no effect on net income.

***Federal Home Loan Bank Stock***

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in common stock is based on a predetermined formula.

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**Great Southern Bancorp, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2003, 2002 and 2001**

***Securities***

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Held-to-maturity securities, which include any security for which the Company has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

***Mortgage Loans Held-for-sale***

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Write-downs to fair value are recognized as a charge to earnings at the time the decline in value occurs. Nonbinding forward commitments to sell individual mortgage loans are generally acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held-for-sale. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Fees received from borrowers to guarantee the funding of mortgage loans held-for-sale and fees paid to investors to ensure the ultimate sale of such mortgage loans are recognized as income or expense when the loans are sold or when it becomes evident that the commitment will not be used.

***Loans***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on nonaccrual status at ninety days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

Discounts and premiums on purchased loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

***Allowance for Loan Losses***

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify consumer and residential loans for impairment disclosures.

***Foreclosed Assets Held-for-sale***

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expense on foreclosed assets.

***Premises and Equipment***

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized using the straight-line and accelerated methods over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

***Loan Servicing and Origination Fee Income***

Loan servicing income represents fees earned for servicing real estate mortgage loans owned by various investors. The fees are generally calculated on the outstanding principal balances of the loans serviced and are recorded as income when earned. Loan origination fees, net of direct loan origination costs, are recognized as income using the level-yield method over the contractual life of the loan.

***Earnings Per Share***

Basic earnings per share is computed based on the weighted average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted average common shares and all potential dilutive common shares outstanding during the period.

Earnings per share (EPS) were computed as follows:

	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>(In Thousands, Except Per Share Data)</b>		
Net income	\$23,091	\$23,212	\$18,758
Average common shares outstanding	6,854	6,863	6,889
Average common share stock options outstanding	90	83	67

Average diluted common shares	6,944	6,946	6,956
Earnings per common share -- basic	\$3.37	\$3.38	\$2.72
Earnings per common share -- diluted	\$3.33	\$3.34	\$2.70

Options to purchase 16,600 shares of common stock were outstanding during the year ended December 31, 2002, but were not included in the computation of diluted earnings per share for that year because the options' exercise price was greater than the average market price of the common shares. There were no anti-dilutive options outstanding for the years ended December 31, 2003 and 2001.

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## Great Southern Bancorp, Inc.

### Notes to Consolidated Financial Statements December 31, 2003, 2002 and 2001

#### *Stock Option Plan*

The Company has a stock-based employee compensation plan, which is described more fully in *Note 18*. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price at least equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	Year Ended December 31,		
	2003	2002	2001
	(In Thousands, Except Per Share Amounts)		
Net income, as reported	\$23,091	\$23,212	\$18,758
Less			
Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(383)	(260)	(358)

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Pro forma net income	\$22,708	\$22,952	\$18,400
<hr/>			
Earnings per share			
Basic -- as reported	\$3.37	\$3.38	\$2.72
<hr/>			
Basic -- pro forma	\$3.31	\$3.34	\$2.67
<hr/>			
Diluted -- as reported	\$3.33	\$3.34	\$2.70
<hr/>			
Diluted -- pro forma	\$3.27	\$3.30	\$2.65
<hr/>			

***Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2003 and 2002, cash equivalents consisted of interest-bearing deposits in other financial institutions. At December 31, 2003, nearly all of the interest-bearing deposits were uninsured. Of this total, \$6,343,000 was held at the FHLBank of Des Moines.

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**Great Southern Bancorp, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2003, 2002 and 2001**

***Income Taxes***

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

***Interest Rate Swaps***

Interest rate swaps are carried at fair value determined using quoted dealer prices and are recognized in the statements of financial condition in the prepaid expenses and other assets caption. The Company uses interest rate swaps to help manage its interest rate risk from recorded financial liabilities. These instruments are utilized when they can be demonstrated to effectively hedge a designated liability and the liability exposes the Company to interest-rate risk. Amounts to be paid or received under interest-rate swaps are accounted for on the accrual basis and recognized as interest income or expense of the related liability. Gains and losses on early termination of these instruments are deferred and amortized as an adjustment to the yield on the related liability over the shorter of the remaining contract life or the maturity of the related asset or liability. If the related liability is sold or otherwise liquidated, the instrument is marked to market, with the resultant gains or losses recognized in noninterest income.





	(In Thousands)	
After one through five years	\$ 246	\$ 265
After ten years	68,683	68,272
Securities not due on a single maturity date	179,417	180,447
Equity securities	11,354	10,616
	\$259,700	\$259,600

The amortized cost and approximate fair values of securities classified as held-to-maturity are as follows:

	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In Thousands)			
States and political subdivisions and industrial revenue bonds	\$53,944	\$2,614	\$0	\$56,558

	December 31, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In Thousands)			
States and political subdivisions and industrial revenue bonds	\$52,587	\$3,313	\$0	\$55,900

The amortized cost and fair value of held-to-maturity securities at December 31, 2003, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.



**Great Southern Bancorp, Inc.****Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

	<b>Amortized Cost</b>	<b>Approximate Fair Value</b>
<b>(In Thousands)</b>		
After one through five years	\$ 223	\$ 225
After five through ten years	8,881	9,485
After ten years	44,840	46,848
	<b>\$53,944</b>	<b>\$56,558</b>

The amortized cost of securities pledged as collateral to secure public deposits and for other purposes amounted to approximately \$113,975,000 and \$40,668,000 at December 31, 2003 and 2002, respectively, with approximate fair values of \$113,908,000 and \$40,594,000, respectively. The amortized cost of securities pledged as collateral to secure collateralized borrowing accounts amounted to approximately \$69,078,000 and \$43,043,000 at December 31, 2003 and 2002, respectively, with approximate fair values of \$68,952,000 and \$43,334,000, respectively. The amortized cost of securities pledged as collateral to secure Federal Home Loan Bank advances amounted to approximately \$35,341,000 and \$109,705,000 at December 31, 2003 and 2002, respectively, with approximate fair values of \$35,195,000 and \$111,069,000, respectively.

Certain investments in debt (and marketable equity) securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2003, was approximately \$137,065,000, which is approximately 43.4% of the Company's available-for-sale and held-to-maturity investment portfolio. These declines primarily resulted from recent increase in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2003:

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Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealize Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	\$ 51,924	\$1,160	\$ ---	\$ ---	\$ 51,924	\$1,160
Mortgage-backed securities	70,294	631	955	9	71,249	640
State and political subdivisions	3,192	76	---	---	3,192	76
Equity securities	7,385	115	2,814	661	10,199	776
Corporate bonds and ABS	---	---	501	11	501	11
	<b>\$132,795</b>	<b>\$1,982</b>	<b>\$4,270</b>	<b>\$681</b>	<b>\$137,065</b>	<b>\$2,663</b>

**Note 3: Loans and Allowance for Loan Losses**

Categories of loans at December 31, 2003 and 2002, include:

	2003	2002
	<b>(In Thousands)</b>	
One-to-four family residential mortgage loans	\$ 157,747	\$169,506
Other residential mortgage loans	107,090	84,862
Commercial real estate loans	441,784	401,942
Other commercial loans	92,039	91,123
Construction loans	301,548	212,670
Installment, education and other loans	120,525	110,182
Prepaid dealer premium	2,903	2,261
Discounts on loans purchased	(13)	(37)
Undisbursed portion of loans in process	(109,004)	(55,468)
Allowance for loan losses	(20,844)	(21,288)
Deferred loan fees and gains, net	(821)	(742)
	<b>\$1,092,954</b>	<b>\$995,011</b>

**Great Southern Bancorp, Inc.****Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

Transactions in the allowance for loan losses were as follows:

	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>(In Thousands)</b>		
Balance, beginning of year	\$21,288	\$21,328	\$18,694
Provision charged to expense	4,800	5,800	5,200
Loans charged off, net of recoveries of \$2,300 for 2003, \$1,874 for 2002 and \$2,335 for 2001	(5,244)	(5,840)	(2,566)
Balance, end of year	\$20,844	\$21,288	\$21,328

The weighted average interest rate on loans receivable at December 31, 2003 and 2002, was 5.46% and 6.10%, respectively.

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of loans serviced for others were \$39,330,000 and \$36,826,000 at December 31, 2003 and 2002, respectively.

Gross impaired loans totaled approximately \$7,391,000 and \$14,521,000 at December 31, 2003 and 2002, respectively. An allowance for loan losses of \$918,000 and \$1,949,000 relates to these impaired loans at December 31, 2003 and 2002, respectively. There were no impaired loans at December 31, 2003, and two impaired loans at December 31, 2002, without a related allowance for loan losses assigned.

Interest of approximately \$304,000, \$828,000 and \$1,283,000 was received on average impaired loans of approximately \$8,716,000, \$13,101,000 and \$8,056,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Interest of approximately \$441,000, \$1,831,000 and \$1,756,000 would have been recognized on an accrual basis during the years ended December 31, 2003, 2002 and 2001, respectively.

At December 31, 2003 and 2002, accruing loans delinquent 90 days or more totaled approximately \$347,000 and \$1,024,000, respectively. Nonaccruing loans at December 31, 2003 and 2002, were approximately \$7,044,000 and \$13,497,000, respectively.

Certain of the Bank's real estate loans are pledged as collateral for borrowings as set forth in *Notes 7 and 9*.

