GREAT SOUTHERN BANCORP INC
Form 10-Q
May 10, 2006

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

FORM 10-Q

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

For the Quarterly Period ended March 31, 2006

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland

43-1524856

(State of Incorporation) (IRS Employer Identification Number)

1451 E. Battlefield, Springfield, Missouri

65804

(Address of Principal Executive Offices) (Zip Code)

(417) 887-4400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

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

Large Accelerated Filer / / Accelerated Filer /X/ Non-Accelerated Filer / /

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes / / No /X/

The number of shares outstanding of each of the registrant's classes of common stock: 13,737,490 shares of common stock, par value $.01, outstanding at May 8, 2006.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except number of shares)

March 31, December 31, 2006

2005

(Unaudited) ASSETS Cash $ 113,111 $ 116,578 Interest-bearing deposits in other financial institutions 747

1,154

Cash and cash equivalents 113,858 117,732 Available-for-sale securities 384,492 369,316 Held-to-maturity securities (fair value $1,599 - March 2006;
$1,603 - December 2005)
1,510
1,510 Mortgage loans held for sale 1,215 2,124 Loans receivable, net of allowance for loan losses of
$25,223 - March 2006; $24,549 - December 2005
1,607,091
1,512,046 Interest receivable 12,177 10,841 Prepaid expenses and other assets 13,803 13,266 Foreclosed assets held for sale, net 1,125 595 Premises and equipment, net 27,528 27,265 Goodwill and other intangible assets 1,390 1,402 Investment in Federal Home Loan Bank stock 12,732 11,857 Deferred income taxes 13,567

13,201

Total Assets $ 2,190,488

$ 2,081,155

LIABILITIES AND STOCKHOLDERS' EQUITY Liabilities: Deposits $ 1,606,817 $ 1,550,253 Federal Home Loan Bank advances 193,098 203,435 Short-term borrowings 186,688 133,558 Subordinated debentures issued to capital trust 17,805 18,059 Accrued interest payable 5,032 4,615 Advances from borrowers for taxes and insurance 530 233 Accounts payable and accrued expenses 22,024 17,494 Income taxes payable 539

706

Total Liabilities 2,032,533

1,928,353

Stockholders' Equity: Capital stock Serial preferred stock, $.01 par value;
authorized 1,000,000 shares; none issued

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-- Common stock, $.01 par value; authorized 20,000,000 shares; issued and
outstanding March 2006 - 13,727,831 shares; December 2005 -
13,722,801 shares

137

137 Additional paid-in capital 17,968 17,781 Retained earnings 143,919 138,921 Accumulated other comprehensive income (loss) (4,069)

(4,037)

Total Stockholders' Equity 157,955

152,802

Total Liabilities and Stockholders' Equity $ 2,190,488

$ 2,081,155

See Notes to Consolidated Financial Statements

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

THREE MONTHS ENDED March 31, 2006

2005

(Unaudited) INTEREST INCOME Loans $ 29,801 $ 20,945 Investment securities and other 4,396

4,056

TOTAL INTEREST INCOME 34,197

25,001

INTEREST EXPENSE Deposits 13,757 8,625 Federal Home Loan Bank advances 2,032 1,756 Short-term borrowings 1,491 1,081 Subordinated debentures issued to capital trust 285

210

TOTAL INTEREST EXPENSE 17,565

11,672

NET INTEREST INCOME 16,632 13,329 PROVISION FOR LOAN LOSSES 1,325

900

NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 15,307

12,429

NONINTEREST INCOME   Commissions 2,542 2,245   Service charges and ATM fees 3,312 2,992   Net realized gains on sales of loans 213 175   Net realized gains (losses) on sales of available-for-sale securities -- (20)   Net gain (loss) on sales of fixed assets 149 (12)   Late charges and fees on loans 779 244
Change in interest rate swap fair value net of change
in hedged deposit fair value
(177)
--   Change in interest rate swap fair value -- (4,543)   Interest rate swap net settlements -- 1,582   Other income 305

234

TOTAL NONINTEREST INCOME 7,123

2,897

NONINTEREST EXPENSE   Salaries and employee benefits 6,981 6,149   Net occupancy and equipment expense 1,931 1,643   Postage 527 458   Insurance 212 224   Advertising 253 256   Office supplies and printing 213 210   Telephone 340 264   Legal, audit and other professional fees 241 334   Expense (income) on foreclosed assets (35) 149   Other operating expenses 1,087

875

TOTAL NONINTEREST EXPENSE 11,750

10,562

INCOME BEFORE INCOME TAXES 10,680 4,764 PROVISION FOR INCOME TAXES 3,484

1,381

NET INCOME $ 7,196

$ 3,383

BASIC EARNINGS PER COMMON SHARE $.52

$.25

DILUTED EARNINGS PER COMMON SHARE $.52

$.24

DIVIDENDS DECLARED PER COMMON SHARE $.14

$.12

See Notes to Consolidated Financial Statements

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

THREE MONTHS ENDED MARCH 31, 2006

2005

(Unaudited) CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 7,196 $ 3,383 Proceeds from sales of loans held for sale 15,079 9,596 Originations of loans held for sale (11,748) (6,802) Items not requiring (providing) cash: Depreciation 765 685 Amortization 96 91 Provision for loan losses 1,325 900 Net gains on loan sales (213) (175) Net (gains) losses on sale of available-for-sale securities -- 20 Net (gains) losses on sale of premises and equipment (149) 12 (Gain) loss on sale of foreclosed assets -- (13) Amortization of deferred income, premiums and discounts (491) 267 Deferred income taxes (349) (2,534) Changes in: Interest receivable (1,336) (1,138) Prepaid expenses and other assets (850) 4,365 Accounts payable and accrued expenses 233 5,892 Income taxes refundable/payable (167)

868

Net cash provided by operating activities 9,391

15,417

CASH FLOWS FROM INVESTING ACTIVITIES Net increase in loans (87,315) (31,507) Purchase of loans (12,379) (2,090) Proceeds from sale of student loans 675 3,311 Purchase of additional business units (25) -- Purchase of premises and equipment (1,121) (1,515) Proceeds from sale of premises and equipment 242 59 Proceeds from sale of foreclosed assets 531 1,045 Proceeds from maturing available-for-sale investment securities 179,167 -- Principal reductions on mortgage-backed securities 18,090 17,847 Proceeds from sale of available-for-sale securities -- 24,054 Purchase of availabe-for-sale securities (212,612) (90,263) (Purchase) redemption of Federal Home Loan Bank stock (875)

3,663

Net cash used in investing activities (115,622)

(75,396)

CASH FLOWS FROM FINANCING ACTIVITIES Net increase in certificates of deposit 16,687 46,001 Net increase in checking and savings deposits 44,590 46,577 Proceeds from Federal Home Loan Bank advances -- 1,282,000 Repayments of Federal Home Loan Bank advances (10,337) (1,327,322) Net increase in short-term borrowings 53,130 7,306 Advances from borrowers for taxes and insurance 297 279 Purchase of treasury stock (571) (217) Dividends paid (1,921) (1,644) Stock options exercised 482

178

Net cash provided by financing activities 102,357

53,158

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (3,874) (6,821) CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 117,732

93,211

CASH AND CASH EQUIVALENTS, END OF PERIOD $ 113,858

$ 86,390

See Notes to Consolidated Financial Statements

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

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Great Southern Bancorp, Inc. (the "Company" or "Great Southern") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements presented herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company for the periods presented. Those adjustments consist only of normal recurring adjustments. Operating results for the three months ended March 31, 2006 and 2005 are not necessarily indicative of the results that may be expected for the full year. The consolidated statement of financial condition of the Company as of December 31, 2005, has been derived from the audited consolidated statement of financial condition of the Company as of that date.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for 2005, as amended, filed with the Securities and Exchange Commission.

NOTE 2: OPERATING SEGMENTS

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

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

For the three months ended March 31, 2006, the travel, insurance and investment divisions reported gross revenues of $1.6 million, $429,000 and $601,000, respectively, and net income of $203,000, $59,000 and $1,000, respectively. For the three months ended March 31, 2005, the travel, insurance and investment divisions reported gross revenues of $1.4 million, $373,000 and $548,000, respectively, and net income of $191,000, $48,000 and $16,000, respectively.

