

GREAT SOUTHERN BANCORP, INC.
Form DEF 14A
March 29, 2019

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)
Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

GREAT SOUTHERN BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:

GREAT SOUTHERN BANCORP, INC.
1451 E. Battlefield
Springfield, Missouri 65804
(417) 887 4400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 8, 2019

You are hereby notified and cordially invited to attend the Annual Meeting of Stockholders (the “Annual Meeting”) of Great Southern Bancorp, Inc. (“Bancorp”), to be held at the Great Southern Operations Center, 218 S. Glenstone, Springfield, Missouri, on May 8, 2019, at 10:00 a.m., local time.

A proxy statement and proxy card for the Annual Meeting are enclosed. The Annual Meeting is for the purpose of considering and voting upon the following matters:

1. the election of three directors, each for a term of three years;
2. an advisory (non-binding) vote on executive compensation;
3. the ratification of the appointment of BKD, LLP as Bancorp’s independent registered public accounting firm for the fiscal year ending December 31, 2019; and
4. such other matters as may properly come before the Annual Meeting, or any adjournments or postponements thereof.

Pursuant to the bylaws of Bancorp, the Board of Directors has fixed February 28, 2019 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Only record holders of the common stock of Bancorp as of the close of business on that date will be entitled to vote at the Annual Meeting, or any adjournments or postponements thereof.

The Board of Directors of Bancorp unanimously recommends that you vote FOR the election of the nominees named in the accompanying proxy statement, FOR the advisory (non-binding) vote on executive compensation and FOR the ratification of the appointment of the independent registered public accounting firm.

This year Bancorp is using a Securities and Exchange Commission rule to furnish its proxy statement, Annual Report and proxy card over the internet to stockholders who own fewer than 500 shares. This means that these stockholders will not receive paper copies of the proxy materials. Instead, these stockholders will receive only a notice containing instructions on how to access the proxy materials over the internet. If you received only this notice by mail and would like to request a printed copy of the proxy materials, the notice contains instructions on how you can do so.

Stockholders are encouraged to attend the Annual Meeting in person. Regardless of whether you plan to attend the Annual Meeting in person, please read the accompanying proxy statement and then vote by internet, telephone or mail as promptly as possible. Voting promptly will help ensure the presence of a quorum and save Bancorp from additional expense in soliciting proxies.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 8, 2019.

The Proxy Statement and the annual report to stockholders are available at www.greatsouthernbank.com (click “Investor Relations”).

By Order of the Board of Directors

William V. Turner
Chairman of the Board

Springfield, Missouri
March 29, 2019

GREAT SOUTHERN BANCORP, INC.
1451 E. Battlefield
Springfield, Missouri 65804
(417) 887-4400

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 8, 2019

Solicitation of Proxies

This proxy statement is being furnished to stockholders of Great Southern Bancorp, Inc. (“Bancorp,” the “Company,” “we,” “us,” “our”) in connection with the solicitation by our Board of Directors of proxies to vote our common stock, \$.01 par value per share (“Common Stock”), at our Annual Meeting of Stockholders (the “Annual Meeting”) to be held at the Great Southern Operations Center, 218 S. Glenstone, Springfield, Missouri, on May 8, 2019, at 10:00 a.m., local time, and at any and all adjournments or postponements thereof. The Notice of the Annual Meeting, a proxy card and our Annual Report to Stockholders for the fiscal year ended December 31, 2018 accompany this proxy statement. Certain of the information in this proxy statement relates to Great Southern Bank (“Great Southern” or the “Bank”), a wholly owned subsidiary of Bancorp.

At the Annual Meeting, stockholders are being asked to consider and vote upon (i) the election of three directors of Bancorp, (ii) an advisory (non-binding) vote on executive compensation (the “Say on Pay Vote”) and (iii) the ratification of the appointment of BKD, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019 (the “Independent Auditor Proposal”).

Regardless of the number of shares of Common Stock owned, it is important that stockholders be represented by proxy or present in person at the Annual Meeting. Stockholders are requested to vote by internet, telephone or mail as promptly as possible.

A proxy may be revoked by a stockholder at any time prior to its exercise by filing written notice of revocation with the Secretary of Bancorp at the above address, by delivering to Bancorp, at any time before the Annual Meeting, a duly executed proxy card bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not in and of itself have the effect of revoking a properly executed proxy. If your shares are held in “street name” through a bank, broker or other nominee, you must follow the instructions on the form you receive from your bank, broker or other nominee with respect to revoking your proxy.

The cost of solicitation of proxies and of the Annual Meeting will be borne by Bancorp. In addition to the solicitation of proxies by mail, proxies may also be solicited personally or by telephone by directors, officers and other employees of Bancorp or Great Southern not specifically engaged or compensated for that purpose. Bancorp will also, upon request, reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in sending proxy materials to beneficial owners of the Common Stock.

This year we are using a Securities and Exchange Commission (“SEC”) rule to furnish our proxy statement, Annual Report and proxy card over the internet to stockholders who own fewer than 500 shares. This means that these stockholders will not receive paper copies of the proxy materials. Instead, these stockholders will receive only a notice containing instructions on how to access the proxy materials over the internet. If you received only this notice by mail and would like to request a printed copy of the proxy materials, the notice contains instructions on how you can do so.

The approximate date on which this proxy statement and the accompanying proxy card are first being made available to stockholders is March 29, 2019.

Voting

Bancorp's Board of Directors has fixed February 28, 2019 as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Annual Meeting, and any and all adjournments or postponements thereof. Only stockholders of record as of the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. The total number of shares of Common Stock outstanding on the Record Date was 14,169,382. These are the only securities of Bancorp entitled to vote at the Annual Meeting.

Each holder of the Common Stock is entitled to cast one vote for each share of Common Stock held on the Record Date on all matters, except that, pursuant to Section D of Article V of Bancorp's charter, any stockholder that beneficially owns in excess of 10% of the then outstanding shares of Common Stock (the "Limit") is not entitled to vote shares in excess of the Limit.

In order for any proposals considered at the Annual Meeting to be approved by stockholders, a quorum must be present. The holders of a majority of the shares of the Common Stock entitled to vote, present in person or represented by proxy at the meeting, will constitute a quorum. Abstentions and broker non-votes will be counted for purposes of determining a quorum. Shares in excess of the Limit, however, will not be considered present for purposes of determining a quorum. Directors will be elected by a plurality of the votes cast. The approvals of the Say on Pay Vote and the Independent Auditor Proposal each require the affirmative vote of a majority of the votes cast on the matter. With regard to the election of directors, votes may be cast in favor or withheld. Votes that are withheld and broker non-votes will be excluded entirely from the vote and will have no effect on the election of directors. With regard to the Say on Pay Vote and the Independent Auditor Proposal, stockholders may vote for or against these proposals or abstain from voting on these proposals. In determining the percentage of shares that have been affirmatively voted on the Say on Pay Vote and the Independent Auditor Proposal, the affirmative votes will be measured against the aggregate votes for and against each proposal. Thus, abstentions and broker non-votes will have no effect on the Say on Pay Vote or the Independent Auditor Proposal.

All shares of Common Stock represented at the Annual Meeting by proxies solicited hereunder will be voted in accordance with the specifications made by the stockholders executing the proxies. If a properly executed and unrevoked proxy solicited hereunder does not specify how the shares represented thereby are to be voted, the shares will be voted FOR the election as directors of the persons named in this proxy statement, FOR the Say on Pay Vote and FOR the Independent Auditor Proposal, and in accordance with the discretion of the persons appointed proxy for the shares upon any other matters as may properly come before the Annual Meeting.

PROPOSAL I. ELECTION OF DIRECTORS

The number of directors constituting Bancorp's Board of Directors is currently nine. Bancorp's Board is divided into three classes. The term of office of one class of directors expires each year in rotation so that the class up for election at each annual meeting of stockholders serves for a three-year term. The terms of three of the present directors are expiring at the Annual Meeting.

Each director elected at the Annual Meeting will hold office for a three-year term expiring in 2022, or until his or her successor is elected and qualified. We expect that the other directors will continue in office for the remainder of their terms. The nominees for director have indicated that they are willing and able to serve as director if elected and have consented to being named as nominees in this proxy statement. If the nominees should for any reason become unavailable for election, it is intended that the proxies will be voted for the substitute nominees as shall be designated by the present Board of Directors, upon the recommendation of the Nominating Committee, unless the proxies direct otherwise.

The principal occupation and business experience for the last five years and certain other information with respect to each nominee is set forth below. The information concerning the nominees has been furnished by them to us.

Nominees to Serve a Three-Year Term Expiring at the 2022 Annual Meeting

William V. Turner, age 86, 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 formation 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 Turner Brown, who is a Director of Bancorp and Great Southern. Mr. W. Turner's service as Chairman of Great Southern for more than 40 years, including 26 years as Chief Executive Officer, has given him a thorough understanding of the Company's business and the banking industry and invaluable institutional knowledge.

Julie Turner Brown, age 57, 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. Ms. Brown is active in local civic affairs, currently serving on the Boards of Care to Learn and Springfield Innovations, Inc., and previously serving on the Boards of the Ozarks Technical College Foundation, Boys and Girls Club and the Foundation for Springfield Public Schools, 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. Ms. Brown's legal background and experience make her a particularly valuable resource to the Board. Ms. Brown also has strong ties to the local community through her involvement in civic affairs.

Earl A. Steinert, Jr., age 82, was first appointed a Director of Great Southern and Bancorp in 2004. Mr. Steinert was a practicing certified public accountant from 1962 until his retirement in 2006. He is the owner of EAS Investment Enterprises Inc., which owns and operates hotels in Springfield, Missouri, and was the managing general partner/owner of Mid American Real Estate Partners, which owned and operated 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. Mr. Steinert brings to the Board more than 40 years of experience in public accounting, as well as knowledge and experience in commercial real estate matters.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED IN THIS PROXY STATEMENT.

Information with Respect to the Continuing Directors

In addition to the nominees proposed for re-election to the Bancorp Board of Directors, the following individuals are also members of the Bancorp Board, each serving 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 us.

Directors Serving a Term Expiring at the 2020 Annual Meeting

Kevin R. Ausburn, age 63, was first appointed a director of Bancorp and Great Southern effective March 1, 2017. Mr. Ausburn is currently the chairman and chief executive officer of SMC Packaging Group in Springfield, Mo. He has served with many civic and charitable organizations, including as the current President of the Springfield Business Development Corporation, and on the Ozarks Trails Council – Boy Scouts of America Board, Association of Independent Corrugated Converters Board, Good Government Committee, Voice of Business Committee, Council of Churches of the Ozarks Foundation and Community Foundation of the Ozarks – Audit/Operations Committee. He is also a certified public accountant. Mr. Ausburn's background as a senior executive, owner and operator of multiple businesses in the Springfield area provides a long history of entrepreneurship and managerial knowledge that are particularly valuable to the Board. He also brings to the Board knowledge and experience regarding local business and economic matters. Mr. Ausburn was recommended as a director by the Chief Executive Officer of Bancorp. The Nominating Committee reviewed Mr. Ausburn's background and experience prior to recommending that the Board nominate him as a director.

Larry D. Frazier, age 81, 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 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. from 1979 to 2000. These entities are not affiliated with Bancorp. Mr. Frazier brings to the Board strong organizational and leadership skills developed from his many years of experience as a chief executive.

Douglas M. Pitt, age 52, was first appointed a Director of Bancorp and Great Southern in January 2015. Mr. Pitt has been a technology entrepreneur for decades, currently as the owner of Pitt Technology Group, LLC. His former company, ServiceWorld Computer Center, was a past recipient of the Springfield Area Chamber of Commerce Small Business of the Year Award and was also recognized as the Springfield Business Journal's Philanthropic Business of the Year. Mr. Pitt is also the owner of Pitt Development Group, LLC, a medical office specialty real estate development company. Mr. Pitt is a well-known philanthropist and civic leader, both locally and internationally. He currently serves as a board member of WorldServe International, which operates one of the largest water drilling companies in East Africa. Locally, he founded Care to Learn, a non-profit organization with a mission to fund child health, hunger and hygiene needs. Mr. Pitt is also past Chairman of the Springfield Area Chamber of Commerce. Mr. Pitt's experience as a business owner and entrepreneur, as well as his significant community involvement, provide knowledge and leadership that are valuable to the Board.

Directors Serving a Term Expiring at the 2021 Annual Meeting

Thomas J. Carlson, age 66, was first appointed a Director of Bancorp in January 2001. Mr. Carlson is an attorney and practiced law for 20 years. He is now engaged full-time in real estate development. He has developed various properties and managed many housing projects in Missouri, Kansas and Oklahoma. Mr. Carlson served on the Springfield City Council from 1983 through 2008, and served seven terms as Mayor of the City of Springfield. None of these entities are affiliated with Bancorp. Mr. Carlson's many years of service on the Springfield City Council and as Mayor of the City of Springfield give him deep ties to the Springfield community and a thorough understanding of local business and economic matters. He also brings to the Board knowledge and experience in real estate and legal matters.

Joseph W. Turner, age 54, joined Great Southern in 1991 and became an officer of Bancorp in 1995. Mr. J. Turner became a Director of Bancorp and Great Southern 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 also the brother of Julie Turner Brown, who is a Director of Bancorp and Great Southern. Mr. J. Turner currently serves as a board member and chairman of the board at CoxHealth. Mr. J. Turner's many years of experience as an executive of the Company, including as Chief Executive Officer since 2000, have given him invaluable knowledge of all aspects of the Company's business and operations and strong leadership and organizational skills.

Debra Mallonee Shantz Hart, age 55, was first appointed a director of Bancorp and Great Southern effective March 1, 2017. Ms. Hart is an attorney and practiced law for more than 25 years, representing clients in the areas of real estate development, real estate finance and business law. She is now engaged full-time in real estate development and management. Ms. Hart served as vice president and general counsel for John Q. Hammons Hotels for thirteen years. She has developed real estate for affordable housing purposes since 2008 in Missouri, Arkansas and Oklahoma.

Active in the community, Ms. Hart has served on numerous community and non-profit boards, including the Board of Public Utilities of Springfield, Mo., Community Partnership of the Ozarks, Springfield Area Chamber of Commerce Board and Executive Committee (Chairman 2016), Discovery Center and Springfield Boy's and Girl's Club Trust Advisory Board. Ms. Hart's many years of service on numerous community and non-profit boards give her deep ties to the Springfield community and a thorough understanding of local business and economic matters. She also brings to the Board knowledge and experience in real estate and legal matters.

Director Independence

The Board of Directors of Bancorp has determined that Directors Ausburn, Carlson, Frazier, Hart, Pitt and Steinert are “independent directors,” as that term is defined in Rule 5605 of the Listing Rules of the NASDAQ Stock Market. These directors constitute a majority of the Board.

Board Leadership Structure and Board’s Role in Risk Oversight

Leadership Structure. The positions of Chairman of the Board and Chief Executive Officer of the Company are currently held by two persons, with Mr. W. Turner serving as Chairman and Mr. J. Turner serving as Chief Executive Officer. This structure has been in place since 2000, when, as part of a leadership transition, Mr. J. Turner was promoted to Chief Executive Officer and Mr. W. Turner, who had served as Chairman and Chief Executive Officer since 1974, continued as Chairman in an executive capacity. Although Mr. J. Turner has subsequently assumed increased responsibilities from Mr. W. Turner, the Board believes that the separation of the Chairman and Chief Executive Officer positions remains appropriate, as this allows Mr. J. Turner to better focus on his primary responsibilities of overseeing the implementation of our strategic plans and daily consolidated operations, while allowing Mr. W. Turner to lead the Board in its fundamental role of oversight of management.

Role in Risk Oversight. Risk is inherent with the operation of every financial institution, and how well an institution manages risk can ultimately determine its success. We face a number of risks, including but not limited to credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, cybersecurity risk and reputation risk. Cybersecurity risk is a key consideration in our operational risk management capabilities. Given the nature of our operations and business, including our reliance on relationships with various third-party providers in the delivery of financial services, cybersecurity risk may manifest itself through various business activities and channels, and it is thus considered an enterprise-wide risk that is subject to control and monitoring at various levels of management and oversight by the Board. The Board receives updates on the status of the cybersecurity controls, reports of significant cybersecurity incidents and annual education in this area.

