2019 Annual Report

Community Matters.

Great Western Bancorp, Inc.℠

GreatWesternBank.com

Investing in our People, Community, Customers and Shareholders

Pikes Peak Habitat for Humanity El Paso County
Colorado Springs, Colorado

(Photo: Left to Right) Kris Medina, Dave Warner, and Iain Probert

Community Matters.

Hope Matters.

"We're proud of our relationship with Great Western Bank and fortunate to have this partnership. Employees and bank administration have been incredibly supportive of Habitat for Humanity in El Paso County, Colorado." – Iain Probert.

Pikes Peak Habitat for Humanity shares more than just a motto with Great Western Bank – Making Life Great – they share a passion for helping people in their community.

Since 1986, Pikes Peak Habitat for Humanity has assisted 169 families achieve homeownership in El Paso County, Colorado. But their impact doesn't stop once the home is built. In 2019, Pikes Peak Habitat homeowners paid a total of $94,000 in El Paso County property taxes.

"We really believe that sharing values with our business partners enhances our relationship," said Pikes Peak Habitat Executive Director/CEO Kris Medina. "We have known Dave Warner for years and he's served on our board since 2002. The trust we have in Dave plus the competitive rates Great Western Bank was able to offer us made the banking relationship an easy decision."

Dave Warner, Great Western Bank Market President, agrees. "I know the business very well, having served on the Habitat board for the past 12 years, most recently as Immediate Past President. I really appreciate the synergy we have as we work towards their goals – because Great Western Bank shares a lot of the same interests when it comes to serving our communities. It's an easy partnership because we share the same vision."

"I truly appreciate Great Western Bank's community activism in that Great Western Bank staff can volunteer with organizations and help build the community up while appreciating the results of their individual efforts from beyond their desks, as well as seeing their employer's willingness to take action," said Medina.

Affordable housing is an immense need with a large impact on El Paso County. With a county population of 700,000, just over 75,000 people live at or below the poverty line. Numbers like this illustrate why Habitat is so important. In addition to the volunteer hours it takes to build a home, each adult on the title of the home must invest 200 hours of sweat equity as part of the Habitat program.

"We couldn't do it without partners like Great Western Bank," said Iain Probert, Pikes Peak Habitat's Director of Development. "We're grateful to them and their employees, their generosity of time, treasure and talent – talent of not only volunteering on the construction site but the talent of the employees that sit on our Board of Directors and our committees."

Pikes Peak Habitat for Humanity was a recipient of a Making Life Great Grant in 2017 and 2019.

Making Life Great® GRANTS

Great Western Bank works with our community partners to find solutions to unique problems across our nine-state footprint. Our Making Life Great Grants program was designed to provide funding for innovative programs that enhance the quality of life and target key initiatives such as financial literacy, workforce development and affordable housing. In 2018, we doubled our commitment to this initiative reflecting a long-term expansion in our ability to invest in and revitalize our communities for years to come.

To Our Stockholders:

"Now is a great time to get out and give back to the communities where we work and live. This is Making Life Great in the most meaningful of ways."

Ken Karels – *Chairperson, President & Chief Executive Officer*

I am very proud of what the team has achieved during the 2019 fiscal year. This is my ninth year as Chief Executive Officer at Great Western Bank and the ninth consecutive year we have achieved record profits. We're especially proud of our growth and profitability over the five years since our Initial Public Offering. For FY19, both our diluted earnings per share and adjusted diluted earnings per share (EPS)[1] were $2.92, over a 53 percent increase from FY15, compared to peer average growth of 44.6 percent over the same period.[2] Our book value per share was $33.76 as of September 30 while our tangible book value (TBV)[1] was $22.52, representing a compound annual growth rate of 10.6 percent versus a peer average of 6.4 percent.[2] Net income[1] over this same time period reflected significant growth with 11.3 percent compound annual growth rate. We feel these are indicators of our Company's profitability and are important measures of our management team's performance. (See Figures A & B)

For fiscal year 2019, we were again able to deliver significant year-over-year growth, including a 6.0 percent increase in net income and a 9.4 percent increase in diluted earnings per share[1].

I am proud of the investment we have made in our business to ensure we have very strong risk management practices to keep the bank safe and also provide the infrastructure required to support our future growth plans.

To accommodate the additional investment in risk management, we have continued to look for ways to streamline our processes and run our business more efficiently. Through this work from the team, our efficiency ratio for the year was 45.8 percent, which remains peer-leading. We believe our ongoing focus on efficiency in all aspects of our business remains a core skill within the organization and a competitive advantage in our industry. This has contributed significantly to our return on equity, return on assets and net income. (See Figure C)

We ended fiscal year 2019 with over $12.8 billion in total assets, including $9.7 billion in total loans. Our loan portfolio grew over 3 percent for the year in an environment where many of our agricultural customers were operating in a challenging environment. This shows the diversity and strength of our 175-branch network. Deposits ended the year at $10.3 billion, which is an increase of 5.8 percent, as our retail team and bankers focused on ensuring we maintained a strong and stable funding base.

We will continue to look to grow our business both organically and inorganically through acquisition. As a public company, it is important to carefully manage and add value to our shareholder's capital. Therefore, we will continue to actively look at other institutions to acquire, as we did extensively throughout 2019, and proceed only when we believe pricing provides good value for our shareholders.

On an organic basis, we continue to look to expand into new markets and hire talent in existing markets where we feel there is room to grow. We have approximately 199 business and agri-business relationship bankers as of September 30 with average industry experience of over 14 years when hired. We will continue to look for other opportunities where we can recruit strong, experienced bankers to successfully develop the Great Western Bank brand in both new and existing markets. In 2019, we also opened new branches in North Scottsdale, Arizona and Cedar Rapids, Iowa.

For our customers, we continue to invest in our online technology to ensure that our business and consumer customers have access to technology that is very competitive with others in the industry. We continually track Apple and Android reviews as well as social media comments to ensure we stay responsive to our customers' needs as more customers chose to interact with us in this way.

I am very proud of the commitment our employees show to their communities. We have employees donate many hours of their own time to help improve the communities that serve us so well. Also, as a company we have again increased our commitment to the community with our donations increasing 14 percent over the prior year.

I am very pleased with the performance of our bank over the last year with many of our performance metrics peer-leading. It's been very good teamwork to continue our growth in a disciplined manner in a very competitive environment. I appreciate the support I have from an experienced management team, all our employees and our Board. I am pleased to report that Great Western Bancorp, Inc. delivered peer-leading financial performance in fiscal year 2019 and is well-positioned for long-term growth.

Sincerely,

Ken Karels

Ken Karels
Chairperson, President & Chief Executive Officer

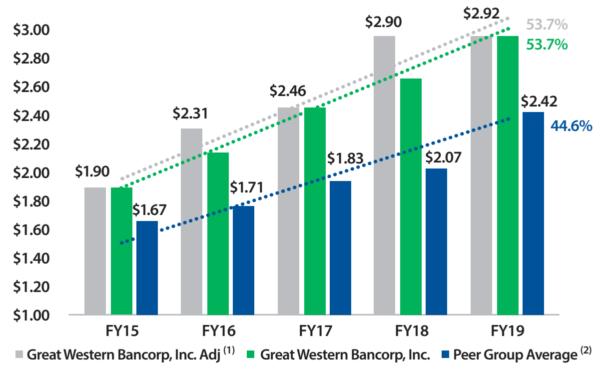
View our 2019 Interactive Annual Report at www.GreatWesternBank.com/2019.

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "—Non-GAAP Financial Measures Reconciliations".
[2] See appendix for Peer Group listing; data sourced from S&P Global Market Intelligence.
[3] Compound Annual Growth Rate over 5 years.

Key Figures:

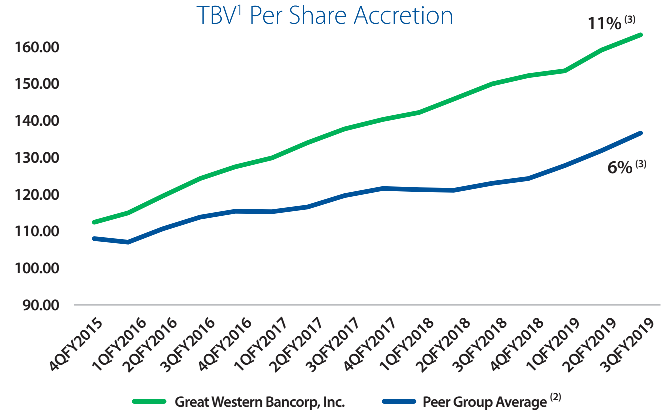
(Figure A)

Diluted EPS Growth



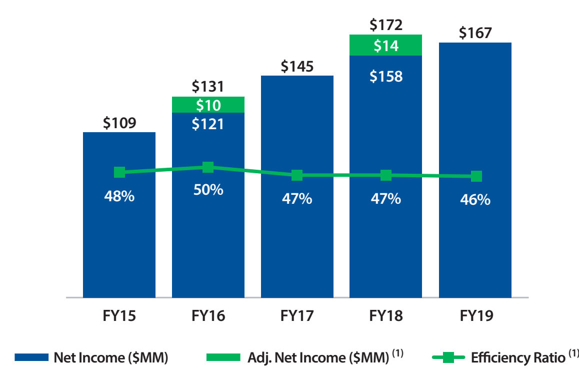
(Figure B)

TBV[1] Per Share Accretion



(Figure C)

Earnings Growth and Efficiency



Financial Highlights

At and for the fiscal years ended September 30, 2019, 2018 and 2017

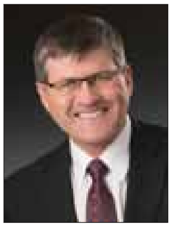
(Dollars in thousands except per share amounts)	**2019**	2018	2017
Operating Data:			
Interest income (FTE)	$ 548,760	$ 488,434	$ 443,114
Interest expense	122,209	74,000	45,320
Noninterest income	60,732	73,609	63,214
Noninterest expense	224,898	231,425	216,643
Provision for loan and lease losses	40,947	17,986	21,539
Net income	167,365	157,916	144,786
Adjusted net income[1]	167,365	171,502	145,226
Earnings per common share - diluted	$ 2.92	$ 2.67	$ 2.45
Adjusted earnings per common share - diluted[1]	2.92	2.90	2.46
Performance Ratios:			
Net interest margin (FTE)[1]	3.74%	3.89%	3.90%
Adjusted net interest margin (FTE)[1]	3.74%	3.84%	3.76%
Return on average total assets	1.33%	1.34%	1.27%
Return on average common equity	9.1%	8.8%	8.5%
Return on average tangible common equity[1]	15.3%	15.3%	15.4%
Efficiency ratio[1]	45.8%	47.1%	46.5%
Balance Sheet Highlights:			
Total assets	$ 12,788,301	$ 12,116,808	$ 11,690,011
Loans[2]	9,706,763	9,415,924	8,968,553
Deposits	10,300,339	9,733,499	8,977,613
Stockholders' equity	1,900,249	1,840,551	1,755,000
Capital:			
Tier 1 capital ratio	11.7%	12.0%	11.4%
Total capital ratio	12.7%	13.0%	12.5%
Tier 1 leverage ratio	10.1%	10.7%	10.3%
Common equity tier 1 ratio	11.0%	11.3%	10.7%
Tangible common equity / tangible assets[1]	9.6%	9.6%	9.2%
Tangible book value per share[1]	$ 20.52	$ 18.57	$ 17.11
Asset Quality:			
Nonaccrual loans	$ 107,191	$ 143,206	$ 138,312
Other repossessed property	36,764	23,074	8,985
Nonaccrual loans / total loans	1.10%	1.52%	1.54%
Net charge-offs (recoveries) / average total loans	0.36%	0.18%	0.26%
Allowance for loan and lease losses / total loans	0.73%	0.69%	0.71%

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "—Non-GAAP Financial Measures Reconciliations".

[2] Loans include unpaid principal balance net of unamortized discount on acquired loans and unearned net deferred fees and costs and loans in process.