Certain directors and executive officers of the Company and the Bank are customers of and had transactions with the Bank in the ordinary course of business. Except for the interest rates on loans secured by personal residences, in the opinion of management, all loans included in such transactions were made on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties. Generally, residential loans to all employees and directors have been granted at interest rates 1% above the Bank's cost of funds, subject to annual adjustments. At December 31, 2003 and 2002, loans outstanding to these directors and executive officers are summarized as follows:

## Great Southern Bancorp, Inc.

Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001

	December 31, 2003	December 31, 2002
	(In Thousands)	
Balance, beginning of year	\$12,389	\$10,073
New loans	9,631	6,962
Payments	(6,196)	(4,646)
Balance, end of year	\$15,824	\$12,389

**Note 4: Foreclosed Assets Held-for-sale**

Activity in the allowance for losses on foreclosed assets was as follows:

	2003	2002	2001
	(In Thousands)		
Balance, beginning of year	\$ 0	\$ 150	\$ ---
Provision charged to expense	---	---	150
Charge-offs, net of recoveries	---	(150)	---
Balance, end of year	\$ 0	\$ 0	\$150

**Note 5: Premises and Equipment**

Major classifications of premises and equipment, stated at cost, are as follows:

	December 31,	
	2003	2002
	(In Thousands)	
Land	\$ 5,793	\$ 4,728
Buildings and improvements	12,512	12,957
Furniture, fixtures and equipment	16,022	13,737
	34,327	31,422
Less accumulated depreciation	14,435	14,459
	\$19,892	\$16,963

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December 31, 2003, 2002 and 2001****Note 6: Deposits**

Deposits are summarized as follows:

	Weighted Average Interest Rate	December 31,	
		2003	2002
		(In Thousands, Except Interest Rates)	
Noninterest-bearing accounts	---	\$ 120,790	\$ 94,508
Interest-bearing checking	.92% - 1.08%	342,687	216,699
Savings accounts	1.53% - 1.23%	1,140	876
		<u>464,617</u>	<u>312,083</u>
Certificate accounts	0% - 1.99%	173,617	38,962
	2% - 2.99%	122,575	208,708
	3% - 3.99%	131,248	168,186
	4% - 4.99%	96,489	62,045
	5% - 5.99%	60,259	91,892
	6% - 6.99%	80,618	119,145
	7% and above	6,224	10,298
		<u>671,030</u>	<u>699,236</u>
Interest rate swap fair value adjustment		1,780	10,638

\$1,137,427

\$1,021,957

The weighted average interest rate on certificates of deposit was 1.77% and 2.38% at December 31, 2003 and 2002, respectively.

The aggregate amount of certificates of deposit originated by the Bank in denominations greater than \$100,000 was approximately \$96,349,000 and \$100,782,000 at December 31, 2003 and 2002, respectively. The Bank utilizes brokered deposits as an additional funding source. The aggregate amount of brokered deposits, which are primarily in denominations of \$100,000 or more, was approximately \$329,353,000 and \$339,820,000 at December 31, 2003 and 2002, respectively.

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## Great Southern Bancorp, Inc.

### Notes to Consolidated Financial Statements December 31, 2003, 2002 and 2001

At December 31, 2003, scheduled maturities of certificates of deposit are as follows (in thousands):

2004	\$298,774
2005	67,356
2006	22,336
2007	9,920
2008	22,147
Thereafter	250,497
	<hr/>
	\$671,030
	<hr/>

A summary of interest expense on deposits is as follows:

	2003	2002	2001
	<hr/>		
	(In Thousands)		
Checking accounts	\$ 3,013	\$ 2,277	\$ 2,443
Savings accounts	12	17	125
Certificate accounts	13,612	19,990	29,905
Early withdrawal penalties	(55)	(40)	(68)
	<hr/>	<hr/>	<hr/>

\$16,582                      \$22,244                      \$32,405

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**Note 7: Advances From Federal Home Loan Bank**

Advances from the Federal Home Loan Bank consist of the following:

	December 31, 2003		December 31, 2002	
Due In	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
(In Thousands, Except Interest Rates)				
2003	\$ ---	---%	\$ 81,263	1.52%
2004	32,749	1.53	25,842	2.14
2005	3,100	6.62	3,201	6.62
2006	26,318	1.32	1,426	6.73
2007	3,357	7.14	3,474	7.13
2008	53,452	1.33	3,579	6.29
2009 and thereafter	85,811	3.74	87,441	3.89
	\$204,787	2.55	\$206,226	2.90

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**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

Included in the Bank's FHLB advances is a \$25,000,000 advance with a maturity date of December 16, 2010. The interest rate on this advance is 4.75%. The advance has a call provision that allows the Federal Home Loan Bank of Des Moines to call the advance quarterly.

Included in the Bank's FHLB advances is a \$25,000,000 advance with a maturity date of January 20, 2011. The interest rate on this advance is 4.75%. The advance has a call provision that allows the Federal Home Loan Bank of Des Moines to call the advance quarterly.

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Included in the Bank's FHLB advances is a \$25,000,000 advance with a maturity date of December 18, 2006. The interest rate on this advance is 1.04%. The advance has a call provision that allows the Federal Home Loan Bank of Des Moines to call the advance on March 18, 2004, and quarterly thereafter.

Included in the Bank's FHLB advances is a \$25,000,000 advance with a maturity date of December 15, 2008. The interest rate on this advance is 0.99%. The advance has a call provision that allows the Federal Home Loan Bank of Des Moines to call the advance on March 14, 2004, and quarterly thereafter.

Included in the Bank's FHLB advances is a \$25,000,000 advance with a maturity date of December 15, 2008. The interest rate on this advance is 0.98%. The advance has a call provision that allows the Federal Home Loan Bank of Des Moines to call the advance on March 15, 2004, and quarterly thereafter.

The Bank has pledged FHLB stock, investment securities and first mortgage loans free of pledges, liens and encumbrances as collateral for outstanding advances. Investment securities with approximate carrying values of \$35,195,000 and \$111,069,000, respectively, were specifically pledged as collateral for advances at December 31, 2003 and 2002. Loans with carrying values of approximately \$539,990,000 and \$536,720,000 were pledged as collateral for outstanding advances at December 31, 2003 and 2002, respectively.

### **Note 8: Short-term Borrowings**

Short-term borrowings are summarized as follows:

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(In Thousands)</b>	
Federal funds purchased	\$ ---	\$ 4,800
Securities sold under reverse repurchase agreements	53,534	38,504
	\$53,534	\$43,304

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## **Great Southern Bancorp, Inc.**

### **Notes to Consolidated Financial Statements December 31, 2003, 2002 and 2001**

The Bank enters into sales of securities under agreements to repurchase (reverse repurchase agreements). Reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the statements of financial condition. The dollar amount of securities underlying the agreements remains in the asset accounts. Securities underlying the agreements are being held by the Bank during the agreement period. All agreements are written on a one-month or less term.

Short-term borrowings had weighted average interest rates of 0.96% and 1.08% at December 31, 2003 and 2002, respectively. Short-term borrowings averaged approximately \$51,361,000 and \$33,380,000 for the years ended December 31, 2003 and 2002,



respectively. The maximum amounts outstanding at any month end were \$66,298,000 and \$54,212,000 during those same periods.

**Note 9: Note Payable to Bank**

Previously, the Company had a line of credit with a commercial bank. The amount available under the line of credit was \$12,000,000 at December 31, 2002. There were no amounts outstanding under the line at December 31, 2002. The note bore interest at LIBOR plus 1.25% due quarterly, was secured by all of the common stock of the Bank and matured November 1, 2003. Upon maturity the Company elected to not renew the line of credit.

The Bank has a potentially available \$107,582,000 line of credit under a borrowing arrangement with the Federal Reserve Bank at December 31, 2003. The line is secured primarily by commercial loans and was not drawn upon at December 31, 2003.

**Note 10: Trust Preferred Securities**

Great Southern Capital Trust I (GSBCP), a Delaware business trust subsidiary of the Company, has 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 a 9.00% Subordinated Debenture from the Company. The Company's proceeds from the issuance of the Subordinated Debentures to GSBCP, net of underwriting fees and offering expenses, were \$16.3 million. The Company records distributions payable on the trust preferred securities as interest expense for financial reporting purposes. The proceeds from the offering were used to pay off the Company's indebtedness under the previous note payable to bank. The trust preferred securities mature in 2031 and are redeemable at the Company's option beginning in 2006. The trust preferred securities qualify as Tier I capital for regulatory purposes.

The Company entered into an interest rate swap agreement to effectively convert this fixed rate debt to variable rates of interest. The variable rate is three-month LIBOR plus 202 basis points, adjusting quarterly. The initial rate was 6.25% and the rate at December 31, 2003 and 2002, was 3.20% and 3.87%, respectively.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

Trust preferred securities are summarized as follows:

	<b>2003</b>	<b>2002</b>
	<hr/>	<hr/>
	<b>(In Thousands)</b>	
Trust preferred securities	\$17,250	\$17,250
Interest rate swap fair value adjustment	1,013	1,714
	<hr/>	<hr/>
	\$18,263	\$18,964
	<hr/>	<hr/>

**Note 11: Income Taxes**

The Company files a consolidated federal income tax return. During the time the Bank operated under a thrift charter, thrifts were allowed a percentage of otherwise taxable income as a statutory bad debt deduction, subject to limitations based on aggregate loans and savings balances. This percentage was most recently 8%. In August 1996 this statutory bad debt deduction was repealed and is no longer available for thrifts. In addition, bad debt allowances accumulated after 1988, which are presently included as a component of the net deferred tax asset, must be recaptured over a six-year period beginning with the period ended December 31, 1998. The amount of the deferred tax liability was fully recaptured by December 31, 2003.