Management is responsible for the day-to-day management of the risks we face, while the Board has ultimate responsibility for the oversight of risk management. The Board believes that risk management, including setting appropriate risk limits and monitoring mechanisms, is an integral component and cannot be separated from strategic planning, annual operating planning, and daily management of the Company. Consistent with this approach as well as based on the belief that certain risks require an oversight focus that a Board committee can better provide, the Board integrated the oversight of certain risk areas (internal control, financial reporting and compliance; and compensation and incentive programs) with the Audit Committee and Compensation Committee, respectively. These committees regularly provide reports of their activities and recommendations to the full Board. The Board directly oversees all other material risks, including interest rate risk, credit risk, cybersecurity risk, liquidity and capital adequacy. In support of those activities, members of senior management regularly attend meetings of the Board to report to the Board on the primary areas of risk facing the Company and to respond to any questions or concerns raised by the directors.

DIRECTORS MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Meetings of the Board and Committees of the Board

The Board of Directors of Bancorp meets monthly and may have additional special meetings upon the request of one third of the directors then in office (rounded up to the nearest whole number) or upon the request of the President. The Board of Directors of Bancorp is authorized to appoint various committees and has formed the Audit Committee, the Compensation Committee, the Stock Option Committee and the Nominating Committee. The Board of Directors of Bancorp has not formed any other committees. The Board of Directors of Bancorp held 16 meetings during fiscal 2018. During fiscal 2018, each of the directors of Bancorp attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors of Bancorp and (ii) the total number of meetings held by all committees of the Board of Directors of Bancorp on which the director served, in each case during the period in which he or she served.

The Audit Committee is currently comprised of Directors Ausburn, Carlson, Frazier, Hart, Pitt and Steinert. Each member of the Audit Committee is “independent,” as independence for audit committee members is defined in the Listing Rules of the NASDAQ Stock Market. The Board of Directors of Bancorp has determined that Director Steinert is an “audit committee financial expert,” as defined in the SEC’s rules. The Audit Committee held nine meetings during fiscal 2018.

The Audit Committee operates under a written charter adopted by Bancorp’s Board of Directors, a copy of which is available on our website, at www.greatsouthernbank.com, by clicking “Investor Relations” and then “Corporate Governance.” The Audit Committee is appointed by Bancorp’s Board of Directors to provide assistance to the Board in fulfilling its oversight responsibility relating to the integrity of our consolidated financial statements and the financial reporting processes, the systems of internal accounting and financial controls, compliance with legal and regulatory requirements, the independent registered public accounting firm’s qualifications and independence, the performance of our internal audit function and independent registered public accounting firm and any other areas of potential financial risks as may be specified by the Board. The Audit Committee also is responsible for hiring, retaining and terminating Bancorp’s independent registered public accounting firm.

Audit Committee Report. The Audit Committee Report included herein shall not be incorporated by reference into any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, notwithstanding the incorporation by reference of this proxy statement into any such filings. The Audit Committee of the Board of Directors of Bancorp has issued the following report with respect to the audited financial statements of Bancorp for the fiscal year ended December 31, 2018:

• The Audit Committee has reviewed and discussed with management Bancorp’s fiscal 2018 audited financial statements;

• The Audit Committee has discussed with Bancorp’s independent registered public accounting firm (BKD, LLP) the matters required to be discussed by PCAOB Auditing Standard No. 16;

• The Audit Committee has received the written disclosures and letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the firm’s communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm their independence; and

Based on the review and discussions referred to in the items above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Bancorp’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Submitted by the Audit Committee of the Board of Directors of Bancorp:

Larry D. Frazier

Kevin R. Ausburn

Thomas J. Carlson

Debra M. Shantz Hart

Douglas M. Pitt

Earl A. Steinert, Jr.

The Compensation Committee is currently comprised of Directors Ausburn, Carlson, Frazier, Hart, Pitt and Steinert. The Compensation Committee consists solely of independent directors.

The Compensation Committee is responsible for reviewing and evaluating executive compensation and administering our compensation and benefit programs. The Compensation Committee also is responsible for:

• reviewing from time to time our compensation plans and, if the Committee believes it to be appropriate, recommending that the Board amend these plans or adopt new plans;

- annually reviewing and approving corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating the Chief Executive Officer's performance in light of these goals and objectives and recommending to the Board the Chief Executive Officer's compensation level based on this evaluation;
- overseeing the evaluation of our management, and recommending to the Board the compensation for our executive officers and other key members of management;
- recommending to the Board the appropriate level of compensation and the appropriate mix of cash and equity compensation for directors;
- administering any benefit plan which the Board has determined should be administered by the Committee; and
- reviewing, monitoring and reporting to the Board, at least annually, on management development efforts to ensure a pool of candidates for adequate and orderly management succession.

The Compensation Committee operates under a formal written charter, a copy of which is available on our website, at www.greatsouthernbank.com, by clicking "Investor Relations" and then "Corporate Governance." The members of the Compensation Committee are "independent directors," as that term is defined in the Listing Rules of the NASDAQ Stock Market. During 2018, the Compensation Committee met three times.

The charter of the Compensation Committee does not specifically provide for delegation of any of the authorities or responsibilities of the committee. In setting the compensation of executive officers other than the Chief Executive Officer, the Compensation Committee considers the recommendations of the Chief Executive Officer.

The Stock Option Committee is currently comprised of Directors Ausburn, Frazier, Hart and Pitt. The Stock Option Committee consists solely of independent directors. The Stock Option Committee generally meets at least once per year (usually late in the third quarter or early in the fourth quarter) to consider stock option grants to officers and at other times during the year as necessary to consider proposals for the granting of stock options to employees. The Stock Option Committee met five times during 2018.

The current members of the Nominating Committee are Directors Ausburn, Carlson, Frazier, Hart, Pitt and Steinert. The Nominating Committee consists solely of independent directors. The Nominating Committee met two times during 2018.

The Nominating Committee is responsible for identifying and recommending director candidates to serve on the Board of Directors. Final approval of director nominees is determined by the full Board, based on the recommendation of the Nominating Committee. The Nominating Committee also is responsible for:

- recommending to the Board the appropriate size of the Board and assist in identifying, interviewing and recruiting candidates for the Board;
- recommending candidates (including incumbents) for election and appointment to the Board of Directors, subject to the provisions set forth in Bancorp's charter and bylaws relating to the nomination or appointment of directors, based on the following criteria: business experience, education, integrity and reputation, independence, conflicts of interest, diversity, age, number of other directorships and commitments (including charitable organizations), tenure on the Board, attendance at Board and committee meetings, stock ownership, specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy) and a commitment to Bancorp's communities and shared values, as well as overall experience in the context of the needs of the Board as a whole. Although we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Board seeks candidates who further its objective of having a Board that encompasses a broad range of talents and expertise and that reflects a diversity of background, experience and viewpoints;

reviewing nominations submitted by stockholders, which have been addressed to the Corporate Secretary, and which

- comply with the requirements of Bancorp's charter and bylaws. Nominations from stockholders will be considered and evaluated using the same criteria as all other nominations;

- annually recommending to the Board committee assignments and committee chairs on all committees of the Board, and recommend committee members to fill vacancies on committees as necessary; and

- performing any other duties or responsibilities expressly delegated to the Committee by the Board.

Pursuant to Bancorp's bylaws, nominations for directors by stockholders must be made in writing and delivered to the Secretary of Bancorp no earlier than 120 days prior to the meeting date and no later than 90 days prior to the meeting date. If, however, less than 100 days' notice of the date of the meeting is given or made to stockholders by public notice or mail, nominations must be received by Bancorp not later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was first made. In addition to meeting the applicable deadline, nominations must be accompanied by certain information specified in Bancorp's bylaws.

The Nominating Committee operates under a formal written charter, a copy of which is available on our website, at www.greatsouthernbank.com, by clicking "Investor Relations" and then "Corporate Governance."

Stockholder Communications with Directors

Stockholders may communicate with Bancorp's Board of Directors by writing to: William V. Turner, Chairman of the Board, Great Southern Bancorp, Inc., 1451 E. Battlefield, Springfield, Missouri 65804.

Board Member Attendance at Annual Stockholder Meetings

Although we do not have a formal policy regarding director attendance at annual stockholder meetings, directors are expected to attend these meetings absent extenuating circumstances. Every current director of Bancorp (who was also a director as of last year's annual meeting) attended last year's annual meeting of stockholders.

Directors' Compensation

For 2018, directors of Bancorp received a monthly fee of \$1,000 for each Board meeting attended, which was the only compensation paid to directors by Bancorp, except for stock options which may be granted in the discretion of the Board of Directors. Directors of Great Southern received a monthly fee of \$3,000 for each regular Board meeting attended. In 2018, the directors of Bancorp and the directors of Great Southern were the same individuals. Ms. Brown, who serves on Great Southern's Compliance Committee, receives a fee of \$300 for each meeting of that committee that she attends. The directors of Bancorp serving on the Audit Committee are paid a fee of \$300 per meeting attended, except for the Chairman of the Audit Committee, who is paid a fee of \$350 per meeting attended. The directors of Bancorp and its subsidiaries are not reimbursed for their costs incurred in attending Board and Board committee meetings.

The following table sets forth certain information regarding the compensation earned by or awarded to each director, who is not also a named executive officer, who served on Bancorp's Board of Directors in 2018. Compensation paid to Messrs. W. and J. Turner for their service as directors is reflected in the Summary Compensation Table under the "Salary" Column.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Kevin R. Ausburn	\$45,500	\$16,140	---	\$61,640
Julie Turner Brown	48,900	16,140	---	65,040
Thomas J. Carlson	45,200	16,140	---	61,340
Larry D. Frazier	49,750	16,140	---	65,890
Debra M. Shantz Hart	49,200	16,140	---	65,340
Douglas M. Pitt	49,200	16,140	---	65,340
Earl A. Steinert	49,500	16,140	---	65,640

An option to purchase 2,000 shares of the Company's common stock was awarded during 2018 to each of the non-employee directors named in the table. The amount in the table reflects the grant date fair value of each award determined in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("ASC Topic 718") using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes (1) option-pricing model to calculate the grant date fair value of these awards are included in Note 21 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC. As of December 31, 2018, total shares underlying stock options held by such directors were as follows: Mr. Ausburn – 9,000 shares, Ms. Brown – 9,750 shares, Mr. Carlson – 11,000 shares, Mr. Frazier – 11,000 shares, Ms. Hart – 9,000 shares, Mr. Pitt – 11,000 shares and Mr. Steinert - 8,500 shares.

Transactions with Certain Related Persons

The charter of the Audit Committee of Bancorp's Board of Directors provides that the Audit Committee is to review and approve all related party transactions (defined as transactions requiring disclosure under Item 404 of SEC Regulation S-K) on a regular basis.

Loans to Directors and Executive Officers. 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 first mortgage loans and home equity lines of credit have been granted at interest rates equal to Great Southern's cost of funds. Residential first mortgage loans are subject to annual adjustments while home equity lines of credit are subject to monthly 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. No directors, executive officers or their affiliates had aggregate indebtedness to Great Southern on below market rate loans exceeding \$120,000, or a combination of outstanding indebtedness to and credit availability from Great Southern exceeding \$120,000 at below market rates, at any time since January 1, 2018 except as noted below.

Name and Position	Loan Type	Date of Loan	Largest Amount Outstanding Since 01/01/18	Principal Paid During 2018	Interest Paid During 2018	Balance as of 12/31/18	Interest Rate at 12/31/18	Estimated from Average Market Rate of Interest for 2018	Estimated Difference in Interest Actual Rate to Average Market Rate
Rex A. Copeland Treasurer of Bancorp; Senior Vice President and CFO of Great Southern	Home Mortgage Home Equity Line	06/01/00 05/04/18	\$ 80,874 \$ 100,004	\$ 6,788 \$ 4,347	\$ 477 \$ 476	\$ 74,085 \$ 96,128	0.68 % 0.93 %	4.66 % 5.00 %	\$ 3,285 \$ 2,810
Kevin L. Baker Chief Credit Officer and Vice President of Great Southern	Home Mortgage	01/14/16	\$ 263,546	\$ 8,641	\$ 1,499	\$ 254,905	0.60 %	4.49 %	\$ 11,088
John M. Bugh Chief Lending Officer and Vice President of Great Southern	Home Mortgage	10/13/17	\$ 1,095,221	\$ 33,768	\$ 5,951	\$ 1,061,454	0.55 %	4.78 %	\$ 46,623
Douglas W. Marrs Secretary of Bancorp; Vice President - Operations of Great Southern	Home Mortgage Home Equity Line	02/29/16 03/24/16	\$ 167,554 \$ 99	\$ 5,477 \$ 99	\$ 951 \$ 0	\$ 162,077 \$ 0	0.62 % 0.93 %	4.60 % 4.88 %	\$ 7,124 \$ 1

Linton J. Thomason Vice President - Information Systems of Great Southern	Home Mortgage Home Equity Line	11/13/17 02/22/18	\$ 222,892 \$ 4,003	\$ 23,626 \$ 4,006	\$ 1,187 \$ 8	\$ 199,266 \$ 0	0.56 % 0.93 %	4.78 % 4.88 %	\$ 8,305 \$ 56
Douglas M. Pitt Director	Home Mortgage	11/03/15	\$ 701,661	\$ 23,183	\$ 3,931	\$ 678,478	0.58 %	4.25 %	\$ 29,111
Debra M. Hart Director	Home Mortgage Home Equity Line	10/25/18 10/25/18	\$ 471,200 \$ 0	\$ 1,495 \$ 0	\$ 729 \$ 0	\$ 469,705 \$ 0	0.85 % 0.93 %	5.61 % 5.25 %	\$ 4,104 \$ 0
Larry D. Frazier Director	Home Mortgage	07/12/17	\$ 461,339	\$ 14,293	\$ 2,636	\$ 447,045	0.79 %	4.85 %	\$ 18,144

The estimated average market rates of interest for 2018 as shown in the table above are based on the interest rate index and margin for each loan that would have been used if Great Southern's cost of funds was not used. Interest rate reset dates were factored into the index rates used. The estimated difference in interest from actual rate amounts to average market rate amounts shown in the table above represent the difference in interest actually paid during 2018 and interest that would have been paid if the estimated market rates of interest for 2018 were charged.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we provide an overview and analysis of our compensation programs, the material compensation policy decisions we have made under those programs, and the material factors that we considered in making those decisions. Following this section, you will find a series of tables containing specific information about compensation paid or payable to the following individuals, whom we refer to as our “named executive officers”:

- William V. Turner, Chairman of the Board of Directors of Bancorp and Great Southern;
- Joseph W. Turner, President and Chief Executive Officer of Bancorp and Great Southern;
- Rex A. Copeland, Treasurer of Bancorp and Senior Vice President and Chief Financial Officer of Great Southern;
- Kevin L. Baker, Vice President and Chief Credit Officer of Great Southern; and
- John M. Bugh, Vice President and Chief Lending Officer of Great Southern.

The discussion below is intended to help you understand the detailed information provided in those tables and put that information into context within our overall compensation program.

Compensation Philosophy and Objectives

The Compensation Committee (the “Committee”) of Bancorp’s Board of Directors, which consists solely of independent directors, administers our compensation and benefit programs and determines the compensation of our senior management. The Committee is responsible for setting and administering the policies which govern executive compensation. The Committee has focused its evaluation of executive compensation on operating performance and the creation of stockholder value, with the intent of meeting the following objectives:

- maintain the financial strength, safety and soundness of Bancorp and Great Southern;
- reward and retain key personnel by compensating them at the middle to upper levels of compensation for comparable financial institutions;
- focus management on long term goals through long-term incentives;
- provide fair, reasonable and competitive base salaries;
- provide the opportunity to earn additional compensation if Bancorp’s stockholders experience long-term increases in the value of Bancorp stock;
- emphasize long-term stock ownership of Bancorp stock by executive officers; and
- properly align risk-taking and compensation.