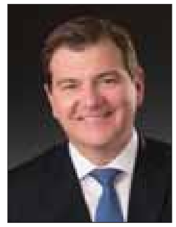
Our Leadership

Great Western Bank Leadership Team

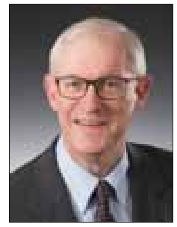


Ken Karels
Chairperson, President & CEO

Doug Bass
Executive VP & COO



Peter Chapman
Executive VP & CFO

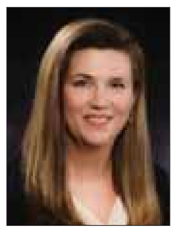


Michael Doyle
Interim CCO

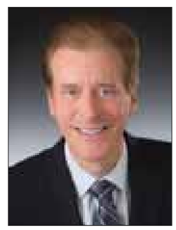
Karlyn Knieriem
Executive VP & CRO

Scott Erkonen
CIO

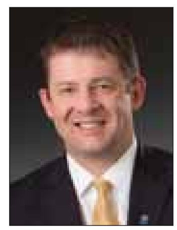
Bart Floyd
Regional President



Gail Grant
Regional President



Tim Kintner
Regional President



Andy Pederson
Head of People & Culture and Learning & Development

Chris Wiedenfeld
Regional President

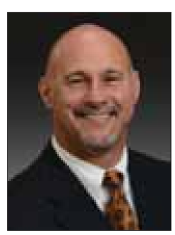
Corporate Secretary

Donald J. Straka
General Counsel

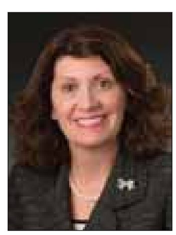
Pamela Russo
Assistant Corporate Secretary

Board of Directors

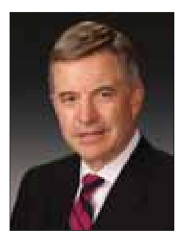
Ken Karels
Chairperson, President & CEO



James Brannen

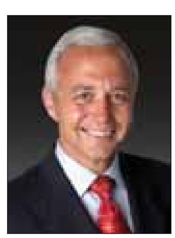


Frances Grieb

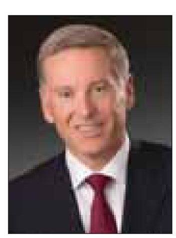


Thomas Henning
Lead Independent Director

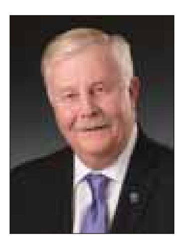
James Israel



Stephen Lacy



Daniel Rykhus



James Spies

Appendix

Peer Group

1. BancorpSouth Bank
2. Banner Corporation
3. Berkshire Hills Bancorp, Inc.
4. Columbia Banking System, Inc.
5. Community Bank System, Inc.
6. Customers Bancorp, Inc.
7. CVB Financial Corp.
8. First BanCorp.
9. First Midwest Bancorp, Inc.
10. Fulton Financial Corporation
11. Glacier Bancorp, Inc.
12. Heartland Financial USA, Inc.
13. Old National Bancorp
14. Renasant Corporation
15. TCF Financial Corporation
16. Trustmark Corporation
17. UMB Financial Corporation
18. United Bankshares, Inc.
19. United Community Banks, Inc.

Form 10-K

Great Western Bancorp, Inc.℠

For the fiscal year ended September 30, 2019

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

FORM 10-K

(Mark One)

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

For the Fiscal Year ended September 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-36688

Great Western Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-1308512**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*
225 South Main Avenue **Sioux Falls, South Dakota**	**57104**
(Address of principal executive offices)	*(Zip Code)*

(605) 334-2548

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**GWB**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 2019 was $1,798,685,162.

As of November 22, 2019, the number of shares of the registrant's Common Stock outstanding was 56,284,089.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual meeting of shareholders to be held on February 4, 2020, and to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year ended September 30, 2019, are incorporated by reference under Part III.

GREAT WESTERN BANCORP, INC.
ANNUAL REPORT ON FORM 10-K

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EXPLANATORY NOTE

Except as otherwise stated or the context otherwise requires, references in this Annual Report on Form 10-K to:

- "**we**," "**our**," "**us**" and our "**Company**" refers to Great Western Bancorp, Inc., a Delaware corporation, and its consolidated subsidiaries;
- our "**Bank**" refers to Great Western Bank, a South Dakota banking corporation;
- our "**states**" refers to the nine states (Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota) in which we currently conduct our business;
- our "**footprint**" refers to the geographic markets within our states in which we currently conduct our business;
- "**ALLL**" refers to allowance for loan and lease losses;
- "**AML**" refers to anti-money laundering;
- "**AOCI**" refers to accumulated other comprehensive income;
- "**ASC**" refers to Accounting Standards Codification;
- "**ASC 310-30 loans**" or "**purchased credit impaired loans**" refers to certain loans that had deteriorated credit quality at acquisition;
- "**ASU**" refers to Accounting Standards Update;
- "**BHC Act**" refers to the Bank Holding Company Act;
- "**BOLI**" refers to Bank Owned Life Insurance;
- "**BSA**" refers to the Bank Secrecy Act;
- "**CAN-SPAM Act**" refers to the Controlling the Assault of Non-Solicited Pornography and Marketing Act;
- "**Capital Rules**" or "**Basel III**" refers to the Basel Committee's December 2010 final capital framework for strengthening international capital standards;
- "**CDD Rule**" refers to the Customer Due Diligence Requirements for Financial Institutions rule;
- "**CECL**" refers to the current expected credit loss model in ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments;*
- "**CFPB**" refers to the Consumer Financial Protection Bureau;
- "**COSO**" refers to the Committee of Sponsoring Organizations of the Treadway Commission;
- "**CRA**" refers to the Community Reinvestment Act of 1977;
- "**CRE**" refers to commercial real estate;
- "**DGCL**" refers to the Delaware General Corporation Law;
- "**Exchange Act**" refers to the Securities Exchange Act of 1934;
- "**FASB**" refers to the Financial Accounting Standards Board;
- "**FDIA**" refers to the Federal Deposit Insurance Act;
- "**FDIC**" refers to the Federal Deposit Insurance Corporation;
- "**FFIEC**" refers to the Federal Financial Institutions Examination Council;
- "**FHLB**" refers to the Federal Home Loan Bank;
- "**FHLMC**" refers to the Federal Home Loan Mortgage Corporation;
- "**FICO**" refers to the Fair Isaac Corporation and its credit scoring services;
- "**FinCEN**" refers to the Financial Crimes Enforcement Network;
- "**FINRA**" refers to the Financial Industry Regulatory Authority;
- "**FNMA**" refers to the Federal National Mortgage Association;
- "**FOMC**" refers to the Federal Open Market Committee of the Federal Reserve System;
- "**FRB**" or "**Federal Reserve**" refers to the Board of Governors of the Federal Reserve System;
- "**FTE**" refers to fully-tax equivalent;
- "**GAAP**" or "**U.S. GAAP**" refers to U.S. generally accepted accounting principles;
- "**GSE**" refers to a Government Sponsored Enterprise;
- "**GWBCI**" refers to Great Western Bancorporation, Inc., our predecessor, which was an Iowa corporation formed in 1968 which was previously the holding company for our Bank;
- "**HELOC**" refers to home equity lines of credit;

- "**HF Financial**" refers to HF Financial Corporation;
- "**HUD**" refers to the U.S. Department of Housing and Urban Development;
- "**IRA**" refers to an individual retirement account;
- "**IRS**" refers to the Internal Revenue Service;
- "**LIBOR**" refers to London Interbank Offered Rate, and is a benchmark interest rate index for various adjustable-rate products;
- "**MERS**" refers to the Mortgage Electronic Registration Systems, Inc.;
- "**NAB**" refers to National Australia Bank Limited, an Australian public company that was our ultimate parent company prior to our initial public offering in October 2014 and, until July 31, 2015, our principal ultimate stockholder;
- "**NAH**" refers to National Americas Holdings LLC, a Delaware limited liability company formed in 2008 by NAB to facilitate NAB's purchase of our Bank;
- "**NYSE**" refers to the New York Stock Exchange;
- "**OFAC**" refers to the Office of Foreign Assets Control;
- "**REIT**" refers to Real Estate Investment Trust;
- "**RPA**" refers to a risk participation agreement;
- "**Sarbanes-Oxley Act**" refers to the Sarbanes-Oxley Act of 2002;
- "**SBS**" refers to strategic business services of our Bank;
- "**SD Division of Banking**" refers to the Division of Banking of the South Dakota Department of Labor and Regulation;
- "**SEC**" refers to the Securities and Exchange Commission;
- "**Securities Act**" refers to the Securities Act of 1933;
- "**Tax Reform Act**" refers to the Tax Cuts and Jobs Act of 2017;
- "**TDR**" refer to a troubled debt restructuring;
- "**USA PATRIOT Act**" refers to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001; and
- "**VIE**" refers to a variable interest entity.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "views," "intends" and similar words or phrases. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors identified in "Item 1A. Risk Factors" or "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" or the following:

- current and future economic and market conditions in the United States generally or in our states in particular, including the rate of growth and employment levels;
- our ability to anticipate interest rate changes and manage interest rate risk;
- our ability to achieve loan and deposit growth;
- the relative strength or weakness of the commercial, agricultural and real estate markets where our borrowers are located, including without limitation related asset and market prices;
- declines in asset prices and the market prices for agricultural products or changes in governmental support programs for the agricultural sector;

- our ability to effectively execute our strategic plan and manage our growth;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for loan and lease loss;
- our ability to develop and effectively use the quantitative models we rely upon in our business;
- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, including the potential negative effects of imposed and proposed tariffs and retaliatory tariffs on products that our customers may import or export, including among others, agricultural products;
- our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business;
- operational risks or risk management failures by us or critical third parties, including without limitation with respect to data processing, information systems, cyber-security, technological changes, vendor problems, business interruption and fraud risks;
- fluctuations in the values of our assets and liabilities and off-balance sheet exposures;
- unanticipated changes in our liquidity position, including but not limited to changes in our access to sources of liquidity and capital to address our liquidity needs;
- possible impairment of our goodwill and other intangible assets, or any adjustment of the valuation of our deferred tax assets;
- the effects of geopolitical instability, including war, terrorist attacks and man-made and natural disasters, social instability and changes in governmental policies;
- the effects of adverse weather conditions, particularly on our agricultural borrowers;
- the impact of, and changes in applicable laws, regulations and accounting standards, policies and interpretations, including the impact of the Tax Reform Act;
- legal, compliance and reputational risks, including litigation and regulatory risks;
- our inability to receive dividends from our Bank and to service debt, pay dividends to our common stockholders and satisfy obligations as they become due;
- expected cost savings in connection with the consolidation of recent acquisitions may not be fully realized or realized within the expected time frames, and deposit attrition, customer loss and revenue loss following completed acquisitions may be greater than expected; and
- our ability to meet our obligations as a public company, including our obligations under Section 404 of the Sarbanes-Oxley Act to maintain an effective system of internal control over financial reporting.

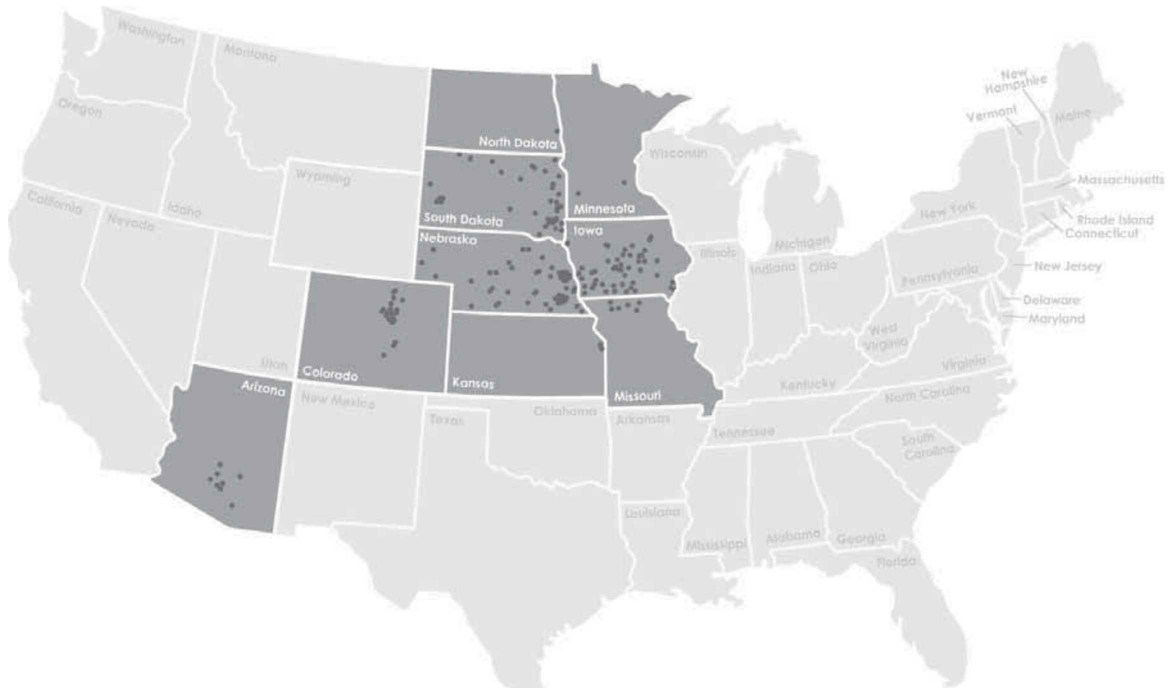
The foregoing factors should not be considered an exhaustive list and should be read together with the other cautionary statements included in this Annual Report on Form 10-K. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any forward-looking statements contained in this Annual Report on Form 10-K. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement to reflect events or circumstances occurring after the date on which the statement is made or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. BUSINESS

Our Business

We are a full-service regional bank holding company focused on relationship-based business and agri-business banking. We serve our customers through 175 branches in attractive markets in nine states: Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota. We were established more than 80 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 agri-business focus, highly efficient operating model, robust approach to risk management and presence in attractive markets, we have achieved steady and profitable growth—both organically and through disciplined acquisitions. We have successfully completed nine acquisitions since 2006, including our 2010 FDIC assisted acquisition of TierOne Bank, which represented approximately $2.54 billion in acquired assets, and our 2016 acquisition of HF Financial, which represented approximately $1.12 billion of acquired assets. Our net income was $167.4 million for fiscal year 2019 and our loans and total assets were $9.73 billion and $12.79 billion, respectively, at September 30, 2019.