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NOTE 3: COMPREHENSIVE INCOME

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

	Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Net income	$ 7,196	$ 3,383
Unrealized holding gains (losses), net of income taxes	(32)	(1,926)
Less: reclassification adjustment for gains (losses) included in net income, net of income taxes	--	(13)
	(32)	(1,913)
Comprehensive income	$ 7,164	$ 1,470

NOTE 4: RECENT ACCOUNTING PRONOUNCEMENTS

In July 2005, the Financial Accounting Standards Board (FASB) issued an exposure draft - *Accounting for Uncertain Tax Positions, an Interpretation of SFAS No. 109 - Accounting for Income Taxes*. This exposure draft addresses accounting for tax uncertainties that arise when a position that an entity takes on its tax return may be different from the position that the taxing authority may take, and provides guidance about the accounting for tax benefits associated with uncertain tax positions, classification of a liability recognized for those positions, and interim reporting considerations. The final version of this interpretation has not yet been issued. The Company is evaluating the requirements of the exposure draft to determine the impact, if any, on the financial condition or the results of operations of the Company.

In January 2006, the FASB issued an exposure draft - *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*. This exposure draft would provide companies with the option to report selected financial assets and liabilities at fair value. Under the option, any changes in fair value would be included in earnings. The proposed Standard seeks to reduce both complexity in accounting and volatility in earnings caused by differences in the existing accounting rules. Current accounting principles use different measurement attributes for different assets and liabilities, which can lead to earnings volatility. The proposed standard helps to mitigate this type of accounting-induced volatility by enabling companies to achieve a more consistent accounting for changes in the fair value of related assets and liabilities without having to apply complex hedge accounting provisions. Under this proposal, entities would be able to measure at fair value financial assets and liabilities selected on a contract-by-contract basis. They would be required to display those values separately from

those measured under different attributes on the face of the statement of financial condition. Furthermore, the proposal would require companies to provide additional information that would help investors and other users of financial statements to more easily understand the effect on earnings. The Company is evaluating the exposure draft to determine the impact, if adopted, on certain of its financial assets and liabilities.

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In March 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 156, *Accounting for Servicing of Financial Assets*. SFAS No. 156 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and specifies the accounting for certain servicing assets and liabilities, such as those common to mortgage servicing activities. SFAS No. 156 requires an entity to separately recognize servicing assets and servicing liabilities and to initially measure these servicing assets and servicing liabilities at fair value at inception. It also permits an entity with a separately recognized servicing asset or servicing liability to choose either the amortization method or fair value method for subsequent measurement. Adoption of SFAS No. 156 is required for transactions occurring in fiscal years beginning after September 15, 2006, with early adoption permitted. The Company does not believe the adoption of this standard will have a material impact on the consolidated financial condition or results of operations of the Company.

NOTE 5: STOCK OPTION PLAN

The Company has stock-based employee compensation plans, which are described more fully in the Company's December 31, 2005 Annual Report on Form 10-K. On January 1, 2006, the Company adopted SFAS No. 123(R), *Share Based Payment*. SFAS No. 123(R) specifies the accounting for share-based payment transactions in which an entity receives employee services in exchange for (a) equity instruments of the entity or (b) liabilities that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123(R) requires an entity to recognize as compensation expense within the income statement the grant-date fair value of stock options and other equity-based compensation granted to employees. As a result, compensation cost related to share-based payment transactions is now recognized in the Company's consolidated financial statements using the modified prospective transition method provided for in the standard. For the three months ended March 31, 2006, share-based compensation expense totaling $114,000, or $0.01 for basic and diluted earnings per share, respectively, has been included in salaries and employee benefits expense in the Consolidated Statements of Income.

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock compensation using the intrinsic value method permitted by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. For 2005, no stock-based employee compensation cost is reflected in the Consolidated Statements of Income, as all options granted had an exercise price at least equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share for the three months ended March 31, 2005, if the Company had applied the fair value provisions of SFAS 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation in 2005.

	Three Months Ended March 31, 2005
(In thousands, except per share amounts)	
Net income, as reported	$ 3,383
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(144)

Pro forma net income $ 3,239

Earnings per share Basic - as reported $ .25

Basic - pro forma $ .24

Diluted - as reported $ .24

Diluted - pro forma $ .23

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The Company's stock option grants contain terms that provide for a graded vesting schedule whereby portions of the options vest in increments over the requisite service period. These options typically vest one-fourth at the end of years two, three, four and five from the grant date. As provided for under SFAS No. 123(R), the Company has elected to recognize compensation expense for options with graded vesting schedules on a straight-line basis over the requisite service period for the entire option grant. In addition, SFAS No. 123(R) requires companies to recognize compensation expense based on the estimated number of stock options for which service is expected to be rendered. Because the historical forfeitures of its share-based awards have not been material, the Company has not adjusted for forfeitures in its share-based compensation expensed under SFAS No. 123(R).

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. The weighted-average assumptions used for options granted during the first quarter of 2006 and 2005 were as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Expected dividends per share (annualized)	$0.56	$0.48
Risk-free interest rate	4.34%	3.79%
Expected term (in years)	5	5
Expected volatility	29.82%	25.29%
Weighted-average fair value of options granted during the period (per share)	$8.34	$9.09

Expected volatilities are based on the historical volatility of the Company's stock, based on the monthly closing stock price. The expected term of options granted is based on actual historical exercise behavior of all employees and directors and approximates the graded vesting period of the options. Expected dividends are based on the annualized dividends declared at the time of the option grant. The risk-free interest rate is based on the five-year treasury rates on the grant date of the options.

The following table presents the activity related to options under all plans for the three months ended March 31, 2006.

	Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term
Options outstanding, January 1, 2006	688,892	$21.877	
Granted	6,200	29.457	
Exercised	(25,289)	14.497	
Forfeited	(2,200)		

20.442 Options outstanding, March 31, 2006 667,603

$22.232 6.9 years Options exercisable, March 31, 2006 404,990

$22.485 6.6 years

For the three months ended March 31, 2006 and 2005, options granted were 6,200 and 11,200, respectively. The Company reissues treasury shares to satisfy option exercises. The total intrinsic value (amount by which the fair value of the underlying stock exceeds the exercise price of an option on exercise date) of options exercised during the three months ended March 31, 2006 and 2005 was $348,000 and $508,000, respectively. Cash received from the exercise of options for the three months ended March 31, 2006 and 2005 was $367,000 and $172,000, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $106,000 and $32,000 for the three months ended March 31, 2006 and 2005, respectively.

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The following table presents the activity related to nonvested options under all plans for the three months ended March 31, 2006.

Options

Weighted-average
Exercise Price

Weighted-average
Grant Date
Fair Value

Nonvested Options, January 1, 2006 262,463 $21.669 $5.064 Granted 6,200 29.457 8.345 Vested this period (4,350) 23.566 3.870 Nonvested options forfeited (1,700)

18.656 4.474 Nonvested Options, March 31, 2006 262,613

$21.841 $5.165

At March 31, 2006, there was $1.1 million of total unrecognized compensation cost related to nonvested options granted under the Company's plans. This compensation cost is expected to be recognized through 2011 with the majority of this expense recognized in 2006 and 2007.

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

At March 31, 2006 and December 31, 2005, the Company's fair value hedges include interest rate swaps to convert the economic interest payments on certain brokered CDs from a fixed rate to a floating rate based on LIBOR. At March 31, 2006, these fair value hedges were considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amounts of the liabilities being hedged were $569.8 million and $521.0 million at March 31, 2006 and December 31, 2005, respectively. At March 31, 2006, swaps in a net settlement receivable position totaled $125.3 million and swaps in a net settlement payable position totaled $444.5 million. At December 31, 2005, swaps in a net settlement receivable position totaled $177.3 million and swaps in a net settlement payable position totaled $343.7 million. The net gains (losses) recognized in earnings on fair value hedges were $(177,000) and $(3.0 million) for the three months ended March 31, 2006 and 2005, respectively.

NOTE 7: STOCKHOLDERS' EQUITY

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

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

Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q and in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, the credit risks of lending activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses, the Company's ability to access cost-effective funding, demand for loans and deposits in the Company's market area and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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

Critical Accounting Policies, Judgments and Estimates

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

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

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Additional discussion of the allowance for loan losses is included in the Company's 2005 Annual Report on Form 10-K and Amendment under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Allowances for Losses on Loans and Foreclosed Assets." Judgments and assumptions used by management in the past have resulted in an overall allowance for loan losses that has been sufficient to absorb estimated loan losses. Inherent in this process is the evaluation of individual significant credit relationships. From time to time certain credit relationships may deteriorate due to payment performance, cash flow of the borrower, value of collateral, or other factors. In these instances, management may have to revise its loss estimates and assumptions for these specific credits due to changing circumstances. In some cases, additional losses may be realized; in other instances, the factors that led to the deterioration may improve or the credit may be refinanced elsewhere and allocated allowances may be released from the particular credit. For the periods included in these financial statements,

management's overall methodology for evaluating the allowance for loan losses has not changed materially.

