GREAT SOUTHERN BANCORP INC
Form 10-Q
August 11, 2014

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 June 30, 2014

Commission File Number 0-18082

GREAT SOUTHERN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	43-1524856 (IRS Employer Identification Number)
1451 E. Battlefield, Springfield, Missouri (Address of principal executive offices)	65804 (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes/X/ No / /

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

(Check one):
Large accelerated filer / / Accelerated filer /X/ Non-accelerated filer / / Smaller reporting company / /
(Do not check if a smaller reporting company)

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

The number of shares outstanding of each of the registrant's classes of common stock: 13,689,550 shares of common stock, par value $.01, outstanding at August 7, 2014.

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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)

	JUNE 30, 2014 (Unaudited)	DECEMBER 31, 2013
ASSETS		
Cash	$130,760	$ 96,167
Interest-bearing deposits in other financial institutions	69,838	131,758
Federal funds sold	22,628	—
Cash and cash equivalents	223,226	227,925
Available-for-sale securities	569,030	555,281
Held-to-maturity securities (fair value $504 – June 2014; $912 - December 2013)	450	805
Mortgage loans held for sale	9,605	7,239
Loans receivable, net of allowance for loan losses of $38,082 – June 2014; $40,116 - December 2013	2,790,774	2,439,530
FDIC indemnification asset	58,352	72,705
Interest receivable	11,685	11,408
Prepaid expenses and other assets	68,466	72,904
Other real estate owned, net	46,226	53,514
Premises and equipment, net	118,649	104,534
Goodwill and other intangible assets	8,385	4,583
Investment in Federal Home Loan Bank stock	8,054	9,822
Total Assets	$3,912,902	$ 3,560,250
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$3,201,728	$ 2,808,626
Federal Home Loan Bank advances	91,686	126,757
Securities sold under reverse repurchase agreements with customers	157,683	134,981
Short-term borrowings	1,158	1,128
Structured repurchase agreements	—	50,000
Subordinated debentures issued to capital trusts	30,929	30,929
Accrued interest payable	1,096	1,099
Advances from borrowers for taxes and insurance	7,026	3,721
Accounts payable and accrued expenses	16,230	18,502
Current and deferred income tax liability	5,815	3,809
Total Liabilities	3,513,351	3,179,552
Stockholders' Equity:		
Capital stock		
Serial preferred stock – $.01 par value; authorized 1,000,000 shares; issued and outstanding June 2014 and December 2013 - 57,943 shares,	57,943	57,943

$1,000 liquidation amount		
Common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding June 2014 – 13,684,680 shares; December 2013 - 13,673,709 shares	137	137
Additional paid-in capital	20,093	19,567
Retained earnings	314,503	300,589
Accumulated other comprehensive income	6,875	2,462
Total Stockholders' Equity	399,551	380,698
Total Liabilities and Stockholders' Equity	$3,912,902	$ 3,560,250

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 JUNE 30,	
	2014	2013 Retrospectively Adjusted – Note 3
INTEREST INCOME	(Unaudited)	
Loans	$ 41,412	$ 39,362
Investment securities and other	2,972	4,119
TOTAL INTEREST INCOME	44,384	43,481
INTEREST EXPENSE		
Deposits	2,752	3,263
Federal Home Loan Bank advances	1,010	989
Short-term borrowings and repurchase agreements	512	588
Subordinated debentures issued to capital trusts	139	140
TOTAL INTEREST EXPENSE	4,413	4,980
NET INTEREST INCOME	39,971	38,501
PROVISION FOR LOAN LOSSES	1,462	3,671
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,509	34,830
NON-INTEREST INCOME		
Commissions	344	350
Service charges and ATM fees	4,728	4,644
Net realized gains on sales of loans	608	1,628
Net realized gains on sales of available-for-sale securities	569	97
Late charges and fees on loans	265	201
Gain (loss) on derivative interest rate products	(130)	347
Initial gain recognized on business acquisition	10,805	—
Accretion (amortization) of income/expense related to business acquisitions	(7,210)	(5,694)
Other income	652	754
TOTAL NON-INTEREST INCOME	10,631	2,327
NON-INTEREST EXPENSE		
Salaries and employee benefits	13,470	13,078
Net occupancy and equipment expense	5,210	5,100
Postage	844	871
Insurance	953	957
Advertising	438	691
Office supplies and printing	367	323
Telephone	681	803
Legal, audit and other professional fees	908	948
Expense on foreclosed assets	1,342	1,355
Partnership tax credit investment amortization	427	632

Other operating expenses		9,759		1,954
TOTAL NON-INTEREST EXPENSE		34,399		26,712
INCOME BEFORE INCOME TAXES		14,741		10,445
PROVISION FOR INCOME TAXES		3,687		2,221
NET INCOME		11,054		8,224
Preferred stock dividends		145		145
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$	10,909	$	8,079

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	THREE MONTHS ENDED JUNE 30,	
	2014	2013
BASIC EARNINGS PER COMMON SHARE	$ 0.80	$ 0.59
DILUTED EARNINGS PER COMMON SHARE	$ 0.79	$ 0.59
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.20	$ 0.18

See Notes to Consolidated Financial Statements

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

	SIX MONTHS ENDED JUNE 30, 2014	SIX MONTHS ENDED JUNE 30, 2013 Retrospectively Adjusted – Note 3
	(Unaudited)	
INTEREST INCOME		
Loans	$ 80,721	$ 82,140
Investment securities and other	5,958	8,697
TOTAL INTEREST INCOME	86,679	90,837
INTEREST EXPENSE		
Deposits	5,413	6,789
Federal Home Loan Bank advances	1,984	1,963
Short-term borrowings and repurchase agreements	1,069	1,170
Subordinated debentures issued to capital trusts	275	281
TOTAL INTEREST EXPENSE	8,741	10,203
NET INTEREST INCOME	77,938	80,634
PROVISION FOR LOAN LOSSES	3,154	11,896
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	74,784	68,738
NON-INTEREST INCOME		
Commissions	626	678
Service charges and ATM fees	8,896	9,071
Net realized gains on sales of loans	1,157	3,057
Net realized gains on sales of available-for-sale securities	642	131
Late charges and fees on loans	579	501
Gain (loss) on derivative interest rate products	(233)	408
Initial gain recognized on business acquisition	10,805	—
Accretion (amortization) of income/expense related to business acquisitions	(13,598)	(11,561)
Other income	2,681	2,965
TOTAL NON-INTEREST INCOME	11,555	5,250
NON-INTEREST EXPENSE		
Salaries and employee benefits	26,487	26,300
Net occupancy and equipment expense	10,614	10,235
Postage	1,637	1,664
Insurance	1,879	2,121
Advertising	1,169	1,166
Office supplies and printing	657	629
Telephone	1,417	1,490
Legal, audit and other professional fees	1,841	1,750

Expense on foreclosed assets		2,192		2,410
Partnership tax credit investment amortization		880		995
Other operating expenses		11,520		3,873
TOTAL NON-INTEREST EXPENSE		60,293		52,633
INCOME BEFORE INCOME TAXES		26,046		21,355
PROVISION FOR INCOME TAXES		6,174		4,737
NET INCOME		19,872		16,618
Preferred stock dividends		290		290
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$	19,582	$	16,328