We focus on business banking, complemented by our agri-business banking, retail banking and wealth management services. Our loan portfolio consists mainly of business loans, comprised of CRE loans and commercial non-real estate loans, which collectively accounted for 70.0% of our loan portfolio and agri-business loans, which accounted for 20.6% of our total loan portfolio at September 30, 2019. In addition, 70.5% of our aggregate loan portfolio was primarily secured by interests in real estate predominantly located in the states in which we operate, including 52.3% of CRE loans, 9.8% of agriculture real estate loans and 8.4% of residential real estate loans. 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 hospitality/tourism, agri-business services, freight and transport and healthcare. We have developed extensive expertise in CRE and agri-business lending, which serves two of the most prominent industries across our markets, and we offer a variety of financial services designed to meet the specific needs of such 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 agri-business customers.

Our banking model seeks to balance the best of being a "big enough" and a "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 and bankers 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.

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 and continuing our focus on our operational efficiency. We plan to focus on originating high-quality loans and growing our deposit base through our relationship-based business and agri-business banking approach. We believe that continuing to focus on our core strengths will enable us to gain market share 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. Since October 1, 2016, we have expanded our existing markets by opening loan production offices or branches in 7 new markets. We have approximately 199 business and agri-business relationship bankers at September 30, 2019 with average industry experience of over 14 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 business and agri-business relationship bankers by tying their compensation to both the performance of the Company and their individual overall performance. We measure individual business banker performance based on revenue, loans originated, deposits raised and asset quality/risk, among other performance measurements. We believe this structure establishes the appropriate incentives to serve our customers' needs, maintain strong 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 offer customers a range of products and services to fulfill their financial needs.

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 agri-business banking. Our branch strategy is guided by our ability to recruit experienced relationship bankers in under-represented and new markets. We typically open a loan production office for these bankers to expand our banking relationships into these markets prior to opening a branch, which increases our likelihood of expanding profitably by developing business, including an asset base, in the market 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

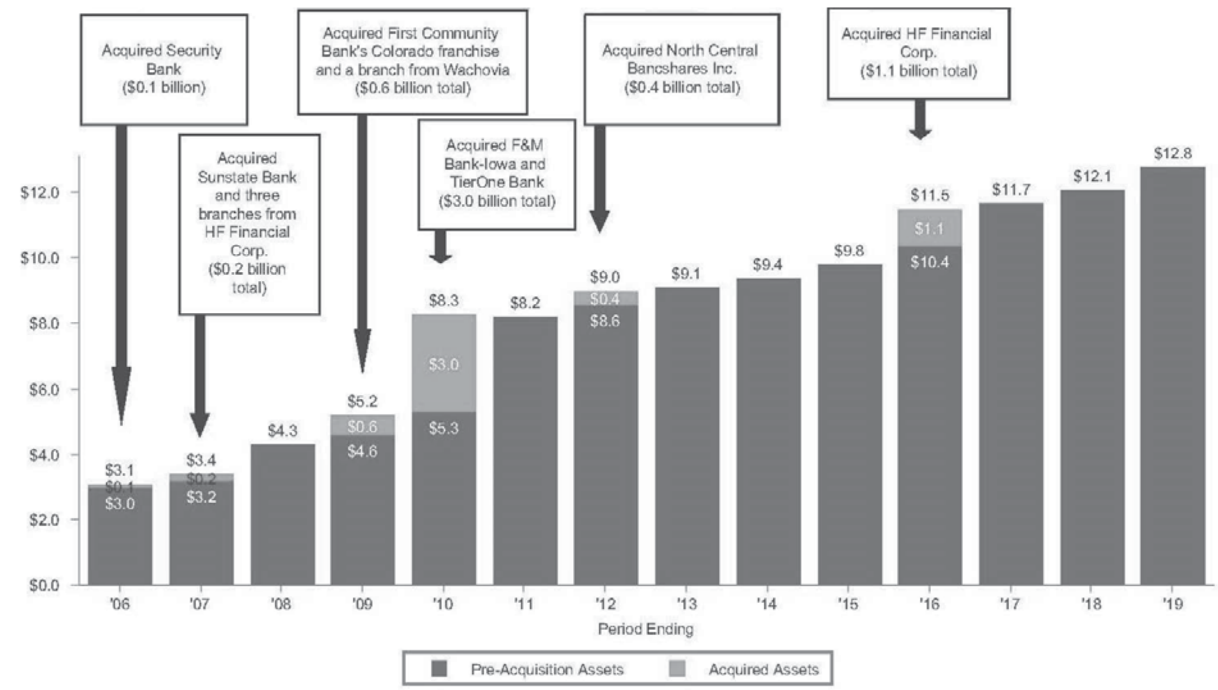
We believe that our reputation, expertise and relationship-based banking model enable us to deepen our relationships with our customers. We look to leverage our relationships with existing customers by offering a range of products and services suitable to their needs such as online and mobile banking for consumer customers. We have sought to grow our customer deposit base by attracting more deposits from our business and agri-business 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. During fiscal year 2019, we opened two new branches to expand our business banking and retail deposit raising initiatives and relocated two branches in addition to continually improving our product offerings and presence in existing locations.

Continue to Improve Efficiency and Manage Costs

We believe that our focus on operational efficiency is critical to our profitability and future growth. We intend to carefully manage our cost structure and continuously refine and implement internal processes to create further efficiencies and enhance our earnings. 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 have successfully completed nine acquisitions since 2006, including our 2010 FDIC assisted acquisition of TierOne Bank, which represented approximately $2.54 billion in acquired assets, and our 2016 acquisition of HF Financial, which represented approximately $1.12 billion in acquired assets. 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, including the amount attributed as a result of acquisitions in that fiscal year.



Note: Total assets are as of September 30 of each fiscal year unless otherwise noted. Acquired assets are the total of the fair value of total assets acquired and the net cash and cash equivalents received, at the time of acquisition of each indicated year.

Our 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 believe our focus on operating efficiency has contributed significantly to our return on equity, return on assets and net income.

Our Prior Relationship With NAB

We were formed as a Delaware corporation in July 2014 as a wholly-owned subsidiary of NAH to be the publicly traded holding company for our Bank. NAH was formed as a Delaware limited liability company in 2008 by NAB to facilitate NAB's purchase of our Bank. In connection with our initial public offering in October 2014, we purchased all outstanding common stock issued by GWBCI from National Americas Investments, Inc., a wholly-owned subsidiary of NAH. Following this purchase, GWBCI was merged with and into us and we continue as the surviving corporation succeeding to all the assets, liabilities and business of GWBCI. We conduct our business through our Bank as a single reportable segment, with all of our identifiable assets located in the United States.

Prior to our initial public offering, we were an indirect wholly-owned subsidiary of NAB. NAB sold 18.4 million shares, representing 31.8% of our common stock, in the initial public offering. On May 6, 2015, NAB sold 23.0 million shares of our common stock, representing 39.7% of the common stock, in the second stage of its planned divestiture. On July 31, 2015, NAB sold all of its remaining shares of our common stock in a secondary public offering of 13.8 million shares and a concurrent share repurchase transaction in which we acquired 2.7 million shares from NAB to fully divest its ownership. There are no debts payable to NAB or its affiliates remaining.

Our Business Lines

Business Banking

Business banking is a key focus of our business model and is one of our core competencies. We provide business banking services to small and mid-sized businesses across a diverse range of industries, including key sectors supporting regional growth such as hospitality/tourism, ancillary agri-business services (*e.g.*, farm equipment suppliers and grain and seed merchants), freight and transport and healthcare (*e.g.*, hospitals, physicians, care facilities and dentists). We offer our business banking customers a focused range of financial products designed to meet the specific needs of their businesses, including loans, lines of credit, cash management services, online business deposit and wire transfer services, in addition to noninterest-bearing demand accounts, interest-bearing non-transaction accounts and corporate credit cards. At September 30, 2019, business banking represented $3.50 billion in deposits, an increase of $63.2 million from September 30, 2018, and $6.81 billion in loans, an increase of $483.0 million over the same period, which represents 34.0% and 70.0%, respectively, of our total deposits and loans.

Our business banking model is based on a fundamental understanding of the communities we serve and the banking needs of our customers. Our Bank employs experienced relationship bankers across our footprint, each of whom offers our Bank's suite of business banking products and services to our customers. Our relationship bankers strive to build deep, long-term customer relationships with our banking customers and to understand our customers' specific needs to identify appropriate financial solutions.

Our business banking lending portfolio is primarily comprised of CRE and commercial non-real estate loans. CRE loans include both owner-occupied CRE and non-owner-occupied CRE loans, multifamily residential real estate loans and construction and development loans. CRE lending is a significant component of our overall loan portfolio, although we are focused on managing our exposure to land development loans within construction and development lending, in particular, which we believe is relatively riskier than other types of CRE lending, such as owner-occupied CRE lending. Commercial non-real estate loans represent another of our core competencies in business banking. We offer a focused range of lending products to our commercial non-real estate customers, including working capital and other shorter-term lines of credit, fixed-rate and variable-rate loans over a wide range of terms.

The following table presents the composition of our business lending as of September 30, 2019.

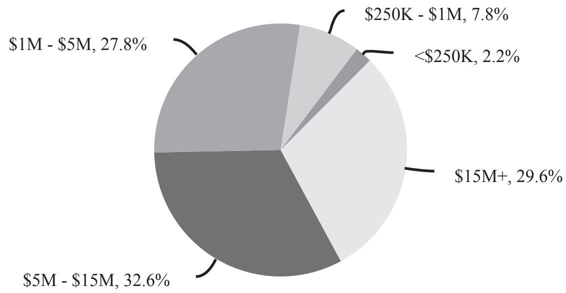
	September 30, 2019								
	South Dakota	Iowa / Kansas / Missouri	Nebraska	Arizona	Colorado	North Dakota / Minnesota	Other [2]	Total	% of Total Loan Unpaid Principal Balance
	(dollars in thousands)								
Non-owner-occupied CRE loans [1]	$ 638,671	$ 804,586	$ 530,170	$ 308,821	$ 434,940	$ 109,624	$ 26,319	$ 2,853,131	29.3%
Owner-occupied CRE loans [1]	309,878	439,953	204,339	171,447	255,847	29,735	—	1,411,199	14.5%
Construction and development loans [1]	49,837	109,240	134,495	28,888	101,855	39,442	—	463,757	4.8%
Multifamily residential real estate loans [1]	114,477	76,468	51,058	7,289	61,333	52,699	999	364,323	3.7%
Commercial non-real estate loans [1]	307,080	736,273	389,917	83,256	108,400	6,614	88,416	1,719,956	17.7%
Total business loans	$ 1,419,943	$ 2,166,520	$ 1,309,979	$ 599,701	$ 962,375	$ 238,114	$ 115,734	$ 6,812,366	70.0%

[1] Unpaid principal balance for commercial real estate and commercial non-real estate loans includes fair value adjustments associated with long-term fixed-rate loans where we have entered into interest rate swaps to manage our interest rate risk.

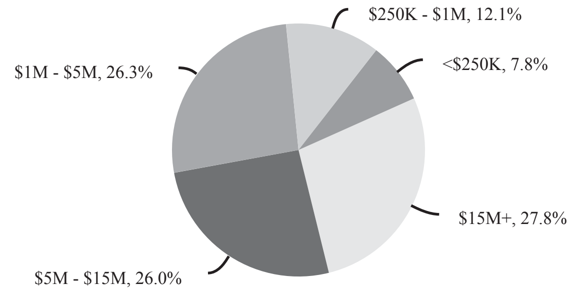
[2] Balances in this column represent acquired workout loans and certain other loans managed by our workout staff, commercial and consumer credit card loans, fair value adjustments related to acquisitions and loans for which we have elected the fair value option, which could result in a negative carrying amount in the event of a net negative fair value adjustment.

The following charts present the compositions of our CRE and commercial non-real estate loan portfolios, aggregated by customer exposure as of September 30, 2019, which are diversified across loan sizes.