General

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

In the quarter ended March 31, 2006, Great Southern's total loans increased $95.0 million, or 6.3%. As loan demand is affected by a variety of factors, including general economic conditions, and because of the competition we face, we cannot be assured that our loan growth will match or exceed the level of increases achieved in prior years. If economic conditions continue to improve, we believe that we are well positioned to capture loan market share in our Southwest Missouri market as well as our loan production markets of St. Louis, Kansas City and Northwest Arkansas. In addition, we may consider other markets in which to establish loan production offices. We expect that the majority of our loan portfolio growth will continue to be in the residential and commercial construction and commercial real estate loan categories. In the three months ended March 31, 2006, commercial real estate loan balances increased $5.1 million in spite of the repayment in total of several loans, and residential and commercial construction loan balances increased $79.3 million.

Loan growth continued in our three Loan Production Offices. In the three months ended March 31, 2006, the Kansas City office originated loans totaling $11.1 million, of which $8.9 million was included in the office total outstanding balance of $194.4 million at March 31, 2006. In the three months ended March 31, 2006, the Northwest Arkansas office originated loans totaling $41.2 million, of which $19.6 million was included in the office total outstanding balance of $145.2 million at March 31, 2006. In the three months ended March 31, 2006, the St. Louis office originated loans totaling $52.2 million, of which $34.7 million was included in the office total outstanding balance of $126.3 million at March 31, 2006. Many of these loans are construction loans where the customer has yet to draw the full line.

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In the three months ended March 31, 2006, the Company attracted deposit accounts through our retail branch network, correspondent banking and corporate services areas, and brokered deposits. The Company then utilized these deposit funds to meet loan demand. In the three months ended March 31, 2006, total deposit balances increased $56.6 million. Of this total increase, brokered certificate balances increased $10.2 million, customer checking accounts increased $44.1 million and retail certificates of deposit increased $2.2 million. As the generation of increased net interest income is critical to the growth of Great Southern's earnings, the continued ability to attract deposits or generate other funding sources is very important to successful loan growth. There is a high level of competition for deposits in our markets. While it is our goal to gain checking account and certificate of deposit market share in our branch footprint, we cannot be assured of this in future periods.

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

operations.

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

Ongoing changes in the level and shape of the interest rate yield curve pose challenges for interest rate risk management. Beginning in 2001, market interest rates were in a downward trend, settling at historically low levels from late 2003 through early 2004. During this period, Great Southern was able to effectively manage its interest rate risk and maintain its net interest margin at fairly stable levels.

Beginning in the second half of 2004 and through March 31, 2006, the Board of Governors of the Federal Reserve System (the "FRB") increased short-term interest rates through steady increases to the Federal Funds rate. Other short-term rates, such as LIBOR and short-term U. S. Treasury rates, increased in conjunction with these increases by the FRB. By March 31, 2006, the FRB had raised the Federal Funds rates by 3.75% (from 1.00% in June 2004) and other short-term rates rose by corresponding amounts. However, there was not a parallel shift in the yield curve; intermediate and long-term interest rates did not increase at a corresponding pace. This caused the shape of the interest rate yield curve to become much flatter, which creates different issues for interest rate risk management. In addition during this period, Great Southern's net interest margin was negatively affected by certain characteristics of some of its loans, deposit mix, loan and deposit pricing by competitors, and timing of interest rate increases by the FRB as compared to interest rate increases in the financial markets.

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

In the three months ended March 31, 2006 compared to the three months ended March 31, 2005, non-interest income increased primarily due to increases in prepayment fees on loans, commission revenues earned by the Company's travel, insurance and investment divisions and increases in service charges and overdraft fees. Fees from service charges and overdrafts will likely increase modestly in 2006 compared to 2005 as we expect that retail checking accounts will grow at a modest pace in 2006. We expect to continue to add checking balances; however, much of this growth is expected to come from additional corporate and correspondent banking relationships which will not generate as much fee income as smaller individual checking accounts. The level of commission revenue is likely to remain slightly above 2005 levels in 2006, assuming no substantial shocks occur in the financial markets or the travel industry. Most of the increase in commission revenue in the quarter ended March 31, 2006, was attributable to the travel division. During the quarter ended March 31, 2006, several unrelated loans paid off prior to maturity and resulted in penalties received by the Bank of $532,000.

Non-interest income was also significantly affected by the Company's restatement in 2005 for certain interest rate swaps, which significantly impacted prior period results. Non-interest income decreased $4.5 million in the three months ended March 31, 2005, and decreased $177,000 in the three months ended March 31, 2006, as a result of the change in the fair value of certain interest rate swaps. In addition, non-interest income for the first quarter of 2005 was

also impacted by the reclassification of the net interest settlements on these swaps from net interest income to non-interest income. While this had no effect on total net income, non-interest income was increased by $1.6 million in the three months ended March 31, 2005. There was no reclassification of net interest settlements in the three months ended March 31, 2006.

In the three months ended March 31, 2006 compared to the three months ended March 31, 2005, operating expenses increased primarily in the categories of salaries and benefits and occupancy and equipment expense, with smaller increases in some of the other expense categories such as postage, telephone and others. We anticipate that the remainder of 2006 will be fairly consistent with the expenses recorded in the first quarter of 2006. Employee costs and occupancy expenses may increase as we continue to add new branches in Southwest Missouri to serve new and existing customers and support growth in lending and operational areas. In the third quarter of 2006, we expect to open our first branch location in Lee's Summit, Missouri, in the Kansas City market. In addition, we have recently opened a loan production office in Columbia, Missouri, to serve new and existing customers in the central Missouri area. We anticipate that lending opportunities will continue to increase in our existing loan production offices in St. Louis, Kansas City and Northwest Arkansas and we will increase staffing as needed in these offices to meet demand for commercial and residential loans.

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

Effect of Federal Laws and Regulations

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

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Comparison of Financial Condition at March 31, 2006 and December 31, 2005

During the three months ended March 31, 2006, the Company increased total assets by $109.3 million to $2.19 billion. Net loans increased by $95.0 million. The main loan areas experiencing increases were commercial and residential construction loans. The Company's strategy continues to be focused on growing the loan portfolio, while maintaining credit risk and interest rate risk at appropriate levels. For many years, the Company has developed a niche in commercial real estate and construction lending in Southwest Missouri. Great Southern's strategy is to continue to build on this competency in Southwest Missouri and in other geographic areas through the Company's four loan production offices. In addition, loan growth should continue as we deepen existing relationships with loan customers who are expanding their operations in other areas. Available-for-sale investment securities increased by $15.2 million, which was primarily an increase in very short-term agency discount notes used to collateralize public funds deposits and customer repurchase agreements. While there is no specifically stated goal, the available-for-sale securities portfolio has recently been approximately 15% to 20% of total assets. As market interest rates are generally expected to continue to increase in the near term, the Company has focused on adding securities to the portfolio which should provide an adequate yield while holding their value reasonably well in a rising rate environment.

Total liabilities increased $104.2 million from December 31, 2005 to $2.03 billion at March 31, 2006. Deposits increased $56.6 million and short-term borrowings increased $53.1 million. Partially offsetting these increases, FHLBank advances decreased $10.3 million. The increase in short-term borrowings was primarily the result of overnight borrowings utilized by the Company. FHLBank advances decreased from $203.4 million at December 31, 2005, to $193.1 million at March 31, 2006. The level of FHLBank advances will fluctuate depending on growth in the Company's loan portfolio and other funding needs and sources of the Company. Retail certificates of deposit increased $2.2 million, to $378.5 million. Total brokered deposits were $594.2 million at March 31, 2006, up from $584.7 million at December 31, 2005. Interest-bearing checking balances increased $44.6 million in the three months ended March 31, 2006, to $441.7 million. Checking account balances totaled $634.1 million at March 31, 2006, up from $590.0 million at December 31, 2005.

Stockholders' equity increased $5.2 million from $152.8 million at December 31, 2005 to $158.0 million at March 31, 2006. Net income for the three months ended March 31, 2006, was $7.2 million, partially offset by a decrease of $32,000 in accumulated other comprehensive income, dividends declared of $1.9 million and net repurchases of the Company's common stock of $89,000. During the three months ended March 31, 2006, the Company repurchased 20,259 shares of its common stock at an average price of $28.19 per share and issued 25,289 shares at an average price of $14.50 per share to cover stock option exercises.