While the primary components of our compensation program have been base salary, annual incentive bonus and long-term incentives in the form of stock options, the Committee also takes into account the full compensation package provided to the individual, including pension benefits, termination agreements, insurance, perquisites and other benefits. In structuring Mr. J. Turner’s base salary for 2019, the Committee reviewed several surveys of base salaries paid to the chief executive officers of groups of financial institutions comparable to us in size and performance on a nationwide basis and based in the Midwest region. Specifically, the Committee considered the following information:

surveys prepared by S&P Global of the average base salary paid to chief executive officers at banks and thrifts with total assets of between \$1.0 billion and \$5.0 billion (A) on a nationwide basis (\$472,572), (B) for the Midwest region (\$452,747) and (C) on a nationwide basis limited to institutions with a return on average equity of 10.00% to 12.49% (\$504,950), with the average of the amounts in (A) – (C) being \$476,756;

(i) a survey prepared by McLagan Aon Hewitt of the base salaries paid to chief executive officers at regional and (ii) community banks nationwide with total assets between \$3.0 billion and \$8.0 billion, the average of which was \$632,200;

surveys prepared by Compdata Surveys of the average base salary paid to chief executive officers at banks and other financial services organizations nationwide with (A) total assets of between \$1.0 billion and \$9.9 billion (iii) (\$538,300), (B) with a total number of full-time equivalent employees of between 1,000 and 4,999 (\$783,700), (C) Midwest Region (\$511,500) and (D) commercial banks (\$509,100), with the average of (A) – (D) being \$585,650;

surveys prepared by Crowe of the average base salary paid to chief executive officers at banks and other financial services organizations (A) on a nationwide basis (\$275,625), (B) with total assets \$1.0 billion to \$5.0 billion (iv) (\$454,345) and (C) with headquarters located in a population greater than 100,000 (\$332,716), with the average of (A) – (C) being \$354,229.

Mr. J. Turner's base salary of \$368,985 for 2018 and \$380,055 for 2019 were below the average chief executive officer base salary in each of the surveys noted above, except for two of the surveys referenced in item (iv) and the average of the surveys in that item.

Base Salaries

We provide the opportunity for our named executive officers and other executives to earn a competitive annual base salary. We do so in order to attract and retain an appropriate caliber of talent for the position, and to provide a base wage that is not subject to our performance risk. Our base salary levels reflect a combination of factors, including competitive pay levels, the executive's experience and tenure, our overall annual strategic plan for salary increases, the executive's individual performance, and changes in responsibility. We review salary levels annually to recognize these factors. We do not target base salary at any particular percentage of total compensation.

Each of Messrs. W. and J. Turner has an employment agreement with Bancorp. These agreements provide that the annual base salaries payable to Messrs. W. and J. Turner may be reduced only as part of an overall program, implemented prior to a change in control, applied uniformly and equitably to all members of our senior management. Since 2005, in recognition of the increased responsibilities assumed by Mr. J. Turner and at Mr. W. Turner's suggestion, Mr. W. Turner's base annual salary has remained at \$200,000 and he has waived his right to receive the annual cash bonus provided for under his employment agreement (discussed below under "-Bonuses"). Mr. J. Turner was paid salary of \$368,985 for 2018 and his base salary increased to \$380,055 for 2019. During 2018, Messrs. Copeland, Baker and Bugh were paid salaries of \$334,955, \$312,057 and \$311,100, respectively. For 2019, the base salary amounts for Messrs. Copeland, Baker and Bugh increased to \$345,004, \$321,419 and \$320,433, respectively. In setting the base salaries of the executive officers other than Mr. W. Turner, the Committee takes into account the responsibilities of the position and the experience level of the individual executive, as well as our financial performance and the size and complexity of our operations. In structuring the base salaries for 2019 for Messrs. Copeland, Baker and Bugh, the Committee reviewed surveys of base salaries paid to the chief financial officers and chief credit and lending officers of groups of financial institutions comparable to us in size and performance on a nationwide basis and based in the Midwest region.

Bonuses

Under their employment agreements, Messrs. W. and J. Turner are each entitled to receive annual cash bonuses equal to one-half of one percent of Bancorp's pre-tax earnings. We believe that this provides an appropriate short-term incentive to increase our earnings, when coupled with the incentives Messrs. W. and J. Turner have through

their substantial stock holdings to increase our earnings over the long term. Since 2005, Mr. W. Turner has waived his right to this bonus, with the understanding that Mr. J. Turner's bonus, if any, may be increased by one-fourth of one percent of our pre-tax earnings. The Compensation Committee approved this arrangement in recognition of the additional responsibilities that Mr. J. Turner had assumed from Mr. W. Turner, and the fact that it would at the same time reduce by 25% the total cost to the Company for bonuses, if any, under the employment agreements. The amount of this bonus (\$527,412 for 2017 and \$609,451 for 2018) is included in the Summary Compensation Table below under the "Non-Equity Incentive Plan Compensation" column.

Under our 2018 Annual Incentive Bonus Plan, each of the named executive officers other than Messrs. W. and J. Turner (Messrs. Copeland, Baker and Bugh) could earn a cash bonus of up to 15.75% of base annual salary, with up to one-half of this bonus based on the achievement of targeted earnings per share and up to one-half of this bonus based on individual performance. Bonuses paid to the participating named executive officers under our 2018 Annual Incentive Bonus Plan are included in the Summary Compensation Table below under the "Non-Equity Incentive Plan Compensation" column. Because, as noted above, their bonus arrangements are set forth in previously negotiated employment agreements, Messrs. W. Turner and J. Turner do not participate in our Annual Incentive Bonus Plan and therefore are not subject to a cap on their bonus as a percentage of base salary.

The earnings per share component was based on actual quarterly earnings per share relative to targeted quarterly earnings per share, with each quarter receiving an equal weighting in determining that component. For the quarterly periods during 2018, the targeted and actual levels of earnings per share were as follows:

First Quarter 2018

Targeted EPS	Percentage received for EPS component
\$0.78	50%
0.83	75%
0.87	100%
0.91	110%

Earnings per share for the first quarter of 2018 calculated in accordance with accounting principles generally accepted in the United States ("GAAP") were \$0.95. No adjustment during this quarter was warranted, so this amount was used as the actual earnings per share for purposes of the bonus plan.

Second Quarter 2018

Targeted EPS	Percentage received for EPS component
\$0.85	50%
0.89	75%
0.94	100%
0.99	110%

Earnings per share for the second quarter of 2018 calculated in accordance with GAAP were \$0.97. No adjustment during this quarter was warranted, so this amount was used as the actual earnings per share for purposes of the bonus plan.

Third Quarter 2018

Targeted EPS	Percentage received for EPS component
\$0.85	50%
0.89	75%
0.94	100%
0.99	110%

Earnings per share for the third quarter of 2018 calculated in accordance with GAAP were \$1.57. The actual earnings per share used for purposes of the bonus plan was an adjusted (non-GAAP) measure of earnings per share of \$1.18, which reflected non-operational activity during the quarter resulting in an adjustment of \$0.39 per share due to a net gain associated with the sale transaction during the quarter of Great Southern Bank's branches and related deposits in Omaha, Neb.

Fourth Quarter 2018

Targeted EPS Percentage received for EPS component

\$0.86	50%
0.91	75%
0.96	100%
1.01	110%

Earnings per share for the fourth quarter of 2018 calculated in accordance with GAAP were \$1.21. The actual earnings per share used for purposes of the bonus plan was an adjusted (non-GAAP) measure of earnings per share of \$1.19, which reflected non-operational activity during the quarter resulting in an adjustment of \$0.02 per share due to interest income recognized related to an interest rate swap, net of one-time fees paid to advisors on the swap transaction.

For the individual performance component of the bonuses paid to the named executive officers who participated in the 2018 Annual Incentive Bonus Plan (Rex A. Copeland, Kevin L. Baker and John M. Bugh), the factors considered included the following accomplishments during 2018 attributable to the efforts of these officers, in addition to recognition of their contributions to the Company's normal, day-to-day operations: Mr. Copeland – the successful negotiation of the sale of the Company's branches and deposits in the Omaha, Neb. market; Mr. Baker – the size and complexity of the Company's loan portfolio in light of competitive market conditions, the level of new commercial loan origination volume and the overall level of credit quality of the portfolio; Mr. Bugh – the maintenance of growth in the size of the Company's loan portfolio in light of competitive market conditions, the level of new commercial loan origination volume, including the successful opening of new commercial loan production offices, and the overall level of credit quality of the portfolio. It was determined that Messrs. Copeland, Baker and Bugh each earned 93.3% of the individual performance component.

Stock Options

Stock options have been an integral part of our executive compensation program. They are intended to encourage ownership and retention of Bancorp's stock by key employees as well as non-employee members of the Board of Directors. Through stock options, the objective of aligning key employees' long-term interests with those of stockholders may be met by providing key employees with the opportunity to build, through the achievement of corporate goals, a meaningful stake in Bancorp. In fiscal 2018, Bancorp's stockholders approved the 2018 Omnibus Incentive Plan. Upon approval of the 2018 plan by stockholders, Bancorp's Board of Directors froze the 2013 Equity Incentive Plan, which means that no new grants of awards will be made under that plan, but outstanding awards under the plan were not affected. The Stock Option Committee considers additional options each year as needed to attract and retain employees. These grants typically have been made late in the third quarter or early in the fourth quarter of each year, though the Stock Option Committee retains discretion to grant options at any time during the year. Our senior management group provides recommendations to the Committee for option grants for rank and file employees. Mr. J. Turner provides recommendations to the Committee for grants to members of the senior management group other than himself. All options granted by the Committee are subject to ratification by the Board of Directors, which typically occurs on the same day as the Committee approval. We do not coordinate the timing of stock option grants with the release of material non-public information. Option grants made during 2018 to the named executive officers are included in the Grants of Plan-Based Awards table.

As required by plan, stock options have an exercise price that is equal to no less than the market value of Bancorp's common stock on the date of grant, which is the date on which the Board of Directors ratifies the approval of the grant by the Stock Option Committee. To provide an incentive for a sustained increase in the value of our common stock, stock options granted to employees typically do not begin vesting until the second anniversary of the

grant date, with 25% of the option vesting on that second anniversary date and 25% vesting on each anniversary date thereafter through the fifth anniversary date.

The 2018 Omnibus Incentive Plan authorizes the granting of stock options, stock appreciation rights and restricted stock awards, as well as restricted stock units, performance shares and performance units. Although no incentives other than stock options have been granted to date under the 2018 plan, the Committee and the Board may consider the utilization of other types of permitted incentive awards in the future.

Retirement and Other Benefits

We participate in a multi-employer defined benefit pension plan covering all employees who have met minimum service requirements. Effective July 1, 2006, this plan was closed to new participants. Employees already in the plan will continue to accrue benefits. For information regarding benefits payable under this plan to the named executive officers, see "Pension Benefits."

We have a defined contribution retirement plan covering substantially all of our employees. During 2018, we matched 100% of the employee's contribution on the first 3% of the employee's compensation, and also matched 50% of the employee's contribution on the next 2% of the employee's compensation. Our matching contributions for 2018 under this plan to the named executive officers are reflected in the Summary Compensation Table under the "All Other Compensation" column.

In addition to the basic term life insurance coverage maintained for nearly all employees (providing a maximum death benefit of \$60,000), Great Southern maintains supplemental life insurance coverage for all personnel with an "officer" designation, which provides an additional death benefit of \$175,000. Each named executive officer has supplemental life insurance coverage of \$175,000, other than Mr. W. Turner whose coverage has been age-adjusted to \$87,500, and each named executive officer other than Mr. W. Turner (who does not have the basic term life insurance benefit) has the maximum coverage (\$60,000) under the basic term life insurance benefit. Premiums paid on behalf of the named executive officers are reflected in the Summary Compensation Table under the "All Other Compensation" column. As part of its health insurance coverage, Great Southern also provides long-term disability coverage to all employees generally. Each of the named executive officers other than Mr. W. Turner (who does not participate in Great Southern's health insurance plan) is entitled to the maximum long-term disability benefit of \$10,000 per month.

Perquisites and Other Personal Benefits

We provide the named executive officers with perquisites and other personal benefits that we and the Committee believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the named executive officers.

Payments Upon Termination or Change in Control

Each of Messrs. W. and J. Turner has an employment agreement with Bancorp that provides for certain payments and benefits if their employment is terminated under certain scenarios, including, but not limited to, within the 12 months preceding, at the time of or within 24 months after a change in control. See "Employment Agreements." These employment agreements thus require a "double trigger" in order for any payments or benefits under the agreements to be provided to Messrs. W. or J. Turner in connection with or following a change in control - in other words, both a change in control and an involuntary termination of employment (which includes a voluntary termination by the executive following a material reduction in his duties, responsibilities or benefits) must occur. The purpose of providing the change in control payments and benefits is to attract and retain top level executives of the highest caliber and mitigate the risk to these executives that their employment will be involuntarily terminated in the event we are acquired. At the same time, the mere sale of our company will not automatically trigger a payout, as our intention is to induce the executive to remain employed following a change in control so long as the acquiring company so desires without a material reduction in the executive's duties, responsibilities or benefits. Each of the employment agreements with Messrs. W. and J. Turner contains a tax gross up provision which provides generally

that if the executive receives payments or benefits in connection with a change in control, then to the extent such payments or benefits constitute “excess parachute payments” under Section 280G of the Internal Revenue Code, he generally will be paid an additional amount (referred to as a “gross up payment”) that will offset, on an after tax basis, the effect of any excise tax consequently imposed on him under Section 4999 of the Internal Revenue Code. The effects of Section 4999 generally are unpredictable and can have widely divergent and unexpected effects based on an executive’s personal compensation history. Therefore, to provide an equal level of benefit without regard to the effects of the excise tax, we determined that Section 4999 gross up payments are appropriate for Messrs. W. and J. Turner. We do not have employment or severance agreements with any of our other named executive officers. To mitigate the risk of loss of benefits to these officers if a change in control occurs, their unvested stock options (like the unvested stock options of all other employees) will vest in full upon a change in control.

Stockholder “Say on Pay” Vote

We are required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) to include a non-binding, advisory “say on pay” vote in our annual meeting proxy statement at least once every three years, and, at least once every six years, a non-binding, advisory vote on the frequency of future say on pay votes (commonly referred to as a “say on pay frequency vote”), with stockholders having the choice of every year, every two years or every three years. We included a “say on pay frequency vote” at our 2018 annual meeting of stockholders, on which stockholders cast the most votes in favor of a frequency of every year for future say on pay votes. At our 2018 annual meeting of stockholders, stockholders approved the compensation of the Company’s executives, as disclosed in the Company’s proxy statement for that meeting, with approximately 96% of the votes cast in favor.

Tax Considerations

As in effect during 2017 and prior years, Section 162(m) of the Internal Revenue Code of 1986, as amended, generally eliminated the deductibility of compensation over \$1 million paid to the principal executive officer and certain highly compensated executive officers of publicly held corporations, excluding certain qualified performance-based compensation. Stock options, which are the only form of equity-based award currently provided to our executive officers, automatically constituted qualified performance-based compensation, provided that certain plan content and grant procedure requirements were met. Effective for 2018 and future years, H.R. 1, originally known as the “Tax Cut and Jobs Act,” amended Section 162(m) to provide that qualified performance-based compensation will be subject to the \$1 million deduction limit, subject to grandfathering of amounts payable under certain agreements in effect on November 2, 2017.

Role of Executive Officers in Determining Compensation

Our Chief Executive Officer, Mr. J. Turner, makes recommendations to the Committee regarding compensation for executive officers other than himself. These recommendations are taken under advisement by the Committee, which may decide to provide compensation in amounts greater or lesser than the amounts recommended by Mr. J. Turner. For 2018, the compensation paid to the executive officers other than Mr. J. Turner was generally consistent with Mr. J. Turner’s recommendations. Mr. J. Turner is not involved with any aspect of determining his own compensation; nor is his sister, Ms. Turner Brown. Mr. W. Turner is not involved with any aspect of the determining the compensation of Mr. J. Turner, other than waiving Mr. W. Turner’s right to receive a bonus under Mr. W. Turner’s employment agreement with the understanding that Mr. J. Turner’s bonus, if any, may be increased by one-fourth of one percent of our pre-tax earnings. See “—Bonuses.”

Director compensation is determined by the Company’s Board of Directors. Other than Mr. W. Turner and Mr. J. Turner acting in their capacity as Board members, none of the Company’s executive officers has any role in determining the amount of director compensation.