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	SIX MONTHS ENDED JUNE 30,			
	2014		2013	
BASIC EARNINGS PER COMMON SHARE	$	1.43	$	1.20
DILUTED EARNINGS PER COMMON SHARE	$	1.42	$	1.19
DIVIDENDS DECLARED PER COMMON SHARE	$	0.40	$	0.36

See Notes to Consolidated Financial Statements

GREAT SOUTHERN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	THREE MONTHS ENDED JUNE 30,	
	2014	2013
	(Unaudited)	
Net Income	$11,054	$8,224
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $1,145 and $(3,979), for 2014 and 2013, respectively	2,126	(7,389)
Non-credit component of unrealized gain (loss) on available-for-sale debt securities for which a portion of an other-than-temporary impairment has been recognized, net of taxes (credit) of $0 and $1, for 2014 and 2013, respectively	—	1
Reclassification adjustment for gains included in net income, net of taxes of $(199) and $(34), for 2014 and 2013, respectively	(370)	(63)
Change in fair value of cash flow hedge, net of taxes (credit) of $(54) and $0, for 2014 and 2013, respectively	(101)	—
Comprehensive Income	$12,709	$773

	SIX MONTHS ENDED JUNE 30,	
	2014	2013
	(Unaudited)	
Net Income	$19,872	$16,618
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes (credit) of $2,678 and $(4,051), for 2014 and 2013, respectively	4,973	(7,524)
Non-credit component of unrealized gain (loss) on available-for-sale debt securities for which a portion of an other-than-temporary impairment has been recognized, net of taxes (credit) of $0 and $(20), for 2014 and 2013, respectively	—	(37)
Reclassification adjustment for gains included in net income, net of taxes of $(225) and $(46), for 2014 and 2013, respectively	(417)	(85)
Change in fair value of cash flow hedge, net of taxes (credit) of $(77) and $0, for 2014 and 2013, respectively	(143)	—

Comprehensive Income	$24,285	$8,972

See Notes to Consolidated Financial Statements

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

	SIX MONTHS ENDED JUNE 30, 2014	SIX MONTHS ENDED JUNE 30, 2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 19,872	$ 16,618
Proceeds from sales of loans held for sale	47,922	125,536
Originations of loans held for sale	(49,089)	(126,003)
Items not requiring (providing) cash:		
Depreciation	4,220	3,935
Amortization of other assets	1,525	3,536
Compensation expense for stock option grants	273	221
Provision for loan losses	3,154	11,896
Net gains on loan sales	(1,157)	(3,057)
Net gains on sale or impairment of available-for-sale investment securities	(642)	(131)
Net gains on sale of premises and equipment	(41)	(17)
Loss on sale of foreclosed assets	790	1,552
Initial gain recognized on business acquisition	(10,805)	—
Amortization of deferred income, premiums, discounts and fair value adjustments	11,605	14,659
(Gain) loss on derivative interest rate products	233	(408)
Deferred income taxes	(371)	(5,101)
Changes in:		
Interest receivable	761	418
Prepaid expenses and other assets	(288)	(3,960)
Accounts payable and accrued expenses	(3,492)	2,550
Income taxes refundable/payable	—	(7,130)
Net cash provided by operating activities	24,470	35,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(143,068)	(23,202)
Purchase of loans	(39,926)	—
Cash received from acquisitions	189,437	—
Cash received from FDIC loss sharing reimbursements	5,894	16,092
Purchase of premises and equipment	(7,170)	(5,748)
Proceeds from sale of premises and equipment	197	1,204
Proceeds from sale of foreclosed assets	12,362	19,331
Capitalized costs on foreclosed assets	(40)	(174)
Proceeds from sales of available-for-sale investment securities	41,312	3,932
Proceeds from maturing investment securities	110	—
Proceeds from called investment securities	4,535	4,160
Principal reductions on mortgage-backed securities	53,996	126,294
Purchase of available-for-sale securities	(19,914)	(87,487)
Redemption (purchase) of Federal Home Loan Bank stock	1,768	(279)
Net cash provided by investing activities	99,493	54,123
CASH FLOWS FROM FINANCING ACTIVITIES		

Net decrease in certificates of deposit		(102,932)		(165,345)
Net increase in checking and savings deposits		37,138		26,925
Proceeds from Federal Home Loan Bank advances		245,000		1,980
Repayments of Federal Home Loan Bank advances		(277,284)		(145)
Net increase in short-term borrowings		22,165		16,516
Repayments of structured repurchase agreements		(50,000)		—
Advances from borrowers for taxes and insurance		2,677		2,248
Dividends paid		(5,490)		(2,763)
Purchase of company stock		(481)		—
Stock options exercised		545		516
Net cash used in financing activities		(128,662)		(120,068)
DECREASE IN CASH AND CASH EQUIVALENTS		(4,699)		(30,831)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		227,925		404,141
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	223,226	$	373,310

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 condition, 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 and six months ended June 30, 2014 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, 2013, has been derived from the audited consolidated statement of financial condition of the Company as of that date. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income.

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 2013 filed with the Securities and Exchange Commission.

NOTE 2: NATURE OF OPERATIONS AND OPERATING SEGMENTS

The Company operates as a one-bank holding company. The Company’s business primarily consists of the operations of Great Southern Bank (the “Bank”), which provides a full range of financial services to customers primarily located in Missouri, Iowa, Kansas, Minnesota, Nebraska and Arkansas. In addition, the Company also operates commercial loan production offices in Dallas, Texas and Tulsa, Oklahoma. The Company and the Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

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 attracting deposits from the general public, accepting brokered deposits and borrowing from the Federal Home Loan Bank and others. The operating results of this segment are regularly reviewed by management to make decisions about resource allocations and to assess performance. 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.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued ASU No. 2014-01 to amend FASB ASC Topic 323, Investments – Equity Method and Joint Ventures. The objective of this Update is to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments in the Update permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The Update would be effective for the Company beginning January 1, 2015; however, early adoption was permitted. The Company elected to adopt this Update early, adopting it during the three months ended March 31, 2014. There was no material impact on the Company's financial position or results of operations, except that the investment amortization expense which was previously included in Other Noninterest Expense in the Consolidated Statements of Income was moved from Other Noninterest Expense to Provision for Income Taxes in the Consolidated Statements of Income. For the three months ended June 30, 2013, $905,000 was moved from Other Noninterest Expense to Provision for Income Taxes. For the six months ended June 30, 2013, $1.9 million was moved from Other Noninterest Expense to Provision for Income Taxes. This had the effect of reducing Noninterest Expense and increasing Provision for Income Taxes, but did not have any impact on Net Income.

In January 2014, the FASB issued ASU No. 2014-04 to amend FASB ASC Topic 310, Receivables – Troubled Debt Restructurings by Creditors. The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The Update will be effective for the Company beginning January 1, 2015, and is not expected to have a material impact on the Company’s financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 660): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40). The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this update will be effective for interim and annual periods beginning after December 15, 2016 and early application is not permitted. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements, but does not expect the guidance to have a material impact on the Company's financial position or results of operations.

NOTE 4: 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.