In the three months ended March 31, 2006, the Company was not aggressively buying back shares of its stock, choosing instead to utilize its capital to support growth in the loan portfolio. Management intends to continue its stock buy-back programs from time to time as long as repurchasing the stock contributes to the overall growth of shareholder value. The number of shares of stock that will be repurchased and the price that will be paid is the result of many factors, several of which are outside the control of the Company. The primary factors, however, are the number of shares available in the market from sellers at any given time, the price of the stock within the market as determined by the market, and the projected impact on the Company's earnings per share.

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Results of Operations and Comparison for the Three Months Ended March 31, 2006 and 2005

General

Including the effects of the Company's accounting change in 2005 for certain interest rate swaps, net income increased $3.8 million, or 112.7%, during the three months ended March 31, 2006, compared to the three months ended March 31, 2005. This increase was primarily due to an increase in net interest income of $3.3 million, or 24.8%, and an increase in non-interest income of $4.2 million, or 145.9%, partially offset by an increase in non-interest expense of $1.2 million, or 11.2%, an increase in provision for loan losses of $425,000, or 47.2%, and an increase in provision for income taxes of $2.1 million, or 152.3%.

Excluding the effects of the Company's accounting change in 2005 for certain interest rate swaps, economically, net income increased $1.0 million, or 15.8%, during the three months ended March 31, 2006, compared to the three months ended March 31, 2005. This increase was primarily due to an increase in net interest income of $1.8 million, or 11.7%, and an increase in non-interest income of $1.5 million, or 25.1%, partially offset by an increase in non-interest expense of $1.2 million, or 11.2%, an increase in provision for loan losses of $425,000, or 47.2%, and an increase in provision for income taxes of $601,000, or 19.7%.

Non-GAAP Reconciliation:

(Dollars in thousands)

Three Months Ended March 31, 2006

	As Reported	Effect of Hedge Accounting Entries Recorded	Excluding Hedge Accounting Entries Recorded
Net interest income	$16,632	$ (263)	$16,895
Provision for loan losses	1,325	--	1,325
Non-interest income	7,123	(208)	7,331
Non-interest expense	11,750	--	11,750
Provision for income taxes	3,484	165	3,649
Net income	$ 7,196	$ (306)	$ 7,502

	Three Months Ended March 31, 2005		
	As Reported	Effect of Accounting Change for Interest Rate Swaps	Excluding Accounting Change for Interest Rate Swaps
Net interest income	$13,329	$ (1,801)	$15,130
Provision for loan losses	900	--	900
Non-interest income	2,897	(2,961)	5,858
Non-interest expense	10,562	--	10,562
Provision for income taxes	1,381	1,667	3,048
Net income	$ 3,383	$ (3,095)	$ 6,478

The information presented in the table above and elsewhere in this report excluding hedge accounting entries recorded (for the 2006 period) and excluding the effect of the accounting change for interest rate swaps (for the 2005 period) is not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The Company believes that this non-GAAP financial information may be useful to investors because the Company believes that the exclusions of these items from the specified components of net income better reflect the Company's underlying operating results during the periods indicated. The table above and the table under "Net Interest Income" contain reconciliations of this information to the reported information prepared in accordance with GAAP.

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Total Interest Income

Total interest income increased $9.2 million, or 36.8%, during the three months ended March 31, 2006

compared to the three months ended March 31, 2005. The increase was due to a $8.9 million, or 42.3%, increase in interest income on loans and a $340,000, or 8.4%, increase in interest income on investments and other interest-earning assets. Interest income for loans and investment securities and other interest-earning assets increased due to higher average balances and higher average rates of interest.

Interest Income - Loans

During the three months ended March 31, 2006 compared to the three months ended March 31, 2005, interest income on loans increased due to higher average balances and higher average interest rates. Interest income increased $3.6 million as the result of higher average loan balances from $1.37 billion during the three months ended March 31, 2005 to $1.58 billion during the three months ended March 31, 2006. The higher average balance resulted principally from the Bank's increased commercial and residential construction lending, commercial real estate lending (including industrial revenue bonds) and consumer lending. Prior to 2005, the Bank's one- to four-family residential loan portfolio had decreased due to the origination of a greater dollar amount of fixed-rate rather than adjustable-rate loans. The Bank generally sells these fixed-rate loans in the secondary market. Beginning in 2005 and into 2006, the Bank's one- to four-family residential portfolio increased as more borrowers selected adjustable rate loans, which the Bank usually retains. In addition, loan refinancing, which tended to be primarily into lower fixed-rate products, slowed dramatically since 2004 compared to previous years as market interest rates increased.

Interest income increased $5.2 million as the result of higher average interest rates. The average yield on loans increased from 6.22% during the three months ended March 31, 2005, to 7.63% during the three months ended March 31, 2006. Loan rates were generally low in 2004 and early 2005, as a result of lower market rates of interest, primarily the "prime rate" of interest, which had decreased from 2001 through the first half of 2004. A large portion of the Bank's loan portfolio adjusts with changes to the "prime rate" of interest. The Company has a portfolio of prime based loans which have interest rate floors. During 2004 and 2005, many of these loan rate floors were in effect and established a loan rate which was higher than the contractual rate would have otherwise been. During 2005 and 2006, as market interest rates rose, many of these interest rate floors were exceeded and the loans reverted back to their normal contractual interest rate terms. In the three months ended March 31, 2006, the average yield on loans was 7.63% versus an average prime rate for the period of 7.43%, or a difference of 20 basis points. In the three months ended March 31, 2005, the average yield on loans was 6.22% versus an average prime rate for the period of 5.44%, or a difference of 78 basis points.

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Interest Income - Investments and Other Interest-earning Assets

Interest income on investments and other interest-earning assets increased mainly as a result of higher average rates during the three months ended March 31, 2006, when compared to the three months ended March 31, 2005. Interest income increased $257,000 as a result of an increase in average rates from 4.00% during the three months ended March 31, 2005, to 4.25% during the three months ended March 31, 2006. Interest income increased $83,000 as a result of an increase in average balances from $412 million during the three months ended March 31, 2005, to $420 million during the three months ended March 31, 2006. In 2005 and 2006, as principal balances on mortgage-backed securities were paid down through prepayments and normal amortization, the Company replaced a large portion of these securities with variable-rate mortgage-backed securities (primarily one-year and hybrid ARMs) which had a lower yield relative to the fixed-rate securities at the time of purchase. As these securities reach interest rate reset dates, their rates should increase along with market interest rate increases. In addition, the Company continues to increase its balance of tax-exempt securities issued by states and municipalities. These securities generally have coupon yields which are comparable to the variable-rate mortgage-backed securities which the Company purchased; however, the tax-equivalent yield is typically higher.

Total Interest Expense

Including the effects of the Company's accounting change in 2005 for certain interest rate swaps, total interest expense increased $5.9 million, or 50.5%, during the three months ended March 31, 2006, when compared with the three months ended March 31, 2005, primarily due to an increase in interest expense on deposits of $5.1 million, or 59.5%, an increase in interest expense on FHLBank advances of $276,000, or 15.7%, an increase in interest expense on short-term borrowings of $410,000, or 37.9%, and an increase in interest expense on subordinated debentures issued to capital trust of $75,000, or 35.7%.

Excluding the effects of the Company's accounting change in 2005 for certain interest rate swaps, economically, total interest expense increased $7.7 million, or 77.9%, during the three months ended March 31, 2006, when compared with the three months ended March 31, 2005, primarily due to an increase in interest expense on deposits of $6.9 million, or 101.6%, an increase in interest expense on FHLBank advances of $276,000, or 15.7%, an increase in interest expense on short-term borrowings of $410,000, or 37.9%, and an increase in interest expense on subordinated debentures issued to capital trust of $75,000, or 35.7%.

Interest Expense - Deposits

Including the effects of the Company's accounting change in 2005 for certain interest rate swaps, interest on demand deposits increased $1.2 million due to an increase in average rates from 1.73% during the three months ended March 31, 2005, to 2.88% during the three months ended March 31, 2006. The average interest rates increased due to higher overall market rates of interest throughout 2005 and into 2006. Market rates of interest on checking and money market accounts began to increase in the latter half of 2004 as the FRB raised short-term interest rates. Interest on demand deposits increased $355,000 due to an increase in average balances from $376 million during the three months ended March 31, 2005, to $449 million during the three months ended March 31, 2006. The Company continued to increase its checking balances in 2006 through increased relationships with correspondent, corporate and retail customers. Average noninterest-bearing demand balances increased from $153 million in the three months ended March 31, 2005, to $182 million in the three months ended March 31, 2006.