Summary Compensation Table

The following table sets forth information concerning the compensation paid to or earned by the named executive officers for the years ended December 31, 2018, 2017 and 2016:

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
William V. Turner Chairman of the Board of Bancorp and Great Southern	2018	\$248,098	\$ ---	\$ ---	\$56,490	\$ 500	\$ 30,000	\$ 209,182	\$544,270
	2017	248,098	---	---	59,280	---	102,000	209,091	618,469
	2016	242,098	---	---	39,540	---	67,000	194,618	543,256
Joseph W. Turner Chief Executive Officer and President of Bancorp and Great Southern	2018	\$417,083	\$ ---	\$ ---	\$56,490	\$ 609,451	\$ ---	\$ 63,529	\$1,146,553
	2017	414,739	---	---	59,280	527,412	171,000	77,679	1,250,110
	2016	354,573	---	---	39,540	463,936	89,000	40,193	987,242
Rex A. Copeland Treasurer of Bancorp and Senior Vice President and Chief Financial Officer of Great Southern	2018	\$334,779	\$ ---	\$ ---	\$33,894	\$ 51,453	\$ ---	\$ 27,711	\$447,837
	2017	326,174	---	---	41,496	46,077	103,000	23,186	539,933
	2016	272,804	---	---	27,678	40,317	58,000	10,831	409,630
Kevin L. Baker Chief Credit Officer and Vice President of Great Southern (6)	2018	\$311,900	\$ ---	\$ ---	\$28,245	\$ 48,004	\$ 1,000	\$ 11,231	\$400,380
	2017	303,744	---	---	27,664	42,927	71,000	11,031	456,366
John M. Bugh	2018	\$310,944	\$ ---	\$ ---	\$28,245	\$ 47,860	\$ ---	\$ 45,225	\$432,274
	2017	302,806	---	---	27,664	50,420	---	30,068	410,958

Chief Lending
Officer
and Vice
President
of Great
Southern (6)

(1) For Messrs. W. and J. Turner, the 2018, 2017 and 2016 amounts in the table include directors' fees of \$48,000, \$48,000 and \$42,000, respectively.

Represents the grant date fair value of the award determined in accordance with ASC Topic 718 using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model to calculate the grant date fair value of these awards are included in Note 21 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.

(2) Represents incentive bonus awards earned for the years shown in the table. Mr. Bugh's incentive bonus award for 2017 also included \$7,625 earned under a separate commercial lending bonus plan prior to becoming an executive officer.

(3) Represents the changes during the years shown in the table in the actuarial present value of the named executive officer's accumulated benefit under Great Southern's multi-employer defined benefit pension plan. The assumptions used for this calculation were the same as those used for the calculation of the present value of accumulated benefit in the table under "Pension Benefits." For 2018, the actual change in pension value was \$(53,000) for Mr. J. Turner and \$(16,000) for Mr. Copeland. The negative amounts for Messrs. J. Turner and Copeland are reflected as zero in the table per SEC rules. Mr. Bugh is not eligible for this benefit.

(4) For Messrs. W. Turner, J. Turner, Copeland and Bugh, the 2018 amounts in the table include the aggregate incremental cost to Bancorp of certain perquisites and other personal benefits provided to them, comprised of the following: for Mr. W. Turner, personal use of company vehicle, the payment of club dues, personal use of company aircraft and use of tickets to various local sporting events; Mr. J. Turner, personal use of company aircraft, the payment of club dues, payments of the costs of executive physicals, and use of tickets to various local sporting events; Mr. Copeland, the payment of club dues, personal use of company aircraft, fitness center benefit and use of tickets to various local sporting events; and for Mr. Bugh, the payment of club dues and use of tickets to various local sporting events. SEC rules require that each perquisite or other personal benefit provided to a named executive officer that exceeds the greater of \$25,000 or 10% of the total amount of perquisites and other personal benefits for that officer be quantified. The only such perquisites or other personal benefits provided to named executive officers during 2018 that are required to be quantified are the personal use of a company vehicle by Mr. W. Turner (\$49,335) and the payment of club dues for Mr. Bugh (\$30,555). For Mr. Baker, the aggregate incremental cost to Bancorp of the perquisites and other personal benefits provided to him during 2018 was less than \$10,000; in accordance with the rules of the SEC, the amounts of these perquisites and other personal benefits are not included in the table. For Messrs. W. Turner, J. Turner, Copeland and Bugh, the amounts in the table for 2018 also include, and for Mr. Baker, the amounts in the table for 2018 are comprised of, the

following: (a) company matching contributions under our 401(k) plan (Mr. W. Turner - \$11,000, Mr. J. Turner - \$11,000, Mr. Copeland - \$11,000, Mr. Baker - \$11,000 and Mr. Bugh - \$11,000); (b) life insurance premiums paid by Great Southern for the benefit of each named executive officer of \$231, except for Mr. W. Turner, whose premium was \$116; and (c) annual benefit payments under our pension plan to Mr. W. Turner - \$124,000.

(6) No compensation information is provided for Mr. Baker or Mr. Bugh for 2016 because they were not named executive officers for that year.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to grants of plan-based awards to the named executive officers during 2018.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(3)
		Thres-hold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Thres-hold (\$)	Target (\$)	Maximum (\$)				
William V. Turner	n/a	\$---	\$---	\$---	---	---	---	---	---	---	---
	11/28/18	---	---	---	---	---	---	---	7,000	\$55.00	\$56,490
Joseph W. Turner	n/a	\$---	\$---	\$---	---	---	---	---	---	---	---
	11/28/18	---	---	---	---	---	---	---	7,000	\$55.00	\$56,490
Rex A. Copeland	n/a	\$---	\$---	\$52,755	---	---	---	---	---	---	---
	11/28/18	---	---	---	---	---	---	---	4,200	\$55.00	\$33,894
Kevin L. Baker	n/a	\$---	\$---	\$49,149	---	---	---	---	---	---	---
	11/28/18	---	---	---	---	---	---	---	3,500	\$55.00	\$28,245
John M. Bugh	n/a	\$---	\$---	\$48,998	---	---	---	---	---	---	---
	11/28/18	---	---	---	---	---	---	---	3,500	\$55.00	\$28,245

(1) Under their employment agreements, each of Messrs. W. and J. Turner are entitled to receive annual cash bonuses equal to one-half of one

percent of Bancorp's pre-tax earnings. Since 2005, Mr. W. Turner has waived his right to this bonus, with the understanding that Mr. J. Turner's bonus, if any, may be increased by $\frac{1}{4}$ of one percent of our pre-tax earnings. Under our 2018 Annual Incentive Bonus Plan, participating officers could earn a cash bonus of up to 15.75% of base annual salary, with a bonus of up to 8.25% of base annual salary based on the achievement of targeted earnings per share and a bonus of up to 7.50% of base annual salary based on individual performance. See "Compensation Discussion and Analysis-Bonuses." The actual bonus amounts awarded to the named executive officers for 2018 are set forth in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column.

(2)

Represents a stock option grant under Bancorp's 2018 Omnibus Incentive Plan that is scheduled to vest in 25% increments beginning November 28, 2020.

(3) Represents the grant date fair value of the award determined in accordance with ASC Topic 718 using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model to calculate the grant date fair value of these awards are included in Note 21 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.

Each of Messrs. W. and J. Turner has an employment agreement with Bancorp. For descriptions of these agreements, see "Employment Agreements."

Outstanding Equity Awards at December 31, 2018

The following table provides information regarding each unexercised stock option held by each of our named executive officers as of December 31, 2018:

Name	Option Awards			Stock Awards					Equity Incentive Awards: Market
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Market Value of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Number of Shares, Units or Other Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
William V. Turner	6,000	---	---	19.5300	11/16/2021	---	---	---	---
	6,000	---	---	24.8200	11/28/2022	---	---	---	---
	6,000	---	---	29.6400	12/18/2023	---	---	---	---
	4,500	1,500	(1)	32.5900	10/15/2024	---	---	---	---
	3,000	3,000	(2)	50.7100	11/18/2025	---	---	---	---
	1,500	4,500	(3)	41.3000	10/24/2026	---	---	---	---
	---	6,000	(4)	52.2000	11/15/2027	---	---	---	---
	---	7,000	(5)	55.0000	11/28/2028	---	---	---	---
Total	27,000	22,000							
Joseph W. Turner	6,000	---	---	19.5300	11/16/2021	---	---	---	---
	6,000	---	---	24.8200	11/28/2022	---	---	---	---
	6,000	---	---	29.6400	12/18/2023	---	---	---	---
	4,500	1,500	(1)	32.5900	10/15/2024	---	---	---	---
	3,000	3,000	(2)	50.7100	11/18/2025	---	---	---	---
	1,500	4,500	(3)	41.3000	10/24/2026	---	---	---	---
	---	6,000	(4)	52.2000	11/15/2027	---	---	---	---
	---	7,000	(5)	55.0000	11/28/2028	---	---	---	---
Total	27,000	22,000							
Rex A. Copeland	4,200	---	---	19.5300	11/16/2021	---	---	---	---
	1,050	---	---	29.6400	12/18/2023	---	---	---	---
	3,150	1,050	(6)	32.5900	10/15/2024	---	---	---	---
	2,100	2,100	(7)	50.7100	11/18/2025	---	---	---	---
	1,050	3,150	(8)	41.3000	10/24/2026	---	---	---	---

Edgar Filing: GREAT SOUTHERN BANCORP, INC. - Form DEF 14A

	---	4,200	(9)	---	52.2000	11/15/2027	---	---	---	---
	---	4,200	(10)	---	55.0000	11/28/2028	---	---	---	---
Total	11,550	14,700								
Kevin L. Baker	625	---		---	29.6400	12/18/2023	---	---	---	---
	1,875	625	(11)	---	32.5900	10/15/2024	---	---	---	---
	1,250	1,250	(12)	---	50.7100	11/18/2025	---	---	---	---
	625	1,875	(13)	---	41.3000	10/24/2026	---	---	---	---
	---	2,800	(14)	---	52.2000	11/15/2027	---	---	---	---
	---	3,500	(15)	---	55.0000	11/28/2028	---	---	---	---
Total	4,375	10,050								

19

Name	Option Awards			Equity Incentive Plan Awards:				Stock Awards		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-Exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John M. Bugh	6,317	---	---	16.8100	09/26/2021	---	---	---	---	---	---
	1,500	---	---	24.8200	11/28/2022	---	---	---	---	---	---
	1,500	---	---	29.6400	12/18/2023	---	---	---	---	---	---
	1,313	437	(16)	32.5900	10/15/2024	---	---	---	---	---	---
	876	874	(17)	50.7100	11/18/2025	---	---	---	---	---	---
	625	1,875	(13)	41.3000	10/24/2026	---	---	---	---	---	---
	---	2,800	(14)	52.2000	11/15/2027	---	---	---	---	---	---
	---	3,500	(15)	55.0000	11/28/2028	---	---	---	---	---	---
Total	12,131	9,486									

- (1) Vesting schedule is as follows: 1,500 shares on October 15, 2019.
- (2) Vesting schedule is as follows: 1,500 shares on November 18, 2019 and 2020.
- (3) Vesting schedule is as follows: 1,500 shares on October 24, 2019, 2020 and 2021.
- (4) Vesting schedule is as follows: 1,500 shares on November 15, 2019, 2020, 2021 and 2022.
- (5) Vesting schedule is as follows: 1,750 shares on November 28, 2020, 2021, 2022 and 2023.
- (6) Vesting schedule is as follows: 1,050 shares on October 15, 2019.
- (7) Vesting schedule is as follows: 1,050 shares on November 18, 2019 and 2020.
- (8) Vesting schedule is as follows: 1,050 shares on October 24, 2019, 2020 and 2021.
- (9) Vesting schedule is as follows: 1,050 shares on November 15, 2019, 2020, 2021 and 2022.
- (10) Vesting schedule is as follows: 1,050 shares on November 28, 2020, 2021, 2022 and 2023.
- (11) Vesting schedule is as follows: 625 shares on October 15, 2019.
- (12) Vesting schedule is as follows: 625 shares on November 18, 2019 and 2020.
- (13) Vesting schedule is as follows: 625 shares on October 24, 2019, 2020 and 2021.
- (14) Vesting schedule is as follows: 700 shares on November 15, 2019, 2020, 2021 and 2022.
- (15) Vesting schedule is as follows: 875 shares on November 18, 2020, 2021, 2022 and 2023.
- (16) Vesting schedule is as follows: 437 shares on October 15, 2019.
- (17) Vesting schedule is as follows: 437 shares on November 18, 2019 and 2020.

Option Exercises and Stock Vested

The following table sets forth information about stock options exercised during the year ended December 31, 2018, by each named executive officer:

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾
William V. Turner	---	\$---
Joseph W. Turner	---	\$---
Rex A. Copeland	4,200	\$146,233
Kevin L. Baker	3,875	\$97,792
John M. Bugh	3,683	\$118,187

(1) Represents amount realized upon exercise of stock options, based on the difference between the market value of the shares acquired at the time of exercise and the exercise price.

Pension Benefits

Great Southern participates in the Pentegra Financial Institutions Retirement Fund, a multi-employer comprehensive defined benefit pension plan. Effective July 1, 2006, this plan was closed to new participants. Employees already in the plan as of that date generally will continue to accrue benefits. Mr. W. Turner is no longer accruing additional benefits under the plan. A participant becomes fully vested after five years of service or upon attaining age 65 regardless of the number of years of service. The annual benefit for normal retirement (after attaining age 65) is calculated as follows:

$$[(2\% \times \text{years of service prior to 7/1/06} \times \text{“high-five average salary” through 6/30/06}) - (1\% \times \text{years of service prior to 7/1/06} \times \text{“high-five average salary” through 6/30/06})] + (1\% \times \text{years of service before and after 7/1/06} \times \text{“high-five average salary” before and after 7/1/06}) = \text{annual benefit}$$

The “high-five average salary” refers to the participant’s average annual salary for the five consecutive years of highest salary. A participant retiring with 30 years of service (15 prior to 07/01/06 and 15 after 07/01/06) and a high-five average salary of \$40,000 (\$30,000 prior to July 1, 2006) would receive an annual benefit of \$16,500 computed as $((2\% \times 15 \times \$30,000) - (1\% \times 15 \times \$30,000)) + (1\% \times 30 \times \$40,000)$; $\$9,000 - \$4,500 + \$12,000 = \$16,500$.

A participant becomes eligible for early retirement at age 45, in which case the benefit, otherwise payable beginning at age 65, is reduced by applying an early retirement factor based on his or her age when payments begin. The factor is determined by subtracting the following from 100%: 6% for each year between age 60 and 65, 4% for each year between age 55 and 60 and 3% for each year between age 45 and 55. If payments were to begin at age 55, the early retirement factor would be 50%. A participant taking early retirement at age 55 with 18 years of service and a high-five average salary of \$90,000 prior to July 1, 2006 and 12 years of service after July 1, 2006 and a high-five average salary of \$100,000 (\$90,000 before July 1, 2006) receives an annual benefit of \$23,100 computed as $((2\% \times 18 \times \$90,000) - (1\% \times 18 \times \$90,000) + (1\% \times 30 \times \$100,000)) \times 50\%$. Each of Messrs. J. Turner, Copeland and Baker are currently eligible for early retirement under the pension plan.

The regular form of retirement benefit (whether normal or early) is guaranteed for the life of the participant, but not less than 120 monthly installments. If a retired participant dies before receiving 120 monthly installments, his or her beneficiary would be entitled to the present value of the unpaid installments in a lump sum (or in installments, at the election of the participant or his or her beneficiary). If a participant dies in active service after having become vested, his or her beneficiary is entitled to a lump sum death benefit equal to the present value of 120 monthly retirement benefit installments which would have been payable had the participant’s retirement benefits commenced on the first day of the month after the month in which he or she died.

The benefit under the pension plan is subject to Internal Revenue Service annual compensation limits (generally \$275,000 for 2018 and \$280,000 for 2019).

The following table sets forth information regarding benefits payable to the named executive officers under the pension plan.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
William V. Turner	Pentegra Retirement Fund	24	\$1,125,000	\$124,000
Joseph W. Turner	Pentegra Retirement Fund	27	944,000	---
Rex A. Copeland	Pentegra Retirement Fund	18	519,000	---
Kevin L. Baker	Pentegra Retirement Fund	13	279,000	---
John M. Bugh	Not eligible under the plan	---	---	---

The information contained in the table above was provided to us by Pentegra Retirement Services. The amounts shown for the present value of accumulated benefit were calculated by Pentegra Retirement Services assuming an age 65 retirement date, a discount rate of 4.22% and the RP-2014 Mortality table (with Scale MP-2018).