As of December 31, 2003 and 2002, retained earnings includes approximately \$17,500,000 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 \$6,475,000 at December 31, 2003 and 2002.

The provision for income taxes includes these components:

	2003	2002	2001
	(In Thousands)		
Taxes currently payable	\$13,931	\$14,955	\$10,781
Deferred income taxes	(2,569)	(2,654)	(1,306)
Income tax expense	\$11,362	\$12,301	\$ 9,475

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

The tax effects of temporary differences related to deferred taxes shown on the statements of financial condition were:

	December 31,	
	2003	2002
	(In Thousands)	
Deferred tax assets		
Allowance for loan losses	\$ 7,295	\$ 7,451
Accrued expenses	323	231

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Partnership tax credits	214	168
Excess of cost over fair value of net assets acquired	200	187
Unrealized loss on available-for-sale securities	34	---
Write-down of foreclosed assets	235	---
Other	25	77
	8,326	8,114
Deferred tax liabilities		
Tax bad debt allowance in excess of base year allowance	---	(302)
FHLB stock dividends	(575)	(575)
Unrealized gain on available-for-sale securities	---	(1,286)
Real estate investment trust dividends	(4,921)	(7,018)
	(5,496)	(9,181)
Net deferred tax asset (liability)	\$2,830	\$(1,067)

Reconciliations of the Company's provision for income taxes to the statutory corporate tax rates are as follows:

	2003	2002	2001
Tax at statutory rate	35.0%	35.0%	35.0%
Other	(2.0)	(.4)	(1.4)
	33.0%	34.6%	33.6%

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

**Note 12: Disclosures About Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

***Cash and Cash Equivalents and Federal Home Loan Bank Stock***

The carrying amount approximates fair value.

***Securities***

Fair values for securities equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities.

***Mortgage Loans Held-for-sale***

Fair value is estimated using the quoted market prices of similar loans originated.

***Loans and Interest Receivable***

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amount of accrued interest receivable approximates its fair value.

***Deposits and Accrued Interest Payable***

The fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date, *i.e.*, their carrying amounts. The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

***Federal Home Loan Bank Advances***

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing advances.

***Short-term Borrowings***

The carrying amount approximates fair value.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

***Note Payable to Bank and Trust Preferred Securities***

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

***Commitments to Originate Loans, Letters of Credit and Lines of Credit***

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date.

**Interest Rate Swaps**

Fair values of interest rate swaps are estimated based on quoted dealer prices.

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which method involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In Thousands)				
Financial assets				
Cash and cash equivalents	\$ 74,814	\$ 74,814	\$ 55,874	\$ 55,874
Available-for-sale securities	259,600	259,600	236,269	236,269
Held-to-maturity securities	53,944	56,558	52,587	55,900
Mortgage loans held-for-sale	1,243	1,243	2,636	2,636
Loans, net of allowance for loan losses	1,092,954	1,099,190	995,011	1,002,983
Accrued interest receivable	6,938	6,938	6,566	6,566
Investment in FHLB stock	11,785	11,785	14,962	14,962
Interest rate swaps	2,794	2,794	12,353	12,353

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December 31, 2003, 2002 and 2001**

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In Thousands)				
Financial liabilities				
Deposits	\$1,137,427	\$1,138,173	1,021,957	1,028,027

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FHLB advances	204,787	214,632	206,226	217,894
Short-term borrowings	53,534	53,534	43,304	43,304
Trust preferred securities	18,263	18,263	18,964	18,964
Accrued interest payable	1,679	1,679	2,485	2,485
Unrecognized financial instruments (net of contractual value)				
Commitments to originate loans	---	---	---	---
Letters of credit	32	32	---	---
Lines of credit	---	---	---	---

**Note 13: Operating Leases**

The Company has entered into various operating leases at several of its locations. Some of the leases have renewal options.

At December 31, 2003, future minimum lease payments are as follows (in thousands):

2004	\$551
2005	369
2006	344
2007	281
2008	273
Later Years	700
	<hr/>
	\$2,518
	<hr/>

Rental expense was \$497,384, \$408,183 and \$413,568 for the years ended December 31, 2003, 2002 and 2001, respectively.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

**Note 14: Interest Rate Swaps**

The Company has entered into interest rate swap agreements with the objective of hedging against the effects of changes in the fair value of its liabilities for fixed rate brokered certificates of deposit and trust preferred securities caused by changes in market interest rates. The swap agreements generally provide for the Company to pay a variable rate of interest based on a spread to the one-month or

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three-month London Interbank Offering Rate (LIBOR) and to receive a fixed rate of interest equal to that of the hedged instrument. Under the swap agreements the Company is to pay or receive interest monthly, quarterly, semiannually or at maturity.

At December 31, 2003, the notional amount of interest rate swaps outstanding was approximately \$318,499,000, all consisting of swaps in a receivable position. At December 31, 2002, the notional amount of interest rate swaps outstanding was approximately \$270,308,000, all consisting of swaps in a receivable position. The maturities of interest rate swaps outstanding at December 31, 2003 and 2002, in terms of notional amounts and their average pay and receive rates were as follows:

	Fixed to Variable	2003 Average Pay Rate	Average Receive Rate	Fixed to Variable	2002 Average Pay Rate	Average Receive Rate
(In Millions)						
<b>Interest Rate Swaps</b>						
Expected Maturity Date						
2003	\$ ---	---%	---%	\$36.0	.73%	5.52%
2004	7.0	.94	6.57	7.0	1.23	6.57
2005	15.5	.60	6.20	15.5	.89	6.20
2006	10.0	1.16	5.30	10.0	1.42	5.30
2007	5.0	1.13	2.75	10.0	1.36	3.50
2008	17.6	.96	3.60	27.6	1.28	3.85
2009	35.0	1.14	3.71	19.8	1.55	5.50
2010	19.9	1.12	3.13	---	---	---
2011	37.4	1.11	4.38	22.5	1.54	5.69
2012	9.9	1.15	5.51	10.0	1.40	5.50
2013	39.8	1.09	4.07	---	---	---
2015	10.0	1.11	4.25	---	---	---
2016	29.6	1.20	6.18	39.8	1.56	6.14
2017	39.9	1.10	4.78	54.9	1.40	4.70
2018	15.0	1.08	4.67	---	---	---
2023	9.7	1.14	5.10	---	---	---
2031	17.2	3.20	9.00	17.2	3.87	9.00
	\$318.5	1.20	4.82	\$270.3	1.47	5.49

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

**Note 15: Commitments and Credit Risk**

*Commitments to Originate Loans*

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a significant portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, commercial real estate and residential real estate.

At December 31, 2003 and 2002, the Bank had outstanding commitments to originate loans and fund commercial construction aggregating approximately \$20,988,000 and \$4,721,000, respectively. The commitments extend over varying periods of time with the majority being disbursed within a 30- to 180-day period.

Mortgage loans in the process of origination represent amounts that the Bank plans to fund within a normal period of 60 to 90 days, many of which are intended for sale to investors in the secondary market. Total mortgage loans in the process of origination amounted to approximately \$2,340,000 and \$4,065,000, at December 31, 2003 and 2002, respectively.

*Letters of Credit*

Standby letters of credit are irrevocable conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit issued after December 31, 2002, are initially recorded by the Bank as deferred revenue and are included in earnings at the termination of the respective agreements. Should the Bank be obligated to perform under the standby letters of credit, the Bank may seek recourse from the customer for reimbursement of amounts paid.

The Company had total outstanding standby letters of credit amounting to approximately \$16,009,000 and \$15,711,000, at December 31, 2003 and 2002, respectively, with \$9,398,000 and \$8,282,000, respectively, of the letters of credit having terms up to five years. The remaining \$6,611,000 and \$7,429,000 at December 31, 2003 and 2002, respectively, consisted of an outstanding letter of credit to guarantee the payment of principal and interest on a Multifamily Housing Refunding Revenue Bond Issue.

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
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*Lines of Credit*



Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, commercial real estate and residential real estate. The Bank uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At December 31, 2003, the Bank had granted unused lines of credit to borrowers aggregating approximately \$141,850,000 and \$26,677,000 for commercial lines and open-end consumer lines, respectively. At December 31, 2002, the Bank had granted unused lines of credit to borrowers aggregating approximately \$95,393,000 and \$19,910,000 for commercial lines and open-end consumer lines, respectively.

**Credit Risk**

The Bank grants collateralized commercial, real estate and consumer loans primarily to customers in the southwest and central portions of Missouri. Although the Bank has a diversified portfolio, loans aggregating approximately \$162,870,000 and \$162,103,000 at December 31, 2003 and 2002, respectively, are secured by motels, restaurants, recreational facilities, other commercial properties and residential mortgages in the Branson, Missouri, area. Residential mortgages account for approximately \$59,601,000 and \$63,890,000 of this total at December 31, 2003 and 2002, respectively.

**Note 16: Additional Cash Flow Information**

	2003	2002	2001
	(In Thousands)		
<b>Noncash Investing and Financing Activities</b>			
Real estate acquired in settlement of loans	\$16,868	\$7,392	\$6,959
Sale and financing of foreclosed assets	\$3,120	\$1,292	\$2,479
Dividends declared but not paid	\$1,369	\$1,029	---
<b>Additional Cash Payment Information</b>			
Interest paid	\$23,969	\$33,038	\$46,839
Income taxes paid	\$11,560	\$15,676	\$9,000

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

**Note 17: Employee Benefits**

The Company participates in a multi-employer defined benefit plan covering all employees who have met minimum service requirements. The Company's policy is to fund pension cost accrued. Employer contributions charged to expense for the years ended December 31, 2003, 2002 and 2001, were approximately \$467,000, \$246,000 and \$230,000, respectively. As a member of a multi-employer pension plan, disclosures of plan assets and liabilities for individual employers are not required or practicable.