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Interest expense on deposits increased $2.0 million as a result of an increase in average rates of interest on time deposits from 3.53% during the three months ended March 31, 2005, to 4.44% during the three months ended March 31, 2006. Interest expense on deposits also increased $1.5 million due to an increase in average balances of time deposits from $807 million during the three months ended March 31, 2005, to $966 million during the three months ended March 31, 2006. Market rates of interest on new certificates began to increase in the latter half of 2004 and throughout 2005 and 2006 as the FRB raised short-term interest rates. In 2005 and 2006, the Company increased its balances of brokered certificates of deposit to fund loan growth. In addition, the Company's interest rate swaps are repricing to higher rates in conjunction with the increases in market interest rates.

The effects of the Company's accounting change in 2005 for certain interest rate swaps did not impact interest on demand deposits.

Excluding the effects of the Company's accounting change in 2005 for certain interest rate swaps, economically, interest expense on deposits increased $4.1 million as a result of an increase in average rates of interest on time deposits from 2.63% during the three months ended March 31, 2005, to 4.44% during the three months ended March 31, 2006. Interest expense on deposits also increased $1.2 million due to an increase in average balances of time deposits from $807 million during the three months ended March 31, 2005, to $966 million during the three months ended March 31, 2006.

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

During the three months ended March 31, 2006 compared to the three months ended March 31, 2005, interest income on FHLBank advances increased due to higher average interest rates, partially offset by lower average balances. Interest expense on FHLBank advances increased $372,000 due to an increase in average interest rates from 3.46% in the three months ended March 31, 2005, to 4.25% in the three months ended March 31, 2006. Interest expense on FHLBank advances decreased $96,000 due to a decrease in average balances from $206 million during the three months ended March 31, 2005, to $194 million during the three months ended March 31, 2006. The decrease in FHLBank advances was offset by increases in the Company's deposits. Rates on advances increased as the Company employed advances which mature in a relatively short term and advances which are indexed to one-month LIBOR and adjust monthly.

Average rates on short-term borrowings increased from 2.57% in the three months ended March 31, 2005, to 4.07% in the three months ended March 31, 2006, resulting in increased interest expense of $526,000. In addition, interest expense on short-term borrowings decreased $116,000 due to a decrease in average balances from $170 million during the three months ended March 31, 2005, to $148 million during the three months ended March 31, 2006. The decrease in balances of short-term borrowings was primarily due to decreases in securities sold under repurchase agreements with the Company's deposit customers. The average interest rates increased due to higher overall market rates of interest in 2006. Market rates of interest on short-term borrowings began to increase in the latter half of 2004 and continued to increase into 2006 as the FRB has been raising short-term interest rates.

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Interest expense on subordinated debentures issued to capital trust increased $81,000 due to increases in average rates from 4.59% in the three months ended March 31, 2005, to 6.43% in the three months ended March 31, 2006. The average rate on these subordinated debentures is likely to continue to increase in the near term as these liabilities are subject to an interest rate swap that requires the Company to pay a variable rate of interest that is indexed to LIBOR. LIBOR rates are expected to remain higher in 2006 than in 2005.

Net Interest Income

Including the effects of the Company's accounting change in 2005 for certain interest rate swaps, the Company's overall average interest rate spread increased 21 basis points, or 7.8%, from 2.70% during the three months ended March 31, 2005, to 2.91% during the three months ended March 31, 2006. The increase was due to a 122 basis point increase in the weighted average yield received on interest-earning assets, partially offset by a 101 basis point increase in the weighted average rate paid on interest-bearing liabilities. The Company's overall net interest margin increased 33 basis points, or 10.9%, from 3.04% during the three months ended March 31, 2005, to 3.37% during the three months ended March 31, 2006. In comparing the two periods, the yield on loans increased 141 basis points while the yield on investment securities and other interest-earning assets increased 25 basis points. The rate paid on deposits increased 98 basis points, the rate paid on FHLBank advances increased 79 basis points, the rate paid on short-term borrowings increased 150 basis points, and the rate paid on subordinated debentures issued to capital trust increased 184 basis points.

The prime rate of interest averaged 5.44% during the three months ended March 31, 2005, compared to an average of 7.43% during the three months ended March 31, 2006. The prime rate began to increase in the latter half of 2004 as the FRB began to raise short-term interest rates, and stood at 7.75% at March 31, 2006. A large percentage of the Bank's loans are tied to prime, which resulted in increased loan yields in 2006 compared to 2005. This trend is expected to continue in the near term as the FRB again raised short-term interest rates in March 2006 and may further increase rates.

Interest rates paid on deposits, FHLBank advances, short-term borrowings and subordinated debentures were significantly higher in the three months ended March 31, 2006 compared to the 2005 period. Interest costs on these liabilities began to increase in the latter half of 2004 through 2006 as a result of rising short-term market interest rates,

primarily due to increases by the FRB. These interest costs may continue to increase in the near term. The Company continues to utilize interest rate swaps and FHLBank advances that reprice frequently to manage overall interest rate risk. See "Quantitative and Qualitative Disclosures About Market Risk" for additional information on the Company's interest rate swaps.

Excluding the effects of the Company's accounting change in 2005 for certain interest rate swaps, economically, the Company's overall average interest rate spread decreased 26 basis points, or 8.2%, from 3.17% during the three months ended March 31, 2005, to 2.91% during the three months ended March 31, 2006. The decrease was due to a 148 basis point increase in the weighted average rate paid on interest-bearing liabilities, partially offset by a 122 basis point increase in the weighted average yield received on interest-earning assets. Excluding the impact of the accounting change for certain interest rate swaps, economically, net interest income for the first quarter of 2006 increased $1.8 million to $16.9 million compared to $15.1 million for the first quarter of 2005. Net interest margin excluding the effects of the accounting change was 3.42% in the quarter ended March 31, 2006, compared to 3.45% in the quarter ended March 31, 2005. In comparing the two periods, the yield on loans increased 141 basis points while the yield on investment securities and other interest-earning assets increased 25 basis points. The rate paid on deposits increased 160 basis points, the rate paid on FHLBank advances increased 79 basis points, the rate paid on short-term borrowings increased 150 basis points, and the rate paid on subordinated debentures issued to capital trust increased 184 basis points.

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Non-GAAP Reconciliation:

(Dollars in thousands)

	Three Months Ended March 31,			
	2006		2005	
	$	%	$	%
Reported Net Interest Margin	$16,632	3.37%	$13,329	3.04%
Amortization of deposit broker origination fees	263	.05	219	.05
Interest rate swap net settlements	--	--	1,582	.36
Net interest margin excluding impact of hedge accounting entries	$16,895	3.42%	$15,130	

3.45%

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

Provision for Loan Losses and Allowance for Loan Losses

The provision for loan losses increased $425,000 from $900,000 during the three months ended March 31, 2005 to $1.3 million during the three months ended March 31, 2006. The allowance for loan losses increased $674,000, or 2.7%, to $25.2 million at March 31, 2006 compared to $24.5 million at December 31, 2005. Net charge-offs were $651,000 in the three months ended March 31, 2006 versus $372,000 in the three months ended March 31, 2005.

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

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

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The Bank's allowance for loan losses as a percentage of total loans was 1.54% and 1.59% at March 31, 2006 and December 31, 2005, respectively. The reduction in this percentage is due to growth in the Company's loan portfolio as the allowance for loan losses increased $674,000 during the three months ended March 31, 2006. Management considers the allowance for loan losses adequate to cover losses inherent in the Company's loan portfolio at this time, based on current economic conditions. If economic conditions deteriorate significantly, it is possible that additional assets would be classified as non-performing, and accordingly, additional provision for losses would be required, thereby adversely affecting future results of operations and financial condition.

Non-performing Assets

As a result of continued growth in the loan portfolio, changes in economic and market conditions that occur from time to time, and other factors specific to a borrower's circumstances, the level of non-performing assets will fluctuate. Non-performing assets at March 31, 2006, were $23.2 million, up $6.4 million from December 31, 2005. Non-performings as a percentage of total assets were 1.06% at March 31, 2006. Compared to December 31, 2005, non-performing loans increased $5.9 million to $22.1 million while foreclosed assets increased $530,000 to $1.1 million. Commercial real estate, construction and business loans comprised $20.9 million, or 95%, of the total $22.1 million of non-performing loans at March 31, 2006.

Non-performing Loans. Compared to December 31, 2005, non-performing loans increased $5.9 million to $22.1 million. The increase in non-performing loans during the quarter ended March 31, 2006, was primarily due to

the addition of one $3.2 million loan relationship and the increase by $4.8 million of one loan relationship (now totaling $6.2 million) to the non-performing category. This increase was partially offset by the repayment of one $640,000 relationship which was included in non-performing assets at December 31, 2005, and the reduction of another relationship by $1.1 million through the sale of a portion of the assets securing the debt, resulting in a remaining relationship total of $963,000 at March 31, 2006.