Employment Agreements

Effective October 1, 2002, Messrs. W. and J. Turner (the “Employees”) entered into new employment agreements with Bancorp (the “Employment Agreements”). Each Employment Agreement is for a five-year term and provides for an extension of one year, in addition to the then-remaining term under the agreement, on each October 1st, as long as (1) Bancorp has not notified the Employee at least 90 days in advance that the term will not be extended further and (2) the Employee has not received an unsatisfactory performance review by the Board of Directors of Bancorp or Great Southern. Pursuant to the most recent extensions, the term of each Employment Agreement ends September 30, 2022. The Employment Agreements provide for annual base salaries as determined from time to time by the Compensation Committee of the Board of Directors, subject to reduction only as part of an overall program, implemented prior to a change in control (as defined in the Employment Agreements), applied uniformly and equitably to all members of senior management. The Employment Agreements also provide for participation in benefit plans and the receipt of fringe benefits to the same extent as the other executive officers of Bancorp and Great Southern and equitable participation in any performance-based and discretionary bonuses awarded to the executive officers of Bancorp and Great Southern. In addition, each Employee is entitled to an annual bonus equal to one-half of one percent of Bancorp’s pre-tax earnings for the year; for every year since 2005, Mr. W. Turner has waived his right to receive this bonus.

Each Employment Agreement provides that if the Employee’s employment is involuntarily terminated, then during the remaining term of the agreement he will be entitled to receive (1) on a monthly basis, 1/12th of his annual salary and 1/12th of the average annual amount of cash bonus and cash incentive compensation for the two full fiscal years preceding the date of termination, subject to reduction by the amount of the Employee’s earned income from personal services during the applicable payout period; (2) substantially the same life and disability insurance coverage and health and dental benefits as he and his dependents and beneficiaries would have received if he had remained employed, subject to reduction to the extent he receives equivalent or better benefits from another employer (the “Post-Employment Group Health, Life and Disability Insurance Benefits”); and (3) if the involuntary termination occurs within the 12 months preceding, at the time of, or within 24 months after a change in control of Bancorp, a lump sum amount in cash equal to 299% of the Employee’s “base amount” (as defined in Section 280G of the Internal Revenue Code).

The term “involuntary termination” is defined as termination of the Employee’s employment by Bancorp or Great Southern (other than for cause, or due to death, disability or a prohibition by law from participating in the conduct of the affairs of a depository institution) without the Employee’s consent or by the Employee following a material reduction of or interference with his duties, responsibilities or benefits without his consent. Each Employment

Agreement provides that to the extent the Employee receives any amounts or benefits, whether under the Employment Agreement or otherwise, that will constitute “excess parachute payments” under Section 280G of the

Internal Revenue Code and subject him to excise tax under Section 4999 of the Internal Revenue Code, he will be paid an additional amount that will offset the effect of any such excise tax.

Each Employment Agreement also provides that if the Employee dies while employed under the Employment Agreement, his estate or designated beneficiary will receive (1) the salary the Employee would have earned if he had remained employed through the 180th day after the date of his death; (2) the amounts of any benefits or awards which were earned with respect to the fiscal year in which the Employee died and the amount of any bonus or incentive compensation for that fiscal year, pro-rated in accordance with the portion of the fiscal year elapsed prior to his death; and (3) any unpaid deferred amounts described in the next paragraph.

Each Employment Agreement provides that to the extent the Employee's total compensation for any taxable year exceeds the greater of \$1,000,000 or the maximum amount of compensation deductible by the Company under Section 162(m) of the Internal Revenue Code (the greater of these two amounts referred to below as the "maximum allowable amount"), the excess amount must be deferred, with interest (at an annual rate equal to the Federal short-term rate under Section 1274(d)(1) of the Internal Revenue Code, determined as of the last day of the calendar year in which the Employee's compensation is first not deductible under Section 162(m) of the Internal Revenue Code) compounded annually, to a taxable year in which the amount to be paid to the Employee in that year (including deferred amounts and interest) does not exceed the maximum allowable amount.

Potential Payments Upon Termination of Employment

Messrs. W. and J. Turner. The following tables summarize the approximate value of the termination payments and benefits that Messrs. W. and J. Turner would have received if their employment had been terminated on December 31, 2018 under the circumstances shown. The tables also exclude (i) amounts accrued through December 31, 2018 that would be paid in the normal course of continued employment, such as accrued but unpaid salary and bonus amounts, (ii) vested account balances under Great Southern's 401(k) plan and (iii) vested account balances under our defined benefit pension plan, as described under "Pension Benefits."

William V. Turner

Termination Scenario	Salary and Bonus Continuation (\$)	Continuation of Group Health, Life and Disability Insurance Coverage (\$)	Life Insurance Benefit (\$)	Accelerated Vesting of Stock Options (\$)	Payment of 299% of "Base Amount" (\$)	Tax Gross Up Payment (\$)
If termination for cause occurs	\$ ---	\$ ---	\$---	\$ ---	\$---	\$---
If voluntary termination (not constituting "involuntary termination" under Employment Agreement) occurs	\$ ---	\$ ---	\$---	\$ ---	\$---	\$---
If "involuntary termination" under Employment Agreement (not within 12 months prior to, at the time of or within 24 months after change in control) occurs	\$ 950,019(1)	\$ ---(2)	\$---	\$ ---	\$---	\$---
If "involuntary termination" under Employment Agreement occurs within 12 months prior to, at the time of or within 24 months after a change in control	\$ 950,019(1)	\$ ---(2)	\$---	\$ 41,445(3)	\$ 1,003,794(4)	\$ 944,589(5)
If termination occurs as a result of death	\$ 100,000(6)	\$ ---	\$ 87,500(7)	\$ 41,445(3)	\$---	\$---
If termination occurs due to disability	\$ ---	\$ ---	\$---	\$ 41,445(3)	\$---	\$---

(1) Represents the total salary and bonus continuation payments payable monthly to Mr. W. Turner under his employment agreement, as described under "Employment Agreements," for the remaining term of the agreement (i.e., through September 30, 2023, assuming Mr. W. Turner's employment were "involuntarily terminated" (as defined under "Employment Agreements") on December 31, 2018). The monthly payment amount would be \$16,667. While the employment agreement provides for a reduction in the monthly payment amount to the extent of any income earned from providing services to another company during the payout period, the monthly payment amount in the preceding sentence and the total amount of payments shown in the table assumes no such reduction.

(2) Although Mr. W. Turner's employment agreement provides that if his employment is involuntarily terminated, he will continue to receive through the remaining term of the agreement (i.e., through

September 30, 2023, assuming an involuntary termination on December 31, 2018), at the same premium cost to him, substantially the same life and disability insurance coverage and health and dental benefits as he would have received had he remained employed, Mr. Turner was not receiving any such benefits on December 31, 2018. Consequently, no such benefits would be provided to him following termination of his employment.

- (3) Represents the value of acceleration of unvested stock options, based on the closing price of Bancorp's common stock on December 31, 2018 (\$46.03) and the exercise prices of the options. All unvested options vest upon a change in control, regardless of whether Mr. W. Turner's employment is "involuntarily terminated." All unvested options also vest in the event Mr. W. Turner's employment is terminated due to death or disability.
- (4) Represents the lump sum amount payable to Mr. W. Turner under his employment agreement in the event his employment is "involuntarily terminated" within the 12 months preceding, at the time of or within 24 months after a change in control of Bancorp, as described under "Employment Agreements."
- (5) Represents tax gross up payment payable to Mr. W. Turner under his employment agreement.
- (6) Represents the amount of Mr. W. Turner's salary that he would have earned had he remained employed by Bancorp through the 180th day after the date of death, payable to Mr. W. Turner's estate or designated beneficiary in accordance with his employment agreement.
- (7) Represents the death benefit payable under the supplemental life insurance policy maintained for Mr. W. Turner and other officers.

Joseph W. Turner

Termination Scenario	Salary and Bonus Continuation (\$)	Continuation of Group Health, Life and Disability Insurance Coverage (\$)	Life Insurance Benefit (\$)	Accelerated Vesting of Stock Options (\$)	Payment of 299% of "Base Amount" (\$)	Tax Gross Up Payment (\$)
If termination for cause occurs	\$---	\$---	\$---	\$---	\$---	\$---
If voluntary termination (not constituting "involuntary termination" under Employment Agreement) occurs	\$---	\$---	\$---	\$---	\$---	\$---
If "involuntary termination" under Employment Agreement (not within 12 months prior to, at the time of or within 24 months after change in control) occurs	\$4,107,130(1)	\$46,230(2)	\$---	\$---	\$---	\$---
If "involuntary termination" under Employment Agreement occurs within 12 months prior to, at the time of or within 24 months after a change in control	\$4,107,130(1)	\$46,230(2)	\$---	\$41,445(3)	\$2,641,620(4)	\$3,438,577(5)
If termination occurs as a result of death	\$184,493(6)	\$---	\$235,000(7)	\$41,445(3)	\$---	\$---
If termination occurs due to disability	\$---	\$---	\$---	\$41,445(3)	\$---	\$---

(1) Represents the total salary and bonus continuation payments payable monthly to Mr. J. Turner under his employment agreement, as described under "Employment Agreements," for the remaining term of the agreement (i.e., through September 30, 2023, assuming Mr. J. Turner's employment were "involuntarily terminated" (as defined under "Employment Agreements") on December 31, 2018). The monthly payment amount would be \$72,055. While the employment agreement provides for a reduction in the monthly payment amount to the extent of any income

earned from providing services to another company during the payout period, the monthly payment amount in the preceding sentence and the total amount of payments shown in the table assumes no such reduction.

(2) Represents the approximate cost to Bancorp of providing the “Post-Employment Group Health, Life and Disability Insurance Benefits,” described under “Employment Agreements,” to which Mr. J. Turner would be entitled for the remaining term of his employment agreement (i.e., through September 30, 2023, assuming Mr. J. Turner’s employment were terminated on December 31, 2018). Amount shown represents the aggregate share of the premium payments to be made by Bancorp, based on the monthly premium rates in effect on December 31, 2018. While the employment agreement provides for a reduction in these benefits to the extent Mr. J. Turner receives such benefits, on no less favorable terms, from another employer during the benefits continuation period, the amount shown in the table assumes no such reduction in benefits.

(3) Represents the value of acceleration of unvested stock options, based on the closing price of Bancorp’s common stock on December 31, 2018 (\$46.03) and the exercise prices of the options. All unvested options vest upon a change in control, regardless of whether Mr. J. Turner’s employment is “involuntarily terminated.” All unvested options also vest in the event Mr. J. Turner’s employment is terminated due to death or disability.

(4) Represents the lump sum amount payable to Mr. J. Turner under his employment agreement in the event his employment is “involuntarily terminated” within the 12 months preceding, at the time of or within 24 months after a change in control of Bancorp, as described under “Employment Agreements.”

(5) Represents tax gross up payment payable to Mr. J. Turner under his employment agreement.

(6) Represents the amount of Mr. J. Turner’s salary that he would have earned had he remained employed by Bancorp through the 180th day after the date of death, payable to Mr. J. Turner’s estate or designated beneficiary in accordance with his employment agreement.

(7) Represents the aggregate death benefits payable under the supplemental life insurance coverage maintained for Mr. J. Turner and other officers (\$175,000) and the term life insurance coverage maintained for all employees generally (\$60,000).

Messrs. Copeland, Baker and Bugh. None of Messrs. Copeland, Baker or Bugh has an employment or severance agreement with Bancorp or any of its subsidiaries. Each of Messrs. Copeland, Baker and Bugh held unvested stock options as of December 31, 2018, the vesting of which accelerates upon a change in control of Bancorp or upon a termination of employment due to death or disability. If a change in control of Bancorp had occurred on December 31, 2018, or if their employment had terminated on that date due to death or disability, the values that would have been realized with respect to the unvested options held by Messrs. Copeland, Baker and Bugh as a result of the accelerated vesting of such options (based on the closing price of Bancorp's common stock on December 31, 2018 (\$46.03) and the exercise prices of the options) are \$29,012, \$17,269 and \$14,742, respectively. Great Southern maintains supplemental life insurance for Messrs. Copeland, Baker and Bugh, along with other officers. If Messrs. Copeland, Baker and Bugh were to have died on December 31, 2018, the death benefit payable for each officer under the supplemental life insurance coverage would have been \$175,000. This is in addition to the term life insurance benefit generally available to all employees (which would have provided a death benefit of \$60,000 for each of Messrs. Copeland, Baker and Bugh).

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained above with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Compensation Committee of Bancorp's Board of Directors:

Thomas J. Carlson

Kevin R. Ausburn

Larry D. Frazier

Debra M. Shantz Hart

Douglas M. Pitt

Earl A. Steinert, Jr.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a current or former officer or employee of Bancorp or any of Bancorp's subsidiaries. None of our executive officers has served on the board of directors or the compensation committee of any other entity that had an executive officer serving on Bancorp's Board of Directors or on the Compensation Committee of Bancorp's Board of Directors.

CEO Pay Ratio

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the SEC's implementing rules, we are providing the following information about the relationship of the compensation of our President and CEO, Joseph W. Turner, to the compensation of our median employee. The pay ratio set forth below is a reasonable estimate determined in a manner consistent with the SEC's rules.

For 2018, our last completed fiscal year:

the annual total compensation of our median employee was \$29,371;

the annual total compensation of our President and CEO was \$1,145,553; and

the ratio of the annual total compensation of our President and CEO to the annual total compensation of our median employee was 39 to 1.

To identify our median employee, as well as to determine the annual total compensation of our median employee and our President and CEO, we took the following steps:

Mortgage banking derivative \$0 \$(319) \$0 \$(319)

Assets	December 31, 2011 Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
U.S. Treasury securities	\$1,055	\$0	\$ 0	\$ 1,055
U.S. Government sponsored agencies	0	5,277	0	5,277
Residential mortgage-backed securities	0	350,102	0	350,102
Non-agency residential mortgage-backed securities	0	32,207	0	32,207
State and municipal securities	0	78,064	686	78,750
Total Securities	1,055	465,650	686	467,391
Mortgage banking derivative	0	406	0	406
Total assets	\$1,055	\$466,056	\$ 686	\$ 467,797
Liabilities				
Mortgage banking derivative	\$0	\$(81)	\$ 0	\$(81)

There were no transfers from or into Level 1, Level 2 or Level 3 during 2012 and there were no transfers from or into Level 1 or Level 2 during the nine months ended September 30, 2011.

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2012:

	State and Municipal Securities September 30, 2012	
Balance or recurring Level 3 assets at January 1	\$	686
Change in fair value of securities	(4)
Principal payments	(45)
Balance or recurring Level 3 assets at September 30	\$	637

The fair value of 3 state and municipal securities with a fair value of \$686,000 as of December 31, 2011 were transferred out of Level 2 and into Level 3 because of a lack of observable market data for these investments. The Company's policy is to recognize transfers as of the end of the reporting period. As a result, the fair value for these state and municipal securities was transferred on December 31, 2011.

The securities measured at fair value included below are nonrated Indiana municipal revenue bonds and are not actively traded.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at 9/30/2012 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
State and municipal securities	\$ 637	Price to type, par, call	Discount to benchmark index	1 %

The Company's Controlling Department, which is responsible for all accounting and SEC compliance and the Company's Treasury Department, which is responsible for investment portfolio management and asset/liability modeling, are the two areas that decide the Company's valuation policies and procedures. Both of these areas report directly to the President and Chief Financial Officer of the Company. For assets or liabilities that may be considered for Level 3 fair value measurement on a recurring basis, these two areas and the President and Chief Financial Officer determine the appropriate level of the assets or liabilities under consideration. If there are assets or liabilities that are determined as Level 3 by this group, the Risk Management Committee of the Company and the Audit Committee of the Board of Directors are made aware of such assets at their next scheduled meeting.

Securities pricing is obtained from a third party pricing service and is tested at least annually against prices from another third party provider and reviewed with a market value tolerance variance of 3%. If any securities fall above this tolerance threshold, they are reviewed in more detail to determine why the variance exists. Changes in market value are reviewed monthly in aggregate yield by security type and any material differences are reviewed to determine why they exist. At least annually, the pricing methodology of the pricing service is received and reviewed to support the fair value levels used by the Company. A detailed pricing evaluation is requested and reviewed on any security determined to be fair value using unobservable inputs by the pricing service.

The primary methodology used in the fair value measurement of the Company's state and municipal securities classified as Level 3 is a discount to the AAA municipal benchmark index. Significant increases or (decreases) in this index as well as the degree to which the security differs in ratings, coupon, call and duration will result in a higher or (lower) fair value measurement for those securities that are not callable. For those securities that are continuously callable, a slight premium to par is used.