CRE Loan Portfolio Composition



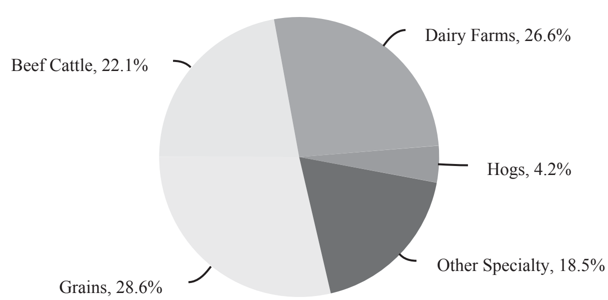
Commercial Non-Real Estate Loan Portfolio Composition



Agri-business Banking

In addition to business banking, we consider agri-business lending one of our core competencies. We have been providing banking services to the agricultural community since our Bank was founded. We have developed extensive expertise and brand recognition in agri-business lending, which is one of the larger sectors that we serve. We provide loans and banking services to agri-business customers across our geographic footprint. We predominantly lend to grain and protein producers who produce a range of agricultural commodities. Our agri-business customers range in size from small family farms to large commercial farming operations. At September 30, 2019, our agri-business loan portfolio was $2.01 billion, representing 20.6% of our Bank's $9.71 billion in total lending. Our agri-business loan portfolio was balanced at September 30, 2019, among the major types of agricultural production undertaken in our footprint, with grains (primarily corn, soybeans and wheat) representing 28.6% of our agri-business loan portfolio; proteins (primarily beef cattle, dairy products and hogs) representing 52.9% of our agri-business loan portfolio; and other products (including cotton, trees, fruits and nuts and vegetables, among others) representing 18.5% of our agri-business loan portfolio, as set forth in the chart below.

Agribusiness Loan Portfolio



The composition of our agri-business lending portfolio is also geographically diversified across our footprint in our six business regions, as set forth in the table below.

	September 30, 2019	
	Agri-business Loans	% of Agri-business Loan Portfolio
	(dollars in thousands)	
South Dakota	$ 599,664	29.9%
Iowa, Kansas and Missouri	358,610	17.9%
Nebraska	140,570	7.0%
Arizona	738,580	36.7%
Colorado	166,635	8.3%
North Dakota and Minnesota	2,183	0.1%
Other [1]	2,402	0.1%
Total	$ 2,008,644	100.0%

[1] Balances in this row represent acquired workout loans and certain other loans managed by our staff, fair value adjustments related to acquisitions and loans for which we have elected the fair value option, which could result in a negative carrying amount in the event of a net negative fair value adjustment.

We offer a number of products to meet our agri-business customers' banking needs, from short-term working capital funding to long-term land-related lending, as well as other tailored services. Through relationships with insurance agencies, we make available to our customers crop insurance that can provide farms with options for financial protection from various events, including flood, drought, hail, fire, disease, insect damage, wildfire and earthquake. We service our agri-business customers through dedicated relationship bankers with deep industry/sector knowledge, supplemented by a team of local bankers focused on agriculture who build long-term relationships with customers.

Retail Banking

Retail banking provides a source of low-cost funding and deposit-related fee income. At September 30, 2019, our branch network consisted of 175 branch offices located in 130 communities. Our branch network enhances our ability to gather deposits, expand our brand presence, service our customers' needs, originate loans and maintain our customer relationships.

We offer traditional banking products to our retail customers, including noninterest-bearing demand accounts, interest-bearing demand accounts and time deposits. As the banking industry continues to experience broader customer acceptance of online and mobile banking tools for conducting basic banking functions and retail customers use branch locations with less frequency than they have historically, we serve our customers through a wide range of non-branch channels; including online, telephone and mobile banking platforms. In addition, we continue to optimize our branch network through either closure or relocation of some of our less profitable branches. We continue to strive to optimize the effectiveness of our distribution channels and increase our operational efficiency to adapt to increasing customer preferences for self-service banking capabilities. At September 30, 2019, we had ATMs at 165, or 94.3%, of our branches and had another 11 company-owned ATMs at off-site locations. We are part of the MoneyPass and SHAZAM networks, enabling our customers to withdraw cash surcharge-free and service charge-free at over 35,000 ATM locations across the country.

The following table presents our retail branch network spread among our six regions.

	September 30, 2019	
	Number of branches	% of branches
South Dakota	37	21.1%
Iowa, Kansas and Missouri	56	32.0%
Nebraska	50	28.6%
Arizona	9	5.2%
Colorado	20	11.4%
North Dakota and Minnesota	3	1.7%
Total	175	100.0%

We also provide a variety of loan products to individuals. At September 30, 2019, our residential real estate and consumer portfolio was $864.1 million, representing 8.9% of our total lending, and comprised residential mortgage loans, home equity loans, personal loans, lines of credit and auto loans. We also have a small amount of consumer credit card balances outstanding. In addition to retail loans held in our portfolio, we also originate residential mortgage loans for resale (including their servicing) on the secondary market and, in the fiscal year ended September 30, 2019, we sold $288.1 million of these loans and serviced $525.0 million of mortgage loans. At September 30, 2019, we had a retail and mortgage loan officer base of 451 individuals. Home equity originations (including residential mortgages) are sourced almost exclusively through our branch network.

Wealth Management

We also provide our customers with a selection of wealth management solutions, including financial planning, private banking, investment management and trust services through associations with third party vendors, including registered broker-dealers and our investment adviser. Our investment representatives offer our customers investment management services through our branch network which entails overseeing and recommending investment allocations between asset classes based on a review of a client's risk tolerance. These representatives also offer and sell insurance solutions, including life insurance, and offer trust services, including personal trusts and estate planning. At September 30, 2019 our investment representatives had $599.7 million in assets under management, and, through our trust services group, we had $1.36 billion in assets under management, for a combined total of $1.96 billion in assets under management. Enhancing and expanding our wealth management business is an important component of our strategic plan, as we believe it can deepen our customer relationships, create opportunities to provide a wider range of financial services products to our customers and drive stable and recurring revenue.

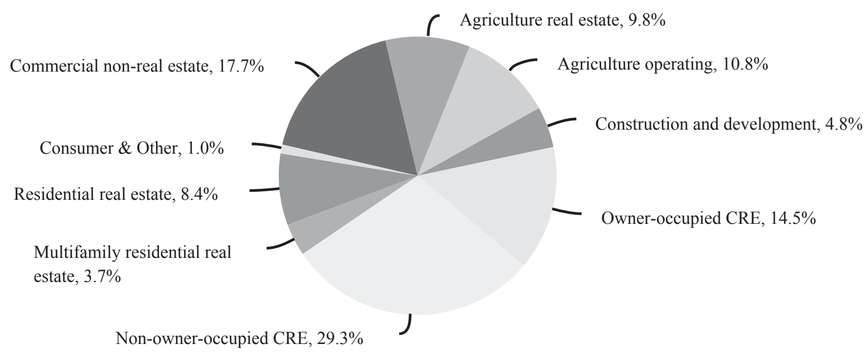
Loans

Overview

Our loan portfolio consists primarily of CRE, commercial non-real estate and agri-business loans. We also originate residential real estate loans, personal loans, home equity loans, lines of credit, credit cards and auto loans. As described below, our loan portfolio is diversified across our customer base.

The following chart sets forth the composition of our loan portfolio by loan category as of September 30, 2019.

Loan Portfolio by Category



Our underwriting principles, discussed below, require portfolio diversification across geographies, industries and customers. Our lending is diversified both geographically, predominantly across our nine footprint states, and across our loan categories referenced above and within each of these categories. For example, within agri-business lending, our portfolio is diversified across grain, protein and other types of agri-business. Our commercial non-real estate and owner-occupied CRE lending categories are well diversified, with no individual industry comprising more than 10.6% of lending in these combined categories. See "—Our Business Lines—Agri-business Banking" for information about the composition of our agri-business loan portfolio and "—Our Business Lines—Business Banking" for information about the composition of our business banking loan portfolio. At a customer level, our largest exposure represents 0.7% of our total loans, and our top ten loan exposures represent approximately 4.6% of our total loans at September 30, 2019.

Underwriting Principles

General. We apply consistent credit principles in our assessment of lending proposals across all loan categories. We are a cash flow-focused lender, which means our assessment of any potential loan includes an analysis of whether the customer can generate sufficient cash flow, not only in normal operating conditions but in a range of circumstances, to ensure the likelihood that the borrowers' repayment obligations to our Bank can be fully met. Our underwriting procedures include an assessment of the borrower's cash flow sustainability, the acceptability of the borrowing purpose, the borrower's liquidity, leverage, collateral quality and adequacy, industry dynamics, management capability, integrity and experience. For residential real estate, consumer and other lending, our underwriting process is intended to assess the prospective borrower's credit standing and ability to repay (which we analyze based on the borrower's cash flow, liquidity, credit standing, employment history and overall financial condition) and the value and adequacy of any collateral.

We establish what we believe to be conservative collateral guidelines that recognize the potential effects of volatility or deterioration of the value of collateral we accept, such as real estate, inventory, receivables and machinery. We manage this risk in a number of ways, including through advance rate guidelines for the various types of collateral we typically accept, along with periodic inspections. In addition, where we take real estate as collateral, and for some other specialized assets, we require assessment of value based on appropriate methodology and benchmarks. For our larger real estate commitments, this can include an independent third party appraisal review and, where appropriate, additional reviews.

We also assess the presence and viability of one or more acceptable secondary sources of repayment to mitigate potential future borrower cash flow deterioration. To improve the reliability of secondary sources of repayment, we prefer originating loans on a secured basis, and at September 30, 2019, less than 1.0% of our total lending was on an unsecured basis. We typically engage in unsecured lending only in situations involving long-standing customers of sound net worth and above-average liquidity with strong repayment ability (other than in connection with credit cards we issue).

We have a delegated credit authorities framework that provides what we believe to be commensurate with our bankers role and lending experience. Commitments above the lending thresholds established for a banker require the approval, depending on the size of the commitment, of our regional credit managers, central senior credit managers, Chief Credit Officer or, for our largest commitments, our transactional credit committee (a subcommittee of our Management Risk Committee). See "—Risk Oversight and Management" for discussion on our risk management. Loan analysis and decisions are documented and form part of the loan's continual monitoring and relationship management record. We believe this framework provides the necessary separation of authority and independence in the credit underwriting process while providing flexibility to expedite appropriate credit decisions and provide competitive customer service.

Agri-business. The underwriting principles described above generally apply to our agri-business lending, although our assessment of cash flow sustainability, acceptability of borrowing purpose, borrower liquidity, industry environment, marketing and management capability, integrity and experience are considered in light of the unique attributes of agri-business lending. For example, we review the adequacy and sustainability of an agri-business customer's operating cash flows to determine adequate coverage of interest and scheduled principal repayments, and, generally, require a minimum of 1.10 times in the most recent year or based on a 3-year average. We work with the borrower to select the appropriate funding facility, such as working capital line funding for short-term needs, medium-term borrowing to fund purchases of durables like machinery or equipment and long-term real estate loans, which are typically committed for five to ten years, with a maximum of 15 years.

We establish what we believe to be conservative collateral guidelines for our lending that recognize the volatility of asset prices. We also tailor the structure of certain loans, apply additional policies and require appropriate covenants to ensure our Bank is well protected against the key potential risks. For livestock, we adopt what we believe to be conservative valuations to reduce the effects of cyclical trends before applying our collateral guidelines. For growing grain crops, we generally limit our lending to the coverage provided by crop insurance.

As is the case with all types of lending, external risks beyond a customer's business and operations can affect repayment. Our agri-business lending, in particular, is subject to several external risks that we manage in various ways, including:

- *Price cycles and volatility*—Agricultural commodity prices are both cyclical and volatile, and we seek to manage these factors by diversifying our portfolio across a range of agri-business customers including grain producers and protein producers (e.g., generally, low grain prices assist protein producers since their businesses use grains as inputs) and by determining and applying appropriate advance rate guidelines to agricultural commodities used as collateral, as discussed above.
- *Weather, disease and other perils*—Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact our business and the business of our borrowers. We seek to mitigate our exposure to this risk through our geographic diversification which is predominantly across nine states and a number of agricultural products. Federally subsidized crop insurance coverage is also available for over 120 kinds of crops, typically of 50% to 85% of a grower's average yield, against various agriculture-related perils, including flood, drought, hail, fire, disease, insect damage, wildlife and earthquake.
- *Land prices*—As discussed above, we focus on cash flow lending, which helps farms to ensure that they have sufficient cash flow to service debt and support their businesses, and generally take land as collateral, which provides a secondary repayment source, after assessing collateral quality and adequacy.

