

Great Western Bancorp, Inc.  
Form S-1/A  
April 28, 2015  
**Table of Contents**

As filed with the Securities and Exchange Commission on April 28, 2015.

Registration No. 333-203540

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

**Amendment No. 1**  
**to**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**Great Western Bancorp, Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**6022**  
**(Primary Standard Industrial**  
**Classification Code Number)**

**47-1308512**  
**(IRS Employer**  
**Identification Number)**

**100 North Phillips Avenue**

**Sioux Falls, South Dakota 57104**

**(605) 334-2548**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Donald J. Straka**

**General Counsel**

**Great Western Bancorp, Inc.**

**100 North Phillips Avenue**

**Sioux Falls, South Dakota 57104**

**(605) 334-2548**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*Copies to:*

**Mark J. Menting  
Catherine M. Clarkin  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004  
(212) 558-4000**

**Craig E. Chapman  
James O. Connor  
Sidley Austin LLP  
787 Seventh Avenue  
New York, NY 10019  
(212) 839-5300**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of the Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934.

(Check one):

Large accelerated filer " Accelerated filer "  
 Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company "

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be Registered<sup>(1)</sup></b>	<b>Proposed Maximum Offering Price per Share<sup>(2)</sup></b>	<b>Proposed maximum aggregate offering price<sup>(2)</sup></b>	<b>Amount of registration fee<sup>(3)</sup></b>
<b>Common Stock, par value \$0.01 per share</b>	20,700,000	\$22.77	\$471,339,000.00	\$54,769.59

- (1) Includes 2,700,000 shares of common stock that the underwriters have the option to purchase from National Americas Holdings LLC.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended. The price per share and aggregate offering price are based on the average of the high and low price of the Registrant's common stock on April 24, 2015, as reported on the New York Stock Exchange.
- (3) Previously paid \$11,620.00.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this preliminary prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell, nor does it seek an offer to buy, these securities in any jurisdiction where such offer or sale is not permitted.**

**Subject to Completion**

**Preliminary Prospectus dated April 28, 2015**

**PROSPECTUS**

**18,000,000 Shares**

**Common Stock**

A subsidiary of National Australia Bank Limited, or NAB, our parent company, is offering 18,000,000 shares of common stock of Great Western Bancorp, Inc. We will not receive any of the proceeds from the sale of the shares sold by the NAB selling stockholder.

Our common stock is listed on the New York Stock Exchange ( NYSE ) under the symbol **GWB** . The last reported sale price of our common stock on the NYSE on April 27, 2015 was \$22.76 per share.

After the completion of this offering, NAB will hold 37.1% of the voting power of all outstanding shares of our common stock (or 32.5% if the underwriters' option to purchase additional shares of common stock from the NAB selling stockholder is exercised in full).

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 and have elected to take advantage of certain reduced public company reporting and disclosure requirements in this prospectus, and we may take advantage of those reduced reporting and disclosure requirements in future filings.

Shares of our common stock are not saving accounts or deposits and are not insured by the Federal Deposit Insurance Corporation or any other government agency.

**Investing in our common stock involves significant risks. See Risk Factors beginning on page 25 of this prospectus for a discussion of certain risks you should consider before deciding to invest in our common stock.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$	\$
Underwriting discount*	\$	\$
Proceeds, before expenses, to the NAB selling stockholder	\$	\$

\* We refer you to Underwriting beginning on page 206 of this prospectus for additional information regarding underwriting compensation.

The NAB selling stockholder has granted the underwriters an option to purchase up to an additional 2,700,000 shares of our common stock at the public offering price less the underwriting discount, within 30 days from the date of this prospectus.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of common stock against payment in New York, New York on or about , 2015.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Deutsche Bank Securities**  
*Co-Managers*

**J.P. Morgan**

**RBC Capital Markets**

**Keefe, Bruyette & Woods**

**Macquarie Capital**

**Sandler O Neill + Partners, L.P. Stephens Inc.**

*A Stifle Company*

**The date of this prospectus is , 2015.**

**Table of Contents**

**TABLE OF CONTENTS**

<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	25
<u>Cautionary Note Regarding Forward-Looking Statements</u>	61
<u>Use Of Proceeds</u>	63
<u>Dividend Policy and Dividends</u>	64
<u>Price Range of Our Common Stock</u>	66
<u>Capitalization</u>	67
<u>Selected Historical Consolidated Financial and Operating Information</u>	68
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	70
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	131
<u>Business</u>	133
<u>Supervision and Regulation</u>	154
<u>Management</u>	167
<u>Board of Directors, Committees and Governance</u>	172
<u>Executive and Director Compensation</u>	179
<u>Principal and Selling Stockholder</u>	187
<u>Our Relationship with NAB and Certain Other Related Party Transactions</u>	189
<u>Description of Capital Stock</u>	198
<u>Material U.S. Federal Tax Considerations for Non-U.S. Holders of Our Common Stock</u>	203
<u>Underwriting</u>	206
<u>Validity Of Common Stock</u>	212
<u>Experts</u>	212
<u>Where You Can Find More Information</u>	212
<u>Index To Consolidated Financial Statements</u>	F-1

**Explanatory Note**

Unless we state otherwise or the context otherwise requires, references in this prospectus to:

we, our, us and our company refer to:

Great Western Bancorporation, Inc. and its consolidated subsidiaries, for all periods prior to the completion of the Formation Transactions; and

Great Western Bancorp, Inc., a Delaware corporation, and its consolidated subsidiaries, for all periods after the completion of the Formation Transactions;

Edgar Filing: Great Western Bancorp, Inc. - Form S-1/A

Great Western refers to Great Western Bancorporation, Inc. but not its consolidated subsidiaries, for all periods prior to the completion of the Formation Transactions, and Great Western Bancorp, Inc. but not its consolidated subsidiaries, for all periods after the completion of the Formation Transactions;

our bank refers to Great Western Bank, a South Dakota banking corporation;

NAB refers to National Australia Bank Limited, an Australian public company and our principal stockholder;

NAB selling stockholder refers to National Americas Holdings LLC, a Delaware limited liability company and a wholly owned, indirect subsidiary of NAB, through which NAB owns shares of our capital stock;

our stock refers to our common stock and our non-voting common stock;



**Table of Contents**

our states refer to the seven states (South Dakota, Iowa, Nebraska, Colorado, Arizona, Kansas and Missouri) in which we currently conduct our businesses;

our markets and our footprint refer to the geographic markets within our states in which we currently conduct our businesses;

fiscal year refers to our fiscal year, which is based on a twelve-month period ending September 30 of each year (*e.g.*, fiscal year 2014 refers to the twelve-month period ending September 30, 2014);

our peers refer, collectively, to all publicly listed U.S. bank holding companies with total assets between \$5 billion and \$15 billion at December 31, 2014, and all peer data is obtained from SNL Financial LC, or SNL Financial;

our IPO refers to the initial public offering of 18,400,000 shares of our common stock by the NAB selling stockholder completed on October 20, 2014; and

the Formation Transactions refer to a series of transactions completed on October 17, 2014 and undertaken in preparation for our IPO, which were comprised of:

the cash contribution by National Americas Holdings LLC to Great Western Bancorp, Inc. in an amount equal to the total stockholder's equity of Great Western Bancorporation, Inc.;

the sale by National Americas Investment, Inc., a Delaware corporation and wholly owned, indirect subsidiary of NAB, of all outstanding capital stock of Great Western Bancorporation, Inc. to Great Western Bancorp, Inc. for an amount in cash equal to the total stockholder's equity of Great Western Bancorporation, Inc.; and

the merger of Great Western Bancorporation, Inc. with and into Great Western Bancorp, Inc., with Great Western Bancorp, Inc. continuing as the surviving corporation and succeeding to all the assets, liabilities and business of Great Western Bancorporation, Inc.

**About this Prospectus**

We, NAB, the NAB selling stockholder and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We, NAB, the NAB selling stockholder and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and NAB, the NAB selling stockholder and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. This prospectus includes references to information contained on, or that can be accessed through, our website. Information contained on, or that can be accessed through,

our website is not part of, and is not incorporated into, this prospectus.

We have proprietary rights to trademarks, trade names and service marks appearing in this prospectus that are important to our business. This prospectus also contains additional trademarks, trade names and service marks belonging to NAB or one of its affiliates. Solely for convenience, the trademarks, trade names and service marks appearing in this prospectus are without the ® and TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, trade names and service marks. All trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

Any discrepancies included in this prospectus between totals and the sums of the percentages and dollar amounts presented are due to rounding.

**Table of Contents**

**Industry and Market Data**

Within this prospectus, we reference certain industry and sector information and statistics. We have obtained this information and statistics from various independent, third party sources. Nothing in the data used or derived from third party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe that these external sources and estimates are reliable, but have not independently verified them. Statements as to our market position are based on market data currently available to us. Although we are not aware of any misstatements regarding the demographic, economic, employment, industry and trade association data presented herein, these estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

**Table of Contents**

**Implications of Being an Emerging Growth Company**

As a company with less than \$1.0 billion in revenues during our last fiscal year, we qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

we are exempt from the requirement to obtain an attestation and report from our auditors on management's assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002;

we are permitted to provide less extensive disclosure about our executive compensation arrangements; and

we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We have elected to take advantage of the scaled disclosure requirements and other relief described above in this prospectus and may take advantage of these exemptions for so long as we remain an emerging growth company. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of \$1.0 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of our IPO, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt and (iv) the end of the fiscal year in which the market value of our equity securities that are held by non-affiliates exceeds \$700 million as of June 30 of that year.

In addition to scaled disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected not to take advantage of this extended transition period, which means that the financial statements included in this prospectus, as well as any financial statements that we file in the future, will be subject to all new or revised accounting standards generally applicable to public companies.

---

**Table of Contents**

**PROSPECTUS SUMMARY**

*This summary provides a brief overview of important information regarding key aspects of the offering contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the more detailed information regarding the risks of purchasing our common stock in the sections titled *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our consolidated financial statements and the related notes thereto, before making an investment decision.*

**Our Business**

We are a full-service regional bank holding company focused on relationship-based business and agribusiness banking. We serve our customers through 158 branches in attractive markets in seven states: South Dakota, Iowa, Nebraska, Colorado, Arizona, Kansas and Missouri. We were established more than 70 years ago and have achieved strong market positions by developing and maintaining extensive local relationships in the communities we serve. By leveraging our business and agribusiness focus, presence in attractive markets, highly efficient operating model and robust approach to risk management, we have achieved significant and profitable growth both organically and through disciplined acquisitions. We have successfully completed eight acquisitions since 2006, including our 2010 Federal Deposit Insurance Corporation, or FDIC, assisted acquisition of TierOne Bank, which represented approximately \$2.5 billion in acquired assets.

Our net income was \$26.7 million for the three months ended December 31, 2014 and \$105.0 million for the twelve months ended September 30, 2014, representing a compound annual growth rate, or CAGR, of 18% from fiscal year 2009 to fiscal year 2014 and a 9% increase from fiscal year 2013 to fiscal year 2014. Our total assets were \$9.64 billion at December 31, 2014, and, on an annualized basis, our net charge-offs (recoveries) for the three months ended December 31, 2014 represented (0.06)% of our average total loans. Since fiscal year 2009, we have also operated with efficiency ratios superior to our peer median. For a discussion of the manner in which our efficiency ratios are calculated, see *Our Competitive Strengths Highly Efficient Operating Model*. For fiscal year 2014, we achieved a return on average total assets of 1.14% and a return on average tangible common equity of 16.6%. For more information on our return on average tangible common equity, see *Summary Historical Consolidated Financial and Operating Information*.

The following table illustrates our net income over the periods indicated:

**Net Income (\$MM)<sup>(1)</sup>**

(1) For the fiscal years ended September 30, except as otherwise indicated.



**Table of Contents**

We focus on business and agribusiness banking, complemented by retail banking and wealth management services. Our loan portfolio consists primarily of business loans, comprised of commercial and industrial, or C&I, loans and commercial real estate, or CRE, loans, and agribusiness loans. At December 31, 2014, our business and agribusiness loans collectively accounted for 85% of our total loan portfolio. In addition, 62% of our aggregate loan portfolio, comprising our CRE loans (representing 38% of our aggregate loan portfolio), residential real estate loans (representing 13% of our aggregate loan portfolio) and agriculture real estate loans (representing 11% of our aggregate loan portfolio), was primarily secured by interests in real estate predominantly located in the states in which we operate at December 31, 2014. In addition, some of our other lending occasionally involves taking real estate as primary or secondary collateral. We offer small and mid-sized businesses a focused suite of financial products and have established strong relationships across a diversified range of sectors, including key areas supporting regional growth such as agribusiness services, freight and transport, healthcare and tourism. We have developed extensive expertise in agribusiness lending, which serves one of the most prominent industries across our markets, and we offer a variety of financial services designed to meet the specific needs of our agribusiness customers. We also provide a range of deposit and loan products to our retail customers through several channels, including our branch network, online banking system, mobile banking applications and customer care centers. In our wealth management business, we seek to expand our private banking, financial planning, investment management and insurance operations to better position us to capture an increased share of the business of managing the private wealth of many of our business and agribusiness customers.