The Company has a defined contribution pension plan covering substantially all employees. The Company matches 100% of the employee's contribution on the first 3% of the employee's compensation, and also matches 50% of the employee's contribution on the next 2% of the employee's compensation. Employer contributions charged to expense for the years ended December 31, 2003, 2002 and 2001, were approximately \$290,000, \$255,000 and \$313,000, respectively.

**Note 18: Stock Option Plan**

The Company established the 1989 Stock Option and Incentive Plan for employees and directors of the Company and its subsidiaries. Under the plan, stock options or awards may be granted with respect to 1,232,496 shares of common stock. This plan has terminated; therefore, no new stock options or awards may be granted under this plan. At December 31, 2003, there are 19,539 options outstanding under this plan.

The Company established the 1997 Stock Option and Incentive Plan for employees and directors of the Company and its subsidiaries. Under the plan, stock options or awards may be granted with respect to 800,000 shares of common stock. This plan has terminated; therefore, no new stock options or awards may be granted under this plan. At December 31, 2003, there are 168,028 options outstanding under this plan.

In addition, the Board of Directors of the Company established the 2003 Stock Option and Incentive Plan for employees and directors of the Company and its subsidiaries. Under the plan, stock options or awards may be granted with respect to 598,224 shares of common stock. At December 31, 2003, there are 101,475 options outstanding under the plan.

Stock options may be either incentive stock options or nonqualified stock options, and the option price must be at least equal to the fair value of the Company's common stock on the date of grant. Options are granted for a 10-year term and become exercisable in four cumulative annual installments of 25% commencing two years from the date of grant. The Stock Option Committee may accelerate a participant's right to purchase shares under the plan.

Stock awards may be granted to key officers and employees upon terms and conditions determined solely at the discretion of the Stock Option Committee.

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**Notes to Consolidated Financial Statements**  
**December 31, 2003, 2002 and 2001**

The table below summarizes transactions under the Company's stock option plans:

	Available to Grant	Shares Under Option	Weighted Average Exercise Price
Balance, January 1, 2001	751,829	234,558	\$ 16.510
Granted	(62,075)	62,075	26.291
Exercised	---	(54,932)	(16.052)
Forfeited	15,849	(15,849)	(20.134)

Balance, December 31, 2001	705,603	225,852	21.480
Granted	(67,050)	67,050	37.231
Exercised	---	(45,827)	(18.414)
Forfeited	16,465	(16,465)	(24.386)
Balance, December 31, 2002	655,018	230,610	26.462
Granted	(104,175)	104,175	40.491
Exercised	---	(33,508)	(21.218)
Forfeited from terminated plan(s)	---	(9,735)	(28.680)
Forfeited from current plan(s)	2,500	(2,500)	(40.468)
Termination of shares available to grant under prior plan(s)	(654,818)	---	---
Shares available to grant authorized under 2003 stock option plan	598,224	---	---
Balance, December 31, 2003	496,749	289,042	\$ 31.930

The fair value of each option granted is estimated on the date of the grant using the Black Scholes pricing model with the following assumptions:

	December 31, 2003	December 31, 2002	December 31, 2001
Dividends per share	\$0.72	\$0.56	\$0.50
Risk-free interest rate	3.07%	2.93%	3.91%
Expected life of options	5 years	5 years	5 years
Weighted average fair value of options granted during year	\$9.01	\$9.83	\$19.57

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**Notes to Consolidated Financial Statements  
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The following table further summarizes information about stock options outstanding at December 31, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.938 to \$18.188	41,702	4.90 years	\$16.255	21,162	\$16.157
\$21.500 to \$28.375	84,765	5.40 years	\$25.510	43,735	\$25.166
\$35.800 to \$44.950	162,575	8.88 years	\$39.299	3,750	\$40.020

### Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnotes on deposits and on commitments and credit risk.

### Note 20: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct and material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I Capital (as defined) to adjusted tangible assets (as defined). Management believes, as of December 31, 2003, that the Bank meets all capital adequacy requirements to which it is subject.

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## Great Southern Bancorp, Inc.

### Notes to Consolidated Financial Statements December 31, 2003, 2002 and 2001

As of December 31, 2003, the most recent notification from the Bank's regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total

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risk-based, Tier I risk-based and Tier 1 leverage capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios are presented in the following table. No amount was deducted from capital for interest-rate risk.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(In Thousands)						
As of December 31, 2003						
Total Risk-Based Capital						
Great Southern Bancorp, Inc.	\$151,457	12.3%	≥\$98,451	≥ 8.0%	N/A	N/A
Great Southern Bank	\$148,719	12.1%	≥\$98,164	≥ 8.0%	≥\$122,705	≥ 10.0%
Tier I Risk-Based Capital						
Great Southern Bancorp, Inc.	\$136,007	11.1%	≥\$49,225	≥ 4.0%	N/A	N/A
Great Southern Bank	\$133,313	10.9%	≥\$49,082	≥ 4.0%	≥\$73,623	≥ 6.0%
Tier 1 Leverage Capital						
Great Southern Bancorp, Inc.	\$136,007	9.0%	≥\$60,157	≥ 4.0%	N/A	N/A
Great Southern Bank	\$133,313	8.9%	≥\$60,059	≥ 4.0%	≥\$75,074	≥ 5.0%
As of December 31, 2002						
Total Risk-Based Capital						
Great Southern Bancorp, Inc.	\$133,209	12.1%	≥\$87,840	≥ 8.0%	N/A	N/A
Great Southern Bank	\$127,343	11.6%	≥\$87,986	≥ 8.0%	≥\$109,983	≥ 10.0%
Tier I Risk-Based Capital						
Great Southern Bancorp, Inc.	\$119,391	10.9%	≥\$43,920	≥ 4.0%	N/A	N/A
Great Southern Bank	\$113,502	10.3%	≥\$43,993	≥ 4.0%	≥\$65,990	≥ 6.0%
Tier 1 Leverage Capital						
Great Southern Bancorp, Inc.	\$119,391	8.6%	≥\$55,360	≥ 4.0%	N/A	N/A
Great Southern Bank	\$113,502	8.2%	≥\$55,246	≥ 4.0%	≥\$69,058	≥ 5.0%

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

The Company and the Bank are subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2003 and 2002, the Company and the Bank exceeded their minimum capital requirements. The entities may not pay dividends which would reduce capital below the minimum requirements shown above.

**Note 21: Summary of Unaudited Quarterly Operating Results**

Following is a summary of unaudited quarterly operating results for the years 2003, 2002 and 2001:

	<b>2003</b>			
	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>(In Thousands, Except Per Share Data)</b>			
Interest income	\$18,577	\$18,791	\$19,068	\$19,742
Interest expense	6,245	5,906	5,503	5,509
Provision for loan losses	1,200	1,200	1,200	1,200
Net realized gains (losses) on available-for-sale securities	114	---	471	210
Net income	5,458	5,811	6,191	5,631
Earnings per common share -- diluted	.79	.84	.90	.81
	<b>2002</b>			
	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>(In Thousands, Except Per Share Data)</b>			
Interest income	\$19,781	\$20,153	\$20,513	\$19,714
Interest expense	8,110	7,633	7,476	7,118
Provision for loan losses	1,350	1,650	1,300	1,500
Net realized gains (losses) on available-for-sale securities	595	2,229	621	(2)
Net income	5,402	6,534	5,919	5,357
Earnings per common share -- diluted	.78	.94	.85	.77
	<b>2001</b>			
	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>(In Thousands, Except Per Share Data)</b>			
Interest income	\$24,842	\$22,096	\$22,127	\$20,432
Interest expense	13,571	12,408	10,504	9,410
Provision for loan losses	1,650	1,050	1,050	1,450
Net realized gains (losses) on available-for-sale securities	---	268	99	(228)
Net income	4,727	4,532	4,850	4,649
Earnings per common share -- diluted	.67	.65	.70	.68

NEXT PAGE**Great Southern Bancorp, Inc.****Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001****Note 22: Operating Segments**

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

The following table provides information about segment profits and segment assets and has been prepared using the same accounting policies as those described in the summary of significant accounting policies in *Note 1*. There are no material intersegment revenues. Thus, no reconciliations to amounts reported in the consolidated financial statements are necessary. Revenue from segments below the reportable segment threshold is attributable to three operating segments of the Company. These segments include an insurance agency, a travel agency and discount brokerage services.