Deposits

Deposits are our primary source of funds to support our revenue-generating assets. We offer traditional deposit products to consumers, businesses and other customers with a variety of rates and terms. Deposits at our Bank are insured by the FDIC up to statutory limits. We price our deposit products with a view to maximizing our share of each customer's financial services business and prudently managing our cost of funds. At September 30, 2019, we held $10.30 billion of total deposits. At September 30, 2019, our deposit base consisted of $3.94 billion, or 38.2%, in interest-bearing and noninterest-bearing transaction accounts, $4.27 billion, or 41.4%, in interest-bearing non-transaction accounts, and $2.10 billion, or 20.4%, in time deposits.

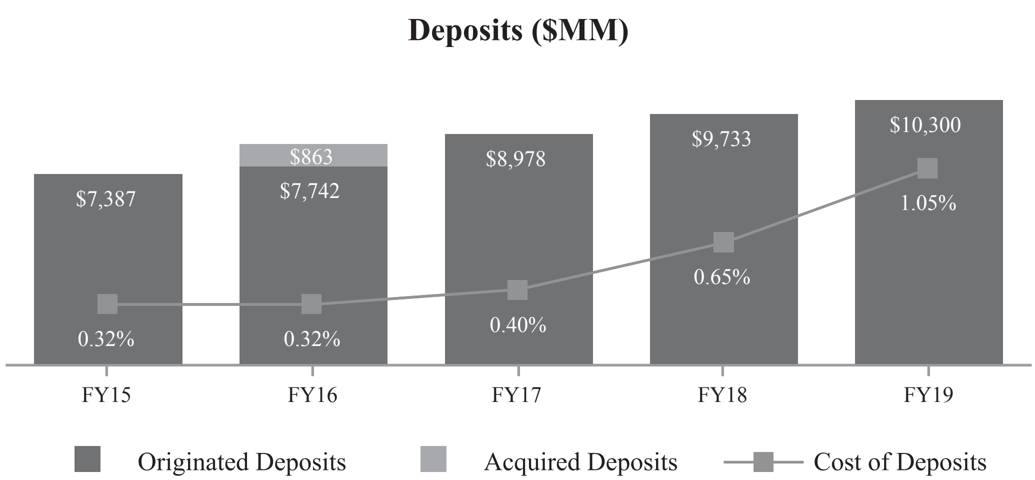
Our deposit base is diversified across our geographic footprint, as illustrated by the following table showing the composition of our deposit base by the geographic region of our branches at September 30, 2019.

	September 30, 2019		
	Number of Branches	Deposits	% of Deposits
		(dollars in thousands)	
South Dakota	37	$ 2,575,833	25.0%
Iowa, Kansas and Missouri	56	2,936,256	28.5%
Nebraska	50	2,474,673	24.0%
Arizona	9	508,308	4.9%
Colorado	20	1,237,052	12.0%
North Dakota and Minnesota	3	55,258	0.6%
Corporate and other	—	512,959	5.0%
Total	175	$ 10,300,339	100.0%

Our deposit base is also diversified by client type. As of September 30, 2019, no individual depositor represented more than 1.8% of our total deposits, and our top ten depositors represented 7.0% of our total deposits. We continue our strategy of focusing on cost-effective transaction accounts as well as our focus on gathering business deposits, which are typically transaction accounts by nature. At September 30, 2019, our deposit base included $1.04 billion of municipal deposits, against which we were required to hold $691.9 million of collateral. Municipal deposits represent approximately 620 customers with an average balance per customer of $1.7 million.

Via the internet, we also offer certain traditional consumer deposit products available for customers within our footprint. Our online consumer banking platform is full-featured with quick and secure access to activity, statements and other features including rewards where customers can earn cash back by using their bank card at select merchants, and Mobile Banking where customers can access accounts on eligible devices, review account balances, transfer funds, deposit checks and pay bills from the convenience of their smart device.

The graph below shows our total deposits and deposits acquired at the end of each fiscal year presented, as well as weighted average costs of deposits for each fiscal year presented.



Investments

We have historically invested excess deposits in high-quality, liquid investment securities including residential agency mortgage-backed securities and, to a lesser extent, U.S. Treasury securities, corporate debt securities and securities issued by U.S. states and political subdivisions. Our investment portfolio serves as a means to collateralize FHLB borrowings and public funds deposits, to earn net spread income on excess deposits and to maintain liquidity and balance interest rate risk.

The following table sets forth the composition of our investment portfolio at amortized cost by category as of September 30, 2019.

	September 30, 2019	
	Investments	% of Investments
	(dollars in thousands)	
U.S. Treasury securities	$ 94,178	5.3 %
Mortgage-backed securities:		
Government National Mortgage Association	501,139	28.4 %
Federal Home Loan Mortgage Corporation	463,974	26.3 %
Federal National Mortgage Association	322,340	18.3 %
Small Business Assistance Program	316,502	17.9 %
States and political subdivision securities	66,145	3.7 %
Other	1,006	0.1 %
Total	$ 1,765,284	100.0 %

Marketing and Sales

Our goal of increasing our share of financial services in our market areas is driven by a technology, marketing, communication and sales strategy which aims to strengthen the bank brand and generate public awareness through innovative marketing and public relations initiatives leveraging both traditional and emerging social media channels in new ways to advance the brand and create meaningful connections with existing and potential customers. We believe strongly that by leading with a culture of service, we will have more opportunity to provide our products and services and to create deeper customer relationships. A successful marketing program will attract customers to visit our Bank. Our highly tuned service environment and strong service culture are a key element in our ability to attract both talented associates and loyal customers.

Risk Oversight and Management

We believe risk management is another core competency of our business. As we have grown, our risk team and its capabilities have expanded. Our risk management consists of comprehensive policies and processes and seeks to emphasize personal ownership and accountability for risk with all our employees. We expect our people to focus on managing our risks, and we support this with appropriate oversight and governance and a framework based on three lines of defense (including an internal audit team who report directly to the Audit Committee of our Board of Directors). We delegate authority for our risk management oversight and governance to a number of executive and senior management committees, each responsible for overseeing various aspects of our risk management process. Various board committees, including the Risk Committee of our Board of Directors, provide oversight over our risk management function. The Economic Growth, Regulatory Relief and Consumer Protection Act was enacted in May 2018 and provides certain regulatory relief with respect to non-bank financial companies supervised by the Federal Reserve and certain bank holding companies, by, among other things, increasing the asset threshold for mandatory risk committees from $10 billion to $50 billion in total assets. Our assets do not exceed $50 billion, but in the interests of good corporate governance, risk management and oversight, we believe it is extremely important to maintain and continue our Risk Committee of the Board of Directors.

Our Bank's Management Risk Committee is responsible for oversight and governance of all risks across the enterprise. These responsibilities include monitoring our Bank’s overall risk profile to ensure it remains within the Board-approved risk appetite and adjusting activities as appropriate, assessing new and emerging risks, monitoring our risk management culture, assessing acceptability of the risk impacts of any material changes (or additions) to our products, vendor relationships, partnerships or other processes and overseeing compliance with regulatory expectations and requirements. The Management Risk Committee is chaired by our Chief Executive Officer and includes our Chief Risk Officer, Chief Financial Officer, Chief Operating Officer, Chief Credit Officer and executives and management representing our business and support areas. The Management Risk Committee is supported by the following subcommittees, each with specific responsibility to monitor, oversee and approve changes in their respective areas of focus relating to risks: Asset & Liability Committee, Compliance Committee, Transactional Credit Committee, Risk Standards Review Panel, Stress Test Working Group and IT Steering Committee, Change Review Board and Executive Management Risk Committee Subcommittee.

Our Chief Risk Officer leads our integrated risk management function that provides second line oversight of all enterprise risk, including strategic risk, credit risk and operational risk (such as compliance, regulatory and reputational risk), as well as overseeing ongoing enhancements to our risk management processes. Our Chief Risk Officer, a member of our executive leadership team, reports to our Chief Executive Officer and has direct access to the Risk Committee of our Board of Directors. In addition, our executive leadership team and other members of management have responsibility for oversight and management of risk across business and operational lines.

Risk Framework and Appetite

Our risk framework is structured to guide decisions regarding the appropriate balance between risk and return considerations in our business. Our risk framework is informed by our strategy, risk appetite and financial plans approved by our Board of Directors. This framework includes risk policies, procedures, limits, targets and reporting. Our Board of Directors approves our stated risk appetites, which set forth the amount and type of risk we are willing to accept in pursuit of our strategy, business and financial objectives. Our risk appetites provide the context for our risk management tools, including, among others, risk policies, delegated authorities, limits, portfolio composition, underwriting standards and operational processes.

We manage risk through three lines of defense that allocate responsibility and accountability for risk management throughout our business. Our first line of defense is our business lines, credit and support functions, which are accountable for being aware of and managing the risks in their respective business areas and for operating within our established risk framework and appetite. Our second line of defense is our risk team, which provides monitoring, control, advice and oversight that our risks are being managed to an acceptable level across the enterprise, and our third line of defense is our internal audit function, which provides independent assurance that our internal control frameworks are operating effectively.

Credit Risk Management

Credit risk is the potential for loss arising from a customer, counterparty or issuer failing to meet its contractual obligations to us. Our strategy for managing credit risk includes well-defined, centralized credit policies, uniform underwriting criteria, clearly delegated authority levels and accountability, ongoing risk monitoring and review processes for credit exposures and portfolio diversification by geography, industry and customer. We segment our loan portfolio into a number of asset classes for purposes of developing and documenting our credit risk management procedures and determining associated allowance for loan and lease losses, including CRE, agriculture, commercial non-real estate, residential real estate, consumer and other lending. For a discussion of our underwriting standards, see "—Loans—Underwriting Principles."

We emphasize regular credit examinations and management reviews of loans with deteriorating credit quality as part of our credit risk management strategy. As part of this process, we perform assessments of asset quality, compliance with commercial, agriculture and consumer credit policies and other critical credit information. We also monitor and update risk ratings on our non-consumer loans on an ongoing basis. With respect to consumer loans, we typically use standard credit scoring systems to assess our credit risks. We also rely on a dedicated risk asset review team to provide independent oversight of portfolio asset quality and policy compliance.

We have well-established procedures for managing loans that either show early signs of weakness or appear to have actually weakened. These procedures include moving a loan to our "watch" list when we have early concerns. Loans on our watch list receive more intense focus, along with more senior-level monitoring and reporting, a requirement of higher credit authority approval for any further lending increase and action plans for improving the prospects for such loans. Loans that we rate "substandard" (or lower) that are over $5.0 million will generally fall under the management or consultation of our SBS team, our specialist loan rehabilitations, workout and other real estate owned asset team. These loans are actively managed, with the primary goal of SBS rehabilitating the loans to "performing" status. If rehabilitation is not feasible, a loan workout strategy is developed and put into execution to maximize our Bank's recovery of loan proceeds and other costs to which our Bank is legally entitled. SBS, in consultation with internal counsel, also oversees the litigation of troubled assets, when appropriate. In addition, appropriate reserves and charge-offs are made based on assessment of potential realization levels and related costs.

Our non-lending activities also give rise to credit risk, including exposures resulting from our investment in securities and our entry into interest rate swap contracts. For more information on these activities, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Financial Condition—Investment Securities" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Financial Condition—Derivatives."

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (such as natural disasters), compliance failures, reputational damage or legal matters. We have a framework in place that includes the reporting and assessment of any operational risk events, including narrowly avoided operational risk events, and the assessment of our mitigating strategies within our key business lines. This framework is implemented through our policies, processes and reporting requirements, including those governing business and information technology continuity, information security and cyber-security, technological capability, fraud-risk management, operational risk profiling and vendor management. Our operational risk review process is a core part of our assessment of any material new or modified business or support initiative.

Our operational risks related to legal and compliance matters are heightened by the heavily regulated environment in which we operate. We have designed our processes and systems, and provide education of applicable legal and regulatory standards to our employees, to comply with these requirements. For information on the legal framework in which we operate, and which our operational risk processes and systems are designed to address, see "—Supervision and Regulation."

Competition

The financial services industry and each of the markets in which we operate in particular are highly competitive. We face strong competition in gathering deposits, making loans and obtaining client assets for management by our investment or trust operations. We compete for deposits and loans by seeking to provide a higher level of personal service than is generally offered by our larger competitors, many of whom have more assets, capital and resources and higher lending limits than we do and may be able to conduct more intensive and broader based promotional efforts to reach both commercial and retail customers. We also compete based on advertising impact and interest rates. Our principal competitors for deposits, loans and client assets for management by our investment or trust operations include large nationwide banks such as U.S. Bank, Wells Fargo and Bank of America and various other nationwide, regional and community banks, savings banks and associations, credit unions, mutual fund companies, insurance companies, factoring companies and other non-bank financial companies. Some of these competitors are local, while others are statewide or national.

Competition for deposits is also affected by the ease with which customers can transfer deposits from one institution to another. Our cost of funds fluctuates with market interest rates and may be affected by higher rates being offered by other financial institutions. In certain interest rate environments, additional significant competition for deposits may be expected to arise from corporate and government debt securities and money market mutual funds. Our management believes that our most direct competition for deposits comes from nationwide and regional banks, savings banks and associations, online internet banks, credit unions, insurance companies, money market funds, brokerage firms, other non-bank financial services companies and service-focused community banks that target the same customers.