Our banking model seeks to balance the best of being a big enough & small enough bank, providing capabilities typical of a much larger bank, such as diversified product specialists, customized banking solutions and multiple delivery channels, with a customer-focused culture usually associated with smaller banks. Our focus on balancing these capabilities with a service-oriented culture is embedded within our operations and is enhanced by focusing on our core competencies. We are well recognized within our markets for our relationship-based banking model that provides for local, efficient decision making. We believe we serve our customers in a manner that is responsive, flexible and accessible. Our relationship bankers strive to build deep, long-term relationships with customers and understand the customers' specific needs to identify appropriate financial solutions. We believe we have been successful in attracting customers from larger competitors because of our flexible approach and the speed and efficiency with which we provide banking solutions to our customers while maintaining disciplined underwriting standards.

For a discussion of our preliminary financial results for the three months ended March 31, 2015, see Recent Developments.

**Table of Contents**

**Market Opportunity**

We operate 158 branches located in 115 communities in seven states. In 2007, we began operating in Arizona with our acquisition of Sunstate Bank. In 2009, we expanded our footprint into Colorado through our acquisition of First Community Bank's Colorado franchise. In 2010, we significantly expanded our presence in Nebraska through our acquisition of TierOne Bank.

**Geographic Footprint**

We believe that the states in which we operate present attractive opportunities for our banking model.

The economies of Nebraska, Iowa and South Dakota are growing. According to the Bureau of Economic Analysis of the U.S. Department of Commerce, or the Bureau of Economic Analysis, real GDP growth in these states from 2009 to 2013 has been faster than national real GDP growth, with real GDP in these states growing at a CAGR of 2.7% compared to 2.0% for the nation. According to the Bureau of Labor Statistics of the U.S. Department of Labor, overall unemployment rates for February 2015 in these states were also below the 5.5% U.S. national seasonally adjusted unemployment rate for February 2015, with Nebraska having the lowest unemployment rate in the country, South Dakota tied for 3rd lowest and Iowa tied for 11th lowest seasonally adjusted unemployment rate in the country, and the unemployment rate for February 2015 in our footprint was 3.8%.

Markets in each of Arizona and Colorado are recognized as fast-growing and dynamic economies. For example, according to data from SNL Financial, the populations of Phoenix and Denver are expected to grow by 5.3% and 9.9%, respectively, from 2014 through 2019. The U.S. Census Bureau estimates that, as of July 1, 2013, Phoenix had a population of 1.5 million and was the 6th largest city in the United States. According to Moody's Analytics, Arizona ranks 1st among U.S. states for projected employment growth from 2013 through 2018 and Colorado ranks 5th.

Nebraska, Iowa, South Dakota, Arizona and Colorado are each home to a number of small and mid-sized businesses across a diverse range of sectors and together serve as the corporate headquarters for several Fortune 500 companies. The economies within these states represent a diverse range of industries, with manufacturing, trade, agriculture, professional and business services, finance and insurance, and government accounting for approximately 56% of real GDP in these states in 2013 according to the Bureau of Economic Analysis. We expect strong population and job growth will lead to an increased need for business banking services, more deposits and an increased credit demand to fund ongoing capital investments and working capital, cash management solutions and credit cards, among other products and services. We believe integrated banking support is important to providing a focused suite of services to meet the evolving needs of business customers in our markets.



## **Table of Contents**

Agribusiness customers in Nebraska, Iowa, South Dakota, Arizona and Colorado produce and raise a variety of grains, proteins and other produce, including corn, soybeans, wheat, dairy products, beef cattle, hogs and vegetables. These products are consumed globally as foods and also serve as inputs for goods made by other industries. Agriculture, as defined by the Bureau of Economic Analysis, has grown faster than the U.S. economy as a whole, with real agricultural GDP growing at a CAGR of 3.4% nationally from 2009 to 2013 compared to a CAGR of 2.0% for the United States over the same period. The value of U.S. agricultural exports is also expected to grow by 26% from 2014 through 2023 according to the United States Department of Agriculture, or USDA. In addition, there has been a growing emphasis on research and development and technology in the agricultural sector, with consumers and producers focused on sustainable methods of food production, particularly with a view to decreasing their reliance on non-renewable inputs.

We believe increasing demand for agricultural products and changing agricultural industry dynamics will continue to drive the need for banking services in our markets, particularly from banks such as ours that understand, and provide products and services that specifically address, the unique needs of our agribusiness customers. We believe that we are well positioned to continue to serve the banking needs of small and mid-sized businesses and the agribusiness sector.

## **Our Competitive Strengths**

We attribute our success to the following competitive strengths, among others:

### ***Focus on Business Banking***

We focus on business banking which has contributed significantly to our profitability and growth. As of December 31, 2014, business banking accounted for approximately 60% of our loan portfolio, with C&I loans representing 22%, owner-occupied CRE loans representing 16% and other CRE loans representing 21% of our total loan portfolio. From September 30, 2009 through December 31, 2014, our business banking loan portfolio has grown at a CAGR of 14%. We believe we have developed a strong brand and market reputation in business banking within the markets we serve by focusing on our core competencies. We provide business banking services to small and mid-sized businesses across a diverse range of industries that support economic growth in the markets in which our business banking customers operate. We offer our business banking customers focused banking services designed to meet the specific needs of their businesses. We have a significant presence in attractive markets, particularly markets such as Omaha, Des Moines and Sioux Falls, which we believe are located in growing economies and present opportunities to increase our business banking activities.

### ***Specialized Agribusiness Expertise***

In addition to business banking, we focus on agribusiness banking. According to the American Bankers Association, at December 31, 2014, we were ranked the 7th-largest farm lender bank in the United States measured by total dollar volume of farm loans. We have been providing banking services to the agricultural community since our bank was founded in 1935. We have developed extensive expertise and brand recognition in agribusiness lending, which is one of the fastest growing industries in our markets and is the largest single industry sector that we serve. At December 31, 2014, our agribusiness loan portfolio was balanced among the major types of agricultural production in our footprint grains (primarily corn, soybeans and wheat) representing 37% of our agribusiness loan portfolio, proteins (primarily beef cattle, dairy products and hogs) representing 48% of our agribusiness loan portfolio, and other (including cotton and vegetables) representing 15% of our agribusiness loan portfolio. We have grown our agribusiness lending significantly in recent years through our focus on expansion within the markets in our footprint and the recruitment of specialist relationship bankers with a deep understanding of, and strong relationships with customers in, the agriculture industry. Our agribusiness loan portfolio represented 25% of our total loan portfolio at

December 31, 2014, and has grown at a CAGR of

## **Table of Contents**

21% from September 30, 2009 to December 31, 2014. In our most recent fiscal year, our agribusiness loan portfolio grew 6% from September 30, 2013 to September 30, 2014. In addition, we estimate that approximately 14% of our C&I loans and owner-occupied CRE loans are agriculture-related loans, as of December 31, 2014.

### ***Track Record of Strong and Disciplined Growth***

We have a track record of combining organic expansion with strategic acquisitions to achieve strong overall growth. Our record of steadily growing and successfully operating our business is demonstrated by our:

**Balance sheet growth:** From September 30, 2009 to December 31, 2014, we have grown our total assets at a CAGR of 12%, our loan portfolio at a CAGR of 15% and our deposit base at a CAGR of 13%. This growth was primarily generated by our acquisition of TierOne Bank in 2010, which represented approximately \$2.5 billion of our \$3.1 billion total asset growth in fiscal year 2010. From September 30, 2013 to September 30, 2014 our total assets, loan portfolio and deposit base grew by 3%, 7% and 1%, respectively, as our loan growth drove continued asset growth, despite being offset by a reduction in the size of our investment portfolio. At December 31, 2014, our total assets, loans and deposits each grew by 3% to \$9.64 billion in total assets, \$6.99 billion in loans and \$7.24 billion in deposits compared with September 30, 2014;

**Earnings growth:** We have increased our net income to \$105.0 million for fiscal year 2014, representing a CAGR of 18% from fiscal year 2009 and an increase of 9% from fiscal year 2013. Our net income was \$26.7 million for the three months ended December 31, 2014; and

**Return on assets and equity:** For fiscal year 2014, we achieved a 1.14% return on average total assets and a 16.6% return on average tangible common equity.

For more information on our return on average tangible common equity, see [Summary Historical Consolidated Financial and Operating Information](#).

We have achieved organic growth by increasing our market share in select markets and entering new markets. We have been successful at recruiting and retaining relationship bankers with extensive industry expertise. We have also developed streamlined processes that allow us to be responsive, flexible and accessible to our customers, which we believe has allowed us to attract new customers and grow our loan portfolio and deposit base. We have achieved this growth while maintaining strong asset quality, with annual net charge-offs peaking at 88 basis points of average loans for fiscal year 2011 and declining to 14 basis points of average loans for fiscal year 2014.

Our organic growth has been supplemented by our disciplined acquisition strategy led by our experienced management team. We seek to maximize the success of our acquisitions through a well-established integration process. We have successfully leveraged our business banking model with our specialized agribusiness expertise to expand our footprint through eight acquisitions since 2006, including our 2010 FDIC-assisted acquisition of TierOne Bank, which represented approximately \$2.5 billion in acquired assets. We expect to continue to opportunistically pursue acquisitions consistent with our strategic objectives, although we do not have any current agreements, arrangements or understandings regarding future acquisitions.



**Table of Contents**

The following chart shows our loan portfolio and the portion of our loans acquired through acquisitions completed since September 30, 2009:

**Loans (\$BN)<sup>(1)(2)</sup>**

(1) At September 30 of each year, other than the three months ended December 31, 2014.

(2) Acquired loans includes all loans acquired in acquisitions completed after September 30, 2009.

Through organic growth and acquisitions, we have grown our total loan portfolio to \$7.0 billion at December 31, 2014. As illustrated above, from September 30, 2009 to December 31, 2014 our total loan portfolio, less acquired loans, has grown from \$3.4 billion to \$6.6 billion, representing a CAGR of 13%.

## **Table of Contents**

### ***Highly Efficient Operating Model***

We believe our highly efficient and scalable operating model has enabled us to operate profitably, remain competitive, increase market share and develop new business. We emphasize company-wide operating principles focused on proactive expense management, targeted investment, disciplined lending practices and focused product offerings. We have achieved cost efficiencies by consolidating our branch network through the closure of less profitable locations and through our demonstrated success in acquiring and integrating banks. We have also achieved significant cost efficiencies through the use of the *Kaizen & Lean* principles, which are management techniques for improving processes and reducing waste, to eliminate redundancies and improve the efficient allocation of resources throughout our operations. We believe our focus on operating efficiency has contributed significantly to our return on equity, return on assets and net income and is reflected in our efficiency ratios presented below.

### **Efficiency Ratios<sup>(1)</sup>**

*Peer Median Source: SNL Financial.*

- (1) For the twelve months ended September 30, except as otherwise indicated.
- (2) One financial measure we use to evaluate our operational efficiency is our efficiency ratio, which is not presented in accordance with U.S. GAAP. We calculate our efficiency ratio as the ratio of our tangible noninterest expense, which excludes amortization of core deposits and other intangible assets, to our total revenue (equal to the sum of net interest income and noninterest income) on a fully taxable equivalent basis. For more information on this measure, including a reconciliation to the most directly comparable U.S. GAAP financial measure, see Summary Historical Consolidated Financial and Operating Information.
- (3) Our peers refer, collectively, to all publicly listed U.S. bank holding companies with total assets between \$5 billion and \$15 billion at December 31, 2014. For each period, the peer group excludes any bank holding company for which data was not available for such period. SNL Financial calculates peer efficiency ratios for all twelve-month periods as the ratio of noninterest expense, which excludes amortization of intangible assets, to the sum of net interest income on a fully taxable equivalent basis and noninterest income. We calculated peer efficiency ratios for the first quarter of fiscal 2015 based on the same methodology, with data obtained from SNL Financial.

### ***Disciplined Risk Management***

Risk management is a core competency of our business, and we believe that our risk management approach is more robust than that of most U.S. banks our size. Following the acquisition of us by NAB, we expanded our risk management staff significantly to conform to NAB's global standards. We have also implemented comprehensive policies and procedures for credit underwriting and monitoring of our loan portfolio, including strong credit practices among our relationship bankers, allowing credit decisions to be made efficiently on a local



**Table of Contents**

basis consistent with our underwriting standards. We were able to remain profitable while maintaining strong asset quality through the financial crisis, in part due to our focus on our core business and adherence to our disciplined risk management. We believe our robust approach to risk management has enabled us to grow our loan portfolio without compromising credit quality. By focusing on our core areas of expertise, we largely avoided higher-risk lending practices that impacted other lenders in the industry during 2009 to 2011.

The following chart shows our annual net charge-offs as a percentage of average loans for fiscal year 2009 through fiscal year 2014, and for the three months ended December 31, 2014, compared to the median of our peers:

**Annual Net Charge-offs as a Percentage of Average Loans<sup>(1)</sup>**

*Peer Median Source: SNL Financial.*

- (1) For the twelve months ended September 30, except as otherwise indicated. Information for the three months ended December 31, 2014 is computed on an annualized basis. For each period, the peer group excludes any bank holding company for which data was not available for such period.
- (2) Our peers refer, collectively, to all publicly listed U.S. bank holding companies with total assets between \$5 billion and \$15 billion at December 31, 2014.
- (3) Our net charge-offs increased for the three months ended March 31, 2015 due to higher credit-related charges of approximately \$14 million incurred during the quarter. As a result of these charge-offs, our annual net charge-offs as a percentage of average loans increased to 0.23%. For a discussion of these credit-related charges, see *Recent Developments* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information.