	Year Ended December 31, 2003		
	Banking	All Other	Totals
	(In Thousands)		
Interest income	\$76,171	\$8	\$76,179
Interest expense	\$23,164	---	\$23,164
Depreciation and amortization	\$2,808	\$102	\$2,910
Provision for income taxes	\$11,221	\$141	\$11,362
Segment profit	\$22,809	\$282	\$23,091
Segment assets	\$1,537,776	\$2,947	\$1,540,723
Expenditures for additions to premises and equipment	\$8,659	\$17	\$8,676
	Year Ended December 31, 2002		
	Banking	All Other	Totals
	(In Thousands)		
Interest income	\$80,117	\$44	\$80,161
Interest expense	\$30,337	---	\$30,337
Depreciation and amortization	\$2,607	\$122	\$2,729
Provision for income taxes	\$12,105	\$196	\$12,301

Segment profit	\$22,840	\$372	\$23,212
Segment assets	\$1,398,930	\$3,708	\$1,402,638
Expenditures for additions to premises and equipment	\$6,791	\$85	\$6,876

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NEXT PAGE**Great Southern Bancorp, Inc.****Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

	Year Ended December 31, 2001		Totals
	Banking	All Other	
	(In Thousands)		
Interest income	\$89,425	\$72	\$89,497
Interest expense	\$45,907	---	\$45,907
Depreciation and amortization	\$2,246	\$422	\$2,668
Provision for income taxes	\$9,570	\$(95)	\$9,475
Segment profit	\$18,924	\$(166)	\$18,758
Segment assets	\$1,319,989	\$3,114	\$1,323,103
Expenditures for additions to premises and equipment	\$4,781	\$175	\$4,956

**Note 23: Condensed Parent Company Statements**

The condensed balance sheets at December 31, 2003 and 2002, and statements of income and cash flows for the years ended December 31, 2003, 2002 and 2001, for the parent company, Great Southern Bancorp, Inc., are as follows:

	December 31,	
	2003	2002
	(In Thousands)	
<b>Balance Sheets</b>		
Assets		
Cash	\$ 1,918	\$ 5,410
Available-for-sale securities	---	285
Investment in subsidiary bank	134,104	116,134



Income taxes receivable	5	101
Premises and equipment	160	179
Prepaid expenses	846	878
Other assets	2,833	2,393
	<hr/>	<hr/>
	\$139,866	\$125,380
	<hr/>	<hr/>

**Liabilities and Stockholders' Equity**

Accounts payable and accrued expenses	\$ 1,908	\$ 1,696
Trust preferred debentures	18,263	18,964
Income taxes payable	147	---
Deferred income taxes	---	11
Common stock	123	123
Additional paid-in capital	17,451	17,033
Retained earnings	164,159	145,931
Unrealized gain (loss) on available-for-sale securities, net	(65)	2,568
Treasury stock, at cost	(62,120)	(60,946)
	<hr/>	<hr/>
	\$139,866	\$125,380
	<hr/>	<hr/>

NEXT PAGE**Great Southern Bancorp, Inc.****Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

	<hr/> 2003	<hr/> 2002	<hr/> 2001
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(In Thousands)

**Statements of Income**

Income			
Dividends from subsidiary bank	\$ 3,000	\$ 500	\$ 7,300
Interest and dividend income	4	178	348

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Net realized gains on sales of available-for-sale securities	233	2,240	29
	<hr/>	<hr/>	<hr/>
	3,237	2,918	7,677
	<hr/>	<hr/>	<hr/>
Expense			
Operating expenses	450	485	370
Interest expense	594	718	1,146
	<hr/>	<hr/>	<hr/>
	1,044	1,203	1,516
	<hr/>	<hr/>	<hr/>
Income before income tax and equity in undistributed earnings of subsidiaries	2,193	1,715	6,161
Provision (credit) for income taxes	(316)	431	(398)
	<hr/>	<hr/>	<hr/>
Income before equity in earnings of subsidiaries	2,509	1,284	6,559
Equity in undistributed earnings of subsidiaries	20,582	21,928	12,199
	<hr/>	<hr/>	<hr/>
	\$23,091	\$23,212	\$18,758
	<hr/>	<hr/>	<hr/>

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**Great Southern Bancorp, Inc.**

**Notes to Consolidated Financial Statements  
December 31, 2003, 2002 and 2001**

	2003	2002	2001
	<hr/>	<hr/>	<hr/>
	(In Thousands)		
<b>Statements of Cash Flows</b>			
<b>Operating Activities</b>			
Net income	\$ 23,091	\$ 23,212	\$ 18,758

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Items not requiring (providing) cash			
Equity in undistributed earnings of subsidiary	(20,582)	(21,928)	(12,199)
Depreciation	19	16	2
Amortization	31	40	34
Net realized (gains) losses on sales of available-for-sale securities	(233)	(2,240)	(29)
Changes in			
Prepaid expenses and other assets	1	(4)	(942)
Accounts receivable	(1,141)	---	---
Accounts payable and accrued expenses	(129)	127	496
Income taxes	243	434	(398)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	1,300	(343)	5,722
	<hr/>	<hr/>	<hr/>
<b>Investing Activities</b>			
Purchase of fixed assets	---	(65)	---
Proceeds from sale of available-for-sale securities	486	9,963	129
Other investments	---	(50)	---
Investment in subsidiary	---	---	(534)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) investing activities	486	9,848	(405)
	<hr/>	<hr/>	<hr/>
<b>Financing Activities</b>			
Proceeds from issuance of trust preferred securities	---	---	17,250
Net decrease in short-term borrowings	---	---	(17,841)
Dividends paid	(4,522)	(3,741)	(3,446)
Stock options exercised	795	497	206
Treasury stock purchased	(1,551)	(1,342)	(1,639)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(5,278)	(4,586)	(5,470)
	<hr/>	<hr/>	<hr/>
<b>Increase (Decrease) in Cash</b>	(3,492)	4,919	(153)
	<hr/>	<hr/>	<hr/>
<b>Cash, Beginning of Year</b>	5,410	491	644
	<hr/>	<hr/>	<hr/>
<b>Cash, End of Year</b>	\$ 1,918	\$ 5,410	\$ 491
	<hr/>	<hr/>	<hr/>
<b>Additional Cash Payment Information</b>			
Interest paid	\$ 597	\$ 720	\$ 1,186

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

An evaluation of our disclosure controls and procedures (as defined in Section 13(a)-14(c) of the Securities Exchange Act of 1934 (the "Exchange Act")) was carried out as of December 31, 2003 under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2003, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) accumulated and communicated to our management (including our Chief Executive Officer and Principal Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

We intend to continually review and evaluate the design and effectiveness of our disclosure controls and procedures and to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to modify our disclosure controls and procedures.

During the quarter ended December 31, 2003, no change occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

(a) Directors of the Registrant

**Nominees to Serve a Three-Year Term Expiring at the 2007 Annual Meeting**

William V. Turner, age 71, has served as the Chairman of the Board of Great Southern since 1974, Chief Executive Officer of Great Southern from 1974 to 2000, and President of Great Southern from 1974 to 1997. Mr. W. Turner has served in similar capacities with Bancorp since its incorporation in 1989. Mr. W. Turner has also served as Chairman of the Board and President of Great Southern Financial Corporation (a subsidiary of Great Southern) since its incorporation in 1974. Mr. W. Turner is the father of Joseph W. Turner, who is a Director and the Chief Executive Officer and President of Bancorp and Great Southern. Mr. W. Turner is also the father of Julie T. Brown, who is a Director of Bancorp and Great Southern.

Julie T. Brown, age 42, was first appointed a Director of Great Southern and Bancorp in 2002. Ms. Brown is an attorney and shareholder with the Springfield, Missouri law firm of Carnahan, Evans, Cantwell and Brown, P.C. having joined the firm in February 1996. Carnahan, Evans, Cantwell and Brown, P.C. represents both Great Southern and Bancorp in corporate matters. Ms. Brown is active in local civic affairs, serving on the Boards of the Community Foundation of the Ozarks, and the Discovery Center of Springfield, among others. Ms. Brown is the daughter of William V. Turner, who is a Director and the Chairman of the Board of Bancorp and Great Southern, and the sister of Joseph W. Turner, who is a Director and the Chief Executive Officer and President of Bancorp and Great Southern.

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Earl A. Steinert, Jr., age 67, was first appointed a Director of Great Southern and Bancorp in 2004. Mr. Steinert has been a practicing Certified Public Accountant since 1962. He is co-owner of EAS Investment Enterprises Inc., which owns and operates two Hampton Inns and a Hampton Inn and Suites in Springfield, Missouri. He is also managing general partner/owner of Mid American Real Estate Partners, which owns and operates apartments. Mr. Steinert is a member of the American Institute of Certified Public Accountants and Missouri Society of CPAs. None of these entities are affiliated with Bancorp.

## Information with Respect to the Continuing Directors

In addition to the nominees proposed to serve on the Bancorp Board of Directors, the following individuals are also members of the Bancorp Board, for a term ending on the date of the annual meeting of stockholders in the year indicated. The principal occupation and business experience for the last five years and certain other information with respect to each continuing director of Bancorp is set forth below. The information concerning the continuing directors has been furnished by them to Bancorp.

**Directors Serving a Three-Year Term Expiring at the 2005 Annual Meeting**

William E. Barclay, age 74, was first elected a Director of Great Southern in 1975 and of Bancorp in 1989. Mr. Barclay is the founder and has served as President and/or Chairman of Auto-Magic Full Service Car Washes in Springfield, Missouri since 1962. Mr. Barclay also founded Barclay Love Oil Company in Springfield, Missouri in 1964, founded a chain of Ye Ole Buggy Bath Self-Service Car Washes in Springfield, Missouri in 1978 and opened a Jiffy Lube franchise in Springfield, Missouri in 1987. None of these entities are affiliated with Bancorp.