We compete for loans principally through the quality of service we provide to borrowers while maintaining competitive interest rates, loan fees and other loan terms. We emphasize personalized relationship banking services and the local and efficient decision-making of our banking businesses. Our most direct competition for loans comes from larger regional and national banks, savings banks and associations, online internet banks, credit unions, insurance companies and service-focused community banks that target the same customers. We also face competition for agri-business loans from participants in the nationwide Farm Credit System and global banks.

We compete for wealth management clients based on the level of investment performance, fees and personalized client service. Our competition in wealth management services comes primarily from other institutions, particularly larger regional and national banks, providing similar services, wealth management companies, mutual fund companies and brokerage firms, many of which are larger than we are and provide a wider array of products and services.

Intellectual Property

In the highly competitive banking industry in which we operate, intellectual property is important to the success of our business. We own a variety of trademarks, service marks, trade names and logos and spend time and resources maintaining this intellectual property portfolio. We control access to our intellectual property through license agreements, confidentiality procedures, non-disclosure agreements with third parties, employment agreements and other contractual rights to protect our intellectual property.

Information Technology Systems

We devote significant resources to maintain stable, reliable, efficient and scalable information technology systems. We utilize a single, highly integrated core processing system from a third party vendor across our business that improves cost efficiency and acquisition integration. As advantageous, we work with our third party vendors to maximize the efficiency of our use of their applications. We use integrated systems to originate and process loans and deposit accounts, which reduces processing time, improves customer experience and reduces costs. Most customer records are maintained digitally. During fiscal year 2019, we have continued our commitment to investment in information security and improved our digital banking functionality to enhance the overall client experience.

Protecting our systems to ensure the safety of our customers' information is critical to our business. We use multiple layers of protection to control access and reduce risk, including the use of Artificial Intelligence and conducting a variety of vulnerability and penetration tests on our platforms, systems and applications to reduce the risk that any attacks are successful. To protect against disasters, we have a backup offsite core processing system and recovery plans.

We have an enterprise data warehouse system to capture, analyze and report key metrics associated with customer and product profitability. Data is collected across multiple systems is available through standard and ad hoc reports to assist with managing our business and competing effectively in the marketplace.

Employees

As of September 30, 2019, we had 1,666 total employees, which included 1,545 full-time employees and 121 part-time employees. Of our 1,666 employees, 1,187 are in core banking (*i.e.*, non-line of business branch network employees, including relationship bankers), 81 employees are in lines of business (*e.g.*, mortgage, credit cards, investments), 34 employees are in finance, 195 employees are in support services (*i.e.*, employees in operations, IT and projects), 120 employees are in risk and credit management, 13 employees are in internal audit and 36 employees are in other functions. We believe our relationship with our employees to be generally good. We have not experienced any material employment-related issues or interruptions of services due to labor disagreements and are not a party to any collective bargaining agreements.

Information about our Executive Officers

The following table and the descriptions below set forth biographical information regarding our executive officers.

Name	Age	Position
Ken Karels	62	Chairperson of the Board, President and Chief Executive Officer
Doug Bass	58	Chief Operating Officer and Executive Vice President
Peter Chapman	46	Chief Financial Officer and Executive Vice President
Karlyn Knieriem	52	Chief Risk Officer and Executive Vice President
Tim Kintner	61	Regional President and Executive Vice President
Michael Gough	58	Senior Vice President - Credit and former Chief Credit Officer

Kenneth Karels has served as our Chief Executive Officer and on our Board since 2010 and was elected Chairperson in 2017. Mr. Karels has also served as our President since August 2019 and previously thereto from 2010 to 2018. Mr. Karels is also the Chairperson and Chief Executive Officer of our Bank and serves on the Boards of Directors of our Bank and our Bank's other subsidiaries. He has also served as our Bank President since August 2019 and previously thereto from 2010 until 2018. Mr. Karels' duties include overall leadership and executive oversight of our Bank. Mr. Karels has over 42 years of banking experience and expertise in all areas of bank management and strategic bank acquisitions. Mr. Karels has served in several other capacities at our Bank since February 2002, including Regional President and Chief Operating Officer for the Bank's branch distribution channel including agriculture, business and retail lending and deposits functions. During his executive tenure, Mr. Karels has helped grow our Bank from $5.2 billion in assets at September 30, 2009 to over $12.79 billion in assets today. Before joining our Bank, Mr. Karels served as President and Chief Executive Officer at Marquette Bank, Milbank, SD, where he was employed for 25 years. In addition, Mr. Karels also serves on the boards of Valley Queen Cheese and the South Dakota Education Enhancement and Funding Corporation, and previously served as a member of the Federal Advisory Council to the Board of Governors of the Federal Reserve Bank and the board of Avera Health Systems.

Doug Bass has served as Executive Vice President and Chief Operating Officer of our Company and our Bank since August 2019. Mr. Bass is responsible for overall loan and deposit growth, all Bank sales functions, De novo office expansion, operating efficiency, our wealth management and mortgage banking lines, and strategic initiatives for our Company. In total, Mr. Bass has over 37 years of banking experience. Mr. Bass has worked in various other capacities with our Company and Bank since 2009, including serving as President of our Company from 2018 to 2019 and Regional President of our Bank from 2010 to 2018. Mr. Bass has expertise in all areas of bank management within our Bank. Before joining our Bank, Mr. Bass served as President of First American Bank Group. Previously Mr. Bass served in various capacities over 15 years with Firstar Corporation, which is now known as US Bank, including as President and Chief Executive Officer of Firstar's Sioux City and Council Bluffs operations in western Iowa and as Manager of Correspondent Banking for its eastern Iowa operations, which also included responsibility for commercial banking and agri-business lending.

Peter Chapman has served as our Chief Financial Officer and Executive Vice President since 2013 and on GWBCI's Board of Directors from January 2013 until October 2014. Mr. Chapman is also the Chief Financial Officer and Executive Vice President of our Bank. In August 2019, Mr. Chapman also assumed responsibility for our Information Technology and Operations functions. From 2017 through August 2019, Mr. Chapman oversaw all of our banking operations within the states of Minnesota and North Dakota. Mr. Chapman has over 20 years of industry experience and is responsible for all aspects of our financial and regulatory reporting together with planning and strategy and treasury management of our balance sheet. From 2010 until he was appointed as our Chief Financial Officer in November 2012, Mr. Chapman served as the General Manager, Finance Performance Management & Non Traded Businesses for NAB's Wholesale Banking business. From 2007 through 2010, Mr. Chapman served as Head of Financial Control at NAB and was responsible for oversight and delivery of NAB's external financial reporting and internal management reporting. From 2004 through 2007, Mr. Chapman was Manager, and then Senior Manager, in NAB's Group Accounting Policy team. From 1995 through 2004, Mr. Chapman held various roles with Ernst & Young's Financial Services Audit Division, including Group Manager of its Melbourne, Australia office's Financial Services Audit practice, and he was seconded to Ernst & Young's New York office from 1998 through 2000. Mr. Chapman has been a Chartered Accountant with the Institute of Chartered Accountants Australia since 1998 and is currently a Fellow of the Institute.

Karlyn Knieriem has served as our Chief Risk Officer since 2018 and is also an Executive Vice President of our Company. Ms. Knieriem is responsible for the overall direction and operations of the risk department, including Enterprise Risk Management, Bank Secrecy Act, Compliance and Risk Asset Review. Ms. Knieriem joined our Bank in 2016 as Head of Enterprise Risk Management. Ms. Knieriem has over 20 years of experience in the financial services industry, including a 17-year career with First National Bank of Omaha, where she worked in a number of senior leadership positions including 11 years as Vice President/Managing Director – Treasury.

Timothy Kintner has served as our Executive Vice President and as Regional President of our Bank since 2018. Mr. Kintner oversees all of our banking operations in South Dakota and our retail banking operations. Mr. Kintner has over 30 years of banking experience and has expertise in all areas of bank management and strategic bank planning. Before joining our Bank, Mr. Kintner held the position of Executive Vice President – Regional Banking Markets and Community Relations for Bankers Trust Company in Des Moines, IA since 2013. Prior to that, he served as President and Chief Executive Officer of Bankers Trust in Cedar Rapids, IA and President of Marquette Bank in Cedar Rapids, IA. Mr. Kintner also spent several years in senior management positions with Wells Fargo.

Michael Gough served as Chief Credit Officer of our Bank since 2014 until August 2019 and as Executive Vice President of our Company since July 2017 until August 2019 when he transitioned to Interim Chief Credit Officer and Executive Vice President. In September 2019, Mr. Gough transitioned to a non-executive role as Senior Vice President - Credit. In his previous roles, Mr. Gough was responsible for the overall direction and operations of the credit department, including loan and portfolio quality, and oversaw our commercial credit and collection policies, procedures and processes. Mr. Gough has been employed with our Bank for over 23 years, including organizing and managing the Bank's SBS team which manages troubled assets including real estate and equipment that were acquired through foreclosure. Preceding his role as SBS Manager for the Bank, Mr. Gough served as the Executive Vice President of Credit for the Bank's South Dakota Charter, which in 2007 was merged with and became the successor to the Bank's Nebraska and Iowa charters.

Supervision and Regulation

We and our subsidiaries are subject to extensive regulation under federal and state banking laws that establish a comprehensive framework for our operations. This framework may materially impact our growth potential and financial performance and is intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the protection of our stockholders and creditors. Significant elements of the statutes, regulations and policies applicable to us and our subsidiaries are described below. This description is qualified in its entirety by reference to the full text of the statutes, regulations and policies described.

Regulatory Agencies

We are a bank holding company under the BHC Act. Consequently, we and our subsidiaries are subject to supervision, regulation and examination by the Federal Reserve. The BHC Act provides generally for "umbrella" regulation of bank holding companies and functional regulation of holding company subsidiaries by applicable regulatory agencies. We are also subject to the disclosure and regulatory requirements of the Exchange Act administered by the SEC, and, following the listing of our common stock, the rules adopted by the NYSE, applicable to listed companies.

Our Bank is an FDIC-insured commercial bank chartered under the laws of South Dakota. It is not a member of the Federal Reserve System. Consequently, the FDIC and the SD Division of Banking are the primary regulators of our Bank and also regulate our Bank’s subsidiaries. Our Bank is also subject to the enforcement and rule-making authority of the CFPB regarding consumer financial products. The CFPB has authority to create and enforce consumer protection rules and regulations and has the power to examine our Bank for compliance with such rules and regulations. The CFPB also has the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banks with more than $10 billion in assets, such as our Bank. In addition, we offer certain insurance and investment products through our Bank and our Bank’s subsidiaries that are subject to regulation and supervision by applicable state insurance regulatory agencies and by the FINRA as a result of a contractual relationship we have with a third party broker-dealer relating to the provision of some wealth management and investment services to customers.

Permissible Activities for Bank Holding Companies

In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto.

Bank holding companies that qualify and elect to be treated as "financial holding companies" may engage in a broad range of additional activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include securities underwriting and dealing, insurance underwriting and making merchant banking investments. We have not elected to be treated as a financial holding company and currently have no plans to make a financial holding company election.

The BHC Act does not place territorial restrictions on permissible non-banking activities of bank holding companies. The Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuing such activity, ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Permissible Activities for Banks

As a South Dakota-chartered commercial bank, our Bank's business is generally limited to activities permitted by South Dakota law and any applicable federal laws. Under the South Dakota Codified Law, our Bank may generally engage in all usual banking activities, including taking commercial and savings deposits; lending money on personal and real security; issuing letters of credit; buying, discounting, and negotiating promissory notes, bonds, drafts and other forms of indebtedness; buying and selling currency and, subject to certain limitations, certain investment securities; engaging in all facets of the insurance business; and maintaining safe deposit boxes on premises. Subject to prior approval by the Director of the SD Division of Banking, our Bank may also permissibly engage in any activity permissible as of January 1, 2008 for a national bank doing business in South Dakota.

South Dakota law also imposes restrictions on our Bank's activities and corporate governance requirements intended to ensure the safety and soundness of our Bank. For example, South Dakota law requires our Bank's officers to be elected annually and the election of each officer to be confirmed by the Director of the SD Division of Banking. Our Bank is also restricted under South Dakota law from investing in certain types of investment securities and is generally limited in the amount of money it can lend to a single borrower or invest in securities issued by a single issuer (in each case, 20% of our Bank's capital stock and surplus plus 10% of our Bank's undivided profits).