NOTE 5: EARNINGS PER SHARE

	Three Months Ended June 30,	
	2014	2013
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	13,685	13,619
Net income available to common stockholders	$10,909	$8,079
Per share amount	$0.80	$0.59
Diluted:		
Average shares outstanding	13,685	13,619
Net effect of dilutive stock options and warrants – based on the treasury stock method using average market price	95	62

Diluted shares	13,780	13,681
Net income available to common stockholders	$10,909	$8,079
Per share amount	$0.79	$0.59

	Six Months Ended June 30, 2014	2013
	(In Thousands, Except Per Share Data)	
Basic:		
Average shares outstanding	13,685	13,618
Net income available to common stockholders	$19,582	$16,328
Per share amount	$1.43	$1.20
Diluted:		
Average shares outstanding	13,685	13,618
Net effect of dilutive stock options and warrants – based on the treasury stock method using average market price	95	62
Diluted shares	13,780	13,680
Net income available to common stockholders	$19,582	$16,328
Per share amount	$1.42	$1.19

Options to purchase 182,275 and 341,950 shares of common stock were outstanding at June 30, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per share for each of the three month and six month periods because the options' exercise prices were greater than the average market prices of the common shares for the three and six months ended June 30, 2014 and 2013, respectively.

NOTE 6: INVESTMENT SECURITIES

	June 30, 2014					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield	
			(In Thousands)			
AVAILABLE-FOR-SALE SECURITIES:						
U.S. government agencies	$20,000	$—	$1,179	$18,821	2.00	%
Mortgage-backed securities	373,667	5,457	1,281	377,843	1.86	
Collateralized mortgage obligations	39,746	6	2	39,750	2.72	
States and political subdivisions	123,922	6,020	296	129,646	5.38	
Equity securities	847	2,123	—	2,970	—	
	$558,182	$13,606	$2,758	$569,030	2.70	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$450	$54	$—	$504	7.37	%

	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Tax Equivalent Yield
			(In Thousands)		
AVAILABLE-FOR-SALE SECURITIES:					

U.S. government agencies	$20,000	$—	$2,745	$17,255	2.00	%
Mortgage-backed securities	365,020	4,824	2,266	367,578	2.04	
Small Business Administration loan pools	43,461	1,394	—	44,855	1.34	
States and political subdivisions	122,113	2,549	1,938	122,724	5.47	
Equity securities	847	2,022	—	2,869	—	
	$551,441	$10,789	$6,949	$555,281	2.74	%
HELD-TO-MATURITY SECURITIES:						
States and political subdivisions	$805	$107	$—	$912	7.37	%

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The amortized cost and fair value of available-for-sale securities at June 30, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$110	$112
After one through five years	1,164	1,167
After five through ten years	8,233	8,550
After ten years	134,415	138,638
Securities not due on a single maturity date	413,413	417,593
Equity securities	847	2,970
	$558,182	$569,030

The held-to-maturity securities at June 30, 2014, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
After one through five years	$450	$504

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2014 and December 31, 2013, respectively, was approximately $187.0 million and $237.6 million, which is approximately 32.9% and 42.7% of the Company’s available-for-sale and held-to-maturity investment portfolio, respectively.

Based on an evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary at June 30, 2014.

The following table shows the Company’s gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2014 and December 31, 2013:

	June 30, 2014					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					

U.S. government agencies	$—	$—	$20,000	$(1,179)	$20,000	$(1,179)
Mortgage-backed securities	41,280	(192)	83,180	(1,089)	124,460	(1,281)
Collateralized mortgage obligations	22,091	(2)	—	—	22,091	(2)
State and political subdivisions	3,594	(16)	16,834	(280)	20,428	(296)
	$66,965	$(210)	$120,014	$(2,548)	$186,979	$(2,758)

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	December 31, 2013					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
U.S. government agencies	$20,000	$(2,745)	$—	$—	$20,000	$(2,745)
Mortgage-backed securities	127,901	(1,871)	39,255	(395)	167,156	(2,266)
State and political subdivisions	50,401	(1,938)	—	—	50,401	(1,938)
	$198,302	$(6,554)	$39,255	$(395)	$237,557	$(6,949)

Gross gains of $569,000 and $642,000 and gross losses of $-0- and $-0- resulting from sales of available-for-sale securities were realized for the three and six months ended June 30, 2014. Gross gains of $117,000 and $151,000 and gross losses of $20,000 and $20,000 resulting from sales of available-for-sale securities were realized for the three and six months ended June 30, 2013. Gains and losses on sales of securities are determined on the specific-identification method.

At June 30, 2014, investment securities included $88.5 million of securities acquired in the Valley Bank transaction. These securities were comprised of $39.8 million of government agency collateralized mortgage obligations, $47.8 million of government agency mortgage-backed securities and $978,000 of securities issued by states and political subdivisions. The Company sold these securities in July 2014 and recorded a gain of approximately $175,000. See Note 16 FDIC-Assisted Acquisition for further information on the Valley acquisition.

Other-than-temporary Impairment. Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model. The Company does not currently have securities within the scope of this guidance for beneficial interests in securitized financial assets.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. The Company considers the length of time a security has been in an unrealized loss position, the relative amount of the unrealized loss compared to the carrying value of the security, the type of security and other factors. If certain criteria are met, the Company performs additional review and evaluation using observable market values or various inputs in economic models to determine if an unrealized loss is other-than-temporary. The Company uses quoted market prices for marketable equity securities and uses broker pricing quotes based on observable inputs for equity investments that are not traded on a stock exchange. For non-agency collateralized mortgage obligations, to determine if the unrealized loss is other-than-temporary, the Company projects total estimated defaults of the underlying assets (mortgages) and multiplies that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss. The Company also evaluates any current credit enhancement underlying these securities to determine the impact on cash flows. If the Company determines that a given security position will be subject to a write-down or loss, the Company records the expected credit loss as a charge to earnings.

During the three and six months ended June 30, 2014, no securities were determined to have impairment that was other than temporary.

Credit Losses Recognized on Investments. Certain debt securities have experienced fair value deterioration due to credit losses, as well as due to other market factors, but are not otherwise other-than-temporarily impaired.

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The following table provides information about debt securities for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income.

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
April 1, 2014	$—
Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to final principal payments	—
June 30, 2014	$—

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
April 1, 2013	$4,176
Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to final principal payments	(4,176)
June 30, 2013	$—

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2014	$—
Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to final principal payments	—
June 30, 2014	$—

	Accumulated Credit Losses (In Thousands)
Credit losses on debt securities held	
January 1, 2013	$4,176

Additions related to other-than-temporary losses not previously recognized	—
Additions related to increases in credit losses on debt securities for which other-than-temporary impairment losses were previously recognized	—
Reductions due to final principal payments	(4,176)
June 30, 2013	$—

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Amounts Reclassified Out of Accumulated Other Comprehensive Income. Amounts reclassified from accumulated other comprehensive income and the affected line items in the statements of income during the three and six months ended June 30, 2014 and 2013, were as follows:

	Amounts Reclassified from Other Comprehensive Income Three Months Ended June 30,		
	2014	2013	Affected Line Item in the Statements of Income
	(In Thousands)		
Unrealized gains (losses) on available-for-sale securities	$569	$97	Net realized gains on available-for-sale securities (Total reclassified amount before tax)
Income Taxes	(199)	(34)	Provision for income taxes
Total reclassifications out of accumulated other comprehensive income	$370	$63	

	Amounts Reclassified from Other Comprehensive Income Six Months Ended June 30,		
	2014	2013	Affected Line Item in the Statements of Income
	(In Thousands)		
Unrealized gains (losses) on available-for-sale securities	$642	$131	Net realized gains on available-for-sale securities (Total reclassified amount before tax)
Income Taxes	(225)	(46)	Provision for income taxes
Total reclassifications out of accumulated other comprehensive income	$417	$85	