Larry D. Frazier, age 66, was first elected a Director of Great Southern and of Bancorp in May 1992. Mr. Frazier was elected a Director of Great Southern Financial Corporation (a subsidiary of Great Southern) in 1976, where he served until his election as Director of Great Southern and Bancorp. Mr. Frazier is retired from White River Valley Electric Cooperative in Branson, Missouri, where he served as Chief Executive Officer from 1975 to 1998. Mr. Frazier also has served as President of Rural Missouri Cable T.V., Inc. since 1979. These entities are not affiliated with Bancorp.

**Directors Serving a Three-Year Term Expiring at the 2006 Annual Meeting**

Thomas J. Carlson, age 51, was first appointed a Director of Bancorp in January 2001. He is the co-owner of Carlson Gardner, Inc., a real estate development company that has been in business since 1993. He co-owns and is a member of Missouri Equity Partners, L.L.C. and Mid America Property Management, L.L.C. He is the President and Chief Executive Officer of Pointe Royale Development, Inc., a real estate development company. Mr. Carlson serves on the Board of Directors of ITEC Attractions, Inc., which owns the IMAX Theater in Branson, Missouri. Mr. Carlson, an attorney, is active in local political and civic affairs. He was a member of the Springfield City Council from 1983 to 1985, serving as Mayor Pro Tem from 1985 to 1987. He was Mayor of the City of Springfield from 1987 to 1993. Thereafter, he served on the Springfield-Branson Regional Airport Board. In 1997, he was again re-elected to the Springfield City Council. In 2001, he was again elected Mayor of the City of Springfield, a position he continues to hold. None of these entities are affiliated with Bancorp.

Joseph W. Turner, age 39, joined Great Southern in 1991 and became an officer of Bancorp in 1995. Mr. J. Turner became a Director in 1997 and currently serves as President and Chief Executive Officer of Bancorp and Great Southern. Prior to joining Great Southern, Mr. J. Turner was an attorney with the Kansas City, Missouri law firm of Stinson, Mag and Fizzell. Mr. J. Turner is the son of William V. Turner, who is a Director and the Chairman of the Board of Bancorp and Great Southern. Mr. J. Turner is the brother of Julie T. Brown, who is a Director of Bancorp and Great Southern.

(b) Executive Officers of the Registrant

Included under Part I of this Form 10-K.

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(c) Audit Committee Membership

The Audit Committee of Bancorp's Board of Directors consists of Directors Barclay, Carlson, Frazier and Steinert. The Board of Directors has determined that Mr. Steinert is an "audit committee financial expert," as defined in the rules of the Securities and Exchange Commission (the "SEC"), and that Mr. Steinert is "independent," as independence is defined for audit committee members in the listing standards of the Nasdaq Stock Market.

(d) Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires Bancorp's directors, its executive officers and persons who own more than ten percent of the Common Stock, to file reports detailing their ownership and changes of ownership in the Common Stock with the SEC and to furnish Bancorp with copies of all such ownership reports. Based solely on Bancorp's review of the copies of the ownership reports furnished to Bancorp, and written representations relative to the filing of certain forms, Bancorp is aware of one late filing for William V. Turner for one transaction in June 2003; two late filings for Joseph W. Turner for one transaction in April 2003 and one transaction in December 2003; three late filings for Julie T. Brown for one transaction in August 2003, one transaction in April 2003 and one transaction in January 2003; one late filing for Steven G. Mitchem for one transaction in April 2003; one late filing for Larry A. Larimore for one transaction in April 2003; one late filing for Douglas W. Marrs for one transaction in April 2003; one late filing for Larry D. Frazier for one transaction in August 2003; one late filing for Thomas J. Carlson for one transaction in August 2003; and one late filing for William E. Barclay for one transaction in August 2003.

(e) Code of Ethics

On February 18, 2004, Bancorp adopted a revised written Code of Ethics based upon the standards set forth under Item 406 of the SEC's Regulation S-K. The Code of Ethics applies to all of Bancorp's directors, officers and employees. A copy of the Bancorp's Code of Ethics is being filed with the SEC as Exhibit 14 to this Annual Report on Form 10-K.

NEXT PAGE**ITEM 11. EXECUTIVE COMPENSATION.**

## Summary Compensation Table

The following table sets forth information concerning the compensation of William V. Turner, the Chairman of the Board; Joseph W. Turner, the President and Chief Executive Officer; Rex A. Copeland, the Treasurer; and Steven G. Mitchem, the Chief Lending Officer of Great Southern Bank. No other executive officer earned a salary and bonus in excess of \$100,000 for fiscal 2003.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation \$( <sup>2</sup> )
		Salary \$( <sup>1</sup> )	Bonus (\$)	Options (#)	
William V. Turner Chairman of the Board	Fiscal 2003	218,530	172,268	8,000	119,927
	Fiscal 2002	239,071	176,731	7,500	117,039
	Fiscal 2001	232,329	140,308	7,500	113,717
Joseph W. Turner Chief Executive Officer and President	Fiscal 2003	201,934	172,268	8,000	10,932
	Fiscal 2002	198,938	176,731	7,500	9,657
	Fiscal 2001	188,370	140,308	7,500	13,751
Rex A. Copeland Treasurer	Fiscal 2003	130,667	14,410	3,500	6,068
	Fiscal 2002	122,500	13,530	3,000	5,696
	Fiscal 2001	110,750	12,210	3,000	497
Steven G. Mitchem Chief Lending Officer	Fiscal 2003	115,798	12,766	3,500	5,425
	Fiscal 2002	109,792	12,100	3,000	5,145
	Fiscal 2001	104,583	11,550	3,000	4,292

<sup>(1)</sup> Includes directors' fees for Mr. W. Turner of \$36,000, \$36,000 and \$32,100 for fiscal 2003, fiscal 2002 and fiscal 2001, respectively; and for Mr. J. Turner of \$24,000, \$24,000 and \$19,500 for fiscal 2003, fiscal 2002 and fiscal 2001, respectively.

<sup>(2)</sup> Fiscal 2003 includes: (a) company matching contributions to Bancorp's 401(k) plan (Mr. W. Turner - \$8,000, Mr. J. Turner - \$8,000, Mr. R. Copeland - \$5,789 and Mr. S. Mitchem - \$5,146), (b) term life insurance premiums paid by Great Southern for the benefit of Mr. W. Turner - \$279, Mr. J. Turner - \$279, Mr. R. Copeland - \$279 and Mr. S. Mitchem - \$279, (c) compensation under applicable Internal Revenue Service regulations for personal use of Great Southern's aircraft by Mr. W. Turner - \$3,162 and Mr. J. Turner - \$2,653 and (d)

annual benefit payments under Bancorp's pension plan to Mr. W. Turner - \$108,486.

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Option Grants During the Fiscal Year Ended December 31, 2003

The following table sets forth options to acquire shares of Common Stock which were granted during fiscal 2003 to the executive officers named in the Summary Compensation Table.

OPTIONS GRANTS IN FISCAL 2003

Individual Grants

Name	Number of Securities Underlying Options Granted (#) <sup>(1)</sup>	% of Total Options Granted to All Employees in Fiscal 2003	Exercise or Base Price (\$ per share)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term	
					5% (\$)	10% (\$)
William V. Turner	8,000	7.7%	\$40.24	9-25-2013	\$202,454	\$513,058
Joseph W. Turner	8,000	7.7	40.24	9-25-2013	202,454	513,058
Rex A. Copeland	3,500	3.4	40.24	9-25-2013	88,574	224,463
Steven G. Mitchem	3,500	3.4	40.24	9-25-2013	88,574	224,463

<sup>(1)</sup> Options for William V. Turner, Joseph W. Turner, Rex A. Copeland and Steven G. Mitchem vest 25% per year after a two year holding period beginning on the date of grant (September 25, 2003), and must be exercised within 10 years of the grant.

Option Exercises and Fiscal Year-End Values

The following table sets forth all stock options exercised by the named executives during fiscal 2003 and the number and value of unexercised options held by such executive officers at December 31, 2003.

Name	Shares Acquired on Exercise (#)	Value Realized (\$) <sup>(1)</sup>	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$) <sup>(2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
William V. Turner	3,750	\$72,276	9,375	19,250	\$187,920	\$206,507
Joseph W. Turner	5,000	68,613	16,250	19,250	353,381	206,507



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Rex A. Copeland	1,250	22,229	1,270	12,290	31,305	200,015
Steven G. Mitchem	---	---	2,900	10,300	72,625	142,668

(1) Value realized is calculated based on the difference between the option exercise price and the closing market price of the Common Stock on the date of exercise multiplied by the number of shares to which the exercise relates.

(2) The value of unexercised options was calculated at a per share price of \$46.37, based on the closing price of the Common Stock as reported on the Nasdaq National Market System on December 31, 2003, less the exercise price per share.

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### Employment Agreements

William V. Turner and Joseph W. Turner (the "Employees") have entered into employment agreements with Great Southern (the "Employment Agreements"). The Employment Agreements provide for an annual base salary in an amount not less than the Employee's then-current salary and an initial term of five years with respect to Mr. W. Turner, and five years with respect to Mr. J. Turner. The Employment Agreements provide for an extension of one year, in addition to the then-remaining term, on each anniversary of the effective date of the agreements subject to the Board's discretion. The Employment Agreements provide that Great Southern may terminate the employment of either of the Employees for "cause," as defined in the Employment Agreements, at any time. The Employment Agreements also provide that in the event Great Southern chooses to terminate the employment of either of the Employees for reasons other than for cause, or in the event either of the Employees resigns from Great Southern upon the failure of the Great Southern Board of Directors to reelect the Employee to his current office or upon a material lessening of his functions, duties or responsibilities, the employee would be entitled to the payments owed for the remaining term of the agreement. If the employment of either of the Employees is terminated in connection with or within 12 months of a "change in control" of Great Southern or Bancorp, each of the Employees would be entitled to (i) a lump sum payment equal to 299% of the Employee's base amount of compensation as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended, and (ii) continued payment of his salary under the applicable Employment Agreement for the term of the agreement. If Messrs. W. Turner and J. Turner had been entitled to the lump sum payments described in clause (i) of the preceding sentence as of December 31, 2003, the payments would have amounted to \$1,231,672 and \$887,973, respectively.