Acquisitions by Bank Holding Companies

The BHC Act, the Bank Merger Act, the South Dakota Codified Law and other federal and state statutes regulate acquisitions of commercial banks and other FDIC-insured depository institutions. We must obtain the prior approval of the Federal Reserve before (i) acquiring more than 5% of the voting stock of any FDIC-insured depository institution or other bank holding company (other than directly through our Bank), (ii) acquiring all or substantially all of the assets of any bank or bank holding company or (iii) merging or consolidating with any other bank holding company. Under the Bank Merger Act, the prior approval of the FDIC is required for our Bank to merge with another bank or purchase all or substantially all of the assets or assume any of the deposits of another FDIC-insured depository institution. In reviewing applications seeking approval of merger and acquisition transactions, bank regulators consider, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combating money laundering activities. In addition, failure to implement or maintain adequate compliance programs could cause bank regulators not to approve an acquisition where regulatory approval is required or to prohibit an acquisition even if approval is not required.

Dividends

Our Company is a legal entity separate and distinct from its banking and other subsidiaries. As a bank holding company, we are subject to certain restrictions on our ability to pay dividends under applicable banking laws and regulations. Federal bank regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal bank regulators have stated that paying dividends that deplete a banking organization's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

Substantially all of our income comes from dividends from our Bank, which is also the primary source of our liquidity. In addition to the restrictions discussed above, our Bank is subject to limitations under South Dakota law regarding the level of dividends that it may pay to us. In general, dividends by our Bank may only be declared from its net profits and may be declared no more than once per calendar quarter. The approval of the South Dakota Director of Banking is required if our Bank seeks to pay aggregate dividends during any calendar year that would exceed the sum of its net profits from the year to date and retained net profits from the preceding two years, minus any required transfers to surplus.

Transactions with Affiliates

Transactions between our Bank and its subsidiaries, on the one hand, and our Company or any other subsidiary, on the other hand, are regulated under Sections 23A and 23B of the Federal Reserve Act. The Federal Reserve Act imposes quantitative and qualitative requirements and collateral requirements on covered transactions by our Bank with, or for the benefit of, its affiliates. Generally, Sections 23A and 23B limit the extent to which our Bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of our Bank's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus, and requires those transactions to be on terms at least as favorable to our Bank as if the transaction were conducted with an unaffiliated third party. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, any credit transactions with an affiliate must be secured by designated amounts of specified collateral.

Federal law also limits a bank’s authority to extend credit to its directors, executive officers and 10% (or greater) stockholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. In addition, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

Source of Strength

Federal Reserve policy and federal law require bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this requirement, we are expected to commit resources to support our Bank, including at times when we may not be in a financial position to provide such resources, and it may not be in our, or our stockholders’ or creditors’, best interests to do so. In addition, any capital loans we make to our Bank are subordinate in right of payment to depositors and to certain other indebtedness of our Bank. In the event of our bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of our Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Safety and Soundness Standards

The federal banking agencies have adopted the Interagency Guidelines for Establishing Standards for Safety and Soundness. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. These guidelines also prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the bank regulator must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution may be subject under the FDIA. See "—Prompt Corrective Regulatory Action." If an institution fails to comply with such an order, the bank regulator may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Deposit Insurance

FDIC Insurance Assessments. As an FDIC-insured bank, our Bank must pay deposit insurance assessments to the FDIC based on its average total assets minus its average tangible equity. Our Bank’s assessment rates are currently based on its risk classification (i.e., the level of risk it poses to the FDIC’s deposit insurance fund). Institutions classified as higher risk pay assessments at higher rates than institutions that pose a lower risk. With the acquisition of HF Financial in 2016, our total assets exceeded $10 billion as of the quarter ended June 30, 2016. Since our Bank's total consolidated assets have exceeded $10 billion for four consecutive quarters, the FDIC uses a performance score and a loss-severity score to calculate the assessment rate. In calculating these scores, the FDIC uses a bank’s capital level and regulatory supervisory ratings and certain financial measures to assess an institution’s ability to withstand asset-related stress and funding-related stress. The FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations. In addition to ordinary assessments described above, the FDIC has the ability to impose special assessments in certain instances.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Other Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation to impose assessments on deposit insurance fund applicable deposits in order to service the interest on the Financing Corporation's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions is in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. Assessment rates may be adjusted quarterly to reflect changes in the assessment base.

Interstate Branching

Pursuant to the Dodd-Frank Act, national and state-chartered banks, such as our Bank, may open an initial branch in a state other than its home state (e.g., a host state) by establishing a de novo branch at any location in such host state at which a bank chartered in such host state could establish a branch. Applications to establish such branches must still be filed with the appropriate primary federal regulator and, where applicable, the bank's state regulatory authority. As our Bank is a South Dakota state chartered bank, we are required to file branch applications with both the FDIC and the SD Division of Banking.

Prohibitions Against Tying Arrangements

Banks are subject to the prohibitions of 12 U.S.C. Section 1972 on certain tying arrangements. We are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Community Reinvestment Act of 1977

Under the CRA, our Bank has an obligation, consistent with safe and sound operations, to help meet the credit needs of the market areas where it operates, which includes providing credit to low- and moderate-income individuals and communities. In connection with its examination of our Bank, the FDIC is required to assess our Bank's compliance with the CRA. Our Bank's failure to comply with the CRA could, among other things, result in the denial or delay in certain corporate applications filed by us or our Bank, including applications for branch openings or relocations and applications to acquire, merge or consolidate with another banking institution or holding company. Our Bank received an overall rating of "satisfactory" in its most recently completed CRA examination.

Future Legislation and Regulation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

Depositor Preference

Under federal law, depositors (including the FDIC with respect to the subrogated claims of insured depositors) and certain claims for administrative expenses of the FDIC as receiver would be afforded a priority over other general unsecured claims against such an institution in the "liquidation or other resolution" of such an institution by any receiver.

Financial Privacy

The federal bank regulators have adopted rules limiting the ability of banks and other financial institutions to disclose non-public information about consumers to unaffiliated third parties. As a financial institution, our internal systems and vendor-outsourced storage solutions contain a significant amount of sensitive data, including personal information, related to our customers. We are therefore subject to compliance obligations under federal and state information security laws, among others, including the Gramm-Leach-Bliley Act, which institute limitations on data sharing. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to an unaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. We are also subject to various regulatory guidance as updated from time to time and implemented by the FFIEC, an interagency body of the FDIC, the Office of the Comptroller of the Currency, the Federal Reserve, the National Credit Union Administration and various state regulatory authorities. FFIEC guidance is provided in areas such as data privacy, disaster recovery, information security, and third party vendor management to identify potential risks related to our services that could adversely affect our banking and financial services clients. There have been increased public attention regarding the use of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer and personal privacy. The law in these areas continues to develop, the number of jurisdictions adopting such laws continues to increase and these laws may be inconsistent from state to state.

In May 2018, the European Union ("EU") adopted a comprehensive general data privacy regulation ("GDPR"). GDPR brings heightened scrutiny of data processing activities and higher fines and sanctions for non-compliance with data protection legislation. In addition, the GDPR widens the territorial scope of EU privacy rules to organizations located outside the EU if they offer goods or services to or monitor EU citizen behaviors and introduces new compliance obligations, including financial penalties for non-compliance. We believe the applicability of the GDPR to us is minimal as we do not offer goods or services to EU residents or monitor their behaviors. In addition, other federal, state or local governments may try to implement similar legislation, which could result in different privacy standards for different geographical regions.

Heightened Requirements for Bank Holding Companies with $10 Billion or More in Assets

Various federal banking laws and regulations, including rules adopted by the Federal Reserve pursuant to the requirements of the Dodd-Frank Act, impose heightened requirements on certain large banks and bank holding companies. Most of these rules apply primarily to bank holding companies with at least $50 billion in total consolidated assets, but certain rules also apply to banks and bank holding companies with at least $10 billion in total consolidated assets. Because our Bank’s total consolidated assets equal or exceed $10 billion, we or our Bank, as applicable, among other requirements:

- are subject to the maximum permissible interchange fee for swipe transactions, equal to no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions, as described below in "—Interchange Fees";
- calculate our FDIC deposit assessment base using the performance score and a loss-severity score system described above in "—Deposit Insurance;" and
- are examined for compliance with federal consumer protection laws primarily by the CFPB as described below in "—Consumer Financial Protection."

Prior to exceeding $10 billion in total consolidated assets, we began analyzing these rules to ensure we were prepared to comply with these rules as applicable.

The Volcker Rule

The Dodd-Frank Act prohibits insured depository institutions and their holding companies from engaging in proprietary trading except in limited circumstances, and prohibits them from owning equity interests in excess of three percent (3%) of Tier 1 Capital in private equity and hedge funds (known as the "Volcker Rule"). The implementing rules prohibit banking entities from (1) engaging in short-term proprietary trading for their own accounts, and (2) having certain ownership interests in and relationships with hedge funds or private equity funds, which are referred to as "covered funds". The fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including our Company and our Bank. The Volcker Rule regulations contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of funds to be retained. The Economic Growth, Regulatory Relief and Consumer Protection Act and subsequent promulgation of inter-agency final rules have aimed at simplifying and tailoring requirements related to the Volcker Rule. In August 2019, the agencies modified the rule to, among other things, eliminate collection of certain metrics and reduce the compliance burdens associated with the remaining metrics requirements, depending on the banking entity's total consolidated trading assets and liabilities. The regulatory agencies continue to consider additional proposals to simplify or eliminate other aspects of the Volcker Rule. Due to the changing regulatory landscape, we will continue to evaluate the implications of the Volcker Rules on its investments, including new impacts as a result of the changes, but does not expect any material financial implications.

Interchange Fees

Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are "reasonable and proportional" to the costs incurred by issuers for processing such transactions.

Interchange fees ("swipe fees") are charges that merchants pay to us and other card-issuing banks for processing electronic payment transactions. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product. As our assets exceed $10 billion we are subject to the interchange fee cap. For more information on interchange fees, see "Part I, Item 1A. Risk Factors—Further reductions in interchange fees will reduce our associated income."

Consumer Financial Protection

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, Fair Credit Reporting Act, the Service Members Civil Relief Act, the Right to Financial Privacy Act, Telephone Consumer Protection Act, CAN-SPAM Act, and these laws' respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices, restrict our ability to raise interest rates and subject us to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which we operate and civil money penalties. Failure to comply with consumer protection requirements may also result in our failure to obtain any required bank regulatory approval for merger or acquisition transactions we may wish to pursue or our prohibition from engaging in such transactions even if approval is not required.

The Dodd-Frank Act created a new, independent federal agency, the CFPB, which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The CFPB is also authorized to engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. Although all institutions are subject to rules adopted by the CFPB and examination by the CFPB in conjunction with examinations by the institution's primary federal regulator, the CFPB has primary examination and enforcement authority over institutions with assets of $10 billion or more. Our consolidated assets exceeded $10 billion in the third quarter of 2016 and we are now subject to CFPB examination of our Bank and enforcement with respect to various federal consumer protection laws, as well as continued examination by the FDIC on certain consumer regulations. State authorities are also responsible for monitoring our compliance with all state consumer laws.

The consumer protection provisions of the Dodd-Frank Act and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more intense and complex environment for consumer finance regulation. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the Truth in Lending Act, the Equal Credit Opportunity Act and new requirements for financial services products provided for in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive or abusive acts and practices. The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks including, among other things, the authority to prohibit "unfair, deceptive, or abusive" acts and practices. The review of products and practices to prevent such acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect our business, financial condition or results of operations.

Incentive Compensation

The Dodd-Frank Act requires the federal bank regulators and the SEC to maintain guidelines prohibiting incentive-based payment arrangements at specified regulated entities, including us and our Bank, having at least $1 billion in total assets that encourage inappropriate risks by providing an executive officer, employee, director or principal stockholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as us, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Regulatory Capital Requirements, Basel III and the Capital Rules

The Federal Reserve monitors our capital adequacy on a consolidated basis, and the FDIC and the SD Division of Banking monitor the capital adequacy of our Bank based on the Capital Rules, also known as the Basel III Capital Rules, which went into effect January 1, 2015, subject to certain phase-in provisions. The risk-based guidelines are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to weighted risk categories, and capital is classified in one of the following tiers depending on its characteristic:

- Common Equity Tier 1 Capital ("CET1 capital") for us includes common equity, surplus and retained earnings less goodwill, most intangible assets and certain other assets. The Capital Rules require bank holding companies and banks to include AOCI into CET1 capital unless the bank and bank holding company use a one-time election to exclude AOCI from its regulatory capital metrics on January 1, 2015. We elected to exclude AOCI from CET1 capital.

- Tier 1 (Core) Capital ("Tier 1 capital") for us includes CET1 capital and qualifying trust preferred securities at the holding company level, less goodwill, most intangible assets and certain other assets.

- Tier 2 (Supplementary) Capital ("Tier 2 capital") for us includes qualifying subordinated debt and a limited amount of allowance for loan and lease losses.