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES

	June 30, 2014	December 31, 2013
	(In Thousands)	
One- to four-family residential construction	$39,505	$34,662
Subdivision construction	36,627	40,409
Land development	63,437	57,841
Commercial construction	270,517	184,019
Owner occupied one- to four-family residential	95,806	89,133
Non-owner occupied one- to four-family residential	142,404	145,908
Commercial real estate	844,893	780,690
Other residential	342,969	325,599
Commercial business	330,608	315,269
Industrial revenue bonds	44,364	42,230
Consumer auto	206,135	134,717
Consumer other	79,913	82,260
Home equity lines of credit	59,684	58,283
FDIC-supported loans, net of discounts (TeamBank)	16,886	49,862
Acquired non-covered loans, net of discounts (TeamBank)	28,060	—
FDIC-supported loans, net of discounts (Vantus Bank)	49,661	57,920
FDIC-supported loans, net of discounts (Sun Security Bank)	58,400	64,843
FDIC-supported loans, net of discounts (InterBank)	210,334	213,539
Acquired loans not covered by FDIC loss sharing agreements, net of discounts (Valley Bank) (“acquired non-covered loans”)	159,696	—
	3,079,899	2,677,184
Undisbursed portion of loans in process	(247,471)	(194,544)
Allowance for loan losses	(38,082)	(40,116)
Deferred loan fees and gains, net	(3,572)	(2,994)
	$2,790,774	$2,439,530
Weighted average interest rate	4.86 %	5.10 %

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Classes of loans by aging were as follows:

	June 30, 2014						
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
				(In Thousands)			
One- to four-family residential construction	$—	$—	$—	$—	$39,505	$39,505	$—
Subdivision construction	—	—	304	304	36,323	36,627	—
Land development	1,017	—	303	1,320	62,117	63,437	—
Commercial construction	—	—	—	—	270,517	270,517	—
Owner occupied one- to four-family residential	179	160	2,370	2,709	93,097	95,806	194
Non-owner occupied one- to four-family residential	45	289	543	877	141,527	142,404	—
Commercial real estate	1,278	489	7,030	8,797	836,096	844,893	—
Other residential	—	—	—	—	342,969	342,969	—
Commercial business	184	225	214	623	329,985	330,608	—
Industrial revenue bonds	—	—	1,827	1,827	42,537	44,364	—
Consumer auto	1,105	186	151	1,442	204,693	206,135	—
Consumer other	1,655	197	581	2,433	77,480	79,913	142
Home equity lines of credit	177	84	339	600	59,084	59,684	—
FDIC-supported loans, net of discounts (TeamBank)	120	8	421	549	16,337	16,886	—
Acquired non-covered loans, net of discounts (TeamBank)	—	—	63	63	27,997	28,060	—
FDIC-supported loans, net of discounts (Vantus Bank)	100	75	1,883	2,058	47,603	49,661	—
FDIC-supported loans, net of discounts (Sun Security Bank)	603	467	3,625	4,695	53,705	58,400	—
FDIC-supported loans, net of discounts (InterBank)	426	1,433	14,617	16,476	193,858	210,334	—
Acquired non-covered loans, net of discounts							

(Valley Bank)	5,807	2,607	7,254	15,668	144,028	159,696	331
	12,696	6,220	41,525	60,441	3,019,458	3,079,899	667
Less FDIC-supported loans, and acquired non-covered loans, net of discounts	7,056	4,590	27,863	39,509	483,528	523,037	331
Total	$5,640	$1,630	$13,662	$20,932	$2,535,930	$2,556,862	$336

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	December 31, 2013						
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days Past Due and Still Accruing
	(In Thousands)						
One- to four-family residential construction	$—	$—	$—	$—	$34,662	$34,662	$—
Subdivision construction	—	—	871	871	39,538	40,409	—
Land development	145	38	338	521	57,320	57,841	—
Commercial construction	—	—	—	—	184,019	184,019	—
Owner occupied one- to four-family residential	1,233	344	3,014	4,591	84,542	89,133	211
Non-owner occupied one- to four-family residential	1,562	171	843	2,576	143,332	145,908	140
Commercial real estate	2,856	131	6,205	9,192	771,498	780,690	—
Other residential	—	—	—	—	325,599	325,599	—
Commercial business	17	19	5,208	5,244	310,025	315,269	—
Industrial revenue bonds	—	—	2,023	2,023	40,207	42,230	—
Consumer auto	955	127	168	1,250	133,467	134,717	—
Consumer other	1,258	333	732	2,323	79,937	82,260	257
Home equity lines of credit	168	16	504	688	57,595	58,283	—
FDIC-supported loans, net of discounts (TeamBank)	414	130	1,396	1,940	47,922	49,862	6
FDIC-supported loans, net of discounts (Vantus Bank)	675	31	2,356	3,062	54,858	57,920	42
FDIC-supported loans, net of discounts (Sun Security Bank)	510	121	4,241	4,872	59,971	64,843	147
FDIC-supported loans, net of discounts (InterBank)	6,024	1,567	16,768	24,359	189,180	213,539	20
	15,817	3,028	44,667	63,512	2,613,672	2,677,184	823
Less FDIC-supported loans, net of discounts	7,623	1,849	24,761	34,233	351,931	386,164	215
Total	$8,194	$1,179	$19,906	$29,279	$2,261,741	$2,291,020	$608

Nonaccruing loans (excluding FDIC-supported loans, net of discount and acquired non-covered loans, net of discount) are summarized as follows:

	June 30, 2014	December 31, 2013
	(In Thousands)	
One- to four-family residential construction	$—	$—
Subdivision construction	304	871
Land development	303	338
Commercial construction	—	—
Owner occupied one- to four-family residential	2,176	2,803
Non-owner occupied one- to four-family residential	543	703
Commercial real estate	7,030	6,205
Other residential	—	—
Commercial business	2,041	5,208
Industrial revenue bonds	—	2,023
Consumer auto	151	168
Consumer other	439	475
Home equity lines of credit	339	504
Total	$13,326	$19,298

The following table presents the activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2014. Also presented is the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of June 30, 2014:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Balance April 1, 2014	$4,638	$1,998	$18,443	$7,071	$2,341	$3,784	$38,275
Provision (benefit) charged to expense	915	(281)	(1,629)	1,110	979	368	1,462
Losses charged off	(505)	(2)	(338)	(95)	(738)	(764)	(2,442)
Recoveries	25	8	—	163	—	591	787
Balance June 30, 2014	$5,073	$1,723	$16,476	$8,249	$2,582	$3,979	$38,082
Balance January 1, 2014	$6,235	$2,678	$16,939	$4,464	$6,451	$3,349	$40,116
Provision (benefit) charged to expense	367	(968)	(134)	3,693	(1,182)	1,378	3,154
Losses charged off	(1,697)	(2)	(719)	(130)	(2,687)	(1,784)	(7,019)
Recoveries	168	15	390	222	—	1,036	1,831
Balance June 30, 2014	$5,073	$1,723	$16,476	$8,249	$2,582	$3,979	$38,082
Ending balance:							
Individually evaluated for impairment	$1,623	$—	$1,507	$1,531	$606	$231	$5,498
Collectively evaluated for impairment	$3,450	$1,703	$14,625	$6,700	$1,966	$3,708	$32,152
Loans acquired and accounted for under ASC 310-30	$—	$20	$344	$18	$10	$40	$432
Loans							
Individually evaluated for impairment	$11,560	$10,586	$30,744	$7,600	$5,834	$1,361	$67,685
Collectively evaluated for impairment	$302,782	$332,383	$814,149	$326,354	$369,138	$344,371	$2,489,177
Loans acquired and							

accounted for under ASC 310-30	$257,756	$61,905	$ 113,316	$ 19,819	$ 21,862	$48,379	$523,037