***Experienced Management Team With Local Market Experience***

Our senior management team, led by Ken Karels, our President and Chief Executive Officer, has a long and successful history of managing financial institutions in the region and, in particular, significant experience in business and agribusiness lending, with an average of over 25 years of banking experience. Our senior management team has a demonstrated track record of managing profitable growth, successfully executing and integrating acquisitions, improving operating efficiencies, maintaining a strong risk management culture and implementing a relationship-based and service-focused approach to banking.



## **Table of Contents**

### **Our Business Strategy**

We believe that stable long-term growth and profitability are the result of building strong customer relationships while maintaining disciplined underwriting standards. We plan to focus on originating high-quality loans and growing our low-cost deposit base through our relationship-based business and agribusiness banking. We believe that continuing to focus on our core strengths will enable us to gain market share, continue to improve our operational efficiency and increase profitability. The key components of our strategy for continued success and future growth include the following:

#### ***Attract and Retain High-Quality Relationship Bankers***

A key component of our growth in our existing markets and entry into new markets has been our ability to attract and retain high-quality relationship bankers. We have recruited approximately 51 new business and agribusiness relationship bankers since January 1, 2011 (out of a total of approximately 167 business and agribusiness relationship bankers at December 31, 2014), with average industry experience of over 15 years when hired. We believe we have been successful in recruiting qualified relationship bankers due primarily to our decentralized management approach, focused product suite and flexible and customer-focused culture while continuing to provide sophisticated banking capabilities to serve our customers' needs. We intend to continue to hire experienced relationship bankers to execute our relationship-driven banking model. We utilize a variable compensation structure designed to incentivize our relationship bankers by tying their compensation to their individual overall performance and the performance of the loans that they help originate, which we measure based on revenues, return on assets and asset quality/risk, among other things. We believe this structure establishes the appropriate incentives to maximize performance and satisfy our risk management objectives. By leveraging the strong networks and reputation of our experienced relationship bankers, we believe we can continue to grow our loan portfolio and deposit base as well as cross-sell other products and services.

#### ***Optimize Footprint in Existing and Complementary Markets***

We pursue attractive growth opportunities to expand within our existing footprint and enter new markets aligned with our business model and strategic plans. We believe we can increase our presence in under-represented areas in our existing markets and broaden our footprint in attractive markets adjacent and complementary to our current markets by continuing our emphasis on business and agribusiness banking. Our branch strategy is guided by our ability to recruit experienced relationship bankers in under-represented and new markets. These bankers expand our banking relationships into these markets prior to opening a branch, which increases our likelihood of expanding profitably by developing an asset base before we establish a branch in that market. We will continue to opportunistically consider opening new branches. We intend to capitalize on growth opportunities we believe exist in growing economies in and adjacent to our existing markets.

#### ***Deepen Customer Relationships***

We believe that our reputation, expertise and relationship-based banking model enable us to deepen our relationships with our customers. We look to leverage our relationships with existing customers by cross-selling our products and services. We have sought to grow our low-cost customer deposit base by attracting more deposits from our business and agribusiness customers. We offer alternative cash management solutions intended to help retain business customers. We seek to expand and enhance our wealth management platform through focused product offerings that we believe will appeal to our more affluent customers. We intend to continue to capitalize on opportunities to capture more business from existing customers throughout our banking network.

***Continue to Improve Efficiency and Lower Costs***

We believe that our focus on operational efficiency, even in light of incremental costs from being a public company, is critical to our profitability and future growth. We intend to carefully manage our cost structure and

## **Table of Contents**

continuously refine and implement internal processes to create further efficiencies and enhance our earnings. We continue to optimize our branch network and have commenced reviews of additional internal processes and our vendor relationships, with a view to identifying opportunities to further improve efficiency and enhance earnings. In March 2015, we closed three branches in Omaha and two branches in Sioux Falls while opening a new Business Banking center in Omaha to improve our operating efficiency and better serve our customers. We are also continuing our efforts to shift our deposit base to lower-cost customer deposits, a strategic initiative that has been primarily responsible for driving our cost of deposit funding down since September 30, 2012. We believe our scalable systems, risk management infrastructure and operating model will better enable us to achieve further operational efficiencies as we grow our business.

### ***Opportunistically Pursue Acquisitions***

Our management team has extensive expertise and a successful track record in evaluating, executing and integrating attractive, franchise enhancing acquisitions. We will continue to consider acquisitions that are consistent with our business strategy and financial model as opportunities arise. Illustrated below, as of September 30 of each indicated year, is the growth in our total assets as a result of our acquisitions in that fiscal year.

(1) Acquired assets are the total of the fair value of assets acquired and the net cash and cash equivalents received at the time of acquisition in each indicated year. Total assets increased to \$9.8 billion as of March 31, 2015.

We believe acquisition opportunities will continue to arise within our markets, as well as in familiar and complementary markets.

### **Recent Developments**

All references to net interest income, net interest margin, interest income on loans other than loans acquired with deteriorated credit quality, yield on loans acquired with deteriorated credit quality and the related non-GAAP adjusted measure of each item are presented on a fully-tax equivalent ( FTE ) basis unless otherwise noted. Any discrepancies included in this filing between totals and the sums of percentages and dollar amounts presented, or between rounded dollar amounts, are due to rounding.

---

**Table of Contents**

On April 28, 2015, we announced preliminary financial results for the three months ended March 31, 2015. We have not filed our Quarterly Report on Form 10-Q for the three months ended March 31, 2015 and, therefore, our operating results for the period are subject to completion of our normal quarter-end closing and review procedures, which may result in changes to these results. These results are not necessarily indicative of the results that may be expected for any future period and should be read in conjunction with the sections titled Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes thereto presented elsewhere in this prospectus. For additional information relating to our preliminary financial results, see Exhibit 99.1 to the registration statement of which this prospectus forms a part.

Our net income was \$19.7 million, or \$0.34 per share, for the three months ended March 31, 2015, compared to net income of \$26.0 million, or \$0.45 per share, for the same quarter of fiscal year 2014. The reduction in our net income was primarily driven by the higher credit-related charges we announced in March 2015.

We incurred approximately \$14.0 million of credit-related charges during the quarter, compared to approximately \$7.2 million for the quarter ended December 31, 2014. The second quarter fiscal 2015 charges included a provision for loan losses of \$9.7 million, a \$12.4 million pre-tax increase compared to the same quarter in fiscal year 2014, and \$4.3 million of other credit-related charges. Increased net interest income and lower noninterest expense partially offset the increase in credit-related charges.

Our net interest income increased \$4.1 million, or 5%, from \$78.1 million for the second quarter of fiscal year 2014 to \$82.2 million for the second quarter of fiscal year 2015. The increase in our net interest income was attributable to higher interest income on loans, driven by strong year-over-year growth, and lower deposit interest expense, which was partially offset by lower interest income from our investment portfolio caused primarily by lower asset yields and a smaller portfolio size. Our net interest income after provision for loan losses (on a fully-tax equivalent basis) decreased by \$8.2 million, or 10%, from \$80.7 million for the second quarter of fiscal year 2014 to \$72.5 million for the second quarter of fiscal year 2015.

Our net interest margin was 3.89%, 3.91% and 3.96%, respectively, for the quarters ended March 31, 2015, December 31, 2014, and March 31, 2014 and 3.90% and 3.99%, respectively, for the six months ended March 31, 2015 and March 31, 2014. Our adjusted net interest margin, which includes the realized gain (loss) on interest rate swaps, was 3.64%, 3.67% and 3.73%, respectively, and 3.66% and 3.77%, respectively, for the same periods. Our net interest margin and adjusted net interest margin declined compared to the second quarter of fiscal year 2014 primarily due to reduced asset yields and a higher average cash balance. Pricing on new loans continued to be negatively impacted by competitive pressures in the market and the continued near-zero benchmark interest rate environment, while investment portfolio yields also declined due to less attractive yields reflecting low benchmark interest rates. These reductions in asset yields were partially offset by a 4 basis point reduction in the cost of deposits over the same period, driven in part by a continued favorable change in our deposit mix. Adjusted net interest margin is a non-GAAP measure. For more information on this measure, including a reconciliation to the most directly comparable U.S. GAAP financial measure, see Summary Historical Consolidated Financial and Operating Information.

We achieved loan growth for the quarter ended March 31, 2015 of \$85.7 million, bringing fiscal year-to-date growth to \$285.0 million, an increase of 4.2% during the six month period ended March 31, 2015. Year-to-date growth remains balanced across the business and agriculture lending components of our loan portfolio, including commercial non-real estate, commercial real estate and agriculture and, as of March 31, 2015, business and agriculture lending represented 85.6% of our total loan portfolio. No single industry represented more than 8.0% of our commercial non-real estate portfolio. Our commercial real estate portfolio remained diversified among the sub-components of the portfolio comprising the following percentages of our total loans: 15.6% owner occupied CRE, 14.2% non-owner occupied, 4.4% construction and development and 3.4% multifamily residential real estate. Our agriculture portfolio

remained diversified with 36% grain, 48% protein (including 28% cattle, 14% dairy and 6% hogs) and 16% specialty crops (including 3% cotton).

---

**Table of Contents**

Increased lending volume during the quarter represents growth in all states in our footprint with strong growth in Iowa, Arizona and Colorado. As of March 31, 2015, our loans remained diversified across our operating regions with 32.9% in Iowa/Kansas/Missouri, 25.1% in South Dakota, 19.6% in Arizona/Colorado, 19.3% in Nebraska and 3.1% in other areas. Our balance of loans acquired with deteriorated credit quality continued to decline and decreased by \$804.5 million, or 84%, compared to September 30, 2010.

Deposits grew by \$248.5 million during the quarter and by \$435.5 million, or 6.2%, compared to September 30, 2014. Deposit growth is typically most robust in the first and second fiscal quarters and some seasonal deposit outflow is expected in the third fiscal quarter. The average cost of deposits for the quarter was 0.33%, down 4 basis points compared to the same quarter in fiscal year 2014, driven in part by continuing change in deposit mix. At March 31, 2015, our deposit mix consisted of \$4.59 billion in interest-bearing demand accounts, \$1.38 billion in non-interest-bearing demand accounts and \$1.53 billion in time accounts. Municipal public deposits comprised \$1.05 billion of our total deposits at March 31, 2015, of which \$763.8 million were required to be collateralized. Our deposit portfolio also remained diversified across our operating regions with 32.5% in Nebraska, 31.2% in Iowa/Kansas/Missouri, 19.8% in South Dakota and 16.5% in Arizona/Colorado.

As part of the higher total credit-related charges referenced above, our provision for loan losses increased to \$9.7 million for the quarter ended March 31, 2015, compared to \$(2.7) million (i.e., release of provision for loan losses) in the same quarter of fiscal year 2014 (a pre-tax increase of \$12.4 million) principally driven by a small number of C&I lending exposures that deteriorated during the quarter, which were not concentrated by industry or geography. Management believes the higher charges were driven by customer-specific developments and are not indicative of broader credit concerns across the portfolio. Excluding charge-offs on acquired loans subject to purchase accounting fair value adjustments, net charge-offs for the quarter were \$9.1 million, or 0.52% of total loans on an annualized basis, bringing fiscal year-to-date net charge-offs to \$8.1 million, or 0.23% of total loans on an annualized basis. For the comparable periods in fiscal year 2014, net charge-offs were \$6.2 million, or 0.39% of total loans on an annualized basis, and \$5.1 million, or 0.16% of loans on an annualized basis, respectively. The ratio of allowance for loan losses to total loans increased from 0.70% at September 30, 2014 to 0.74% at March 31, 2015.

At March 31, 2015, our nonperforming loans were \$74.3 million, representing a 6% decrease compared to September 30, 2014 and a 9% increase compared to December 31, 2014, with \$27.8 million of the balance covered by FDIC loss-sharing arrangements. The increase in our nonperforming loans for the quarter was primarily driven by three agriculture relationships, two of which are in the specialty agriculture segment of our portfolio, that migrated to nonperforming status. OREO balances have declined by \$6.0 million since September 30, 2014, with \$8.6 million of the \$43.6 million of total OREO as of March 31, 2015 covered by FDIC loss-sharing arrangements. Loans on Watch status were \$384.4 million as of March 31, 2015, an increase of 34% compared to September 30, 2014. Some of the increase reflects ongoing proactive management of credit exposures and some of the increase resulted from a broad-based review of the loan portfolio performed in connection with the higher credit-related charges. We do not anticipate a significant negative trend in future charge-offs as a result of the increase in Watch loans. For more information regarding the higher credit-related charges incurred for the period, please refer to Management's Discussion & Analysis of Financial Condition and Results of Operations Recent Developments.

Our noninterest income was \$6.9 million for the quarter ended March 31, 2015, representing a decrease of \$3.2 million, or 32.0%, compared to the second quarter of fiscal year 2014. Included within noninterest income are the changes in fair value of certain loans for which we have elected the fair value option and the net gain (loss), realized and unrealized, of the related derivatives used to manage the interest rate risk on these loans. On a net basis, these two components of noninterest income accounted for \$2.8 million, or 87%, of the period-over-period decrease, driven primarily by fair value adjustments related to credit events outlined above.