The table below presents the balances of assets measured at fair value on a nonrecurring basis:

Assets	September 30, 2012			Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
	(in thousands)			
Impaired loans:				
Commercial and industrial loans:				
Working capital lines of credit loans	\$0	\$0	\$1,657	\$ 1,657
Non-working capital loans	0	0	5,275	5,275
Commercial real estate and multi-family residential loans:				
Construction and land development loans	0	0	2,724	2,724
Owner occupied loans	0	0	4,760	4,760
Nonowner occupied loans	0	0	20,585	20,585
Multifamily loans	0	0	0	0
Agri-business and agricultural loans:				
Loans secured by farmland	0	0	266	266
Loans for agricultural production	0	0	0	0
Other commercial loans	0	0	0	0
Consumer 1-4 family mortgage loans:				
Closed end first mortgage loans	0	0	241	241
Open end and junior lien loans	0	0	162	162
Residential construction loans	0	0	0	0
Other consumer loans	0	0	27	27
Total impaired loans	\$0	\$0	\$35,697	\$ 35,697
Mortgage servicing rights	0	0	1,969	1,969
Other real estate owned	0	0	81	81

Total assets \$0 \$0 \$37,747 \$ 37,747

40

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at September 30, 2012:

	Fair Value	Valuation Methodology	Unobservable Inputs	Range of Inputs (Average)
Impaired Loans:				
Commercial and industrial:	\$ 6,932	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	0% - 83% (25)%
Impaired loans:				
Commercial real estate:	28,069	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	0% - 88% (40)%
Impaired loans:				
Agri-business and agricultural:	266	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	9% - 24% (16)%
Impaired loans:				
Consumer 1-4 family mortgage	403	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	0% - 20% (8)%
Impaired loans:				
Other consumer	27	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	40%
Mortgage servicing rights	1,969	Discounted cash flows	Discount rate	9.1% - 9.5% (9.2)%
Other real estate owned	81	Appraisals	Discount to reflect current market conditions	49% - 61% (50)%

Assets	December 31, 2011			
	Fair Value			
	Measurements			Assets
	Using			
Level 1	Level 2	Level 3	at Fair Value	
				(in thousands)
Impaired loans:				
Commercial and industrial loans:				
Working capital lines of credit loans	\$0	\$0	\$2,762	\$2,762
Non-working capital loans	0	0	11,885	11,885
Commercial real estate and multi-family residential loans:				
Construction and land development loans	0	0	303	303
Owner occupied loans	0	0	3,515	3,515
Nonowner occupied loans	0	0	23,591	23,591
Multifamily loans	0	0	0	0
Agri-business and agricultural loans:				
Loans secured by farmland	0	0	433	433
Loans for agricultural production	0	0	207	207
Other commercial loans	0	0	0	0
Consumer 1-4 family mortgage loans:				
Closed end first mortgage loans	0	0	878	878
Open end and junior lien loans	0	0	406	406
Residential construction loans	0	0	0	0
Other consumer loans	0	0	0	0
Total impaired loans	\$0	\$0	\$43,980	\$43,980
Mortgage servicing rights	0	0	1,734	1,734
Other real estate owned	0	0	730	730
Total assets	\$0	\$0	\$46,444	\$46,444

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross carrying amount of \$50.2 million, with a valuation allowance of \$14.5 million at September 30, 2012, resulting in a net recovery in the provision for loan losses of \$200,000 and \$3.8 million, respectively, for the three months and nine months ended September 30, 2012. At September 30, 2011, impaired loans had a carrying amount of \$56.4 million, with a valuation allowance of \$16.6 million, resulting in an additional provision for loan losses of \$7.8 million and \$5.3 million, respectively, for the three months and nine months ending September 30, 2011.

Mortgage servicing rights, which are carried at the lower of cost or fair value, included a portion carried at their fair value of \$2.0 million, which is made up of the outstanding balance of \$2.2 million, net of a valuation allowance of \$192,000 at September 30, 2012, resulting in impairment of \$84,000 for the nine months ended September 30, 2012. The Company realized impairment of mortgage servicing rights of \$162,000 for the nine months ended September 30, 2011.

The Company also recognized a \$72,000 reduction in the value of other real estate owned during the nine months ended September 30, 2012. During the nine months ended September 30, 2011, the Company recognized a \$76,000 reduction in the value of other real estate owned.

The following table contains the estimated fair values and the related carrying values of the Company's financial instruments. Items which are not financial instruments are not included.

	September 30, 2012				Total
	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and cash equivalents	\$ 181,402	\$ 181,402	\$ 0	\$ 0	\$ 181,402
Securities available for sale	481,256	1,042	479,577	637	481,256
Real estate mortgages held for sale	6,707	0	6,826	0	6,826
Loans, net	2,151,476	0	0	2,179,321	2,179,321
Federal Home Loan Bank stock	7,313	N/A	N/A	N/A	N/A
Federal Reserve Bank stock	3,420	N/A	N/A	N/A	N/A
Accrued interest receivable	9,729	4	1,774	7,951	9,729
Financial Liabilities:					
Certificates of deposit	(948,410)	0	(964,427)	0	(964,427)
All other deposits	(1,527,687)	(1,527,687)	0	0	(1,527,687)
Securities sold under agreements to repurchase	(118,552)	0	(118,552)	0	(118,552)
Long-term borrowings	(15,038)	0	(15,690)	0	(15,690)
Subordinated debentures	(30,928)	0	0	(31,232)	(31,232)
Standby letters of credit	(360)	0	0	(360)	(360)
Accrued interest payable	(5,718)	(289)	(5,426)	(3)	(5,718)

	December 31, 2011	
	Carrying Value	Estimated Fair Value
Financial Assets:		
Cash and cash equivalents	\$ 104,584	\$ 104,584
Securities available for sale	467,391	467,391
Real estate mortgages held for sale	2,953	2,998
Loans, net	2,180,309	2,141,459
Federal Home Loan Bank stock	7,313	N/A
Federal Reserve Bank stock	3,420	N/A
Accrued interest receivable	9,604	9,604
Financial Liabilities:		
Certificates of deposit	(910,381)	(925,619)
All other deposits	(1,502,315)	(1,502,315)
Securities sold under agreements to repurchase	(131,990)	(131,990)
Other short-term borrowings	(10,000)	(10,000)
Long-term borrowings	(15,040)	(16,079)
Subordinated debentures	(30,928)	(31,240)
Standby letters of credit	(247)	(247)
Accrued interest payable	(5,574)	(5,574)

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and cash equivalents - The carrying amount of cash and cash equivalents approximate fair value and are classified as Level 1.

Loans, net – Fair values of loans, excluding loans held for sale, are estimated as follows: For variable rate loans, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using current market rates applied to the estimated life resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Federal Home Loan Bank stock and Federal Reserve Bank stock– It is not practical to determine the fair value of Federal Home Loan Bank stock and Federal Reserve Bank stock due to restrictions placed on its transferability.

Certificates of deposit - Fair values of certificates of deposit are estimated using discounted cash flow analyses using current market rates applied to the estimated life resulting in a Level 2 classification.

All other deposits- The fair values for all other deposits other than certificates of deposit are equal to the amount payable on demand (the carrying value) resulting in a Level 1 classification.

Securities sold under agreements to repurchase – The carrying amount of borrowings under repurchase agreements approximate their fair values resulting in a Level 2 classification.

Long-term borrowings – The fair value of long-term borrowings is estimated using discounted cash flow analyses based on current borrowing rates resulting in a Level 2 classification.

Subordinated debentures- The fair value of subordinated debentures is based on the rates currently available to the Company with similar term and remaining maturity and credit spread resulting in a Level 3 classification.

Standby letters of credit – The fair value of off-balance sheet items is based on the current fees and costs that would be charged to enter into or terminate such arrangements resulting in a Level 3 classification.

Accrued interest receivable/payable – The carrying amounts of accrued interest approximate fair value resulting in a Level 1, Level 2 or Level 3 classification which is consistent with its associated asset/liability.

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes within each classification of accumulated other comprehensive income for the nine months ended September 30, 2012 and 2011:

	Balance at December 31, 2011	Current Period Change	Balance at September 30, 2012	
Unrealized loss on securities available for sale without other than temporary impairment	\$ 7,688	\$818	\$ 8,506	
Unrealized loss on securities available for sale with other than temporary impairment	(523) 523	0	
Total unrealized loss on securities available for sale	7,165	1,341	8,506	
Unrealized loss on defined benefit pension plans	(2,026) 164	(1,862)
Total	\$ 5,139	\$1,505	\$ 6,644	
	Balance	Current Period	Balance	

Edgar Filing: GREAT SOUTHERN BANCORP, INC. - Form DEF 14A

	at December 31, 2010	Change	at September 30, 2011
Unrealized loss on securities available for sale without other than temporary impairment	\$ 4,285	\$4,372	\$ 8,657
Unrealized loss on securities available for sale with other than temporary impairment	(1,425) 1,138	(287)
Total unrealized loss on securities available for sale	2,860	5,510	8,370
Unrealized loss on defined benefit pension plans	(1,510) (60)	(1,570)
Total	\$ 1,350	\$5,450	\$ 6,800

45

NOTE 10. SUBSEQUENT EVENTS

There were no subsequent events that would have a material impact to the financial statements presented in this Form 10-Q.

NOTE 11. RECLASSIFICATIONS

Certain amounts appearing in the financial statements and notes thereto for prior periods have been reclassified to conform with the current presentation. The reclassification had no effect on net income or stockholders' equity as previously reported.

Part 1

LAKELAND FINANCIAL CORPORATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

and

RESULTS OF OPERATIONS

September 30, 2012

OVERVIEW

Lakeland Financial Corporation is the holding company for Lake City Bank. The Company is headquartered in Warsaw, Indiana and operates 45 offices in 13 counties in Northern and Central Indiana. The Company earned \$26.8 million for the first nine months of 2012, versus \$22.4 million in the same period of 2011, an increase of 19.6%. Net income was positively impacted by a \$9.6 million decrease in the provision for loan losses and an increase in noninterest income of \$1.2 million. Offsetting these positive impacts were a decrease in net interest income of \$2.5 million and an increase of \$1.6 million in noninterest expense. Basic earnings per common share for the first nine months of 2012 were \$1.64 per share, versus \$1.38 per share for the first nine months of 2011, an increase of 18.8%. Diluted earnings per common share reflect the potential dilutive impact of stock options, stock awards and warrants. Diluted earnings per common share for the first nine months of 2012 were \$1.63 per share, versus \$1.37 for the first nine months of 2011, an increase of 19.0%.

Net income for the third quarter of 2012 was \$9.3 million, an increase of 10.7% versus \$8.4 million for the comparable period of 2011. The increase was driven by a \$2.4 million decrease in the provision for loan losses and an increase in noninterest income of \$306,000. Offsetting these positive impacts was an increase of \$823,000 in noninterest expense as well as a decrease of \$661,000 in net interest income. Basic earnings per common share for the third quarter of 2012 were \$0.57 per share, versus \$0.52 per share for the third quarter of 2011. Diluted earnings per common share for the third quarter of 2012 were \$0.57 per share, versus \$0.52 per share for the third quarter of 2011, an increase of 9.6%.

RESULTS OF OPERATIONS

Net Interest Income

For the nine-month period ended September 30, 2012, net interest income totaled \$66.8 million, a decrease of 3.6%, or \$2.5 million, versus the first nine months of 2011. This decrease was primarily due to a 26 basis point decrease in the Company's net interest margin to 3.34% for the nine month period ended September 30, 2012, versus 3.60% comparable period of 2011. During the nine-month period ended September 30, 2012, average earning assets increased by \$101.0 million, or 3.9%, to \$2.717 billion. For the third quarter of 2012, net interest income totaled \$22.2 million, a decrease of 2.9%, or \$661,000, versus the third quarter of 2011. This decrease was primarily due to an 18 basis point decrease in the Company's net interest margin to 3.30% for the third quarter of 2012, versus 3.48% for the third quarter of 2011. Average earning assets increased \$78.0 million, or 3.0%, to \$2.718 billion in the third quarter of 2012, versus the third quarter of 2011.

Given the Company's mix of interest earning assets and interest bearing liabilities at September 30, 2012, the Company would generally be considered to have a relatively neutral balance sheet structure. The Company's balance sheet structure would normally be expected to produce a stable or declining net interest margin in a declining rate environment. As the Company's balance sheet has become more neutral in structure, management believes rate movements and other factors such as deposit mix, market deposit rate pricing and non-bank deposit products could have an impact on net interest margin. As a result of the prolonged and unprecedented low interest rate environment, and given recent indications by the Federal Reserve Bank regarding its intentions to maintain current target rate levels, the Company expects to experience continued pressure on its net interest margin. Also contributing to this net interest margin compression is a recent trend of aggressive loan pricing by the Company's competitors in its markets on both variable and fixed rate commercial loans. As a result of this competitive pricing influence, the Company believes that its yields on the commercial loan portfolio will continue to experience downward pressure. Over time, the Company's mix of deposits has shifted to more reliance on transaction accounts such as Rewards Checking, as well as Rewards Savings and corporate and public fund money market and repurchase agreements, which generally carry a higher interest rate cost than other types of interest bearing deposits. The Company believes that this deposit strategy provides for an appropriate funding strategy.

During the first nine months of 2012, total interest and dividend income decreased by \$4.0 million, or 4.4%, to \$87.7 million, versus \$91.7 million during the first nine months of 2011. This decrease was primarily the result of a 38 basis point decrease in the tax equivalent yield on average earning assets to 4.4%, versus 4.8% for the same period of 2011. Average earning assets increased by \$101.0 million, or 3.9%, during the first nine months of 2012 versus the same period of 2011. During the third quarter of 2012, total interest and dividend income decreased by \$1.8 million, or 5.8%, to \$28.7 million, versus \$30.4 million during the third quarter of 2011. This decrease was primarily the result of a 38 basis point decrease in the tax equivalent yield on average earning assets to 4.3% in the third quarter of 2012, versus 4.6% for the same period of 2011. Average earning assets increased by \$78.0 million, or 3.0%, in the third quarter of 2012 versus the same period of 2011.

During the first nine months of 2012, loan interest income decreased by \$790,000, or 1.0%, to \$78.1 million, versus \$78.9 million during the first nine months of 2011. The decrease was driven by a 24 basis point decrease in the tax equivalent yield on loans, to 4.7%, versus 5.0% in the first nine months of 2011. During the third quarter of 2012, loan interest income decreased by \$592,000, or 2.2%, to \$25.9 million, versus \$26.5 million during the third quarter of 2011. The decrease was driven by a 22 basis point decrease in the tax equivalent yield on loans, to 4.7%, versus 4.9% in the third quarter of 2011.

The average daily securities balances for the first nine months of 2012 increased \$33.3 million, or 7.5%, to \$475.0 million, versus \$441.8 million for the same period of 2011. During the same periods, income from securities decreased by \$3.2 million, or 25.1%, to \$9.5 million versus \$12.7 million during the first nine months of 2011. The decrease was primarily the result of a 119 basis point decrease in the tax equivalent yield on securities, to 3.0%, versus 4.2% in the first nine months of 2011. The average daily securities balances for the third quarter of 2012 increased \$18.5 million, or 4.1%, to \$475.9 million, versus \$457.4 million for the same period of 2011. During the same periods, income from securities decreased by \$1.2 million, or 30.1%, to \$2.7 million versus \$3.9 million during the third quarter of 2011. The decrease was primarily the result of a 112 basis point decrease in the tax equivalent yield on securities, to 2.6%, versus 3.7% in the third quarter of 2011. The prolonged low interest rate environment has driven

accelerated prepayments in the Company's portfolio of mortgage backed securities. Those prepayments must then be reinvested in securities at current, lower market yields, resulting in less income from securities despite the higher average securities balances. Due to the unprecedented low interest rate environment, the Company is currently reevaluating its investment strategy. The reevaluation includes considering the purchase of good quality, higher yielding alternative investments. Given the strength of the Company's balance sheet and the likelihood of the low interest rate environment persisting into the future, the Company believes that this would be an appropriate and prudent strategy.

Total interest expense decreased \$1.6 million, or 6.9%, to \$20.9 million for the nine-month period ended September 30, 2012, from \$22.4 million for the comparable period in 2011. The decrease was primarily the result of a 16 basis point decrease in the Company's daily cost of funds to 1.1%, versus 1.2% for the same period of 2011. Total interest expense decreased \$1.1 million, or 14.6%, to \$6.5 million for the third quarter of 2012, versus \$7.6 million for the third quarter of 2011. The decrease was primarily the result of a 23 basis point decrease in the Company's cost of funds to 1.0%, from 1.2% for the same period of 2011.