The following table presents the activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2013:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Balance April 1, 2013	$5,575	$4,482	$ 16,812	$ 5,130	$ 5,838	$2,711	$40,548
Provision (benefit) charged to expense	864	(329)	1,671	882	135	448	3,671
Losses charged off	(322)	(791)	(2,187)	(276)	(352)	(752)	(4,680)
Recoveries	8	11	123	53	43	408	646
Balance June 30, 2013	$6,125	$3,373	$ 16,419	$ 5,789	$ 5,664	$2,815	$40,185
Balance January 1, 2013	$6,822	$4,327	$ 17,441	$ 3,938	$ 5,096	$3,025	$40,649
Provision (benefit) charged to expense	526	1,702	5,262	2,122	1,870	414	11,896
Losses charged off	(1,240)	(2,686)	(6,530)	(329)	(1,370)	(1,669)	(13,824)
Recoveries	17	30	246	58	68	1,045	1,464
Balance June 30, 2013	$6,125	$3,373	$ 16,419	$ 5,789	$ 5,664	$2,815	$40,185

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2013:

	One- to Four-Family Residential and Construction	Other Residential	Commercial Real Estate	Commercial Construction	Commercial Business	Consumer	Total
				(In Thousands)			
Allowance for loan losses							
Individually evaluated for impairment	$2,501	$—	$ 90	$ 473	$ 4,162	$218	$7,444
Collectively evaluated for impairment	$3,734	$2,678	$ 16,845	$ 3,991	$ 2,287	$3,131	$32,666
Loans acquired and accounted for under ASC 310-30	$—	$—	$ 4	$ —	$ 2	$—	$6
Loans							
Individually evaluated for impairment	$13,055	$10,983	$ 31,591	$ 12,628	$ 8,755	$1,389	$78,401
Collectively evaluated for impairment	$297,057	$314,616	$ 791,329	$ 229,232	$ 306,514	$273,871	$2,212,619
Loans acquired and accounted for under ASC 310-30	$206,964	$35,095	$ 84,591	$ 6,989	$ 4,883	$47,642	$386,164

The portfolio segments used in the preceding two tables correspond to the loan classes used in all other tables in Note 7 as follows:

- The one-to four-family residential and construction segment includes the one- to four-family residential construction, subdivision construction, owner occupied one- to four-family residential and non-owner occupied one- to four-family residential classes
- The other residential segment corresponds to the other residential class
- The commercial real estate segment includes the commercial real estate and industrial revenue bonds classes
- The commercial construction segment includes the land development and commercial construction classes
- The commercial business segment corresponds to the commercial business class
- The consumer segment includes the consumer auto, consumer other and home equity lines of credit classes

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include not only nonperforming loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties.

Impaired loans (excluding FDIC-supported loans, net of discount and acquired non-covered loans, net of discount), are summarized as follows:

	June 30, 2014		
	Recorded Balance	Unpaid Principal Balance	Specific Allowance
	(In Thousands)		
One- to four-family residential construction	$170	$170	$—
Subdivision construction	1,707	1,783	585
Land development	7,600	8,024	1,531
Commercial construction	—	—	—
Owner occupied one- to four-family residential	5,149	5,490	581
Non-owner occupied one- to four-family residential	4,534	4,680	457
Commercial real estate	30,744	33,200	1,507
Other residential	10,586	10,586	—
Commercial business	2,183	2,203	606
Industrial revenue bonds	3,651	4,585	—
Consumer auto	187	215	28
Consumer other	738	856	111
Home equity lines of credit	436	460	92
Total	$67,685	$72,252	$5,498

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)			
One- to four-family residential construction	$57	$3	$28	$3
Subdivision construction	2,310	8	2,720	30
Land development	10,937	42	11,779	143
Commercial construction	—	—	—	—
Owner occupied one- to four-family residential	5,101	60	5,318	112
Non-owner occupied one- to four-family residential	4,140	69	3,930	110
Commercial real estate	29,958	360	30,541	690
Other residential	10,734	120	10,845	210
Commercial business	1,847	47	2,904	68
Industrial revenue bonds	2,933	303	2,815	303
Consumer auto	160	5	166	7
Consumer other	714	24	696	42

Home equity lines of credit	441	—	484	14
Total	$69,332	$1,041	$72,226	$1,732

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	At or for the Year Ended December 31, 2013				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance (In Thousands)	Average Investment in Impaired Loans	Interest Income Recognized
One- to four-family residential construction	$—	$—	$—	$36	$—
Subdivision construction	3,502	3,531	1,659	3,315	163
Land development	12,628	13,042	473	13,389	560
Commercial construction	—	—	—	—	—
Owner occupied one- to four-family residential	5,802	6,117	593	5,101	251
Non-owner occupied one- to four-family residential	3,751	4,003	249	4,797	195
Commercial real estate	31,591	34,032	90	42,242	1,632
Other residential	10,983	10,983	—	13,837	434
Commercial business	6,057	6,077	4,162	6,821	179
Industrial revenue bonds	2,698	2,778	—	2,700	27
Consumer auto	216	231	32	145	16
Consumer other	604	700	91	630	63
Home equity lines of credit	569	706	95	391	38
Total	$78,401	$82,200	$7,444	$93,404	$3,558

	June 30, 2013		
	Recorded Balance	Unpaid Principal Balance (In Thousands)	Specific Allowance
One- to four-family residential construction	$286	$286	$—
Subdivision construction	4,683	4,687	729
Land development	15,610	16,010	1,135
Commercial construction	—	—	—
Owner occupied one- to four-family residential	4,612	4,962	408
Non-owner occupied one- to four-family residential	5,629	5,778	905
Commercial real estate	41,102	43,490	2,420
Other residential	11,597	11,598	265
Commercial business	7,309	8,795	3,373
Industrial revenue bonds	2,698	2,778	—
Consumer auto	99	115	15
Consumer other	639	721	95
Home equity lines of credit	266	278	50

Total	$94,530	$99,498	$9,395

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	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
	(In Thousands)			
One- to four-family residential construction	$95	$5	$48	$5
Subdivision construction	3,087	76	2,778	106
Land development	12,495	240	11,752	366
Commercial construction	—	—	—	—
Owner occupied one- to four-family residential	4,704	63	4,831	116
Non-owner occupied one- to four-family residential	4,662	100	5,251	161
Commercial real estate	46,102	364	46,164	740
Other residential	14,836	113	16,620	217
Commercial business	7,528	16	7,473	75
Industrial revenue bonds	2,702	14	2,703	14
Consumer auto	105	2	119	4
Consumer other	648	21	662	32
Home equity lines of credit	278	2	308	10
Total	$97,242	$1,016	$98,709	$1,846

At June 30, 2014, $24.5 million of impaired loans had specific valuation allowances totaling $5.5 million. At December 31, 2013, $18.0 million of impaired loans had specific valuation allowances totaling $7.4 million.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. Troubled debt restructurings are loans that are modified by granting concessions to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. The types of concessions made are factored into the estimation of the allowance for loan losses for troubled debt restructurings primarily using a discounted cash flows or collateral adequacy approach.