The $3.2 million loan relationship was placed in the *Non-performing Loans* category during the quarter ended March 31, 2006. At December 31, 2005, this relationship was included in the *Potential Problem Loans* category and was described more fully in the December 31, 2005, Annual Report on Form 10-K. This relationship is secured by a motel in the State of Illinois and additional real estate collateral. The motel began operations in early 2005 and is currently offered for sale.

At December 31, 2005, the $6.2 million relationship was discussed in the December 31, 2005 Annual Report on Form 10-K, where $1.5 million was included in the *Non-performing Loans* category and $6.2 million was included in the *Potential Problem Loans* category. This relationship is secured by an office building, vacant land, developed and undeveloped residential subdivisions, houses under construction and houses used as rental property. During the three months ended March 31, 2006, the Company recorded a charge-off of $283,000 on this relationship. In addition, subsequent to March 31, 2006, the borrower sold some of the commercial real estate and subdivision lots. The proceeds of these sales were used to reduce loan balances by approximately $800,000. At March 31, 2006, the remainder of this relationship ($1.4 million) was included in the *Potential Problem Loans* category.

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The $963,000 relationship mentioned above was discussed in the December 31, 2005 Annual Report on Form 10-K, where $2.0 million was included in the *Non-performing Loans* category. This relationship was secured by commercial real estate of an automobile dealership and additional commercial and residential real estate collateral in Missouri. As noted above, during the three months ended March 31, 2006, the automobile dealership was sold, reducing the relationship by $1.1 million.

Five additional unrelated credit relationships which were included in non-performing loan totals at December 31, 2005, and remain non-performing loans at March 31, 2006, are discussed below. The first relationship totals $3.7 million and is secured primarily by a nursing home in Missouri. This nursing home has experienced cash flow problems recently. This relationship is part of a total $5.3 million relationship which was described in the December 31, 2005 Annual Report on Form 10-K under *Non-performing Loans* and *Potential Problem Loans*. The remainder of this relationship ($1.6 million) is included in *Potential Problem Loans* at March 31, 2006. The second relationship totals $1.6 million and is secured by commercial real estate and equipment of two restaurants - one in Springfield and one in central Missouri. The restaurant in Springfield has been closed and the building and land are currently offered for sale. The third relationship totals $888,000 and is secured primarily by a mobile home park in the Kansas City, Missouri, metropolitan area and other commercial real estate collateral. The fourth relationship totals $1.0 million and is secured primarily by the receivables, inventory, equipment and other business assets of a home building materials company in Springfield, Missouri. The fifth relationship totals $634,000 and is secured by a motel near Branson, Missouri and additional commercial real estate collateral. At March 31, 2006, the eight relationships described above accounted for $18.3 million of the non-performing loan total.

Foreclosed Assets. Of the total $1.1 million of foreclosed assets at March 31, 2006, foreclosed real estate totaled $617,000 and repossessed automobiles, boats and other personal property totaled $508,000. During the latter portion of 2005, the Company sold almost all of its foreclosed real estate assets in separate transactions to unrelated buyers.

Potential Problem Loans. Potential problem loans decreased $6.8 million during the three months ended March 31, 2006 from $18.4 million at December 31, 2005 to $11.6 million at March 31, 2006. Potential problem loans

are loans which management has identified through routine internal review procedures as having possible credit problems which may cause the borrowers difficulty in complying with current repayment terms. These loans are not reflected in the non-performing assets. During the three months ended March 31, 2006, potential problem loans decreased primarily due to the transfer to the non-performing loan category of portions of two unrelated loan relationships which were discussed above. At March 31, 2006, three large unrelated relationships make up the majority of the potential problem loan category. These relationships were all described in the December 31, 2005 Annual Report on Form 10-K under the *Potential Problem Loans* category. The first relationship totals $1.4 million (with an additional $6.2 million included in *Non-performing Loans*) and is secured primarily by single-family houses used as rental property and homes for sale in the Branson, Missouri, area. The second relationship totals $1.6 million in *Potential Problem Loans* (with an additional $3.7 million included in *Non-performing Loans*) and is secured primarily by a nursing home in the Springfield, Missouri area. The third relationship totals $3.1 million and is secured primarily by a townhome development in the Kansas City, Missouri, area. The project has experienced cash flow problems recently due to vacancies in some of the units. Several of the tenants were military personnel who have been redeployed to other locations. The project is currently offered for sale. At March 31, 2006, the three significant relationships described above accounted for $6.2 million of the potential problem loan total.

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Non-interest Income

Including the effects of the Company's restatement in 2005 for certain interest rate swaps, total non-interest income increased $4.2 million in the three months ended March 31, 2006 when compared to the three months ended March 31, 2005. Non-interest income for the first quarter of 2006 was $7.1 million compared with $2.9 million for the first quarter 2005. The increase in non-interest income is primarily attributable to the effects of the accounting change for interest rate swaps on the prior period results. Non-interest income decreased $4.5 million in the three months ended March 31, 2005, and decreased $177,000 in the three months ended March 31, 2006, as a result of the change in the fair value of certain interest rate swaps. In addition, non-interest income for the first quarter of 2005 was also impacted by the reclassification of the net interest settlements on these swaps from net interest income to non-interest income. While this had no effect on total net income, non-interest income was increased by $1.6 million in the three months ended March 31, 2005. There was no reclassification of net interest settlements in the three months ended March 31, 2006. Excluding the effects of interest rate swap-related entries, non-interest income increased $1.5 million.

For the three months ended March 31, 2006, income from commissions from the Company's travel, insurance and investment divisions increased $297,000, or 13%, compared to the same period in 2005. Increases in commission revenues occurred primarily in the travel division. In the latter half of 2003, the Company acquired two travel agencies in the Springfield, Missouri market. These two additions, along with organic growth in our existing travel operations, have led to increased revenue in both the leisure and corporate travel areas. In August 2005, the Company completed its acquisition of a travel company in Columbia, Missouri, and in January 2006, the Company completed its acquisition of a travel company in Lee's Summit, Missouri. The operations of these travel companies are now included in the operating results of the Company. Service charges on deposit accounts and ATM fees increased $320,000, or 11%, compared to the same period in 2005. Also in the quarter ended March 31, 2006, the Company experienced an increase in prepayment fees on loans of $535,000 compared to the same period in 2005. This was primarily the result of the early repayment of five unrelated loans with total fees of $532,000. Although the Company does receive prepayment fees from time to time, it is difficult to forecast when and in what amounts fees will be collected.

Non-interest Expense

Total non-interest expense increased $1.2 million, or 11.2%, in the three months ended March 31, 2006, when compared to the three months ended March 31, 2005. The increase was primarily due to: (i) an increase of $832,000,

or 13.5%, in salaries and employee benefits; (ii) an increase of $288,000, or 17.5%, in net occupancy and equipment expense; and (iii) smaller increases and decreases in other non-interest expense areas, such as postage, advertising, insurance, telephone, legal and professional fees, and bank charges and fees related to additional correspondent relationships.

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The Company's increase in non-interest expense in the first quarter of 2006 compared to the same period in 2005 related to the continued growth of the Company. During the latter half of 2005, Great Southern completed its acquisition of three bank branches in central Missouri, acquired a Columbia, Mo.-based travel agency, and opened a banking center in Republic, Mo. In the first quarter 2006, Great Southern acquired a travel agency in Lee's Summit, Mo., and established a new loan production office in Columbia, Mo. As a result, non-interest expenses increased $398,000 related to the ongoing operations of these entities. In addition to these acquisitions and new offices, the Company expanded the loan production office in St. Louis and added lending and lending support personnel in the Springfield market. Consistent with many other employers, the cost of health insurance premiums, pension and other benefits for the Company continues to rise and added $300,000 in expenses in the first quarter of 2006 compared to the same quarter in 2005. Effective July 1, 2006, the Company will reduce the benefits which may be earned by current employees in future periods under the Company's multi-employer defined benefit pension plan. In addition, employees hired after June 30, 2006, will not accrue any benefits under this plan. The Company expects that these steps will reduce the Company's expense related to this plan by approximately $400,000 - 500,000 annually beginning in 2007. The savings achieved by taking these steps may be offset by other expenses associated with this plan, including, without limitation, additional Company contributions that may be necessary from time to time to ensure the plan is adequately funded and by a planned increase in the matching portion of the Company's 401(k) plan for all eligible participants.

During the quarter ended March 31, 2006, the Company also recorded expenses of $114,000 related to the cost of stock options previously granted by the Company.