Excluding the increased net charges related to loans at fair value and the related derivatives, noninterest income declined 3% compared to the second quarter of fiscal year 2014. Service charges and other fees and other noninterest income each decreased by \$0.5 million, while net gain on the sale of mortgage loans increased by \$0.6 million based on higher volumes in that line of business.

---

**Table of Contents**

Our total noninterest expense was \$48.4 million for the quarter ended March 31, 2015, representing a decrease of \$0.9 million, or 2%, compared to the same quarter in fiscal year 2014. Of our total noninterest expense for the quarter ended March 31, 2015, \$46.1 million represented tangible expenses. The decrease in noninterest expense was driven in large part by a \$2.4 million decrease in amortization of intangible assets and a reduction in net occupancy expenses as a result of branch closures completed in prior fiscal periods. These decreases were partially offset by higher salaries and employee benefits, driven largely by favorable nonrecurring events in the comparable period, higher professional fees, primarily attributable to the higher cost of operating as a public company, and a \$1.4 million increase in net OREO expenses. The efficiency ratio was 51.7% for the quarter, compared to 50.6% for the same quarter of fiscal year 2014, and was 50.1% through the first six months of fiscal year 2015. Our efficiency ratio is a non-GAAP measure. For more information on this measure, including a reconciliation to the most directly comparable U.S. GAAP financial measure, see Summary Historical Consolidated Financial and Operating Information.

Tier 1 and total capital ratios were 11.5% and 12.6%, respectively, as of March 31, 2015, compared to 11.8% and 12.9%, respectively, as of December 31, 2014. The common equity tier 1 capital ratio was 10.7% as of March 31, 2015. The decreases were driven by the adoption of Basel III capital conventions on January 1, 2015, applicable to all banks, which increased risk weighted assets by approximately \$270 million mainly as a result of new requirements related to unused lines of credit and, to a lesser extent, high-volatility commercial real estate loans. The risk weighted asset increases related to Basel III adoption were partially offset by increased retained earnings driven by two quarters of net income net of the first quarter fiscal year 2015 dividend paid in February 2015.

On April 28, 2015, we announced that our board of directors declared a dividend of \$0.12 per common share payable on May 29, 2015 to owners of record as of the close of business on May 15, 2015.

**Our Structure**

Prior to our IPO in 2014, we were an indirect, wholly-owned subsidiary of National Australia Bank Limited, or NAB. We were formed to be the publicly traded holding company for our bank, and prior to the completion of the Formation Transactions described below, we did not engage in any business or other activities other than in connection with our formation and the IPO. NAB traces its history back to the establishment of the Bank of Australasia in 1858. NAB is a large Australian financial institution incorporated in 1893 and listed on the Australian Securities Exchange. NAB operates in Australia, New Zealand, the United Kingdom, the United States and parts of Asia. Other than our business, NAB's U.S. operations primarily consist of wholesale banking operations used by NAB to obtain financing for its Australian operations and facilitate the provision of financing and risk management products to its Australian clients and international clients with significant Australian operations. NAB's wealth management business also has operations in the United States designed to facilitate access to U.S. investment opportunities by NAB's Australian clients.

On October 17, 2014, we completed a series of internal reorganization transactions, which we refer to as the Formation Transactions, as a result of which Great Western Bancorp, Inc. succeeded to all the assets, liabilities and business of Great Western Bancorporation, Inc. For additional information related to the Formation Transactions, see Management's Discussion and Analysis of Financial Condition and Results of Operations Key Factors Affecting our Business and Financial Statements Formation Transactions.

**Our Relationship with NAB**

On October 20, 2014, we completed the IPO of our common stock in which the NAB selling stockholder sold 18,400,000 shares of our common stock, representing 31.8% of our outstanding common stock. On





## Table of Contents

August 29, 2014, prior to the closing of the IPO, NAB publicly announced its intent to divest itself of our bank over time, subject to market conditions, consistent with its strategy of focusing on its core Australian and New Zealand franchises.

This offering of 18,000,000 shares of our common stock by the NAB selling stockholder, representing 45.6% of its beneficial ownership interest in our outstanding common stock, is the second stage of NAB's planned divestment. After the completion of this offering, NAB will beneficially own 37.1% of our outstanding common stock (or 32.5% if the underwriters' option to purchase additional shares of common stock from the NAB selling stockholder is exercised in full). The timing of any subsequent sales by NAB of shares of our common stock is unknown at this time and will be subject to market conditions and the lock-up agreement entered into by the NAB selling stockholder and the underwriters in connection with this offering.

Prior to our IPO, as an indirect, wholly-owned subsidiary of NAB, we historically received financial and administrative support from NAB and its affiliates and engaged in business transactions with them. Among other transactions, we borrowed from NAB from time to time, including through a revolving credit agreement and through certain subordinated capital notes. In addition, NAB London Branch (a branch of National Australia Bank Limited), or NAB London Branch, acts as our counterparty on interest rate swaps on a regular basis. Following our IPO, we have continued to use NAB London Branch as a swaps counterparty, as described under "Our Relationship with NAB and Certain Other Related Party Transactions" Relationship with NAB Transitional Services Agreement. In connection with the completion of the Formation Transactions, Great Western assumed a subordinated capital note issued by Great Western Bancorporation, Inc., or GWBI, to NAB New York Branch and GWBI's revolving credit agreement with NAB through an amended and restated agreement generally consistent with the agreement's terms prior to the Formation Transactions. We also purchase securities from NAB from time to time in its role as dealer, and certain of our employees have been NAB employees or compensated in part with NAB securities. For more information on these and other transactions with NAB, see "Our Relationship with NAB and Certain Other Related Party Transactions" Related Party Transactions with NAB.

In connection with our IPO, we and NAB entered into certain agreements that provide a framework for our ongoing relationship, including a Stockholder Agreement governing NAB's rights as a stockholder until such time as NAB ceases to control us for purposes of the U.S. Bank Holding Company Act of 1956, as amended, or the BHC Act, a Transitional Services Agreement pursuant to which NAB has agreed to continue to provide us with certain services for a transition period and a Registration Rights Agreement requiring that we register shares of our common stock beneficially owned by NAB under certain circumstances. For further information regarding these agreements with NAB, see "Our Relationship with NAB and Certain Other Related Party Transactions" Relationship with NAB.

The agreements summarized below have been filed as exhibits to the registration statement of which this prospectus forms a part.

*Stockholder Agreement.* Under the Stockholder Agreement, dated October 20, 2014, NAB has certain consent and other rights with respect to our business until NAB ceases to control us for purposes of the BHC Act. As a result, NAB has, and, following this offering, will continue to have, significant control over us. See "Our Relationship with NAB and Certain Other Related Party Transactions" Relationship with NAB Stockholder Agreement. The Stockholder Agreement provides NAB with the following rights, among others:

the ability to nominate candidates for election to our board of directors (with the number of designees depending on the level of NAB's beneficial ownership of our outstanding common and non-voting common

stock, as described below);

the right to have its designees to our board of directors serve on committees of the board of directors in certain circumstances;

**Table of Contents**

consent rights giving NAB the ability to veto mergers, acquisitions, changes to our capital stock, business activities, corporate governance and various other significant corporate actions, such as incurring or guaranteeing certain additional indebtedness, entering into or terminating joint venture relationships, amending our constituent documents, amending or terminating certain material contracts, settling material litigation or entering into material written agreements with a regulatory agency, we may pursue;

the right to continue to access our internal information and to be consulted on our public disclosures and filings before we publish them;

access rights to our independent auditor and our internal audit function (through the head of internal audit), including work papers and relevant personnel, and cooperation rights with respect to NAB's independent auditor; and

the right to exchange shares of our common stock for shares of our non-voting common stock for so long as NAB beneficially owns shares of our common stock, which will permit NAB to reduce its voting interest in our common stock and corresponding ability to control us for U.S. bank regulatory purposes.

These rights generally terminate when NAB ceases to control us for purposes of the BHC Act, which may require NAB to own substantially less than 25% of our outstanding common stock and will require a determination to such effect from the Board of Governors of the Federal Reserve System, or the Federal Reserve. In determining whether an entity controls a bank holding company for purposes of the BHC Act, the Federal Reserve takes into consideration a variety of factors, including the percentage of voting securities held, the percentage of stockholders' equity held, the existence of director and management interlocks, the existence of business or other relationships between the parties and the willingness of such entity to enter into certain types of passivity commitments. Certain rights under the Stockholder Agreement will terminate on the earlier to occur of (i) the one-year anniversary of the first date when NAB ceases to directly or indirectly beneficially own at least 50% of our outstanding common stock and (ii) the date when NAB ceases to control us for purposes of the BHC Act. Because NAB will beneficially own less than 50% of our outstanding common stock following the completion of this offering, certain of their rights will terminate on the one-year anniversary of the completion of this offering (or earlier if NAB is able to obtain a non-control determination from the Federal Reserve). These rights include, for example, NAB's right to designate for nomination and election a majority of our board of directors. If NAB continues to control us for purposes of the BHC Act following the one-year anniversary of the completion of this offering, NAB will have the right to designate for nomination and election a number of individuals equal to the number of independent directors nominated to serve on our board of directors (other than any independent directors who have been designated by NAB) minus two until such time as NAB ceases to have such control. After NAB ceases to control us for purposes of the BHC Act, NAB will have the right to designate one nominee for election to our board of directors as long as NAB continues to beneficially own at least 5% of our outstanding common stock and non-voting common stock. NAB's right to have its designees to our board of directors serve on committees of our board extends until NAB no longer controls us for purposes of the BHC Act, or such earlier time as may be required to satisfy the independence requirements under NYSE listing standards. NAB's consent rights to veto certain actions we may desire to take extends until NAB ceases to control us for purposes of the BHC Act.

NAB's information rights generally extend until NAB no longer controls us for purposes of the BHC Act or is no longer required to consolidate our financial results with theirs. For example, as long as NAB is required under applicable accounting standards to consolidate our financial statements with theirs, and in any case for all financial periods commencing before the earlier of (i) the one-year anniversary of the completion of this offering and (ii) the

date NAB no longer controls us for purposes of the BHC Act, we are required to provide NAB with full access to information and data relating to our business and financial results, including full access to our independent auditor and internal audit function. We also are required to provide NAB with access to business and

---

**Table of Contents**

financial information and data for so long as NAB is required under applicable accounting standards to account for its investment in us under the equity accounting method. For so long as NAB controls us for purposes of the BHC Act, (i) NAB also has reasonable access and cooperation rights with respect to our independent auditor and internal audit function, (ii) we are required to consult and coordinate with NAB with respect to public disclosures and filings, (iii) we may not change our independent auditor without NAB's consent and (iv) neither of us can take any action that could cause the other party's auditor to not be independent. With limited exceptions, NAB will not be entitled to any of the rights described above after it no longer owns any shares of our outstanding common stock. NAB will, however, have limited information access rights to the extent necessary to comply with regulatory or supervisory reporting obligations or inquiries or other legitimate business needs for a period of ten years following the date NAB no longer controls us for purposes of the BHC Act, subject to extension under certain circumstances. The Stockholder Agreement may not be assigned by either party, except with the other party's written consent.

*Transitional Services Agreement.* We entered into a Transitional Services Agreement with NAB governing the continued provision of certain services to us by NAB or its affiliates for the applicable transition period. These services include continuing to act as a counterparty to us on interest rate swaps consistent with past practice and providing fair value calculations related to specified loans and interest rate swaps, access to certain reporting systems and applications, certain risk, credit rating and tax oversight currently provided to us by a branch of NAB and certain insurance coverage under NAB's group-wide insurance policies. The fees for each of these services have been negotiated on arms-length terms and are consistent with the fees we historically have paid to NAB and its affiliates for these services as part of NAB's consolidated group. We currently expect to incur aggregate annual costs of approximately \$1.8 million for all services provided by NAB under the Transitional Services Agreement, though our actual costs may vary. Unless earlier terminated by us or NAB, the Transitional Services Agreement terminates with respect to each service to be provided thereunder on the dates specified in the agreement, which range in duration. Generally, most services to be provided by NAB or its affiliates will terminate on the date NAB ceases to control us for purposes of the BHC Act or the one-year anniversary of the first date when NAB ceases to directly or indirectly beneficially own at least 50% of our outstanding common stock. Accordingly, we expect that most services provided under the agreement will terminate on the one-year anniversary of the completion of this offering (or earlier if NAB is able to obtain a non-control determination from the Federal Reserve). The Transitional Services Agreement may not be assigned by either party, except with the other party's written consent. See *Our Relationship with NAB and Certain Other Related Party Transactions* Relationship with NAB Transitional Services Agreement.

*Registration Rights Agreement.* Pursuant to the Registration Rights Agreement, dated October 20, 2014, upon NAB's request, we must use our reasonable best efforts to file a registration statement for, and affect the registration under applicable federal and state securities laws of, any shares of our common stock beneficially owned by NAB. Except as otherwise agreed, we will be generally responsible for all registration expenses, including expenses incurred by NAB, in connection with the registration, offer and sale of securities under the Registration Rights Agreement, other than any applicable underwriting discounts or commissions. See *Our Relationship with NAB and Certain Other Related Party Transactions* Relationship with NAB Registration Rights Agreement.