The following tables present newly restructured loans during the three and six months ended June 30, 2014 by type of modification:

	Three Months Ended June 30, 2014			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				

One -to four- family residential	$ —	$ 338	$—	$ 338
Commercial real estate	—	1,407	—	1,407
Commercial business	—	750	—	750
Industrial revenue bonds	—	1,150	—	1,150
Consumer	—	1	—	1
	$ —	$ 3,646	$—	$ 3,646

	Six Months Ended June 30, 2014			
	Interest Only	Term	Combination	Total Modification
	(In Thousands)			
Mortgage loans on real estate:				
Subdivision construction	$ —	$ 250	$ —	$ 250
One -to four- family residential	—	386	—	386
Commercial real estate	506	1,929	—	2,435
Commercial business	—	1,638	—	1,638
Industrial revenue bonds	—	1,150	—	1,150
Consumer	—	53	—	53
	$ 506	$ 5,406	$ —	$ 5,912

At June 30, 2014, the Company had $54.3 million of loans that were modified in troubled debt restructurings and impaired, as follows: $8.7 million of construction and land development loans, $15.8 million of single family and multi-family residential mortgage loans, $25.9 million of commercial real estate loans, $3.6 million of commercial business loans and $315,000 of consumer loans. Of the total troubled debt restructurings at June 30, 2014, $47.6 million were accruing interest and $20.5 million were classified as substandard using the Company's internal grading system, which is described below. In addition, as part of the Valley Bank FDIC-assisted acquisition, the Company acquired $31.2 million of Valley Bank loans that are identified as troubled debt restructurings. As of June 30, 2014, the Valley Bank acquired loans that were considered modified in troubled debt restructurings were as follows: $2.0 million of construction and land development loans, $17.6 million of single family and multi-family residential mortgage loans, $10.8 million of commercial real estate loans, $510,000 of commercial business loans and $282,000 of consumer loans. The Company had no troubled debt restructurings which were modified in the previous 12 months and subsequently defaulted during the six months ended June 30, 2014. When loans modified as troubled debt restructuring have subsequent payment defaults, the defaults are factored into the determination of the allowance for loan losses to ensure specific valuation allowances reflect amounts considered uncollectible. At December 31, 2013, the Company had $10.9 million of construction and land development loans, $16.6 million of single family and multi-family residential mortgage loans, $24.8 million of commercial real estate loans, $1.5 million of commercial business loans and $310,000 of consumer loans that were modified in troubled debt restructurings and impaired. Of the total troubled debt restructurings of $54.1 million at December 31, 2013, $49.6 million were accruing interest and $22.1 million were classified as substandard using the Company's internal grading system.

During the three and six months ended June 30, 2014, loans designated as troubled debt restructurings totaling $679,000 met the criteria for placement back on accrual status. The $679,000 was made up of $591,000 of residential mortgage loans and $88,000 of commercial real estate loans.

The Company reviews the credit quality of its loan portfolio using an internal grading system that classifies loans as "Satisfactory," "Watch," "Special Mention," "Substandard" and "Doubtful." Substandard loans are characterized by the distinc possibility that the Bank will sustain some loss if certain deficiencies are not corrected. Doubtful loans are those having all the weaknesses inherent to those classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Special mention loans possess potential weaknesses that deserve management's close attention but do not expose the Bank to a degree of risk that warrants substandard classification. Loans classified as watch are being monitored because of indications of potential weaknesses or deficiencies that may require future classification as special mention or substandard. Loans not meeting any of the criteria previously described are considered satisfactory. The FDIC-covered loans are evaluated using this internal grading system. These loans are accounted for in pools and are currently substantially covered through loss sharing agreements with the FDIC. Minimal adverse classification in the loan pools was identified as of June 30, 2014 and December 31, 2013, respectively. The acquired non-covered loans are also evaluated using this internal grading system. These loans are accounted for in pools and minimal adverse classification in the loan pools was identified as of June 30, 2014. See Note 8 for further discussion of the acquired loan pools and loss sharing agreements. The loan grading system is presented by loan class below:

	June 30, 2014					
	Satisfactory	Watch	Special Mention	Substandard (In Thousands)	Doubtful	Total
One- to four-family residential construction	$39,335	$—	$—	$ 170	$—	$39,505
Subdivision construction	35,191	21	—	1,415	—	36,627
Land development	52,361	5,000	—	6,076	—	63,437
Commercial construction	270,517	—	—	—	—	270,517
Owner occupied one- to four-family residential	92,216	615	—	2,975	—	95,806
Non-owner occupied one- to four-family residential	135,801	3,502	—	3,101	—	142,404
Commercial real estate	774,524	56,433	—	13,936	—	844,893
Other residential	326,992	14,021	—	1,956	—	342,969
Commercial business	328,874	471	—	1,263	—	330,608
Industrial revenue bonds	41,862	675	—	1,827	—	44,364
Consumer auto	205,955	—	—	180	—	206,135
Consumer other	79,337	4	—	572	—	79,913
Home equity lines of credit	59,248	—	—	436	—	59,684
FDIC-supported loans, net of discounts (TeamBank)	16,866	—	—	20	—	16,886
Acquired non-covered loans, net of discounts (TeamBank)	28,052	—	—	8	—	28,060
FDIC-supported loans, net of discounts (Vantus Bank)	49,104	—	—	557	—	49,661
FDIC-supported loans, net of discounts (Sun Security Bank)	57,768	—	—	632	—	58,400
FDIC-supported loans, net of discounts (InterBank)	210,334	—	—	—	—	210,334
Acquired non-covered loans, net of discounts (Valley Bank)	159,696	—	—	—	—	159,696
Total	$2,964,033	$80,742	$—	$ 35,124	$—	$3,079,899

	December 31, 2013					
	Satisfactory	Watch	Special Mention	Substandard (In Thousands)	Doubtful	Total
One- to four-family residential construction	$34,364	$298	$—	$—	$—	$34,662
Subdivision construction	36,524	706	—	3,179	—	40,409
Land development	45,606	1,148	—	11,087	—	57,841
Commercial construction	184,019	—	—	—	—	184,019

Owner occupied one- to four-family residential	84,931	503	—	3,699	—	89,133
Non-owner occupied one- to four-family residential	137,003	6,718	—	2,187	—	145,908
Commercial real estate	727,668	37,937	—	15,085	—	780,690
Other residential	311,320	12,323	—	1,956	—	325,599
Commercial business	307,540	1,803	—	3,528	2,398	315,269
Industrial revenue bonds	39,532	675	—	2,023	—	42,230
Consumer auto	134,516	—	—	201	—	134,717
Consumer other	81,769	6	—	485	—	82,260
Home equity lines of credit	57,713	—	—	570	—	58,283
FDIC-supported loans, net of Discounts (TeamBank)	49,702	—	—	160	—	49,862
FDIC-supported loans, net of discounts (Vantus Bank)	57,290	—	—	630	—	57,920
FDIC-supported loans, net of discounts (Sun Security Bank)	63,360	—	—	1,483	—	64,843
FDIC-supported loans, net of discounts (InterBank)	213,539	—	—	—	—	213,539
Total	$2,566,396	$62,117	$—	$46,273	$2,398	$2,677,184

NOTE 8: LOSS SHARING AGREEMENTS AND FDIC INDEMNIFICATION ASSETS

On March 20, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits (excluding brokered deposits) and acquire certain assets of TeamBank, N.A., a full service commercial bank headquartered in Paola, Kansas.