Provision for Income Taxes

Provision for income taxes as a percentage of pre-tax income increased from 29.0% for the three months ended March 31, 2005, to 32.6% for the three months ended March 31, 2006. The lower effective tax rate in 2005 was the result of a higher level of tax-exempt income relative to overall net income. For future periods, the Company expects the effective tax rate to be in the range of 30-33% of pre-tax income.

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Average Balances, Interest Rates and Yields

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Average balances of loans receivable include the average balances of non-accrual loans for each period. Interest income on loans includes interest received on non-accrual loans on a cash basis. Interest income on loans includes the amortization of net loan fees, which were deferred in accordance with accounting standards. Fees included in interest income were $626,000 and $385,000 for the three months ended March 31, 2006 and 2005, respectively. Tax-exempt income was not calculated on a tax equivalent basis. The table does not reflect any effect of income taxes.

Three Months Ended
March 31, 2006

Three Months Ended
March 31, 2005

Average
Balance

Interest

Yield/
Rate

Average
Balance

Interest

Yield/
Rate

(Dollars in thousands) Interest-earning assets: Loans receivable: One- to four-family residential $176,371 $2,877 6.61% $172,707 $2,280 5.36% Other residential 98,934 1,997 8.18 118,702 2,003 6.84 Commercial real estate 457,945 8,590 7.61 464,795 7,068 6.17 Construction 543,466 10,734 8.01 329,150 5,013 6.18 Commercial business 99,661 1,996 8.12 104,308 1,634 6.35 Other loans 139,528 2,487 7.23 130,136 2,206 6.88 Industrial revenue bonds 67,573

1,120

6.72

46,610

741

6.45

Total loans receivable 1,583,478 29,801 7.63 1,366,408 20,945 6.22 Investment securities and other interest-earning assets
419,896

4,396

4.25

411,594

4,056

4.00

Total interest-earning assets 2,003,374 34,197

6.92

1,778,002 25,001

5.70

Noninterest-earning assets: Cash and cash equivalents 101,216 84,759 Other non-earning assets 38,219

23,505

Total assets $2,142,809

$1,886,266

Interest-bearing liabilities: Interest-bearing demand and savings $448,956 3,190 2.88 $376,432 1,602 1.73 Time deposits 965,717

10,567

4.44

806,569

7,023

3.53

Total deposits 1,414,673 13,757 3.94 1,183,001 8,625 2.96 Short-term borrowings 148,499 1,491 4.07 170,345 1,081 2.57 Subordinated debentures issued to capital trust
17,989
285
6.43
18,559
210
4.59 FHLB advances 193,764

2,032

4.25

206,031

1,756

3.46

Total interest-bearing liabilities 1,774,925 17,565

4.01

1,577,936 11,672

3.00

Noninterest-bearing liabilities: Demand deposits 182,154 153,135 Other liabilities 24,357

11,894

Total liabilities 1,981,436 1,742,965 Stockholders' equity 161,373

143,301

Total liabilities and stockholders' equity $2,142,809

$1,886,266

Net interest income: Interest rate spread $16,632

2.91%

$13,329

2.70%

Net interest margin* 3.37%

3.04%

Average interest-earning assets
to average interest-bearing
liabilities

112.9%

112.7%

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

(1) Of the total average balances of investment securities, average tax-exempt investment securities were $62.7 million and $47.2 million for the three months ended March 31, 2006 and 2005, respectively. In addition, average tax-exempt industrial revenue bonds were $21.9 million and $19.3 million for the three months ended March 31, 2006 and 2005, respectively. Interest income on tax-exempt assets included in this table was $1.0 million and $890,000 for the three months ended March 31, 2006 and 2005, respectively. Interest income net of disallowed interest expense related to tax-exempt assets was $779,000 and $750,000 for the three months ended March 31, 2006 and 2005, respectively.

Rate/Volume Analysis

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

Three Months Ended March 31, 2006 vs. 2005

Increase
(Decrease)
Due to

Total
Increase
(Decrease)

Rate

Volume

(Dollars in thousands) Interest-earning assets: Loans receivable $5,217 $3,639 $8,856 Investment securities and
other interest-earning assets
257

83

340

Total interest-earning assets 5,474

3,722

9,196

Interest-bearing liabilities: Demand deposits 1,233 355 1,588 Time deposits 2,004

1,540

3,544

Total deposits 3,237 1,895 5,132 Short-term borrowings 526 (116) 410 Subordinated debentures issued to capital trust 81 (6) 75 FHLBank advances 372

(96)

276

Total interest-bearing liabilities 4,216

1,677

5,893

Net interest income $1,258

$2,045

$3,303

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Liquidity and Capital Resources

Liquidity is a measure of the Company's ability to generate sufficient cash to meet present and future financial obligations in a timely manner through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. These obligations include the credit needs of customers, funding deposit withdrawals, and the day-to-day operations of the Company. Liquid assets include cash, interest-bearing deposits with financial institutions and certain investment securities and loans. As a result of the Company's management of the ability to generate liquidity primarily through liability funding, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors' requirements and meet its customers' credit needs. At March 31, 2006, the Company had commitments of approximately $32.3 million to fund loan originations, $327.7 million of unused lines of credit and unadvanced loans, and $25.9 million of outstanding letters of credit.

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

The Company's stockholders' equity was $158.0 million, or 7.2% of total assets of $2.19 billion at March 31, 2006, compared to equity of $152.8 million, or 7.3%, of total assets of $2.08 billion at December 31, 2005.

Banks are required to maintain minimum risk-based capital ratios. These ratios compare capital, as defined by the risk-based regulations, to assets adjusted for their relative risk as defined by the regulations. Guidelines require banks to have a minimum Tier 1 risk-based capital ratio, as defined, of 4.00%, a minimum total risk-based capital ratio of 8.00%, and a minimum 4.00% Tier 1 leverage ratio. To be considered "well capitalized," banks must have a minimum Tier 1 risk-based capital ratio, as defined, of 6.00%, a minimum total risk-based capital ratio of 10.00%, and a minimum 5.00% Tier 1 leverage ratio. On March 31, 2006, the Bank's Tier 1 risk-based capital ratio was 9.79%,

total risk-based capital ratio was 11.04% and the Tier 1 leverage ratio was 8.19%. As of March 31, 2006, the Bank was "well capitalized" as defined by the Federal banking agencies' capital-related regulations. The Federal Reserve Bank has established capital regulations for bank holding companies that generally parallel the capital regulations for banks. On March 31, 2006, the Company's Tier 1 risk-based capital ratio was 9.93%, total risk-based capital ratio was 11.18% and the leverage ratio was 8.30%. As of March 31, 2006, the Company was "well capitalized" as defined by the Federal banking agencies' capital-related regulations.

At March 31, 2006, the held-to-maturity investment portfolio included no gross unrealized losses and gross unrealized gains of $89,000.

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

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Statements of Cash Flows. During the three months ended March 31, 2006 and 2005, respectively, the Company had positive cash flows from operating activities and positive cash flows from financing activities. The Company experienced negative cash flows from investing activities during each of these same time periods.

Cash flows from operating activities for the periods covered by the Statements of Cash Flows have been primarily related to changes in accrued and deferred assets, credits and other liabilities, the provision for loan losses, depreciation, and the amortization of deferred loan origination fees and discounts (premiums) on loans and investments, all of which are non-cash or non-operating adjustments to operating cash flows. Net income adjusted for non-cash and non-operating items and the origination and sale of loans held for sale were the primary source of cash flows from operating activities. Operating activities provided cash flows of $9.4 million during the three months ended March 31, 2006, and $15.4 million during the three months ended March 31, 2005.

During the three months ended March 31, 2006 and 2005, investing activities used cash of $115.6 million and $75.4 million, respectively, primarily due to the net increase of loans and investment securities in each period.

Changes in cash flows from financing activities during the periods covered by the Statements of Cash Flows are due to changes in deposits after interest credited, changes in FHLBank advances and changes in short-term borrowings, as well as purchases of treasury stock and dividend payments to stockholders. Financing activities provided $102.4 million during the three months ended March 31, 2006 and $53.2 million during the three months ended March 31, 2005. Financing activities in the future are expected to primarily include changes in deposits, changes in FHLBank advances, changes in short-term borrowings, purchases of treasury stock and dividend payments to stockholders.

Dividends. During the three months ended March 31, 2006, the Company declared a dividend of $0.14 per share (which was paid in April 2006), or 27% of net income per diluted share, and paid a dividend of $0.14 per share (which was declared in December 2005). During the three months ended March 31, 2005, the Company declared a dividend of $0.12 (which was paid in April 2005), or 50% of net income per diluted share, and paid dividends of $0.12 (which was declared in December 2004).