*NAB's Controlling Interest.* As a result of NAB's beneficial ownership of approximately 37.1% of our common stock (or 32.5% if the underwriters' option to purchase additional shares of common stock is exercised in full) after giving effect to this offering, and its rights under the agreements summarized above, NAB will continue to have significant control over us following the completion of this offering. NAB's concentration of voting power and veto rights, together with its control of our board of directors, could deprive stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our company, among other opportunities. See *Risk Factors* Risks Related to Our Principal Stockholder NAB has significant control over us, and its interests may conflict with ours or our other stockholders in the future.



## **Table of Contents**

*Current NAB Employees and Appointees.* Prior to our IPO, our Chief Financial Officer and Chief Risk Officer were employees of NAB or its subsidiary, Bank of New Zealand. In connection with our IPO, we entered into employment agreements with our Chief Financial Officer and Chief Risk Officer, whose employment with NAB, or Bank of New Zealand, as applicable, is expected to be terminated later this year. See *Our Relationship with NAB and Certain Other Related Party Transactions* *Related Party Transactions with NAB.* Further, five of Great Western Bancorp, Inc.'s current directors were nominated by NAB. See *Management* *Directors and Executive Officers.*

*Historical Transactions with NAB.* NAB and its affiliates have provided certain services to us historically, including acting as counterparty, pursuant to an ISDA master agreement with our bank, on approximately \$1.02 billion in total notional amount of interest rate swaps outstanding at December 31, 2014 and providing the services discussed above that are currently provided pursuant to the Transitional Services Agreement. In addition, we have borrowed from NAB from time to time, including through a revolving credit agreement and through certain subordinated capital notes. See *Our Relationship with NAB and Certain Other Related Party Transactions* *Related Party Transactions with NAB.* Notwithstanding these historical funding transactions, we are not reliant on NAB and its affiliates to satisfy funding requirements associated with our business.

## **Risks Relating to Our Company**

An investment in our common stock involves substantial risks and uncertainties. Investors should carefully consider all of the information in this prospectus, including the detailed discussion of these risks under *Risk Factors* beginning on page 25, prior to investing in our common stock. Some of the more significant risks include the following:

Our business may be adversely affected by conditions in the financial markets and economic conditions in the markets in which we and our customers operate generally and in the Midwest region in particular.

We focus on originating business and agricultural loans, both of which may involve greater risk than residential mortgage lending and are dependent for repayment on various factors outside of the borrower's control.

Repayment of our agricultural loans is dependent on the successful operation of the farm property and on the health of the agricultural industry.

A continuation of the current low interest rate environment or subsequent movements in interest rates may have an adverse effect on our profitability.

Our business depends on our ability to successfully manage risk, including credit, interest rate, liquidity and operational risks.

Our allowance for loan losses and our credit marks on acquired loan portfolios may be insufficient which could lead to additional losses on loans beyond those currently anticipated.



Our credit-related charges may be higher in the future and loans on our Watch list may result in additional charge-offs in the future.

Severe weather, natural disasters, acts of war or terrorism or other external events could significantly impact our business.

We may not be able to attract and retain key personnel and other skilled employees, successfully execute our strategic plan or manage our growth.

We operate in a highly competitive industry and market area.

**Table of Contents**

We may not be able to report our future financial results accurately and timely as a publicly listed company if we fail to maintain an effective system of disclosure controls and procedures and internal control over financial reporting, or if we fail to remediate the material weakness identified relating to the design and operation of our internal control over financial reporting.

Following the completion of this offering, NAB, through its wholly owned subsidiary, will remain our principal stockholder and have significant control over us, including through its control over our board of directors during a one year transitional period following the completion of this offering, its concentrated voting power and the contractual veto rights it has with respect to our business, and its interests may conflict with ours or yours in the future.

Our stock price could decline due to the number of outstanding shares of our common stock eligible for future sale and NAB's stated intent to sell its remaining ownership interest in us over time, although the timing of such sale or sales is uncertain.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of stockholder-initiated actions and proceedings, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

We are subject to extensive regulation, and legislative or regulatory actions, including possible enforcement actions, taken now or in the future could have a significant adverse effect on our operations.

**Our Corporate Information**

Our principal executive office is located at 100 N. Phillips Ave, Sioux Falls, South Dakota 57104. Our telephone number is (605) 334-2548, and our website address is [greatwesternbank.com](http://greatwesternbank.com). The information contained on our website is not a part of, or incorporated by reference into, this prospectus.

**Table of Contents**

**THE OFFERING**

Common stock offered by the NAB selling stockholder	18,000,000 shares
Option to purchase additional shares from the NAB selling stockholder	2,700,000 shares
Common and non-voting common stock outstanding	57,886,114 shares of common stock and no shares of non-voting common stock
Use of proceeds	We will not receive any of the proceeds from the sale of the shares of common stock being sold in this offering. All of the shares in this offering are being sold by the NAB selling stockholder.
Dividend policy	<p>On January 28, 2015, our board of directors declared a cash dividend of \$0.12 per common share payable on February 23, 2015 to owners of record as of February 12, 2015.</p> <p>The declaration of all future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including the financial condition, earnings and liquidity requirements of our company and Great Western Bank, regulatory constraints, corporate law and contractual restrictions, and any other factors that our board of directors deems relevant in making such a determination. Our ability to pay dividends is subject to restrictions under applicable banking laws and regulations. In addition, dividends from Great Western Bank are the principal source of funds for the payment of dividends on our stock. Our bank is subject to certain restrictions under banking laws and regulations that may limit its ability to pay dividends to us. Therefore, there can be no assurance that we will pay any dividends to holders of our stock, or as to the amount of any such dividends. See Dividend Policy and Dividends for more information.</p>
Principal stockholder	Following the completion of this offering, NAB will indirectly hold 37.1% of the voting power of all outstanding shares of our common stock (or 32.5% if the underwriters' option to purchase additional shares of common stock from the NAB selling shareholder is exercised in full).

For additional information regarding our relationship with NAB, see Our Relationship with NAB and Certain Other Related Party Transactions Relationship with NAB.

Preemptive rights

Purchasers of our common stock sold in this offering will not have any preemptive rights.

Listing

Our common stock is listed on the NYSE under the symbol **GWB** .

**Table of Contents**

Risk factors

Investing in our common stock involves significant risks. See Risk Factors beginning on page 25 for a discussion of certain risks that you should consider before deciding to invest in our common stock.

The number of shares of our common stock outstanding excludes 897,222 shares of our common stock reserved and available for issuance under our equity incentive plans, the Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan and the Great Western Bancorp, Inc. 2014 Non-Employee Director Plan. Unless we specifically state otherwise, the information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares of our common stock from the NAB selling stockholder.

**Table of Contents****SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION**

You should read the summary historical consolidated financial and operating data set forth below in conjunction with the sections titled *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Capitalization*, as well as our consolidated financial statements and the related notes included elsewhere in this prospectus. The historical financial information as of and for the fiscal years ended September 30, 2014, 2013 and 2012 is derived from our audited financial statements included elsewhere in this prospectus. The historical financial information as of and for the three-month periods ended December 31, 2014 and 2013 is derived from our unaudited financial statements included elsewhere in this prospectus, which have been prepared on the same basis as our audited consolidated financial statements. Our historical results may not be indicative of our future performance. In addition, results for the three-month periods ended December 31, 2014 and 2013 may not be indicative of the results that may be expected for the full fiscal year. The historical financial information below also contains non-GAAP financial measures, which have not been audited. For information relating to our preliminary financial results for the three months ended March 31, 2015, see *Summary Prospectus Recent Developments and Management's Discussion and Analysis of Financial Condition and Results of Operations* and Exhibit 99.1 to the registration statement of which this prospectus forms a part.

	At and for the three months ended December 31,		At and for the fiscal year ended September 30,		
	2014	2013	2014	2013	2012
	(dollars in thousands)				
<b>Income Statement Data:</b>					
Interest and dividend income	\$ 90,578	\$ 88,771	\$ 352,476	\$ 349,634	\$ 339,142
Interest expense	7,669	8,630	32,052	39,161	50,971
Net interest income	82,909	80,141	320,424	310,473	288,171
Provision (recovery) for loan losses	3,319	(875)	684	11,574	30,145
Net interest income, after provision (recovery) for loan losses	79,590	81,016	319,740	298,899	258,026
Noninterest income	7,900	10,826	39,781	59,832	67,946
Noninterest expense	47,091	48,299	200,222	208,590	208,819
Income before income taxes	40,399	43,543	159,299	150,141	117,153
Provision for income taxes	13,702	14,939	54,347	53,898	44,158
Net income	\$ 26,697	\$ 28,604	\$ 104,952	\$ 96,243	\$ 72,995
<b>Other Financial Info / Performance Ratios:</b>					
Net interest margin <sup>(6)</sup>	3.91%	3.98%	4.02%	3.99%	3.94%
Adjusted net interest margin <sup>(2) (6)</sup>	3.67%	3.77%	3.79%	3.81%	3.81%

Edgar Filing: Great Western Bancorp, Inc. - Form S-1/A

Efficiency ratio <sup>(3)</sup>	48.5%	47.4%	50.4%	50.6%	52.8%
Return on average total assets <sup>(6)</sup>	1.10%	1.23%	1.14%	1.07%	0.85%
Return on average common equity <sup>(6)</sup>	7.39%	7.98%	7.34%	6.97%	5.40%
Return on average tangible common equity(1) (6)	15.8%	18.5%	16.6%	17.5%	15.0%

**Balance Sheet Data:**

Loans <sup>(4)</sup>	\$ 6,986,765	6,487,893	\$ 6,787,467	\$ 6,362,673	\$ 6,138,574
Allowance for loan losses	51,820	56,069	47,518	55,864	71,878
Securities	1,263,983	1,384,671	1,341,242	1,480,449	1,581,875
Goodwill	697,807	697,807	697,807	697,807	697,807
Total assets	9,641,261	9,273,411	9,371,429	9,134,258	9,008,252
Total deposits	7,239,206	7,185,637	7,052,180	6,948,208	6,884,515
Total liabilities	8,189,891	7,867,095	7,950,339	7,717,044	7,619,689
Total stockholders equity	1,451,370	1,406,316	1,421,090	1,417,214	1,388,563

**Table of Contents**

	At and for the three months ended December 31,		At and for the fiscal year ended September 30,		
	2014	2013	2014	2013	2012
<b>(dollars in thousands)</b>					
<b>Asset Quality Ratios:</b>					
Nonperforming loans / total loans	0.98%	1.84%	1.16%	2.03%	2.76%
Allowance for loan losses / total loans	0.74%	0.86%	0.70%	0.88%	1.17%
Net charge-offs / average total loans <sup>(6)</sup>	(0.06%)	(0.07%)	0.14%	0.44%	0.54%
<b>Capital Ratios:</b>					
Tier 1 capital ratio	11.8%	12.1%	11.8%	12.4%	11.9%
Total capital ratio	12.9%	13.4%	12.9%	13.8%	13.7%
Tier 1 leverage ratio	9.1%	8.9%	9.1%	9.2%	8.3%
Tangible common equity to tangible assets <sup>(5)</sup>	8.3%	8.0%	8.2%	8.2%	7.8%

- (1) Two of the financial measures we use to evaluate our profitability and performance are cash net income and return on average tangible common equity, which are not presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. We compute our cash net income by adding to net income (and thereby effectively excluding) amortization expense relating to intangible assets and related tax effects that have accumulated as a result of the acquisition of us by NAB and our various acquisitions of other institutions as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Key Factors Affecting Our Business and Financial Statements Goodwill and Amortization of Other Intangibles. We compute our return on average tangible common equity as the ratio of our cash net income to our average tangible common equity, which is calculated by subtracting (and thereby effectively excluding) amounts related to the effect of goodwill and other intangible assets described above from our average common equity. We believe each of these measures is helpful in highlighting trends associated with our financial condition and results of operations by providing net income and return information based on our cash payments and receipts during the applicable period. The following table shows our cash net income and return on average tangible common equity as well as reconciliations to our net income and return on average common equity, respectively, for the periods indicated:

	Three months ended December 31,		Fiscal year ended Sept. 30		
	2014	2013	2014	2013	2012
<b>(dollars in thousands)</b>					
<b>Cash net income and return on average tangible common equity:</b>					
Net income	\$ 26,697	\$ 28,604	\$ 104,952	\$ 96,243	\$ 72,995
Add: Amortization of intangible assets	2,313	4,688	16,215	19,290	19,646
Add: Tax on amortization of intangible assets	(220)	(811)	(3,244)	(3,244)	(3,244)



Edgar Filing: Great Western Bancorp, Inc. - Form S-1/A

Cash net income	\$ 28,790	\$ 32,481	\$ 117,923	\$ 112,289	\$ 89,397
Average common equity	\$ 1,433,837	\$ 1,422,024	\$ 1,430,772	\$ 1,380,296	\$ 1,352,069
Less: Average goodwill and other intangible assets	711,088	726,208	719,573	738,140	756,149
Average tangible common equity	\$ 722,749	\$ 695,816	\$ 711,199	\$ 642,156	\$ 595,920
Return on average common equity	7.39%	7.98%	7.34%	6.97%	5.40%
Return on average tangible common equity*	15.8%	18.5%	16.6%	17.5%	15.0%

\* Calculated as cash net income divided by average tangible common equity.