The loans, commitments and foreclosed assets purchased in the TeamBank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank. Under the loss sharing agreement, the Bank shares in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $115.0 million, the FDIC agreed to reimburse the Bank for 80% of the losses. On losses exceeding $115.0 million, the FDIC agreed to reimburse the Bank for 95% of the losses. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by the Bank. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans, which five-year period ended March 31, 2014. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during the three and six months ended June 30, 2014 was $-0-. The amount accreted to yield during the three and six months ended June 30, 2013 was $27,000 and $134,000, respectively.

On September 4, 2009, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Vantus Bank, a full service thrift headquartered in Sioux City, Iowa.

The loans, commitments and foreclosed assets purchased in the Vantus Bank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank. Under the loss sharing agreement, the Bank shares in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $102.0 million, the FDIC agreed to reimburse the Bank for 80% of the losses. On losses exceeding $102.0 million, the FDIC agreed to reimburse the Bank for 95% of the losses. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by the Bank. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans, which five year period will end on September 4, 2014. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during the three and six months ended June 30, 2014 was $-0-. The amount accreted to yield during the three and six months ended June 30, 2013 was $33,000 and $80,000, respectively.

On October 7, 2011, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Sun Security Bank, a full service bank headquartered in Ellington, Missouri.

The loans and foreclosed assets purchased in the Sun Security Bank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank. Under the loss sharing agreement, the FDIC agreed to cover 80% of the losses on the loans (excluding approximately $4 million of consumer loans) and foreclosed assets purchased subject to certain limitations. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by Great Southern. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A discount was recorded in conjunction with the fair value of the acquired loans and the amount accreted to yield during the three and six months ended June 30, 2014 was $21,000 and $105,000, respectively. The amount accreted to yield during the three and six months ended June 30, 2013 was $273,000 and $617,000, respectively.

On April 27, 2012, Great Southern Bank entered into a purchase and assumption agreement with loss share with the FDIC to assume all of the deposits and acquire certain assets of Inter Savings Bank, FSB ("InterBank"), a full service bank headquartered in Maple Grove, Minnesota.

The loans and foreclosed assets purchased in the InterBank transaction are covered by a loss sharing agreement between the FDIC and Great Southern Bank. Under the loss sharing agreement, the FDIC agreed to cover 80% of the losses on the loans (excluding approximately $60,000 of consumer loans) and foreclosed assets purchased subject to certain limitations. Realized losses covered by the loss sharing agreement include loan contractual balances (and related unfunded commitments that were acquired), accrued interest on loans for up to 90 days, the book value of foreclosed real estate acquired, and certain direct costs, less cash or other consideration received by Great Southern. This agreement extends for ten years for 1-4 family real estate loans and for five years for other loans. The value of this loss sharing agreement was considered in determining fair values of loans and foreclosed assets acquired. The loss sharing agreement is subject to the Bank following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their preliminary estimated fair value on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. A premium was recorded in conjunction with the fair value of the acquired loans and the amount amortized to yield during the three and six months ended June 30, 2014 was $139,000 and $284,000, respectively. The amount amortized to yield during the three and six months ended June 30, 2013 was $162,000 and $330,000, respectively.

Fair Value and Expected Cash Flows. At the time of these acquisitions, the Company determined the fair value of the loan portfolios based on several assumptions. Factors considered in the valuations were projected cash flows for the loans, type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, current discount rates and whether or not the loan was amortizing. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. Management also estimated the amount of credit losses that were expected to be realized for the loan portfolios. The discounted cash flow approach was used to value each pool of loans. For non-performing loans, fair value was estimated by calculating the present value of the recoverable cash flows using a discount rate based on comparable corporate bond rates. This valuation of the acquired loans is a significant component leading to the valuation of the loss sharing assets recorded.

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. The Company continues to evaluate the fair value of the loans including cash flows expected to be collected. Increases in the Company's cash flow expectations are recognized as increases to the accretable yield while decreases are recognized as impairments through the allowance for loan losses. During the three and six months ended June 30, 2014, increases in expected cash flows related to the acquired loan portfolios resulted in adjustments of $13.2 million and $20.0 million, respectively, to the accretable yield to be spread over the estimated remaining lives of the loans on a level-yield basis. During the three and six months ended June 30, 2013, similar such adjustments totaling $5.6 million and $14.9 million, respectively, were made to the accretable yield. The current year increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements. During the three and six months ended June 30, 2014, this resulted in corresponding adjustments of $10.6 million and $16.0 million, respectively, to the indemnification assets to be amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever is shorter. During the three and six months ended June 30, 2013, corresponding adjustments of $4.5 million and $12.0 million, respectively, were made to the indemnification assets.

Because these adjustments will be recognized over the remaining lives of the loan pools and the remainder of the loss sharing agreements, respectively, they will impact future periods as well. The remaining accretable yield adjustment that will affect interest income is $33.3 million and the remaining adjustment to the indemnification assets, including the effects of the clawback liability related to Interbank, that will affect non-interest income (expense) is $(28.9) million. Of the remaining adjustments, we expect to recognize $13.6 million of interest income and $(11.4) million of non-interest income (expense) in the remainder of 2014. Additional adjustments may be recorded in future periods from the FDIC-assisted acquisitions, as the Company continues to estimate expected cash flows from the acquired loan pools.

The impact of adjustments on the Company's financial results is shown below:

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2013	
	(In Thousands, Except Per Share Data and Basis Points Data)			
Impact on net interest income/ net interest margin (in basis points)	$ 9,085	107 bps	$ 7,663	88 bps
Non-interest income	(7,469)		(6,628)	
Net impact to pre-tax income	$ 1,616		$ 1,035	
Net impact net of taxes	$ 1,050		$ 673	
Impact to diluted earnings per common share	$ 0.08		$ 0.05	

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	(In Thousands, Except Per Share Data and Basis Points Data)			
Impact on net interest income/ net interest margin (in basis points)	$ 16,988	102 bps	$ 18,096	103 bps
Non-interest income	(13,805)		(14,963)	
Net impact to pre-tax income	$ 3,183		$ 3,133	
Net impact net of taxes	$ 2,069		$ 2,036	
Impact to diluted earnings per common share	$ 0.15		$ 0.15	

The loss sharing asset is measured separately from the loan portfolio because it is not contractually embedded in the loans and is not transferable with the loans should the Bank choose to dispose of them. Fair value was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool (as discussed above) and the loss sharing percentages outlined in the Purchase and Assumption Agreement with the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. The loss sharing asset is also separately measured from the related foreclosed real estate.

The loss sharing agreement on the InterBank transaction includes a clawback provision whereby if credit loss performance is better than certain pre-established thresholds, then a portion of the monetary benefit is shared with the FDIC. The pre-established threshold for credit losses is $115.7 million for this transaction. The monetary benefit required to be paid to the FDIC under the clawback provision, if any, will occur shortly after the termination of the loss sharing agreement, which in the case of InterBank is 10 years from the acquisition date.

At June 30, 2014 and December 31, 2013, the Bank's internal estimate of credit performance is expected to be better than the threshold set by the FDIC in the loss sharing agreement. Therefore, a separate clawback liability totaling $5.4 million and $3.7 million was recorded as of June 30, 2014 and December 31, 2013, respectively. As changes in the fair values of the loans and foreclosed assets are determined due to changes in expected cash flows, changes in the amount of the clawback liability will occur.