### Directors' Compensation

Directors of Bancorp receive a monthly fee of \$500, which is the only compensation paid to directors by Bancorp. Directors of Great Southern receive a monthly fee of \$1,500, except for William V. Turner, the Chairman of the Board of Directors, who receives a monthly fee of \$1,900. The director of Great Southern Financial Corporation, who is William V. Turner, receives a monthly fee of \$600 for his service on that board. The directors of Bancorp and its subsidiaries are not paid any fees for committee service and are not reimbursed for their costs in attending the Board of Directors or any committee meetings.

### Benefits

*Pension Plan.* Great Southern's employees are included in the Pentegra Retirement Fund, a multiple employer comprehensive pension plan. This noncontributory defined benefit retirement plan covers all employees who have met minimum service requirements.

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The following table illustrates annual pension benefits payable upon retirement, subject to limits established by federal law, based on various levels of compensation and years of service and assuming payment in the form of a straight-life annuity. Covered compensation includes all regular and overtime pay excluding bonuses and commissions. At December 31, 2003, Messrs. J. Turner, R. Copeland and S. Mitchem had 11, 3 and 12 years, respectively, of credited service under the pension plan. Mr. W. Turner is no longer accruing additional benefits under the plan and, in 2003, received annual benefit payments of \$108,486 under the pension plan. The benefits under this plan are not subject to Social Security or other offsets.

### PENSION PLAN TABLE

Average Annual Covered Compensation	Years of Service			
	10	20	30	40
\$ 50,000	\$10,000	\$ 20,000	\$ 30,000	\$ 40,000
100,000	20,000	40,000	60,000	80,000
150,000	30,000	60,000	90,000	120,000
200,000	40,000	80,000	120,000	160,000 (1)
250,000	50,000	100,000	150,000	160,000(1)
300,000	60,000	120,000	160,000(1)	160,000(1)
350,000	70,000	140,000	160,000(1)	160,000(1)
400,000	80,000	160,000 (1)	160,000(1)	160,000(1)
450,000	90,000	160,000(1)	160,000(1)	160,000(1)

(1) The maximum retirement benefit currently permitted by federal law is \$160,000 per year for this type of plan.

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#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information, as of March 8, 2004 (the "Record Date") as to those persons believed by management of Bancorp to be beneficial owners of more than five percent of the outstanding shares of Common Stock. Persons, legal or natural, and groups beneficially owning in excess of five percent of the Common Stock are required to file certain reports regarding such ownership with Bancorp and with the United States Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Where appropriate, historical information set forth below is based on the most recent Schedule 13D or 13G filed on behalf of such person with Bancorp. Other than those persons listed below, management is not aware of any person or group that owns more than five percent of the Common Stock as of the Record Date.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
William V. Turner Ann S. Turner Turner Family Limited Partnership Turner Family Foundation 925 St. Andrews Circle Springfield, MO 65809	1,039,802(3)	15.15%

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Robert M. Mahoney Joyce B. Mahoney Tri-States Service Company 4940 S. Farm Road 189 Suite 500 Rogersville, MO 65742	527,384(4)	7.70
Earl A. Steinert, Jr. 1736 E. Sunshine Springfield, MO 65804	460,500(5)	6.72

- (1) Due to the rules for determining beneficial ownership, the same securities may be attributed as being beneficially owned by more than one person. The holders may disclaim beneficial ownership of the included shares which are owned by or with family members, trusts or other entities.
- (2) The percentage ownership is based on the number of shares outstanding as of the Record Date.
- (3) Under Rule 13d-3 under the Exchange Act, share amounts shown for Bancorp's officers and directors include shares that they may acquire upon the exercise of options that are exercisable at the Record Date or will become exercisable within 60 days of that date. This figure includes 9,375 shares which may be acquired through option exercises by William V. Turner. This figure also includes 36,978 shares held in various capacities by Ann S. Turner, Mr. W. Turner's wife, which Mr. W. Turner may be deemed to beneficially own, 14,826 shares held by the Turner Family Foundation which Mr. and Mrs. Turner may be deemed to beneficially own and 783,012 shares held by the Turner Family Limited Partnership which Mr. and Mrs. W. Turner may be deemed to beneficially own. Mr. W. Turner disclaims beneficial ownership as to shares beneficially owned by Ann S. Turner and the Turner Family Foundation, and 258,678 shares owned by the Turner Family Limited Partnership. This figure also includes 195,611 shares held in various capacities by William V. Turner, Mrs. Turner's husband, which Mrs. Turner may be deemed to beneficially own. Mrs. Turner disclaims beneficial ownership as to shares beneficially owned by William V. Turner, and 258,768 shares owned by the Turner Family Limited Partnership.

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- (4) Robert M. Mahoney, Joyce B. Mahoney and Tri-States Service Company reported ownership of 486,184 shares in a Schedule 13D filed on July 3, 1997. The Schedule 13D was a joint filing pursuant to Rule 13d-1(k)(1) of the Exchange Act. Joyce B. Mahoney and Tri-States Service Company disclaim beneficial ownership as to all shares. Robert M. Mahoney reported sole voting and dispositive power as to all shares. Robert M. Mahoney notified the Company that he purchased an additional 41,200 shares during 2001, reporting total ownership as Robert Mahoney Trust - 215,867 shares, Joyce Mahoney Trust - 215,867 shares and Tri-States Service Company - 95,650 shares.
- (5) As reported by Earl A. Steinert, Jr. in a Schedule 13D filed on March 13, 1997. Earl A. Steinert, Jr. reported sole voting and dispositive power as to 391,500 shares and shared voting and dispositive power as to 69,000 shares. The 69,000 shares include 54,000 shares held by Earl A. Steinert, Jr. Trustee of the Earl A. Steinert Trust II and 15,000 shares held by Dorothy E. Steinert, Earl A. Steinert and Barbara Lee Stole, Joint Tenants. Earl A. Steinert, Jr. disclaims beneficial ownership as to these 69,000 shares.

## Stock Ownership of Management

The following table sets forth information, as of the Record Date, as to shares of Common Stock beneficially owned by the directors and nominees named under "Item 10. Directors and Executive Officers of the Registrant" above, the executive officers named in the Summary Compensation Table under "Item 11. Executive Compensation" above, and the directors and all executive officers of Bancorp as a group. Each beneficial owner listed has sole voting and dispositive power with respect to the shares of Common Stock reported, except as otherwise indicated.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
William V. Turner	1,039,802(3)	15.15%
Earl A. Steinert, Jr.	460,500(4)	6.72
Joseph W. Turner	56,592(5)	.82
Larry D. Frazier	55,000	.80
William E. Barclay	8,048	.12
Julie T. Brown	3,432	.05
Thomas J. Carlson	1,500	.02
Steven G. Mitchem	38,163(6)	.56
Rex A. Copeland	5,968(7)	.09
Directors and Executive Officers as a Group (11 persons)	1,673,534(8)	24.32

- (1) Amounts include shares held directly, as well as shares held jointly with family members, in retirement accounts, in a fiduciary capacity, by certain family members, by certain related entities or by trusts of which the directors and executive officers are trustees or substantial beneficiaries, with respect to which shares the respective director or executive officer may be deemed to have sole or shared voting and/or dispositive powers. Under Rule 13d-3 the Exchange Act, share amounts shown for Bancorp's officers and directors include shares that they may acquire upon the exercise of options that are exercisable at the Record Date or will become exercisable within 60 days of that date. Due to the rules for determining beneficial ownership, the same securities may be attributed as being beneficially owned by more than one person. The holders may disclaim beneficial ownership of the included shares which are owned by or with family members, trusts or other entities.
- (2) The percentage ownership is based on the number of shares outstanding as of the Record Date.
- (3) For a detailed discussion of Mr. W. Turner's ownership, see Footnote 3 to the immediately preceding table.
- (4) For a detailed discussion of Mr. Steinert's ownership, see Footnote 5 to the immediately preceding table.

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- (5) This figure includes 11,250 shares that may be acquired through option exercises.
- (6) This figure includes 3,200 shares that may be acquired through option exercises.
- (7) This figure includes 2,520 shares that may be acquired through option exercises.
- (8) The figure includes an aggregate of 29,347 shares that may be acquired through option exercises by all directors and executive officers as a group.

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The following table sets forth information as of December 31, 2003 with respect to compensation plans under which shares of our common stock may be issued:

### Equity Compensation Plan Information

Plan Category	Number of Shares to be issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in the First Column)
Equity compensation plans approved by stockholders	289,042	\$31.930	496,749(1)
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	289,042	\$31.930	496,749(1)

(1) Under the Company's 2003 Stock Option and Incentive Plan, up to all remaining shares could be issued to plan participants as restricted stock.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Great Southern, like many financial institutions, has from time to time extended loans to its officers, directors and employees, generally for the financing of their personal residences, at favorable interest rates. Generally, residential loans have been granted at interest rates 1% above Great Southern's cost of funds, subject to annual adjustments. Other than the interest rate, these loans have been made in the ordinary course of business, on substantially the same terms and collateral as those of comparable transactions prevailing at the time, and, in the opinion of management, do not involve more than the normal risk of collectibility or present other unfavorable features. All loans by Great Southern to its directors and executive officers are subject to regulations restricting loans and other transactions with affiliated persons of Great Southern. Great Southern may also grant loans to officers, directors and employees, their related interests and their immediate family members in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons which, in the opinion of management, do not involve more than the normal risk of collectibility or present other unfavorable features.