- (2) Two of the financial measures we use to evaluate our profitability and efficiency are adjusted net interest margin and adjusted yield on loans other than loans acquired with deteriorated credit quality, which are not presented in accordance with U.S. GAAP. We compute each measure by including the current realized gain (loss) on derivatives we use to manage interest rate risk on certain of our loans, as described in Management s

**Table of Contents**

Discussion and Analysis of Financial Condition and Results of Operations Key Factors Affecting Our Business and Financial Statements Loans and Interest Rate Swaps Accounted for at Fair Value. We believe that these measures are helpful in highlighting trends in our business that may not otherwise be apparent when relying solely on our GAAP-calculated results because we believe the current realized gain (loss) on the derivatives economically offsets the interest income earned on the related loans. The following table shows our adjusted net interest margin as well as a reconciliation to our net interest margin and our adjusted yield on loans other than loans acquired with deteriorated credit quality as well as a reconciliation to unadjusted yield for the periods indicated:

	Three months ended		Fiscal year ended Sept. 30,		
	December 31, 2014	2013	2014	2013	2012
<b>(dollars in thousands)</b>					
<b>Adjusted net interest income and adjusted net interest margin (fully tax-equivalent basis):</b>					
Net interest income	\$ 82,909	\$ 80,141	\$ 320,424	\$ 310,473	\$ 288,171
Add: Tax equivalent adjustment	1,504	1,032	4,663	3,541	2,111
Net interest income (FTE)	\$ 84,413	\$ 81,173	\$ 325,087	\$ 314,014	\$ 290,282
Add: Current realized derivative gain (loss)	(5,282)	(4,288)	(18,255)	(14,217)	(9,931)
Adjusted net interest income (FTE)	\$ 79,131	\$ 76,885	\$ 306,832	\$ 299,797	\$ 280,351
Average interest-earning assets	\$ 8,556,688	\$ 8,101,659	\$ 8,093,861	\$ 7,862,860	\$ 7,367,085
Net interest margin	3.91%	3.98%	4.02%	3.99%	3.94%
Adjusted net interest margin	3.67%	3.77%	3.79%	3.81%	3.81%
<b>Adjusted interest income and adjusted yield (fully tax-equivalent basis) on loans other than acquired with deteriorated credit quality, net:</b>					
Interest income	\$ 81,372	\$ 79,514	\$ 318,775	\$ 304,904	\$ 286,530
Add: Tax equivalent adjustment	1,504	1,032	4,663	3,541	2,111
Interest income (FTE)	82,876	\$ 80,546	\$ 323,438	\$ 308,445	\$ 288,641
Add: Current realized derivative gain (loss)	(5,282)	(4,288)	(18,255)	(14,217)	(9,931)
Adjusted interest income (FTE)	\$ 77,594	\$ 76,258	\$ 305,183	\$ 294,228	\$ 278,710
	\$ 6,626,507	\$ 6,130,898	\$ 6,311,857	\$ 5,876,116	\$ 5,093,013

Average Loans, other than  
loans acquired with deteriorated  
credit quality

Yield	4.96%	5.21%	5.12%	5.25%	5.67%
Adjusted yield	4.65%	4.93%	4.84%	5.01%	5.47%

- (3) One of the financial measures we use to evaluate our operational efficiency is our efficiency ratio, which is not presented in accordance with U.S. GAAP. We compute our efficiency ratio as the ratio of our tangible noninterest expense to our total revenue (equal to the sum of our net interest income and noninterest income). For purposes of this calculation, our noninterest expense is adjusted to exclude amounts related to the amortization of core deposits and other intangibles, which are non-cash expense items, and our total revenue is adjusted to include the tax-related benefit associated with our tax-advantaged loans and investments. We believe that our efficiency ratio is helpful in highlighting trends in our business that may not otherwise be apparent when relying solely on our U.S. GAAP-calculated results by eliminating fluctuations in non-cash expense items which do not represent cash flow expenditures during the relevant period and by reflecting all tax-related benefits associated with our loan and investment portfolio.

**Table of Contents**

The following table shows our efficiency ratio as well as a reconciliation with the components used in the calculation for the periods indicated:

	Three months ended		Fiscal year ended Sept. 30,		
	December 31, 2014	2013	2014	2013	2012
	(dollars in thousands)				
<b>Efficiency ratio:</b>					
Total revenue	\$ 90,809	\$ 90,967	\$ 360,205	\$ 370,305	\$ 356,117
Plus: Tax equivalent adjustment	1,504	1,032	4,663	3,541	2,111
Total revenue (FTE)	\$ 92,313	\$ 91,999	\$ 364,868	\$ 373,846	\$ 358,228
Noninterest expense	\$ 47,091	\$ 48,299	\$ 200,222	\$ 208,590	\$ 208,819
Less: Amortization of core deposit and other intangibles	2,313	4,688	16,215	19,290	19,646
Tangible noninterest expense	\$ 44,778	\$ 43,611	\$ 184,007	\$ 189,300	\$ 189,173
Efficiency ratio	48.5%	47.4%	50.4%	50.6%	52.8%

- (4) Loans include unpaid principal balance net of unamortized discount on acquired loans and unearned net deferred fees and costs and loans in process.
- (5) One of the financial measures we use to evaluate our financial condition is our tangible common equity to tangible assets ratio, which is not presented in accordance with U.S. GAAP. We compute this figure as the ratio of our tangible common equity to our tangible assets, each of which we calculate by subtracting (and thereby effectively excluding) the value of our goodwill and other intangible assets. We believe this measure is helpful in highlighting the common equity component of our capital and because of its focus by federal bank regulators when reviewing the health and strength of financial institutions in recent years, and when considering regulatory approvals for certain actions, including capital actions.

The following table shows our tangible common equity to tangible assets ratio as well as a reconciliation with the components used in its calculation for the periods indicated:

	December 31,		Sept. 30,		
	2014	2013	2014	2013	2012
	(dollars in thousands)				
<b>Tangible common equity and tangible common equity to tangible assets:</b>					
Total stockholders equity	\$ 1,451,370	\$ 1,406,316	\$ 1,421,090	\$ 1,417,214	\$ 1,388,563
	709,723	723,562	712,036	728,251	747,552

Less: Goodwill, core deposits and other intangibles					
Tangible common equity	\$ 741,647	\$ 682,754	\$ 709,054	\$ 688,963	\$ 641,011
Total assets	\$ 9,641,261	\$ 9,273,411	\$ 9,371,429	\$ 9,134,258	\$ 9,008,252
Less: Goodwill, core deposits and other intangibles	709,723	723,562	712,036	728,251	747,552
Tangible assets	\$ 8,931,538	\$ 8,549,849	\$ 8,659,393	\$ 8,406,007	\$ 8,260,700
Tangible common equity to tangible assets	8.3%	8.0%	8.2%	8.2%	7.8%

(6) Calculated as an annualized percentage for the three months ended December 31, 2014 and 2013, as applicable.

**Table of Contents**

**RISK FACTORS**

*Investing in our common stock involves a significant degree of risk. The material risks and uncertainties that management believes affect us are described below. Before investing in our common stock, you should carefully consider the risks and uncertainties described below, in addition to the other information contained in this prospectus. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. As a result, the trading price of our common stock could decline, and you could lose some or all of your investment. Further, to the extent that any of the information in this prospectus constitutes forward-looking statements, the risk factors below are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See Cautionary Note Regarding Forward-Looking Statements.*

**Risks Related to Our Business**

*Our business may be adversely affected by conditions in the financial markets and economic conditions generally and in our states in particular.*

Our financial performance generally, and in particular the ability of our borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer and whose success we rely on to drive our future growth, is highly dependent upon the business environment in the markets in which we operate, principally in our states, and in the United States as a whole. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers in South Dakota, Iowa, Nebraska, Colorado, Arizona, Kansas and Missouri. The economic conditions in these local markets may be different from, and in some instances worse than, the economic conditions in the United States as a whole. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation and price levels (particularly for agricultural commodities), monetary policy, unemployment and the strength of the domestic economy and the local economy in the markets in which we operate. Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, adverse asset values and an overall material adverse effect on the quality of our loan portfolio. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; state or local government insolvency; or a combination of these or other factors.

In recent years, the U.S. economy has faced a severe economic crisis including a major recession from which it is slowly recovering. Business growth across a wide range of industries and regions in the United States remains reduced, and local governments and many businesses continue to experience financial difficulty. Since the recession, economic growth has been slow and uneven, unemployment levels generally remain elevated and there are continuing concerns related to the level of U.S. government debt and fiscal actions that may be taken to address that debt. There can be no assurance that economic conditions will continue to improve, and these conditions could worsen. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and saving habits. Such conditions could have a material adverse effect on the credit quality of our loans or our business, financial condition or results of operations.

The agricultural economy in our states has been affected by recent declines in prices and the rates of price growth for various crops. Weaker crop prices themselves could increase the risk of default on agricultural loans. Similarly,

weaker crop prices could reduce the cash flows generated by farms and the value of agricultural land in our local markets and thereby increase the risk of default by our borrowers or reduce the foreclosure value of

---

**Table of Contents**

agricultural land and equipment that serve as collateral for certain of our loans. For example, in the second quarter of fiscal 2015, we performed a review on a substantial portion of our grain farming loan portfolio, identifying loans potentially affected by declines in agricultural commodity prices and lower collateral values. Further declines in commodity prices or collateral values may increase the incidence of default by our borrowers. Moreover, weaker crop prices might threaten farming operations in the United States, reducing market demand for agricultural lending. In particular, farm income has seen recent declines as a result of lower crop prices and some drought conditions. In line with the downturn in farm income, farmland prices are coming under pressure.

In addition, certain local economies in our states rely to varying extents on manufacturing, which has experienced steep declines in the United States over the last decade. Declines in agriculture or manufacturing in these local economies may cause the local commercial environment to decline, which may impact the credit quality of our borrowers or reduce the demand for our products or services. Declines in manufacturing also may negatively affect the market for, and the value of, any industrial equipment or machinery and any raw materials used as collateral for any loans in our portfolio. Further, because unemployment is now slightly lower in certain of our states than nationwide, the economies of our states may not improve as much as the economies of other regions in any nationwide economic recovery.

***We focus on originating business loans (in the form of commercial and industrial loans and commercial real estate loans), which may involve greater risk than residential mortgage lending.***

As of December 31, 2014, our business lending, which consists of our C&I and CRE loans, represented approximately \$4.20 billion, or 60%, of our loan portfolio. Our C&I loans and CRE loans secured by borrower-occupied property, or owner-occupied CRE loans, which together form the core of our business banking focus, totaled approximately \$2.70 billion, or 38%, of our loan portfolio at December 31, 2014, with undisbursed loan commitments for these loans amounting to an additional \$820 million. We also had approximately \$1.50 billion of other CRE loans (*i.e.*, construction and development loans, multifamily residential real estate loans and CRE loans secured by commercial property that is not borrower-occupied) at December 31, 2014, or 21% of our loan portfolio, including construction and development loans representing approximately 19% of our other CRE loans. Because payments on C&I loans, owner-occupied CRE loans and other CRE loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans may be more sensitive than other types of loans to adverse conditions in the real estate market or the general economy. Collateral of all types, and particularly that of a specialized nature, may also experience significant declines in value in the short/medium term or the longer term. These types of loans may have a greater risk of loss than residential mortgage lending, in part because these loans are generally larger or more complex to underwrite than residential mortgages. In particular, real estate construction, acquisition and development loans have certain risks not present in other types of loans, including risks associated with construction cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. If a decline in economic conditions or other issues cause difficulties for our borrowers of these types of business loans, if we fail to evaluate the credit of these loans accurately when we underwrite them or if we do not continue to monitor adequately the performance of these loans, our lending portfolio could experience delinquencies, defaults and credit losses that could have a material adverse effect on our business, financial condition or results of operations.

***In addition to business loans, much of our lending is agricultural, and agricultural loans are dependent for repayment on the successful operation and management of the farm property, the health of the agricultural industry broadly, and in the location of the borrower in particular, and other factors outside of the borrower's control.***



At December 31, 2014, our agricultural loans, consisting primarily of agricultural operating loans (*e.g.*, loans to farm and ranch owners and operators) and agricultural real estate loans, were \$1.79 billion, representing 25% of our total loan portfolio. At December 31, 2014, agricultural operating loans totaled \$987 million, or 14% of our loan portfolio; and agricultural real estate loans totaled \$801 million, or 11%, of our loan portfolio. The primary livestock of our customers to whom we have extended agricultural loans include dairy cows, hogs and

**Table of Contents**

feeder cattle, and the primary crops of our customers to whom we have extended agricultural loans include corn, soybeans and, to a lesser extent, cotton and wheat. In addition, we estimate that approximately 14% of our C&I loans and owner-occupied CRE loans were agriculture-related loans at December 31, 2014.

Agricultural markets are highly sensitive to real and perceived changes in the supply and demand of agricultural products. As over 85% of our agricultural lending (excluding C&I loans and owner-occupied CRE loans) is to farms producing grain, beef cattle, dairy products or hogs, our performance is closely related to the performance of, and supply and demand in, these agricultural sub-sectors. Weaker crop prices, particularly for grains, could reduce the value of agricultural land in our local markets and thereby increase the risk of default by our borrowers or reduce the foreclosure value of agricultural land and equipment that serves as collateral for certain of our loans.