On an average daily basis, total deposits (including demand deposits) increased \$198.5 million, or 8.7%, to \$2.491 billion for the nine-month period ended September 30, 2012, versus \$2.293 billion during the same period in 2011. The average daily balances for the third quarter of 2012 increased \$175.7 million, or 7.6%, to \$2.492 billion from \$2.316 billion during the third quarter of 2011. On an average daily basis, noninterest bearing demand deposits were \$348.3 million for the nine-month period ended September 30, 2012, versus \$302.2 million for the same period in 2011. The average daily noninterest bearing demand deposit balances for the third quarter of 2012 were \$364.6 million, versus \$317.9 million for the third quarter of 2011. On an average daily basis, interest bearing transaction accounts increased \$147.6 million, or 17.5%, to \$992.0 million for the nine-month period ended September 30, 2012, versus the same period in 2011. Average daily interest bearing transaction accounts increased \$131.4 million, or 15.5%, to \$981.8 million for the third quarter of 2012, versus \$850.3 million for the third quarter of 2011. When comparing the nine months ended September 30, 2012 with the same period of 2011, the average daily balance of time deposits, which pay a higher rate of interest compared to demand deposits and non-Rewards Checking transaction accounts, decreased \$21.4 million. The average rate paid on time deposit accounts decreased three basis points to 1.6% for the nine-month period ended September 30, 2012, versus the same period in 2011. During the third quarter of 2012, the average daily balance of time deposits decreased \$30.4 million, and the rate paid decreased 12 basis points to 1.5%, versus the third quarter of 2011. Despite the low interest rate environment, the Company has been able to attract and retain retail deposit customers through offering innovative deposit products such as Rewards Checking and Savings. These products pay somewhat higher interest rates but also encourage certain customer behaviors such as using debit cards and electronic statements, which have the effect of generating additional related fee income and reducing the Company's processing costs.

The Company's funding strategy is generally focused on leveraging its retail branch network to grow traditional retail deposits and on its presence with commercial customers and public fund entities in its Indiana markets to generate deposits. In addition, the Company has utilized the Certificate of Deposit Account Registry Service (CDARS) program and out-of-market brokered certificates of deposit. Due to the Company's historical loan growth, the Company sought these deposits and has expanded its funding strategy over time to include these types of non-core deposit programs, although its reliance on these types of deposits has reduced significantly over the past several years. The Company believes that these deposit programs represent an appropriate tool in the overall liquidity and funding strategy but will continue to focus on funding loan and investment growth with in-market deposits whenever possible. On an average daily basis, total brokered certificates of deposit decreased \$107.2 million to \$42.5 million for the nine-month period ended September 30, 2012, versus \$149.7 million for the same period in 2011. During the third quarter of 2012, average daily brokered certificates of deposit were \$30.4 million, versus \$125.1 million during the third quarter of 2011. On an average daily basis, total public fund certificates of deposit decreased \$4.8 million to \$97.9 million for the nine-month period ended September 30, 2012, versus \$102.7 million for the same period in 2011. During the third quarter of 2012, average daily public fund certificates of deposit were \$108.2 million, versus \$104.6 million during the third quarter of 2011. In addition, the Company had average public fund interest bearing transaction accounts of \$190.5 million and \$189.5 million, respectively, in the nine months and three months ended

September 30, 2012, versus \$105.6 million and \$108.9 million for the comparable periods of 2011. Availability of public fund deposits can be cyclical, primarily due to the timing differences between when real estate property taxes are collected versus when those tax revenues are spent, as well as the intense competition for these funds.

Average daily balances of borrowings were \$163.0 million during the nine months ended September 30, 2012, versus \$193.2 million during the same period of 2011, and the rate paid on borrowings increased 17 basis points to 1.3%. During the third quarter of 2012 the average daily balances of borrowings decreased \$35.1 million to \$158.7 million, versus \$193.7 million for the same period of 2011, and the rate paid on borrowings increased 22 basis points to 1.3%. On an average daily basis, total deposits (including demand deposits) and purchased funds increased 6.8% and 5.6%, respectively, during the nine-month and three-month periods ended September 30, 2012 versus the same periods in 2011.

The Board of Directors and management recognize the importance of liquidity during times of normal operations and in times of stress. In 2010, the Company formalized and expanded upon its extensive Contingency Funding Plan (“CFP”). The formal CFP was developed to help ensure that the multiple liquidity sources available to the Company are detailed. The CFP identifies the potential funding sources, which include the Federal Home Loan Bank of Indianapolis, The Federal Reserve Bank, brokered certificates of deposit, certificates of deposit available from the CDARS program, repurchase agreements, and Fed Funds. The CFP also addresses the role of the securities portfolio in liquidity.

Further, the plan identifies CFP team members and expressly details their respective roles. Potential risk scenarios are identified and the plan includes multiple scenarios, including short-term and long-term funding crisis situations. Under the long-term funding crisis, two additional scenarios are identified: a moderate risk scenario and a highly stressed scenario. The CFP indicates the responsibilities and the actions to be taken by the CFP team under each scenario. Monthly reports to management and the Board of Directors under the CFP include an early warning indicator matrix and pro forma cash flows for the various scenarios. The Company will continue to carefully monitor its liquidity planning and will consider adjusting its plans as circumstances warrant.

The following tables set forth consolidated information regarding average balances and rates:

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL

(in thousands of dollars)

	Nine Months Ended September 30, 2012			2011				
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)		
ASSETS								
Earning assets:								
Loans:								
Taxable (2)(3)	\$2,207,594	\$77,789	4.71	% \$2,121,294	\$78,555	4.95	%	
Tax exempt (1)	9,634	498	6.91	10,471	529	6.76		
Investments: (1)								
Available for sale	475,028	10,562	2.97	441,771	13,745	4.16		
Short-term investments	22,891	16	0.09	17,219	18	0.14		
Interest bearing deposits	2,178	27	1.66	25,606	96	0.50		
Total earning assets	2,717,325	88,892	4.37	% 2,616,361	92,943	4.75	%	
Nonearning assets:								
Cash and due from banks	162,385	0		65,115	0			
Premises and equipment	34,995	0		30,752	0			
Other nonearning assets	94,853	0		95,007	0			
Less allowance for loan losses	(53,076)	0		(49,469)	0			
Total assets	\$2,956,482	\$88,892		\$2,757,766	\$92,943			

Tax exempt income was converted to a fully taxable equivalent basis at a 35 percent tax rate for 2012 and 2011.

(1) The tax equivalent rate for tax exempt loans and tax exempt securities included the TEFRA adjustment applicable to nondeductible interest expenses.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the nine months ended September 30, 2012 and 2011, are included as taxable loan interest income.

(3) Nonaccrual loans are included in the average balance of taxable loans.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL (Cont.)

(in thousands of dollars)

	Nine Months Ended September 30,					
	2012			2011		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	\$192,969	\$530	0.37 %	\$166,740	\$686	0.55 %
Interest bearing checking accounts	992,045	7,139	0.96	844,488	7,994	1.27
Time deposits:						
In denominations under \$100,000	395,807	5,384	1.82	348,557	5,125	1.97
In denominations over \$100,000	562,157	6,299	1.50	630,820	7,063	1.50
Miscellaneous short-term borrowings	117,002	329	0.38	147,263	477	0.43
Long-term borrowings and subordinated debentures	45,966	1,198	3.48	45,968	1,084	3.15
Total interest bearing liabilities	2,305,946	20,879	1.21 %	2,183,836	22,429	1.37 %
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	348,280	0		302,170	0	
Other liabilities	17,760	0		14,931	0	
Stockholders' equity	284,496	0		256,829	0	
Total liabilities and stockholders' equity	\$2,956,482	\$20,879		\$2,757,766	\$22,429	
Net interest differential - yield on average daily earning assets		\$68,013	3.34 %		\$70,514	3.60 %

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL

(in thousands of dollars)

	Three Months Ended September 30,						
	2012			2011			
	Average Balance	Interest Income	Yield (1)	Average Balance	Interest Income	Yield (1)	
ASSETS							
Earning assets:							
Loans:							
Taxable (2)(3)	\$2,206,051	\$25,803	4.65	% \$2,150,201	\$26,390	4.87	%
Tax exempt (1)	9,406	164	6.93	9,806	170	6.88	
Investments: (1)							
Available for sale	475,899	3,074	2.57	457,360	4,254	3.69	
Short-term investments	24,595	6	0.10	12,082	3	0.10	
Interest bearing deposits	2,367	10	1.68	10,849	15	0.55	
Total earning assets	2,718,318	29,057	4.25	% 2,640,298	30,832	4.63	%
Nonearning assets:							
Cash and due from banks	165,790	0		77,111	0		
Premises and equipment	35,043	0		31,203	0		
Other nonearning assets	93,258	0		93,763	0		
Less allowance for loan losses	(52,046)	0		(52,184)	0		
Total assets	\$2,960,363	\$29,057		\$2,790,191	\$30,832		

Tax exempt income was converted to a fully taxable equivalent basis at a 35 percent tax rate for 2012 and 2011.

(1) The tax equivalent rate for tax exempt loans and tax exempt securities included the TEFRA adjustment applicable to nondeductible interest expenses.

(2) Loan fees, which are immaterial in relation to total taxable loan interest income for the three months ended September 30, 2012 and 2011, are included as taxable loan interest income.

(3) Nonaccrual loans are included in the average balance of taxable loans.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL (Cont.)

(in thousands of dollars)

	Three Months Ended September 30,					
	2012			2011		
	Average Balance	Interest Expense	Yield	Average Balance	Interest Expense	Yield
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings deposits	\$197,322	\$160	0.32 %	\$169,281	\$239	0.56 %
Interest bearing checking accounts	981,770	2,174	0.88	850,343	2,769	1.29
Time deposits:						
In denominations under \$100,000	388,516	1,684	1.72	360,060	1,773	1.95
In denominations over \$100,000	559,855	1,971	1.40	618,718	2,309	1.48
Miscellaneous short-term borrowings	112,722	112	0.40	147,771	159	0.43
Long-term borrowings and subordinated debentures	45,966	399	3.45	45,967	361	3.12
Total interest bearing liabilities	2,286,151	6,500	1.13 %	2,192,140	7,610	1.38 %
Noninterest bearing liabilities and stockholders' equity:						
Demand deposits	364,579	0		317,921	0	
Other liabilities	18,120	0		15,670	0	
Stockholders' equity	291,513	0		264,460	0	
Total liabilities and stockholders' equity	\$2,960,363	\$6,500		\$2,790,191	\$7,610	
Net interest differential - yield on average daily earning assets		\$22,557	3.30 %		\$23,222	3.48 %

Edgar Filing: GREAT SOUTHERN BANCORP, INC. - Form DEF 14A

Service charges on deposit accounts	2,045	2,036	0.4
Loan, insurance and service fees	1,421	1,259	12.9
Merchant card fee income	297	253	17.4
Other income	669	362	84.8
Mortgage banking income	590	440	34.1
Net securities losses	(380)	(1)	N/A
Impairment on available-for-sale securities (includes total losses of \$67 and \$33, net of \$0 and \$0 recognized in other comprehensive income, pre-tax)	(67)	(33)	103.0
Total noninterest income	\$6,229	\$5,923	5.2 %

55

Noninterest income increased \$1.2 million and \$306,000 respectively, for the nine-month and three-month periods ended September 30, 2012 versus the same periods in 2011. Mortgage banking income increased by \$980,000 and \$150,000, respectively, driven by a larger pipeline of refinance mortgage loans due to the continued low interest rate environment. Loan, insurance and service fees increased \$467,000 and \$162,000, respectively, driven by greater debit and credit card usage and ancillary fees. In addition, other income was positively impacted by gains on the sale of other real estate during the third quarter of 2012, versus write downs of other real estate during the third quarter of 2011. Noninterest income was negatively impacted by \$380,000 in net losses on securities sales related to a strategic realignment in the investment portfolio, which included the sale of nine non-agency mortgage backed securities. The sale included all five of the non-agency mortgage backed securities on which the Company had previously recognized other-than-temporary impairment.

Noninterest Expense

Noninterest expense categories for the nine-month and three-month periods ended September 30, 2012 and 2011 are shown in the following table:

	Nine Months Ended September 30,		Percent Change	
	2012	2011		
Salaries and employee benefits	\$26,007	\$24,802	4.9	%
Occupancy expense	2,519	2,373	6.2	
Equipment costs	1,854	1,600	15.9	
Data processing fees and supplies	3,044	2,820	7.9	
Other expense	9,807	10,025	(2.2))
Total noninterest expense	\$43,231	\$41,620	3.9	%

	Three Months Ended September 30,		Percent Change	
	2012	2011		
Salaries and employee benefits	\$8,569	\$8,611	(0.5))%
Occupancy expense	803	746	7.6	
Equipment costs	641	536	19.6	
Data processing fees and supplies	1,143	729	56.8	
Other expense	3,146	2,857	10.1	
Total noninterest expense	\$14,302	\$13,479	6.1	%

The Company's noninterest expense increased \$1.6 million and \$823,000, respectively, in the nine-month and three-month periods ended September 30, 2012 versus the same periods of 2011. Salaries and employee benefits increased by \$1.2 million and decreased \$42,000, respectively, in the nine-month and three-month periods ended September 30, 2012 versus the same period of 2011. The increase in the nine month period was driven by staff additions, normal merit increases and employee health insurance increases. In addition, the Company's performance based compensation expense increased due to performance versus corporate objectives and increased recognition levels. Other factors behind the increase in noninterest expense included higher data processing fees driven by a larger customer base as well as greater utilization of services priced on a per unit basis by the Company's core processor, and higher equipment costs due to higher depreciation expense.

Income Tax Expense

Income tax expense increased \$2.3 million, or 21.1%, for the first nine months of 2012, compared to the same period in 2011. The combined state franchise tax expense and the federal income tax expense, as a percentage of income before income tax expense, increased to 33.3% during the first nine months of 2012 compared to 33.0% during the same period of 2011. The combined tax expense decreased to 33.6% in the third quarter of 2012, versus 34.3% during the same period of 2011. The changes were driven by fluctuations in the percentage of revenue being derived from tax-advantaged sources in the nine-month and three-month periods of 2012, compared to the same periods in 2011.

CRITICAL ACCOUNTING POLICIES

Certain of the Company's accounting policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Some of the facts and circumstances which could affect these judgments include changes in interest rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses, the valuation of mortgage servicing rights and the valuation and other-than-temporary impairment of investment securities. The Company's critical accounting policies are discussed in detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

FINANCIAL CONDITION

Total assets of the Company were \$2.952 billion as of September 30, 2012, an increase of \$62.5 million, or 2.2%, when compared to \$2.890 billion as of December 31, 2011.

Total cash and cash equivalents increased by \$76.8 million, or 73.5%, to \$181.4 million at September 30, 2012 from \$104.6 million at December 31, 2011. The increase resulted from an increase in total deposits, primarily transaction accounts. In addition, the Company experienced seasonal reductions in agri-business loans as well as an anticipated reduction in the portfolio of commercial real estate loans.

Total securities available-for-sale increased by \$13.9 million, or 3.0%, to \$481.3 million at September 30, 2012 from \$467.4 million at December 31, 2011. The increase was a result of a number of transactions in the securities portfolio. Securities purchases totaled \$128.2 million. Offsetting this increase were securities paydowns totaling \$78.7 million,

securities sales totaling \$27.9 million, maturities and calls of securities totaling \$3.8 million, securities amortization net of accretion was \$5.2 million and other-than-temporary impairment of \$1.0 million was recognized on four non-agency residential mortgage-backed securities. In addition, the net unrealized gain of the securities portfolio increased by \$2.2 million. The increase in fair market value was primarily driven by higher market values for agency residential mortgage-backed securities, due to the lower interest rate environment. The investment portfolio is generally managed to limit the Company's exposure to risk by containing mostly mortgage-backed securities backed by the federal government, other securities which are either directly or indirectly backed by the federal government or a local municipal government and collateralized mortgage obligations rated AAA by S&P and/or Aaa by Moody's at the time of purchase. As of September 30, 2012, the Company had \$7.0 million of non-agency residential mortgage-backed securities which were not backed by the federal government, but were rated AAA by S&P and/or Aaa by Moody's at the time of purchase.