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No directors, executive officers or their affiliates, had aggregate indebtedness to Great Southern on below market rate loans exceeding \$60,000 at any time since January 1, 2003 except as noted below.

Name	Position	Date of Loan	Largest Amount Outstanding Since 01/01/03	Balance as of 12/31/03	Interest Rate at 12/31/03	Type
Joseph W. Turner	CEO and President of Bancorp and Great Southern	09/14/98	\$280,668	\$273,489	2.56%	Home Mortgage

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Rex A. Copeland	Treasurer of Bancorp; Senior Vice President and CFO of Great Southern	06/01/00	174,876	167,242	2.86% Home Mortgage
Steven G. Mitchem	Senior Vice President and Chief Lending Officer of Great Southern	06/22/98	136,965	131,595	2.58% Home Mortgage
Larry A. Larimore	Secretary of Bancorp and Great Southern; Vice President of Great Southern	08/17/00	207,974	203,146	2.69% Home Mortgage
Douglas W. Marrs	Vice President - Operations of Great Southern	08/06/01	97,824	95,670	2.69% Home Mortgage
Julie T. Brown	Director	07/30/03	346,000	340,979	2.69% Home Mortgage
Thomas J. Carlson	Director	07/01/03	284,000	281,419	2.69% Home Mortgage
William E. Barclay	Director	10/14/03	412,000	411,240	2.58% Home Mortgage

The spouses of President and Chief Executive Joseph W. Turner and Director Julie T. Brown are members of the law firm of Lathrop & Gage, LC, which represents Great Southern in various matters. Fees paid to this firm during 2003 for services rendered to Great Southern totaled \$438,609.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The Audit Committee of Bancorp's Board of Directors has engaged the independent certified public accounting firm of BKD, LLP to audit Bancorp's financial statements for the 2004 fiscal year, subject to the ratification of the appointment by Bancorp's stockholders at the upcoming annual meeting of stockholders. Representatives of BKD, LLP are expected to attend the annual meeting to respond to appropriate questions and to make a statement if they so desire.

During the fiscal years ended December 31, 2003 and 2002, BKD, LLP provided various audit, audit related and non-audit services to Bancorp. Set forth below are the aggregate fees billed for these services:

- (a) Audit Fees: Aggregate fees billed for professional services rendered for the audit of Bancorp's annual financial statements, reviews of financial statements included in Bancorp's Quarterly Reports on Form 10-Q and internal control attestations for those fiscal years: \$101,075 - 2003; \$90,700 - 2002.

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- (b) Audit Related Fees: Aggregate fees billed for professional services rendered related to audits of employee benefit plans and consultation on accounting matters: \$22,375 - 2003; \$29,115 - 2002.  
(c) Tax Fees: Aggregate fees billed for professional services rendered related to tax compliance, tax advice and tax consultations: \$14,160 - 2003; \$6,200 - 2002.  
(d) All other fees: Aggregate fees billed for all other professional services, including compliance work, 401(k) plan administration and internal audit (2002 only): \$14,425 - 2003; \$39,990 - 2002.

The audit committee preapproves all audit and permissible non-audit services to be provided by BKD, LLP and the estimated fees for these services.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

- (a) List of Documents Filed as Part of This Report

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(1)Financial Statements The Consolidated Financial Statements and Independent Accountants' Report are included in Item 8. (2)Financial Statement Schedules Inapplicable. (3)List of Exhibits Exhibits incorporated by reference below are incorporated by reference pursuant to Rule 12b-32. (2)Plan of acquisition, reorganization, arrangement, liquidation, or succession Inapplicable. (3)Articles of incorporation and Bylaws (i)The Registrant's Certificate of Incorporation previously filed with the Commission (File no. 33- 30597) as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 dated August 18,1989, is incorporated herein by reference as Exhibit 3.1. (ii)The Registrant's Certificate of Amendment of Certificate of Incorporation previously filed with the Commission as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997, is incorporated herein by reference as Exhibit 3.2. (iii)The Registrant's Bylaws, as amended, previously filed with the Commission (File no. 33-30597) as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for fiscal year ended June 30, 1990, is incorporated herein by reference as Exhibit 3.3.

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

Inapplicable.

- (9) Voting trust agreement

Inapplicable.

- (10) Material contracts

The Registrant's 1989 Stock Option and Incentive Plan previously filed with the Commission (File no. 33- 30597) as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990, is incorporated herein by reference as Exhibit 10.1.

An Employment Agreement dated September 18, 2002 between the Registrant and William V. Turner is attached hereto as Exhibit 10.2.

An Employment Agreement dated September 18, 2002 between the Registrant and Joseph W. Turner is attached hereto as Exhibit 10.4.

The Registrant's 1997 Stock Option and Incentive Plan previously filed with the Commission (File no. 33-30597) as Annex A to the Registrant's Definitive Proxy Statement for the fiscal year ended June 30, 1997, is incorporated herein by reference as Exhibit 10.5.

The Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission (File No. 33-30597) as Annex A to the Registrant's Definitive Proxy Statement for the fiscal year ended December 31, 2002, is incorporated herein by reference as Exhibit 10.6.

- (11) Statement re computation of per share earnings

The Statement re computation of per share earnings is included in Note 1 of the Consolidated Financial Statements under Part II, Item 8 above.

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(12) Statements re computation of ratios

The Statement re computation of ratio of earnings to fixed charges is attached hereto as Exhibit 12.

(13) Annual report to security holders, Form 10-Q or quarterly report to security holders

Inapplicable.

(14) Code of Ethics

The Code of Ethics is attached as Exhibit 14.

(16) Letter re change in certifying accountant

Inapplicable.

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(18) Letter re change in accounting principles

Inapplicable.

(21) Subsidiaries of the registrant

A listing of the Registrant's subsidiaries is attached hereto as Exhibit 21.

(22) Published report regarding matters submitted to vote of security holders

Inapplicable.

(23) Consents of experts and counsel

The consent of BKD, LLP to the incorporation by reference into the Form S-8 previously filed on December 16, 1992 with the Commission (File no. 33-55832) of their report on the financial statements included in this Form 10-K, is attached hereto as Exhibit 23.

(24) Power of attorney

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Included as part of signature page.

(99) Additional Exhibits

Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

1. Report filed on January 20, 2004, to disclose a press release announcing the Registrant's financial results for its fourth quarter and fiscal year ended December 31, 2003.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GREAT SOUTHERN BANCORP, INC.**

Date: April 6, 2005

By: /s/ Joseph W. Turner

\_\_\_\_\_  
Joseph W. Turner  
President, Chief Executive Officer and Director  
(Duly Authorized Representative)

**POWER OF ATTORNEY**

We, the undersigned officers and directors of Great Southern Bancorp, Inc., hereby severally and individually constitute and appoint Joseph W. Turner and Rex A. Copeland, and each of them, the true and lawful attorneys and agents of each of us to execute in the name, place and stead of each of us (individually and in any capacity stated below) any and all amendments to this Annual Report on Form 10-K and all instruments necessary or advisable in connection therewith and to file the same with the Securities and Exchange Commission, each of said attorneys and agents to have the power to act with or without the others and to have full power and authority to do and perform in the name and on behalf of each of the undersigned every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person, and we hereby ratify and confirm our signatures as they may be signed by our said attorneys and agents or each of them to any and all such amendments and instruments.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Capacity in Which Signed	Date
/s/ Joseph W. Turner _____	President, Chief Executive Officer and Director (Principal Executive Officer)	April 6, 2005
Joseph W. Turner		
/s/ William V. Turner _____	Chairman of the Board	April 6, 2005



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William V. Turner

/s/ Rex A. Copeland  
\_\_\_\_\_  
Rex A. Copeland

Treasurer  
*(Principal Financial Officer and  
Principal Accounting Officer)*

April 6, 2005

/s/ William E. Barclay  
\_\_\_\_\_  
William E. Barclay

Director

April 6, 2005

/s/ Larry D. Frazier  
\_\_\_\_\_  
Larry D. Frazier

Director

April 6, 2005

/s/ Thomas J. Carlson  
\_\_\_\_\_  
Thomas J. Carlson

Director

April 6, 2005

/s/ Julie T. Brown  
\_\_\_\_\_  
Julie T. Brown

Director

April 6, 2005

/s/ Earl A. Steinert, Jr.  
\_\_\_\_\_  
Earl A. Steinert, Jr.

Director

April 6, 2005

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## GREAT SOUTHERN BANCORP, INC.

### INDEX TO EXHIBITS

Exhibit No.	Document
10.2	Employment Agreement of William V. Turner
10.4	Employment Agreement of Joseph W. Turner
12	Statement of Ratio of Earnings to Fixed Charges
14	Code of Ethics
21	Subsidiaries of the Registrant
23	Consent of BKD, LLP, Certified Public Accountants
31.1	Certification Required by Securities Exchange Act of 1934 Rule 13a-14(a)
31.2	Certification Required by Securities Exchange Act of 1934 Rule 13a-14(a)

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