Our agricultural loans are dependent on the profitable operation and management of the farm property securing the loan and its cash flows. The success of a farm property may be affected by many factors outside the control of the borrower, including:

adverse weather conditions (such as hail, drought and floods), restrictions on water supply or other conditions that prevent the planting of a crop or limit crop yields;

loss of crops or livestock due to disease or other factors;

declines in the market prices or demand for agricultural products (both domestically and internationally), for any reason;

increases in production costs (such as the costs of labor, rent, feed, fuel and fertilizer);

adverse changes in interest rates, currency exchange rates, agricultural land values or other factors that may affect delinquency levels and credit losses on agricultural loans;

the impact of government policies and regulations (including changes in price supports, subsidies, government-sponsored crop insurance, minimum ethanol content requirements for gasoline, tariffs, trade barriers and health and environmental regulations);

access to technology and the successful implementation of production technologies; and

changes in the general economy that could affect the availability of off-farm sources of income and prices of real estate for borrowers.

Declines in agricultural commodity prices may have a particularly negative effect on certain farm borrowers. Lower prices for agricultural products may cause farm revenues to decline and farm operators may be unable to reduce expenses as quickly as their revenues decline. In addition, many farms are dependent on a limited number of key

individuals whose injury or death could significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. Consequently, agricultural loans may involve a greater degree of risk than residential mortgage lending, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment (some of which is highly specialized with a limited or no market for resale) or assets such as livestock or crops. In such cases, any repossessed collateral for a defaulted agricultural operating loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation or because the assessed value of the collateral exceeds the eventual realization value.

***Our business is significantly dependent on the real estate markets where we operate, as a significant portion of our loan portfolio is secured by real estate.***

At December 31, 2014, 62% of our aggregate loan portfolio, comprising our CRE loans (representing 38% of our aggregate loan portfolio), residential real estate loans (representing 13% of our aggregate loan portfolio) and agriculture real estate loans (representing 11% of our aggregate loan portfolio), was primarily secured by interests in real estate predominantly located in the states in which we operate. In addition, some of our other

---

**Table of Contents**

lending occasionally involves taking real estate as primary or secondary collateral. Real property values in these states may be different from, and in some instances worse than, real property values in other markets or in the United States as a whole, and may be affected by a variety of factors outside of our control and the control of our borrowers, including national and local economic conditions generally. Declines in real property prices, including prices for homes, commercial properties and farmland, in the states in which we operate could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, and reduced demand for our products and services generally. Our CRE loans, in particular, totaled approximately \$2.65 billion at December 31, 2014, or 38% of our loan portfolio, and may have a greater risk of loss than residential mortgage loans, in part because these loans are generally larger or more complex to underwrite. Agricultural real estate loans may be affected by similar factors to those that affect agricultural loans generally, including adverse weather conditions, disease and declines in the market prices for agricultural products or farm real estate. In addition, declines in real property values in the states in which we operate could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan portfolio consistent with our underwriting standards. Our failure to effectively mitigate these risks could have a material adverse effect on our business, financial condition or results of operations.

***We are subject to interest rate risk.***

Fluctuations in interest rates may negatively impact our banking business and may weaken demand for some of our products. Our earnings and cash flows are largely dependent on net interest income, which is the difference between the interest income we receive from interest-earning assets (*e.g.*, loans and investment securities) and the interest expense we pay on interest-bearing liabilities (*e.g.*, deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities. Interest rates are volatile and highly sensitive to many factors that are beyond our control, such as economic conditions and policies of various governmental and regulatory agencies, and, in particular the monetary policy of the Federal Open Market Committee of the Federal Reserve System, or the FOMC. In recent years, it has been the policy of the FOMC and the U.S. Treasury to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. As a result, yields on securities we have purchased, and market rates on the loans we have originated, have been at levels lower than were available prior to 2008. Consequently, the average yield on our interest-earning assets has decreased during the current low interest rate environment. If a low interest rate environment persists, our net interest income may further decrease. This would be the case because our ability to lower our interest expense has been limited at these interest rate levels, while the average yield on our interest-earning assets has continued to decrease. Moreover, as interest rates begin to increase, if our floating rate interest-earning assets do not reprice faster than our interest-bearing liabilities in a rising rate environment, our net interest income could be adversely affected. If our net interest income decreases, this could have an adverse effect on our profitability, including the value of our investments.

Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but also our ability to originate loans and deposits. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume usually declines during periods of rising or high interest rates and increases during periods of declining or low interest rates. Changes in interest rates also have a significant impact on the carrying value of certain of our assets, including loans, real estate and investment securities, on our balance sheet. We may incur debt in the future and that debt may also be sensitive to interest rates.

The cost of our deposits is largely based on short-term interest rates, the level of which is driven primarily by the FOMC's actions. However, the yields generated by our loans and securities are often difficult to re-price and are typically driven by longer-term interest rates, which are set by the market or, at times, the FOMC's

## Table of Contents

actions, and vary over time. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. If the interest rates paid on our deposits and other borrowings increase at a faster pace than the interest rates on our loans and other investments, our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and earnings would be similarly affected if the interest rates on our interest-earning assets declined at a faster pace than the interest rates on our deposits and other borrowings. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our business, financial condition or results of operations.

Changes in interest rates can also affect the level of loan refinancing activity, which impacts the amount of prepayment penalty income we receive on loans we hold. Because prepayment penalties are recorded as interest income when received, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time. A decrease in our prepayment penalty income resulting from any change in interest rates or as a result of regulatory limitations on our ability to charge prepayment penalties could therefore adversely affect our net interest income, net income or results of operations.

Changes in interest rates can also affect the slope of the yield curve. A decline in the current yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net income and cash flows, as well as the value of our assets. An inverted yield curve may also adversely affect the yield on investment securities by increasing the prepayment risk of any securities purchased at a premium.

Changes in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations or by reducing our margins and profitability. As of December 31, 2014, 44% of our loans were advanced to our customers on a variable or adjustable-rate basis and another 14% of our loans were advanced to our customers on a fixed-rate basis where we utilized derivative instruments to swap our economic exposure to a variable-rate basis. As a result, an increase in interest rates could result in increased loan defaults, foreclosures and charge-offs and could necessitate further increases to the allowance for loan losses, any of which could have a material adverse effect on our business, financial condition or results of operations. In addition, a decrease in interest rates could negatively impact our margins and profitability.

As of December 31, 2014, we had \$1.38 billion of noninterest-bearing demand deposits and \$4.23 billion of interest-bearing demand deposits. The prohibition restricting depository institutions from paying interest on demand deposits, such as checking accounts, was repealed effective on July 21, 2011 as part of the Dodd-Frank Act. We then began offering interest-bearing corporate checking accounts. Current interest rates for this product are very low because of current market conditions and, so far, the impact of the repeal has not been significant to us. However, we do not know what market rates will eventually be and, therefore, we cannot estimate at this time the long-term impact of the repeal on our interest expense on deposits. If we need to offer higher interest rates on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

### ***Our business depends on our ability to successfully manage credit risk.***

The operation of our business requires us to manage credit risk. As a lender, we are exposed to the risk that our borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan

underwriting, risks resulting from changes in economic and industry conditions and risks

---

**Table of Contents**

inherent in dealing with individual borrowers, including the risk that a borrower may not provide information to us about its business in a timely manner, and/or may present inaccurate or incomplete information to us, and risks relating to the value of collateral. In order to successfully manage credit risk, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our bankers follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for loan losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition or results of operations.

An important feature of our credit risk management system is our use of an internal credit risk rating and control system through which we identify, measure, monitor and mitigate existing and emerging credit risk of our customers. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating and control system. Although our management seeks to address possible credit risk proactively, it is possible that we will not identify credit risk in our loan portfolio and that we may fail to manage credit risk effectively. Although management does not anticipate a significant negative trend in future charge-offs as a result of the 34% increase in loans on our Watch list as of March 31, 2015, it is possible that loans on Watch status will result in future charge-offs.

Some of our tools and metrics for managing credit risk and other risks are based upon our use of observed historical market behavior and assumptions. We rely on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy and calculating regulatory capital levels, as well as estimating the value of financial instruments and balance sheet items. Poorly designed or implemented models present the risk that our business decisions based on information incorporating such models will be adversely affected due to the inadequacy of that information. Moreover, our models may fail to predict future risk exposures if the information used in the model is incorrect, obsolete or not sufficiently comparable to actual events as they occur, or if our model assumptions prove incorrect. We seek to incorporate appropriate historical data in our models, but the range of market values and behaviors reflected in any period of historical data is not at all times predictive of future developments in any particular period and the period of data we incorporate into our models may turn out to be inappropriate for the future period being modeled. In such case, our ability to manage risk would be limited and our risk exposure and losses could be significantly greater than our models indicated.

***Our allowance for loan losses, our fair value adjustments related to credit on loans for which we have elected the fair value option and our credit marks (which reduce the fair value) on acquired loan portfolios may be insufficient, which could lead to additional losses on loans beyond those currently anticipated.***

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense representing management's best estimate of probable losses that have been incurred within our existing portfolio of loans, fair value adjustments related to credit risk on our loans for which we have elected the fair value option and credit marks, which are estimates of expected credit losses that reduce the fair value of certain loans acquired through acquisitions. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the portfolio. The level of the allowance reflects management's continuing evaluation



of specific credit risks; the quality of the loan portfolio; the value of the underlying collateral; the level of nonaccruing loans; incurred losses inherent in the current loan portfolio; and economic, political and regulatory conditions. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of

---

**Table of Contents**

current credit risks, all of which may undergo material changes. One of our most critical accounting estimates made in connection with the preparation of consolidated financial statements in conformity with U.S. GAAP is the allowance for loan losses. We also establish fair value adjustments related to our estimates of expected credit losses for loans accounted for using the fair value option.

The application of the acquisition method of accounting in our acquisitions has impacted our allowance for loan losses. Under the acquisition method of accounting, loans we acquired were recorded in our consolidated financial statements at their fair value at the time of acquisition and the related allowance for loan loss was eliminated because credit quality, among other factors, was considered in the determination of fair value. To the extent that the estimates we made at the time of acquisition prove to be inadequate based on changing facts and circumstances arising from reporting period to reporting period, we may incur losses (some of which may be covered by our loss-sharing arrangements with the FDIC) associated with the acquired loans.

Although our management has established an allowance for loan losses it believes is adequate to absorb probable and reasonably estimable losses in our loan portfolio, this allowance may not be adequate. We could sustain credit losses that are significantly higher than the amount of our allowance for loan losses. Higher credit losses could arise for a variety of reasons, such as growth in our loan portfolio, changes in economic conditions affecting borrowers, new information regarding our loans and other factors within and outside our control. If agricultural commodity prices or real estate values were to decline or if economic conditions in one or more of our principal markets were to deteriorate unexpectedly, additional loan losses not incorporated in the existing allowance for loan losses might occur. For example, we incurred higher total credit related charges of approximately \$14 million, including approximately \$2.6 million of OREO charges, for the three months ended March 31, 2015. This compares to approximately \$7 million for the three months ended December 31, 2014. These higher charges were primarily driven by a small number of C&I lending exposures that deteriorated during the quarter. Although management believes these changes were driven by customer-specific developments and not indicative of credit concerns across our loan portfolio, there may be other credit issues we have not identified in our loan portfolio or may not identify in the future. As a result, for any number of reasons, we may incur higher credit-related charges in the future, which may be significant. Losses in excess of the existing allowance for loan losses will reduce our net income and could have a material adverse effect on our business, financial condition or results of operations. A severe downturn in the economy generally or affecting the business and assets of individual customers would generate increased charge-offs and a need for higher reserves. In particular, a severe decrease in agricultural commodity prices or farmland prices could cause higher credit losses and a large allowance for loan losses, principally in our agricultural loan portfolios.

In addition, bank regulatory agencies will periodically review our allowance for loan losses and the value attributed to nonaccrual loans or to real estate we acquire through foreclosure. Such regulatory agencies may require us to adjust our determination of the value for these items, increase our allowance for loan losses or reduce the carrying value of owned real estate, reducing our net income. Further, if charge-offs in future periods exceed the allowance for loan losses, we may need additional adjustments to increase the allowance for loan losses. These adjustments could have a material adverse effect on our business, financial condition or results of operations.

***We are subject to liquidity risk that may affect our ability to meet our obligations and grow our business.***

Liquidity risk is the risk that we will not be able to meet our obligations, including financial commitments, as they come due and is inherent in our operations. This risk can increase due to a number of factors, including an over-reliance on a particular source of funding (including, for example, short-term and overnight funding) or market-wide phenomena such as market dislocation and major disasters. Like many banking companies, we rely on customer deposits to meet a considerable portion of our funding, and we continue to seek customer deposits to maintain this funding base. We obtain deposits directly from retail and commercial customers and through brokerage

firms that offer our deposit products to their customers. As of December 31, 2014, we had \$6.87 billion in direct deposits (which includes deposits from banks and financial institutions and deposits related to prepaid cards) and \$365 million in deposits originated through brokerage firms (including network deposit sweeps). A key part of our liquidity plan and funding strategy is to expand our direct deposits as a source of

## **Table of Contents**

funding. However, these deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for retail or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits.