Common Stock Repurchases and Issuances. The Company has been in various buy-back programs since May 1990. During the three months ended March 31, 2006, the Company repurchased 20,259 shares of its common stock at an average price of $28.19 per share and issued 25,289 shares of stock at an average price of $14.50 per share to

cover stock option exercises. During the three months ended March 31, 2005, the Company repurchased 6,154 shares of its common stock at an average price of $35.33 per share and issued 19,073 shares of stock at an average price of $8.99 per share to cover stock option exercises.

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Asset and Liability Management and Market Risk

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

Our Risk When Interest Rates Change

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

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

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

The ability to maximize net interest income is largely dependent upon the achievement of a positive interest rate spread that can be sustained despite fluctuations in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference, or the interest rate repricing "gap," provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing during the same period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets during the same period. Generally, during a period of rising interest rates, a negative gap within shorter repricing periods would adversely affect net interest income, while a positive gap within shorter repricing periods would result in an increase in net interest income. During a period of falling interest rates, the opposite would be true. As of March 31, 2006, Great Southern's internal interest rate risk models indicate a one-year interest rate sensitivity gap that is slightly negative.

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

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

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

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

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

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The Company uses interest rate swap derivatives to help manage its interest rate risks from recorded financial liabilities. These derivative instruments are utilized when they can be demonstrated to effectively hedge a designated asset or liability and such asset or liability exposes the Company to interest rate risk. Interest rate swaps are carried at fair value, estimated using quoted dealer prices, and are recognized in the statement of financial condition in the prepaid expenses and other assets caption or the accounts payable and accrued expenses caption depending upon whether the fair value balance is a net debit or credit to the Company. Amounts to be paid or received under interest

rate swaps are accounted for on the accrual basis and recognized as interest income or expense of the related liability. Gains and losses on early termination of these instruments are deferred and amortized as an adjustment to the yield on the related liability over the shorter of the remaining contract life or the maturity of the related asset or liability. If the related liability is sold or otherwise liquidated, the instrument is marked to market, with the resultant gains and losses recognized in noninterest income.

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

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In addition to the disclosures previously made by the Company in the December 31, 2005, Annual Report on Form 10-K, the following table summarizes interest rate sensitivity information for the Company's interest rate derivatives at March 31, 2006.

Interest Rate Derivatives (In Millions) Interest Rate Swaps: Expected Maturity Date	Fixed to Variable	Average Pay Rate	Average Receive Rate
2006	$ 30.0	4.65%	4.50%
2007	90.0	4.84	4.09
2008	17.5	4.65	4.19
2009	69.5	4.77	3.99
2010	24.4	4.83	3.62
2011	41.9	4.71	3.80
2012	12.6	4.78	4.81
2013	43.5	4.78	4.17
2014	55.9	4.75	3.50
2015	29.6	4.84	4.16
2016	34.3	4.78	5.21
2017	16.7	4.83	5.27
2018	4.9	4.56	4.00
2019	58.3	4.81	4.66
2020	15.0	4.73	4.00
2023	8.4	4.56	5.10
2031	17.3	7.00	9.00
Total Notional Amount	$ 569.8	4.84%	4.35%
Fair Value Adjustment Asset (Liability)	$ (16.7)		

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ITEM 4. CONTROLS AND PROCEDURES

An evaluation of our disclosure controls and procedures (as defined in Section 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was carried out as of March 31, 2006, under the supervision and with the participation of our principal executive officer, principal financial officer and several other members of our senior management. Our principal executive officer and principal financial officer concluded that, as of March 31, 2006, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) accumulated and communicated to our management (including our principal executive officer and principal financial officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In our Annual Report on Form 10-K for the year ended December 31, 2005, the report of our management on our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified a material weakness in our internal control over financial reporting relating to our accounting for derivative financial instruments under SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." Specifically, our policies and procedures did not provide for sufficient testing and verification of the criteria for the "short-cut" method to ensure proper application of the provisions of SFAS No. 133 at inception for certain derivative financial instruments related to brokered certificates of deposit.

To remediate this material weakness, in the first quarter of 2006, we engaged external consultants with expertise in hedge accounting requirements to assist us in complying with the requirements of SFAS 133, including

the documentation and effectiveness testing requirements, relating to our current and future interest rate hedge transactions. In conjunction with the technical expertise provided by these external consultants, we redesigned our procedures such that each of the requirements for fair value hedge accounting treatment set forth in SFAS 133 including, but not limited to, the documentation and effectiveness testing requirements, are evaluated appropriately with respect to the interest rate swaps we enter into to hedge the interest rate risk inherent in certain of our brokered certificates of deposit.

Other than as indicated above, there were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all errors and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

On December 26, 2000, the Company's Board of Directors authorized management to repurchase up to 400,000 shares of the Company's outstanding common stock, under a program of open market purchases or privately negotiated transactions. The plan does not have an expiration date. Information on the shares purchased during the first quarter of 2006 is as follows.

	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan(1)
January 1, 2006 - January 31, 2006	--	--	--	195,167
February 1, 2006 - February 28, 2006	20,259	$28.19	20,259	174,908
March 1, 2006 - March 31, 2006	--	--	--	174,908
	20,259	$28.19	20,259	

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Common Stockholders

None.

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Item 5. Other Information

None.

Item 6. Exhibits and Financial Statement Schedules

a) Exhibits

See Exhibit Index.

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.

Great Southern Bancorp, Inc. Registrant

Date: May 10, 2006 /s/ Joseph W. Turner

Joseph W. Turner
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2006 /s/ Rex A. Copeland

Rex A. Copeland
Treasurer
(Principal Financial and Accounting Officer)

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Exhibit Index Exhibit
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Description

(2) Plan of acquisition, reorganization, arrangement, liquidation, or succession Inapplicable. (3) Articles of incorporation and Bylaws (i) The Registrant's Charter previously filed with the Commission as Appendix D to the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 31, 2004 (File No. 000-18082), is incorporated herein by reference as Exhibit 3.1. (ii) The Registrant's Bylaws, previously filed with the Commission (File no. 000-18082) as Appendix E to the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 31, 2004, is incorporated herein by reference as Exhibit 3.2. (4) Instruments defining the rights of security holders, including indentures The Company hereby agrees to furnish the Commission upon request, copies of the instruments defining the rights of the holders of each issue of the Registrant's long-term debt. (9) Voting trust agreement Inapplicable. (10) Material contracts The Registrant's 1989 Stock Option and Incentive Plan previously filed with the Commission (File no. 000-18082) as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990, is incorporated herein by reference as Exhibit 10.1.

The Registrant's 1997 Stock Option and Incentive Plan previously filed with the Commission (File no. 000-18082) as Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on September 18, 1997 is incorporated herein by reference as Exhibit 10.2.

The Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission (File No. 000-18082) as Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 14, 2003, is incorporated herein by reference as Exhibit 10.3.

The employment agreement dated September 18, 2002 between the Registrant and William V. Turner previously filed with the Commission (File no. 000-18082) as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, is incorporated herein by reference as Exhibit 10.4.

The employment agreement dated September 18, 2002 between the Registrant and Joseph W. Turner previously filed with the Commission (File no. 000-18082) as Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, is incorporated herein by reference as Exhibit 10.5.

The form of incentive stock option agreement under the Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File no. 000-18082) filed on February 24, 2005 is incorporated herein by reference as Exhibit 10.6.

The form of non-qualified stock option agreement under the Registrant's 2003 Stock Option and Incentive Plan previously filed with the Commission as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File no. 000-18082) filed on February 24, 2005 is incorporated herein by reference as Exhibit 10.7.

A description of the salary and bonus arrangements for 2005 for the Registrant's named executive officers previously filed with the Commission as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 is incorporated herein by reference as Exhibit 10.8.

A description of the current fee arrangements for the Registrant's directors previously filed with the Commission as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 is incorporated herein by reference as Exhibit 10.9.

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Exhibit Index (Continued) Exhibit No.

Description

(11) Statement re computation of per share earnings Attached as Exhibit 11. (15) Letter re unaudited interim financial information Inapplicable. (18) Letter re change in accounting principles Inapplicable. (19) Report furnished to security holders Inapplicable. (22) Published report regarding matters submitted to vote of security holders Inapplicable. (23) Consents of experts and counsel Inapplicable. (24) Power of attorney None. (31.1) Rule 13a-14(a) Certification of Chief Executive Officer Attached as Exhibit 31.1 (31.2) Rule 13a-14(a) Certification of Treasurer Attached as Exhibit 31.2 (32) Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) Attached as Exhibit 32. (99) Additional Exhibits None.

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