TeamBank FDIC Indemnification Asset. The following tables present the balances of the FDIC indemnification asset related to the TeamBank transaction at June 30, 2014 and December 31, 2013. Gross loan balances (due from the borrower) were reduced approximately $388.3 million since the transaction date because of $254.5 million of repayments from borrowers, $61.6 million in transfers to foreclosed assets and $72.2 million in charge-offs to customer loan balances. Based upon the collectability analyses performed during the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	June 30, 2014	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$47,851	$159
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(2,171)	—
Original estimated fair value of assets, net of activity since acquisition date	(44,946)	(153)
Expected loss remaining	734	6
Assumed loss sharing recovery percentage	82%	83%
Estimated loss sharing value	605	5
Indemnification asset to be amortized resulting from change in expected losses	239	—
Accretable discount on FDIC indemnification asset	—	—
FDIC indemnification asset	$844	$5

	December 31, 2013	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$53,553	$664
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(2,882)	—
Original estimated fair value of assets, net of activity since acquisition date	(49,862)	(647)
Expected loss remaining	809	17
Assumed loss sharing recovery percentage	82%	76%
Estimated loss sharing value	665	13
Indemnification asset to be amortized resulting from change in expected losses	593	—
Accretable discount on FDIC indemnification asset	(10)	—
FDIC indemnification asset	$1,248	$13

Vantus Bank Indemnification Asset. The following tables present the balances of the FDIC indemnification asset related to the Vantus Bank transaction at June 30, 2014 and December 31, 2013. Gross loan balances (due from the borrower) were reduced approximately $280.5 million since the transaction date because of $234.5 million of repayments from borrowers, $16.4 million in transfers to foreclosed assets and $29.6 million in charge-offs to customer loan balances. Based upon the collectability analyses performed during the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	June 30, 2014	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$51,036	$2,084
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(509)	—
Original estimated fair value of assets, net of activity since acquisition date	(49,661)	(1,455)
Expected loss remaining	866	629
Assumed loss sharing recovery percentage	75%	—%
Estimated loss sharing value(1)	646	—
Indemnification asset to be amortized resulting from change in expected losses	330	—
Accretable discount on FDIC indemnification asset	(8)	—
FDIC indemnification asset	$968	$—

(1) Includes $503,000 impairment of indemnification asset for foreclosed assets. The Company does not expect resolution of certain items related to commercial foreclosed assets prior to the expiration of the non-single-family loss sharing agreement for Vantus Bank.

	December 31, 2013	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$60,011	$1,986
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(1,202)	—
Original estimated fair value of assets, net of activity since acquisition date	(57,920)	(1,092)
Expected loss remaining	889	894
Assumed loss sharing recovery percentage	78%	80%

Estimated loss sharing value	690	716
Indemnification asset to be amortized resulting from change in expected losses	919	—
Accretable discount on FDIC indemnification asset	(32)	—
FDIC indemnification asset	$1,577	$716

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Sun Security Bank Indemnification Asset. The following tables present the balances of the FDIC indemnification asset related to the Sun Security Bank transaction at June 30, 2014 and December 31, 2013. Gross loan balances (due from the borrower) were reduced approximately $166.2 million since the transaction date because of $108.3 million of repayments by the borrower, $26.4 million in transfers to foreclosed assets and $31.5 million of charge-offs to customer loan balances. Based upon the collectability analyses performed during the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	June 30, 2014	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$68,269	$1,782
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(4,144)	—
Original estimated fair value of assets, net of activity since acquisition date	(58,400)	(1,000)
Expected loss remaining	5,725	782
Assumed loss sharing recovery percentage(1)	66%	80%
Estimated loss sharing value	3,796	625
Indemnification asset to be amortized resulting from change in expected losses	3,312	—
Accretable discount on FDIC indemnification asset	(455)	(63)
FDIC indemnification asset	$6,653	$562

(1) $474,000 of the expected loss remaining is related to loans not covered by the loss sharing agreement.

	December 31, 2013	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$78,524	$3,582
Non-credit premium/(discount), net of activity since acquisition date	(105)	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(5,062)	—
Original estimated fair value of assets, net of activity since acquisition date	(64,843)	(2,193)
Expected loss remaining	8,514	1,389
Assumed loss sharing recovery percentage	70%	80%
Estimated loss sharing value	5,974	1,111

Indemnification asset to be amortized resulting from change in expected losses	4,049	—
Accretable discount on FDIC indemnification asset	(680)	(93)
FDIC indemnification asset	$9,343	$1,018

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InterBank Indemnification Asset. The following table presents the balances of the FDIC indemnification asset related to the InterBank transaction at June 30, 2014. Gross loan balances (due from the borrower) were reduced approximately $124.8 million since the transaction date because of $94.8 million of repayments by the borrower, $10.2 million in transfers to foreclosed assets and $19.8 million of charge-offs to customer loan balances. Based upon the collectability analyses performed during the acquisition, we expected certain levels of foreclosures and charge-offs and actual results have been better than our expectations. As a result, cash flows expected to be received from the acquired loan pools have increased, resulting in adjustments that were made to the related accretable yield as described above.

	June 30, 2014	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$268,440	$4,590
Non-credit premium/(discount), net of activity since acquisition date	1,622	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(26,512)	—
Original estimated fair value of assets, net of activity since acquisition date	(210,334)	(3,474)
Expected loss remaining	33,216	1,116
Assumed loss sharing recovery percentage	82%	80%
Estimated loss sharing value(1)	27,128	893
FDIC loss share clawback	3,825	—
Indemnification asset to be amortized resulting from change in expected losses	21,209	—
Accretable discount on FDIC indemnification asset	(3,703)	(33)
FDIC indemnification asset	$48,459	$860

(1) Includes $400,000 impairment of indemnification asset for loans

	December 31, 2013	
	Loans	Foreclosed Assets
	(In Thousands)	
Initial basis for loss sharing determination, net of activity since acquisition date	$284,975	$6,543
Non-credit premium/(discount), net of activity since acquisition date	1,905	—
Reclassification from nonaccretable discount to accretable discount due to change in expected losses (net of accretion to date)	(21,218)	—
Original estimated fair value of assets, net of activity since acquisition date	(213,539)	(5,073)
Expected loss remaining	52,123	1,470
Assumed loss sharing recovery percentage	82%	80%

Estimated loss sharing value	42,654	1,176
FDIC loss share clawback	2,893	—
Indemnification asset to be amortized resulting from change in expected losses	16,974	—
Accretable discount on FDIC indemnification asset	(4,874)	(33)
FDIC indemnification asset	$57,647	$1,143

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Changes in the accretable yield for acquired loan pools were as follows for the three months ended June 30, 2014 and 2013:

	TeamBank	Vantus Bank	Sun Security Bank	InterBank
		(In Thousands)		
Balance, April 1, 2013	$11,339	$11,522	$10,015	$40,264
Accretion	(1,919)	(2,362)	(4,038)	(6,360)
Reclassification from nonaccretable yield(1)	(810)	(513)	4,078	1,063
Balance, June 30, 2013	$8,610	$8,647	$10,055	$34,967
Balance April 1, 2014	$7,363	$5,151	$10,007	$38,973
Accretion	(976)	(1,000)	(2,407)	(10,038