None of the five remaining non-agency residential mortgage backed securities were still rated AAA/Aaa as of September 30, 2012 by at least one of the rating agencies S&P, Moody's and Fitch, however, none of the five have been downgraded to below investment grade by any of those rating agencies. On a monthly basis, the Company performs an analysis of the cash flows of these securities based on assumptions as to collateral defaults, prepayment speeds, expected losses and the severity of potential losses. Based upon the initial analysis, securities may be identified for further analysis computing the net present value and comparing it to the book value to determine if there is any other-than-temporary impairment to be recorded. Based on the analyses as of September 30, 2012, there was no other-than-temporary-impairment or any unrealized loss on any of the five remaining non-agency residential mortgage backed securities.

Real estate mortgage loans held-for-sale increased by \$3.8 million, or 127.1%, to \$6.7 million at September 30, 2012 from \$3.0 million at December 31, 2011. The balance of this asset category is subject to a high degree of variability depending on, among other things, recent mortgage loan rates and the timing of loan sales into the secondary market. During the nine months ended September 30, 2012, \$89.6 million in real estate mortgages were originated for sale and \$85.3 million in mortgages were sold.

Total loans, excluding real estate mortgage loans held for sale, decreased by \$30.3 million to \$2.203 billion at September 30, 2012 from \$2.234 billion at December 31, 2011. During the nine months ended September 30, 2012, the Company experienced seasonal reductions in agri-business loans as favorable commodity prices and overall performance resulted in strong results for these borrowers. In addition, the portfolio of commercial real estate was reduced through the anticipated and successful placement of interim project financings with long-term, non-bank institutional lenders. Management expects loan growth to be moderate as the economic recovery moves along. The portfolio breakdowns at both September 30, 2012 and December 31, 2011 reflected 85% commercial and industrial, including commercial real estate and agri-business, 13% residential real estate and home equity and 2% consumer loans.

The Company has a high percentage of commercial and commercial real estate loans, most of which are extended to small or medium-sized businesses. Commercial loans represent higher dollar loans to fewer customers and therefore higher credit risk than other types of loans. Pricing is adjusted to manage the higher credit risk associated with these types of loans. The Company also generally requires new and renewed variable rate commercial loans to have floor rates. The majority of fixed rate residential mortgage loans, which represent increased interest rate risk, are sold in the secondary market, as well as some variable rate mortgage loans. The remainder of the variable rate mortgage loans and a small number of fixed rate mortgage loans are retained.

Loans are charged against the allowance for loan losses when management believes that the principal is uncollectible. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb probable incurred credit losses relating to specifically identified loans based on an evaluation, as well as other probable incurred losses inherent in the loan portfolio. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrower's ability to repay. Management also considers trends in adversely classified loans based upon a monthly review of those credits. An appropriate level of general allowance is determined after considering the following factors: application of historical loss percentages, emerging market risk, commercial loan focus and large credit concentrations, new industry lending activity and current economic conditions. Federal regulations require insured institutions to classify their own assets on a regular basis. The regulations provide for three categories of classified loans – substandard, doubtful and loss. The regulations also contain a special mention category. Special mention is defined as loans that do not currently expose an insured institution to a sufficient degree of risk to warrant classification, but do possess credit deficiencies or potential weaknesses deserving management's close attention. The Company's policy is to establish a specific allowance for loan losses for any assets where management has identified conditions or circumstances that indicate an asset is impaired. If an asset or portion thereof is classified as loss, the Company's policy is to either establish specified allowances for loan losses in the amount of 100% of the portion of the asset classified loss, or charge off such amount. At September 30, 2012, on the basis of management's review of the loan portfolio, the Company had loans totaling \$150.1 million on the classified loan list versus \$164.6 million on December 31, 2011, a decrease of 8.3%. As of September 30, 2012, the Company had \$44.7 million of assets classified special mention, \$106.1 million classified as substandard, \$0 classified as doubtful and \$0 classified as loss as compared to \$35.4 million, \$131.3 million, \$0 and \$0 at December 31, 2011. In addition, the Company has allocated \$14.7 million and \$15.7 million of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2012 and December 31, 2011. The Company is not committed to lend additional funds to debtors whose loans have been modified in a troubled debt restructuring.

Allowance estimates are developed by management taking into account actual loss experience, adjusted for current economic conditions. The Company generally has regular discussions regarding this methodology with regulatory authorities. Allowance estimates are considered a prudent measurement of the risk in the Company's loan portfolio and are applied to individual loans based on loan type. In accordance with current accounting guidance, the allowance is provided for losses that have been incurred as of the balance sheet date and is based on past events and current economic conditions, and does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions.

Net recoveries totaled \$96,000 in the third quarter of 2012, versus net charge-offs of \$1.6 million during the third quarter of 2011 and \$1.4 million during the second quarter of 2012.

The allowance for loan losses decreased 2.8%, or \$1.5 million, from \$53.4 million at December 31, 2011 to \$51.9 million at September 30, 2012. Pooled loan allocations increased from \$31.7 million at December 31, 2011 to \$32.9 million at September 30, 2012, which was primarily a result of management's overall view on current credit quality. Impaired loan allocations decreased \$2.1 million from \$18.3 million at December 31, 2011 to \$16.2 million at September 30, 2012. This decrease in impaired allocations was primarily due to decreases in the allocations of existing impaired loans as well as reductions to the impaired loans category. The unallocated component of the allowance for loan losses decreased slightly from \$3.4 million at December 31, 2011 to \$3.0 million at September 30, 2012, based on management's assessment of economic and other qualitative factors impacting the loan portfolio, including the ongoing general economic challenges in the Company's market areas. While management has begun to see some positive trends, including general stabilization and a decline in watchlist credits and a decline in non-performing loans, management anticipates a continued slow recovery. Management believes the allowance for loan losses at September 30, 2012 was at a level commensurate with the overall risk exposure of the loan portfolio. However, if economic conditions do not continue to improve, certain borrowers may experience difficulty and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision for loan losses.

Total impaired loans decreased by \$2.2 million, or 3.5%, to \$61.3 million at September 30, 2012 from \$63.5 million at December 31, 2011. A loan is impaired when full payment under the original loan terms is not expected. Impairment is evaluated in the aggregate for smaller-balance loans of similar nature such as residential mortgage, and consumer loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance may be allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. The decrease in the impaired loans category was primarily due to charge-offs of \$3.0 million taken on four commercial credits. In addition, one commercial credit of \$989,000 paid off. The following table summarizes nonperforming assets at September 30, 2012 and December 31, 2011.

	September 30, 2012	December 31, 2011		
	(in thousands)			
NONPERFORMING ASSETS:				
Nonaccrual loans including nonaccrual troubled debt restructured loans	\$33,226	\$ 39,425		
Loans past due over 90 days and still accruing	109	52		
Total nonperforming loans	\$33,335	\$ 39,477		
Other real estate owned	681	2,075		
Repossessions	5	33		
Total nonperforming assets	\$34,021	\$ 41,585		
Impaired loans including troubled debt restructurings	\$61,294	\$ 63,518		
Nonperforming loans to total loans	1.51	%	1.77	%
Nonperforming assets to total assets	1.15	%	1.44	%
Nonperforming troubled debt restructured loans (included in nonaccrual loans)	\$28,979	\$ 34,272		

Edgar Filing: GREAT SOUTHERN BANCORP, INC. - Form DEF 14A

Performing troubled debt restructured loans	26,106	22,177
Total troubled debt restructured loans	\$55,085	\$ 56,449

60

Total nonperforming assets decreased by \$7.6 million, or 18.2%, to \$34.0 million during the nine-month period ended September 30, 2012. The decrease was primarily due to the aforementioned charge-offs and pay-off as well as sales of other real estate owned. In addition, a commercial relationship consisting of two loans totaling \$2.3 million was upgraded to performing status, although the loans are still considered impaired. The loan upgrades also shifted the two loans from the nonperforming troubled debt restructured loan category to the performing troubled debt restructured loan category.

Four commercial relationships represented 78.5% of total nonperforming loans. A \$13.2 million commercial relationship consisting of four loans represents the largest exposure in the nonperforming category. The borrower is engaged in real estate development. Borrower collateral, including real estate and the personal guarantees of its principals, support the credit. The Company took a \$1.7 million charge-off related to this credit in the fourth quarter of 2009, and no charge-offs were taken in 2010 or 2011. The Company took a \$601,000 charge-off related to this credit in the first quarter of 2012.

A commercial relationship consisting of three loans totaling \$7.1 million represented the second largest exposure in the nonperforming category. The borrower is engaged in commercial real estate development. Borrower collateral, including real estate and the personal guarantees of its principals, support the credit. The Company has not taken any charge-offs related to this credit.

A \$3.9 million credit to a manufacturer tied to the housing industry represented the third largest exposure in the nonperforming category. The credit is accounted for as a troubled debt restructuring. Borrower collateral including real estate, receivables, inventory and equipment support the credit, however, there are no guarantors. The Company took a \$906,000 charge-off related to this credit in 2008, and a \$1.7 million charge-off related to this credit in the second quarter of 2012.

A commercial relationship consisting of three loans totaling \$2.0 million represented the fourth largest exposure in the nonperforming category. The borrower is engaged in commercial real estate development. Borrower collateral, including real estate and the personal guarantees of its principals, support the credit. The Company has not taken any charge-offs related to this credit.

There can be no assurances that full repayment of the loans discussed above will result. Although economic conditions in the Company's markets have stabilized and in some areas improved, management does not foresee a rapid recovery as certain industries, including residential and commercial real estate development, recreational vehicle and mobile home manufacturing and other regional industries continue to experience slow growth. The Company's growth strategy has promoted diversification among industries as well as a continued focus on enforcement of a strong credit environment and an aggressive position on loan work-out situations. While the Company believes that the impact on the Company of these industry-specific issues affecting real estate development and recreational vehicle and mobile home manufacturers will be somewhat mitigated by the Company's overall growth strategy, the economic

factors impacting its entire geographic footprint will continue to present challenges. Additionally, the Company's overall asset quality position can be influenced by a small number of credits due to the focus on commercial lending activity and the granularity inherent in this strategy.

Total deposits increased by \$63.4 million, or 2.6%, to \$2.476 billion at September 30, 2012 from \$2.413 billion at December 31, 2011. The increase resulted from increases of \$58.5 million in public fund certificates of deposit of \$100,000 or more, \$42.7 million in interest bearing transaction accounts, \$19.3 million in savings accounts, \$12.4 million in certificates of deposit of \$100,000 and over, \$5.6 million in CDARS certificates of deposit and \$849,000 in demand deposits. Offsetting these increases were decreases of \$37.5 million in money market accounts, \$30.4 million in brokered deposits and \$8.0 million in other certificates of deposit.

Total short-term borrowings decreased by \$23.4 million, or 16.5%, to \$118.6 million at September 30, 2012 from \$142.0 million at December 31, 2011. The decrease resulted primarily from decreases of \$13.4 million in securities sold under agreements to repurchase. In addition, federal funds purchased decreased by \$10.0 million.

Total equity increased by \$21.7 million, or 7.9%, to \$295.0 million at September 30, 2012 from \$273.3 million at December 31, 2011. The increase in total equity resulted from net income of \$26.8 million, plus the increase in the accumulated other comprehensive income of \$1.5 million, less dividends of \$8.1 million, plus \$1.2 million in stock compensation expense, plus \$323,000 for stock issued through options exercised (including tax benefit).

The FDIC's risk-based capital regulations require that all insured banking organizations maintain an 8.0% total risk-based capital ratio. The FDIC has also established definitions of "well capitalized" as a 5.0% Tier I leverage capital ratio, a 6.0% Tier I risk-based capital ratio and a 10.0% total risk-based capital ratio. As of September 30, 2012, the Bank had regulatory capital in excess of these minimum requirements with a Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio of 10.4%, 13.1% and 14.4%, respectively. The Federal Reserve also has established minimum regulatory capital requirements for bank holding companies. As of September 30, 2012, the Company had regulatory capital in excess of these minimum requirements with a Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio of 10.6%, 13.3% and 14.6%, respectively.

In June 2012, the federal bank regulatory agencies issued joint proposed rules that would increase minimum capital ratios, add a new minimum common equity ratio, add a new capital conservation buffer, and change the risk-weightings of certain assets. The proposed changes, if implemented, would be phased in from 2013 through 2019. The comment period on the proposed rules expired on October 22, 2012. Various community bank associations have provided comments for the regulatory agencies regarding the additional regulatory burdens the proposals would place on community banks, and it is currently uncertain when and in what form the proposed rules will ultimately be adopted. Management is currently assessing the effect of the proposed rules on the Company and the Bank's capital position and will continue to monitor developments with respect to the proposed rules.

FORWARD-LOOKING STATEMENTS

This document (including information incorporated by reference) contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. The factors, which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries are detailed in the "Risk Factors" section included under Item 1a. of Part I of our Form 10-K. In addition to the risk factors described in that section, there are other factors that may impact any public company, including ours, which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries. These additional factors include, but are not limited to, the following:

Legislative or regulatory changes or actions, including the "Dodd-Frank Wall Street Reform and Consumer Protection Act" and the regulations required to be promulgated thereunder, as well as rules recently proposed by the federal banking regulatory agencies concerning certain increased capital requirements, which may adversely affect the business of the Company and its subsidiaries.

The costs, effects and outcomes of existing or future litigation.

Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board.

The ability of the Company to manage risks associated with the foregoing as well as anticipated.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk represents the Company's primary market risk exposure. The Company does not have a material exposure to foreign currency exchange risk, does not have any material amount of derivative financial instruments and does not maintain a trading portfolio. The board of directors annually reviews and approves the policy used to manage interest rate risk. The policy was last reviewed and approved in May 2012. The policy sets guidelines for balance sheet structure, which are designed to protect the Company from the impact that interest rate changes could have on net income, but does not necessarily indicate the effect on future net interest income. The Company, through its Asset and Liability Committee, manages interest rate risk by monitoring the computer simulated earnings impact of various rate scenarios and general market conditions. The Company then modifies its long-term risk parameters by attempting to generate the type of loans, investments, and deposits that currently fit the Company's needs, as determined by the Asset and Liability Committee. This computer simulation analysis measures the net interest income impact of various interest rate scenario changes during the next twelve months. If the change in net interest income is less than 3% of primary capital, the balance sheet structure is considered to be within acceptable risk levels. As of September 30, 2012, the Company's potential pretax exposure was within the Company's policy limit, and not significantly different from December 31, 2011.

ITEM 4 – CONTROLS AND PROCEDURES

As required by Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of September 30, 2012. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2012, there were no changes to the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

LAKELAND FINANCIAL CORPORATION

FORM 10-Q

September 30, 2012

Part II - Other Information

Item 1. Legal proceedings

There are no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A of Part I of the Company's 2011 Form 10-K. Please refer to that section of the Company's Form 10-K for disclosures regarding the risks and uncertainties related to the Company's business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information as of September 30, 2012 with respect to shares of common stock repurchased by the Company during the quarter then ended:

Issuer Purchases of Equity Securities(a)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1-31	7,004	\$ 27.29	0	\$ 0
August 1-31	533	27.14	0	0
September 1-30	0	0	0	0
Total	7,537	\$ 27.28	0	\$ 0

The shares purchased during the periods were credited to the deferred share accounts of (a) non-employee directors under the Company's directors' deferred compensation plan. These shares were purchased in the ordinary course of business and consistent with past practice.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

None

Item 6. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101* Interactive Data File

Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2012 and September 30, 2011; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and September 30, 2011; (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011; and (v) Notes to Unaudited Consolidated Financial Statements.

*As provided in Rule 406T of Regulation S-T, this information shall not be deemed “filed” for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, or otherwise subject to liability under those sections.

LAKELAND FINANCIAL CORPORATION

FORM 10-Q

September 30, 2012

Part II - Other Information

Signatures

Pursuant to the requirements 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.

LAKELAND FINANCIAL CORPORATION

(Registrant)

Date: November 7, 2012 /s/ Michael L. Kubacki
Michael L. Kubacki – Chief
Executive Officer

Date: November 7, 2012 /s/ David M. Findlay
David M. Findlay –President
and Chief Financial Officer

Date: November 7, 2012 /s/ Teresa A. Bartman
Teresa A. Bartman – Senior
Vice President-
Finance and Controller