Competition among U.S. banks for customer deposits is intense, may increase the cost of retaining current deposits or procuring new deposits, and may otherwise negatively affect our ability to grow our deposit base. Any changes we make to the rates offered on our deposit products to remain competitive with other financial institutions may adversely affect our profitability and liquidity. Interest-bearing accounts earn interest at rates established by management based on competitive market factors. Maintaining and attracting new deposits is integral to our business and a major decline in deposits or failure to attract deposits in the future, including any such decline or failure related to an increase in interest rates paid by our competitors on interest-bearing accounts, could have an adverse effect on our results of operations and financial condition. In addition, our ability to originate and maintain deposits could be adversely affected by the loss of our association with NAB and NAB's strategic plan to reduce its ownership in our business. The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products, or the availability of competing products. An inability to grow, or any material decrease in, our deposits could have a material adverse effect on our cost of funds and our ability to satisfy our liquidity needs. Further, the consequences of our liquidity risk may be more severe than other institutions because we do not currently have a credit rating from any major agency.

Maintaining a diverse and appropriate funding strategy remains challenging, and any tightening of credit markets could have a material adverse impact on us. In particular, our funding from corporate and financial institution counterparties may cease to be available if such counterparties seek to reduce their credit exposures to banks and other financial institutions, which could be reflected, for example, in reductions in unsecured deposits supplied by these counterparties. Under such circumstances, we may need to seek funds from alternative sources, potentially at higher costs than our current sources.

### ***Severe weather, natural disasters, acts of war or terrorism or other external events could significantly impact our business.***

Severe weather, natural disasters, widespread disease or pandemics, acts of war or terrorism or other adverse external events could have a significant impact on our ability to conduct business. In addition, such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. Because of the concentration of agricultural loans in our lending portfolio and the volume of our borrowers in regions dependent on agriculture, we could be disproportionately affected relative to others in the case of external events such as floods, droughts, and hail effecting the agricultural conditions in the markets we serve. The occurrence of any of these events in the future could have a material adverse effect on our business, financial condition or results of operations.

### ***We may not be able to attract and retain key personnel and other skilled employees.***

Our success depends, in large part, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. Our senior management team has significant industry experience, and their knowledge and relationships would be difficult to replace. Leadership changes will occur from time to time, and we cannot

predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to

---

**Table of Contents**

increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of relationship-based commercial and agribusiness banking services, we must attract and retain qualified banking personnel to continue to grow our business, and competition for such personnel can be intense. Our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations as discussed in Supervision and Regulation Incentive Compensation. The loss of the services of any senior executive or other key personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business, financial condition or results of operations. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or have a material adverse effect on our business, financial condition or results of operations.

***We operate in a highly competitive industry and market area.***

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings banks, credit unions, non-bank financial services companies and other financial institutions operating within or near the areas we serve, particularly nationwide and regional banks and larger community banking institutions that target the same customers we do. We also face competition for agricultural loans from participants in the nationwide Farm Credit System and global banks. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Customer loyalty can be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. We may not be able to compete successfully with other financial institutions in our market, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in reduced profitability. Further, increased lending activity by competing banks following the recent recession has led to increased competitive pressures on loan rates and terms for high-quality credits. Continued loan pricing pressure could have a further negative effect on our loan yields and net interest margin.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. Several of our competitors are also larger and have significantly more resources, greater name recognition and larger market shares than we do, enabling them to maintain numerous banking locations, provide technology-based banking tools we do not provide, maintain a wider range of product offerings, mount extensive promotional and advertising campaigns and be more aggressive than us in competing for loans and deposits. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

***We may not be able to successfully execute our strategic plan or manage our growth.***

Our growth strategy requires us to manage several different elements simultaneously. Sustainable growth requires that we manage our risks by following prudent loan underwriting standards, balancing loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintaining more than adequate capital at all times, hiring and retaining qualified employees and successfully implementing strategic projects and initiatives. Our growth strategy may also change from time to time as a result of various internal and external factors. Our inability to manage our growth successfully could have a material adverse effect on our business, financial condition or results of

operations.

**Table of Contents**

*We may be adversely affected by risks associated with completed and potential acquisitions.*

We plan to continue to grow our business organically. However, from time to time, we may consider potential acquisition opportunities that we believe support our business strategy and may enhance our profitability. Acquisitions involve numerous risks, including:

incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in management's attention being diverted from the operation of our existing business;

using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;

the risk that the acquired business will not perform to our expectations;

difficulties, inefficiencies or cost overruns in integrating and assimilating the organizational cultures, operations, technologies, services and products of the acquired business with ours;

the risk of key vendors not fulfilling our expectations or not accurately converting data;

entering geographic and product markets in which we have limited or no direct prior experience;

the potential loss of key employees;

the potential for liabilities and claims arising out of the acquired businesses; and

the risk of not receiving required regulatory approvals or such approvals being restrictively conditional. In addition, we face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive acquisition opportunities may not be available to us. There can be no assurance that we will be successful in identifying or completing any future acquisitions.

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no corresponding accounting allowance, exposure to unexpected asset quality problems that require write-downs or write-offs (as well as restructuring and impairment or other charges), difficulty retaining key employees and customers and other issues that could negatively affect our business. We may not be able to realize any projected cost savings, synergies or other benefits associated with any such acquisition we complete. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some



dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Failure to successfully integrate the entities we acquire into our existing operations could increase our operating costs significantly and have a material adverse effect on our business, financial condition and results of operations.

Failed bank acquisitions involve risks similar to acquiring operating banks even though the FDIC might provide assistance to mitigate certain risks, such as sharing in exposure to loan losses and providing indemnification against certain liabilities of the failed institution. However, because these acquisitions are typically conducted by the FDIC in a manner that does not allow the time typically taken for a due diligence review or for preparing the integration of an acquired institution, we may face additional risks in transactions with the FDIC. These risks include, among other things, accuracy or completeness of due diligence materials, the loss of customers and core deposits, strain on management resources related to collection and management of problem loans and problems related to integration and retention of personnel and operating systems. There can be no assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions (including FDIC-assisted transactions), nor that any FDIC-assisted opportunities will be available to us in our markets. Our inability to overcome these risks could have a material adverse effect on our business, financial condition or results of operations.

## **Table of Contents**

In addition, we must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state bank-regulatory approval. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the effect of the transaction on financial stability and the ratings and compliance history of all institutions involved, including the CRA, examination results and anti-money laundering and Bank Secrecy Act compliance records of all institutions involved. The process for obtaining required regulatory approvals has become substantially more difficult as a result of the financial crisis, which could affect our future business. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain any required regulatory approvals in a timely manner or at all.

Any proposed acquisition must in certain circumstances be approved by NAB pursuant to the Stockholder Agreement, and, until such time as we cease to be a subsidiary of NAB for purposes of the Corporations Act 2001 (Cth), by the Australian Prudential Regulation Authority, or APRA. In addition, as long as NAB controls us for purposes of the BHC Act, NAB's regulatory status may impact our regulatory status, and hence our ability to expand by acquisition or engage in new activities, and NAB would be required to obtain BHC Act approvals for such acquisitions or activities as well. See *Supervision and Regulation Regulatory Impact of Control by NAB*.

### ***New lines of business, products, product enhancements or services may subject us to additional risks.***

From time to time, we may implement or acquire new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In acquiring, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although we may not assign the appropriate level of resources or expertise necessary to make these new lines of business, products, product enhancements or services successful or to realize their expected benefits. Further, initial timetables for the introduction and development of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Any material change from the scope of our business immediately prior to our IPO must also be approved by NAB pursuant to the Stockholder Agreement we entered into with NAB in connection with our IPO. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition or results of operations.

### ***If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.***

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design, their implementation or the degree to which we adhere to them, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our business, financial condition or results of operations. In addition, we could be subject to litigation, particularly from our customers, and sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate.

***Reductions in interchange fees would reduce our associated income.***

An interchange fee is a fee merchants pay to the interchange network in exchange for the use of the network's infrastructure and payment facilitation, and which is paid to debit, credit and prepaid card issuers to

---

**Table of Contents**

compensate them for the costs associated with card issuance and operation. In the case of credit cards, this includes the risk associated with lending money to customers. We earn interchange fees on these card transactions, including \$5.9 million in fees during the fiscal year ended September 30, 2014, and \$1.5 million during the three months ended December 31, 2014. Merchants, trying to decrease their operating expenses, have sought to, and have had some success at, lowering interchange rates. In particular, the Durbin Amendment to the Dodd-Frank Act limited the amount of interchange fees that may be charged for debit and prepaid card transactions. Several recent events and actions indicate a continuing focus on interchange fees by both regulators and merchants. Beyond pursuing litigation, legislation and regulation, merchants are also pursuing alternate payment platforms as a means to lower payment processing costs. To the extent interchange fees are further reduced, our income from those fees will be reduced, which could have a material adverse effect on our business and results of operations. In addition, the payment card industry is subject to the operating regulations and procedures set forth by payment card networks, and our failure to comply with these operating regulations, which may change from time to time, could subject us to various penalties or fees or the termination of our license to use the payment card networks, all of which could have a material adverse effect on our business, financial condition or results of operations.

***Operational risks are inherent in our business.***

Our operations depend on our ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. Operational risk and losses can result from internal and external fraud; errors by employees or third parties; failure to document transactions properly or to obtain proper authorization; failure to comply with applicable regulatory requirements and conduct of business rules; equipment failures, including those caused by natural disasters or by electrical, telecommunications or other essential utility outages; business continuity and data security system failures, including those caused by computer viruses, cyber-attacks or unforeseen problems encountered while implementing major new computer systems or upgrades to existing systems; or the inadequacy or failure of systems and controls, including those of our suppliers or counterparties. Although we have implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, identifying and rectifying weaknesses in existing procedures and training staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by us. Any weakness in these systems or controls, or any breaches or alleged breaches of such laws or regulations, could result in increased regulatory scrutiny, enforcement actions or legal proceedings and could have an adverse impact on our business, financial condition or results of operations.

***Cyber-attacks or other security breaches could have a material adverse effect on our business.***

In the normal course of business, we collect, process and retain sensitive and confidential information regarding our customers. We also have arrangements in place with other third parties through which we share and receive information about their customers who are or may become our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of third party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events.

Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, that are designed to disrupt key business services, such as customer-facing web sites. We are

not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently

## **Table of Contents**

and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

We also face risks related to cyber-attacks and other security breaches in connection with credit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks (e.g., Visa, MasterCard) and our processors. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we regularly conduct security assessments on these third parties, we cannot be sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets could result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services, which could have a material adverse effect on our business, financial condition or results of operations. In addition, recently there have been a number of well-publicized attacks or breaches affecting others in our industry that have heightened concern by consumers generally about the security of using credit cards, which have caused some consumers, including our customers, to use our credit cards less in favor of alternative methods of payment and has led to increased regulatory focus on, and potentially new regulations relating to, these matters. Further cyber-attacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of our cards and increased costs, all of which could have a material adverse effect on our business. To the extent we are involved in any future cyber-attacks or other breaches, our brand and reputation could be affected, would could also have a material adverse effect on our business, financial condition or results of operations.

### ***Our information systems may experience an interruption or breach in security.***

Our communications, information and technology systems supporting our operations are important to our efficiency and vulnerable to unforeseen problems. Our operations depend on our ability, as well as that of third party service providers, to protect computer systems and network infrastructure against damage from fires, other natural disasters or pandemics; power or telecommunications failures; acts of terrorism or wars or other catastrophic events; or other physical break-ins. Any damage or failure that causes interruptions in operations or disruptions in our business could result in liability to clients, regulatory intervention or reputational harm and, thus, could have a material adverse effect on our business, financial condition or results of operations.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan or other systems. Moreover, if any such failures, interruptions or security breaches do occur, they may not be adequately addressed. If we experience a disruption in the provision of any functions or services performed by third parties, we may have difficulty in finding alternate providers on terms favorable to us and in reasonable timeframes. The occurrence of any failures, interruptions or security breaches of our communications and information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition or results of operations.



## **Table of Contents**

### ***We continually encounter technological change.***

The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations.

### ***Our ability to maintain, attract and retain customer relationships is highly dependent on our reputation.***

Our customers rely on us to deliver superior, personalized financial services with the highest standards of ethics, performance, professionalism and compliance. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high-quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described herein, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, client personal information and privacy issues, customer and other third party fraud, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the Great Western Bank brand and associated trademarks and our other intellectual property. Defense of our reputation, trademarks and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition or results of operations.

### ***Employee misconduct could expose us to significant legal liability and reputational harm.***

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers are of critical importance. Our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage in fraudulent, illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, customer relationships and ability to attract new customers. Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, even if inadvertently, we could suffer serious harm to our reputation, financial position and current and



future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be

**Table of Contents**

effective. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our business, financial condition or results of operations.

***We may be adversely affected by changes in the actual or perceived soundness or condition of other financial institutions.***

Financial services institutions that deal with each other are interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Within the financial services industry, loss of public confidence, including through default by any one institution, could lead to liquidity challenges or to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions, as the commercial and financial soundness of many financial institutions is closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by various institutions. This systemic risk may adversely affect financial intermediaries, such as clearing agencies, banks and exchanges with which we interact on a daily basis or key funding providers such as the Federal Home Loan Banks, any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition or results of operations.

***We may need to raise additional capital in the future, and such capital may not be available when needed or at all.***