Bank holding companies and banks are also currently required to comply with minimum leverage requirements, measured based on the ratio of a bank holding company's or a bank's, as applicable, Tier 1 capital to adjusted quarterly average total assets (as defined for regulatory purposes). These requirements generally necessitate a minimum Tier 1 leverage ratio of 4% for all bank holding companies and banks. To be considered "well capitalized" under the regulatory framework for prompt corrective action, our Bank must maintain minimum Tier 1 leverage ratios of at least 5%. See "—Prompt Corrective Regulatory Action."

As of January 1, 2019, the Basel III Capital Rules require banking organizations to maintain:

- a minimum ratio of CET1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 capital ratios as that buffer is phased-in, effectively resulting in a minimum ratio of CET1 capital to risk-weighted assets of at least 7.0%);
- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased-in, effectively resulting in a minimum Tier 1 capital ratio of 8.5%);
- a minimum ratio of total capital (that is, Tier 1 plus Tier 2 capital) to risk-weighted assets of at least 8.0% plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased-in, effectively resulting in a minimum total capital ratio of 10.5%); and
- a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to adjusted average consolidated assets.

The current Capital Rules also include a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1 capital, on top of these minimum risk-weighted asset ratios. In addition, the Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. We do not expect the countercyclical capital buffer to be applicable to us or our Bank. Banking institutions with a ratio of CET1 capital to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The Capital Rules provide for a number of deductions from and adjustments to CET1 capital. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 capital to the extent that any one such category exceeds 10% of CET1 capital or all such categories in the aggregate exceed 15% of CET1 capital. Implementation of the deductions and other adjustments to CET1 capital began on January 1, 2015 and were phased in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The Capital Rules also generally preclude certain hybrid securities, such as trust preferred securities, from being counted as Tier 1 capital for most bank holding companies. Bank holding companies such as us who had less than $15 billion in assets as of December 31, 2009 (and who continue to have less than $15 billion in assets) are permitted to include trust preferred securities issued prior to May 19, 2010 as Additional Tier 1 capital under the Capital Rules.

The Capital Rules prescribe a standardized approach for risk weightings that, depending on the nature of the assets, generally range from 0% for U.S. government securities, 20%-50% for U.S. government agencies and municipal bonds, 50%-150% for loans and up to 600% for certain equity exposures.

With respect to our Bank, the Capital Rules also revised the prompt corrective action regulations pursuant to Section 38 of the FDIA. See "—Prompt Corrective Regulatory Action."

We believe that, as of September 30, 2019, we and our Bank would meet all capital adequacy requirements under the Capital Rules on a fully phased-in basis as if such requirements were then in effect.

On December 21, 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to (i) address the upcoming implement of the CECL accounting standard under GAAP; (ii) provide an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations are expected to experience upon adopting CECL; and (iii) require the use of CECL in stress tests beginning with the 2020 capital planning and stress testing cycle for certain banking organizations. We are currently evaluating the impact the CECL model will have on our accounting, and expect to recognize a one-time cumulative-effect adjustment to our allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. At this time, we cannot yet reasonably determine the magnitude of such one-time cumulative adjustment, if any, or of the overall impact of the new standard on our business, financial condition or results of operations.

Prompt Corrective Regulatory Action

Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For such purposes, the law establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

As a result of the Basel III Rules, new definitions of the relevant measures for the five capital categories took effect on January 1, 2015. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a common equity Tier 1 risk-based capital ratio of 6.5% or greater, and a leverage capital ratio of 5.0% or greater, and is not subject to a regulatory order, agreements, or directive to meet and maintain a specific capital level for any capital measure.

An institution is deemed to be "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a common equity Tier 1 risk-based capital ratio of 4.5% or greater, and generally a leverage capital ratio of 4.0% or greater. The Capital Rules do not change the total risk-based capital requirements for any prompt corrective action category.

As of September 30, 2019, we and our Bank were well capitalized with Tier 1 capital ratios of 11.7% and 11.5%, respectively, total capital ratios of 12.7% and 12.2%, respectively, Tier 1 leverage ratios of 10.1% and 9.9%, respectively, and a CET1 capital ratio of 11.0% and 11.5%, respectively, as calculated under Basel III which went into effect on January 1, 2015. For more information on these financial measures, including reconciliations to our and our Bank's Tier 1 capital ratio, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital."

An institution is deemed to be "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 risk-based capital ratio of less than 4.5%, or generally a leverage capital ratio of less than 4.0%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4%, a common equity Tier 1 risk-based capital ratio of less than 3.0%, or a leverage capital ratio of less than 3.0%. An institution is deemed to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

"Undercapitalized" institutions are subject to growth, capital distribution (including dividend), and other limitations, and are required to submit a capital restoration plan and adequate assurances of performance. An institution's compliance with such a plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the bank's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an undercapitalized institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized". Significantly undercapitalized institutions are subject to one or more additional restrictions including, but not limited to, an order by the FDIC to sell sufficient voting stock to become adequately capitalized; requirements to reduce total assets, cease receipt of deposits from correspondent banks, or dismiss directors or officers; and restrictions on interest rates paid on deposits, compensation of executive officers, and capital distributions by the parent holding company. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions and capital distributions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC.

Beginning 60 days after becoming "critically undercapitalized", critically undercapitalized institutions also may not make any payment of principal or interest on certain subordinated debt, extend credit for a highly leveraged transaction, or enter into any material transaction outside the ordinary course of business. In addition, subject to a narrow exception, the appointment of a receiver is required for a critically undercapitalized institution within 270 days after it obtains such status.

In addition, the FDIA prohibits an insured depository institution from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank’s normal market area or nationally (depending upon where the deposits are solicited), unless it is well capitalized or is adequately capitalized and receives a waiver from the FDIC. A depository institution that is adequately capitalized and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates.

Institutions that are undercapitalized or significantly undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions failing to submit or implement an acceptable capital restoration plan are subject to appointment of a receiver or conservator. As of September 30, 2019, our Bank was "well capitalized" based on the existing ratios and the ratios as modified by Basel III Capital Rules.

Anti-Money Laundering and the USA PATRIOT ACT

We are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds from crime, including the BSA, as amended by Title III of the USA PATRIOT Act and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. such as the Department of the Treasury's FinCEN and the FFIEC. A major focus of governmental policy on financial institutions in recent years has been aimed at anti-money laundering and terrorist financing. The USA Patriot Act substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States in these areas: customer identification programs, money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, currency crimes, and cooperation between financial institutions and law enforcement authorities. We are required, as part of our BSA/AML program, to designate a BSA Officer, maintain a BSA/AML training program, maintain internal controls to effectuate the BSA/AML program, implement independent testing of the BSA/AML program, and as of May 11, 2018, comply with FinCEN's new CDD Rule. The CDD Rule adds a new requirement for us to identify and verify the identity of natural persons ("beneficial owners") of legal entity customers who own, control and profit from companies when those companies open accounts. The CDD Rule has four core requirements. It requires covered financial institutions to establish and maintain written policies and procedures that are reasonably designed to (1) identify and verify the identity of customers; (2) identify and verify the identity of the beneficial owners of companies opening accounts; (3) understand the nature and purpose of customer relationships to develop customer risk profiles; and (4) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. With respect to the new requirement to obtain beneficial ownership information, financial institutions will have to identify and verify the identity of any individuals who own 25 percent or more of a legal entity, and an individual who controls the legal entity.

Financial institutions are prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Among other provisions, the USA Patriot Act requires financial institutions to have anti-money laundering programs in place and requires banking regulators to consider a holding company's effectiveness in combating-money laundering when ruling on certain merger or acquisition applications. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Office of Foreign Assets Control Regulation

The U.S. Treasury Department’s OFAC administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We and our Bank are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

Available Information

Our internet address is www.greatwesternbank.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website (by clicking on the Investor Relations link at the bottom of the page) as soon as reasonably practicable after the filing or furnishing of such material with the SEC.

ITEM 1A. 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 Annual Report on Form 10-K. 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. As a public company, we face the risk of shareholder lawsuits and other related or unrelated litigation, particularly if we experience declines in the price of our common stock. Further, to the extent that any of the information in this report, or in other reports we file with the SEC, 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 primarily in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota. 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 and trade 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 and lease losses, adverse asset values of the collateral securing our loans 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.

During 2019, the U.S. economy has continued to grow across a wide range of industries and regions in the U.S. However, there are continuing concerns related to the level of U.S. government debt and fiscal actions that may be taken to address that debt, depressed oil prices and the U.S. - China trade disputes and related tariffs that may have a destabilizing effect on financial markets. 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, which is important to our financial performance as a major agricultural lender, has been affected by declines in prices and the rates of price growth for various crops and other agricultural commodities. Similarly, weaker 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 agricultural land and equipment that serve as collateral for certain of our loans. Further declines in commodity prices or collateral values may increase the incidence of default by our borrowers. Moreover, weaker prices might threaten farming operations in the United States, reducing market demand for agricultural lending. In particular, farm income has seen recent declines, and in line with the downturn in farm income, farmland prices are coming under pressure. We monitor and review our agriculture portfolio to identify loans potentially affected by declines in agricultural commodity prices and lower collateral values and, where available, seek from the borrower credit enhancements such as additional collateral or government guarantees.

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 certain 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. While economic conditions in our states and the United States have shown signs of improvement, there can be no assurance that this improvement will continue.

Changes in U.S. trade policies and other factors beyond our Company's control, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition and results of operations.

There have been changes and discussions with respect to U.S. trade policies, legislation, treaties and tariffs, including trade policies and tariffs affecting other countries, including China, the European Union, Canada and Mexico and retaliatory tariffs by such countries. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliation tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that our customers import or export, including among others, agricultural products, could cause the prices of our customers' products to increase which could reduce demand for such products, or reduce our customer margins, and adversely impact their revenues, financial results and ability to service debt; which, in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. It remains unclear what the U.S. Administration or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. On October 1, 2018, the United States, Canada and Mexico agreed to a new trade deal to replace the North American Free Trade Agreement. While ratified by Mexico, the trade deal is subject to congressional-approval and ratification by Canada which may or may not be approved by the end of 2019. In the event that the agreement is not fully ratified in 2019, various components may not be effective until 2021. The full impact of this agreement on us, our customers and on the economic conditions in our states is currently unknown. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to negatively impact ours and/or our customers' costs, demand for our customers' products, and/or the U.S. economy or certain sectors thereof and, thus, adversely impact our business, financial condition and results of operations.

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

As of September 30, 2019, our business lending, which consists of our CRE and commercial non-real estate loans, represented approximately $6.81 billion, or 70.0%, of our loan portfolio. Our CRE loans secured by owner-occupied property and commercial non-real estate loans secured by business assets and guarantees from owners, which together form the core of our business banking focus, totaled approximately $3.13 billion, or 32.2%, of our loan portfolio at September 30, 2019, with undisbursed loan commitments for these loans amounting to an additional $847.0 million. We also had approximately $3.68 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 owner-occupied) at September 30, 2019, or 37.8% of our loan portfolio, including hospitality/tourism sector loans of $1.08 billion and construction and development loans of $463.8 million. Because payments on commercial non-real estate 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.

We originate agricultural loans which are dependent for repayment on the successful operation and management of the farm property, the health of the agricultural industry broadly, the location of the borrower in particular, and other factors outside of the borrower's control.

At September 30, 2019, 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 $2.01 billion, representing 20.6% of our total loan portfolio. At September 30, 2019, agricultural operating loans totaled $1.05 billion, or 10.8% of our loan portfolio; and agricultural real estate loans totaled $957.6 million, or 9.8%, of our loan portfolio. The primary livestock of our customers to whom we have extended agricultural loans include dairy cows, hogs and feeder cattle, and the primary crops of our customers to whom we have extended agricultural loans include corn, soybeans and, to a lesser extent, wheat and cotton. In addition, we estimate that 8.1% of our commercial non-real estate loans and owner-occupied CRE loans were agriculture-related loans at September 30, 2019.

Agricultural markets are highly sensitive to real and perceived changes in the supply and demand of agricultural products. As approximately 82% of our agricultural lending (excluding commercial non-real estate 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 commodity prices could reduce the cash flows of our borrowers and the value of agricultural land in our 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. The imposition of tariffs and retaliatory tariffs or other trade restrictions on agriculture products and materials that our customers import or export, could negatively impact our customers, their financial results and ability to service debt, which, in turn, could adversely affect our financial condition and results of operations. In addition, weakness in the agricultural economy could negatively impact our agricultural related commercial non-real estate and CRE 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, such as:

- 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, or that affect crop harvesting;
- 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 general economy, interest rates, currency exchange rates, agricultural land values or other factors that may affect delinquency levels and credit losses on agricultural loans; and

- 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).

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 September 30, 2019, 70.5% of our aggregate loan portfolio, comprising our CRE loans (representing 52.3% of our aggregate loan portfolio), residential real estate loans (representing 8.4% of our aggregate loan portfolio) and agriculture real estate loans (representing 9.8% 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 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 $5.09 billion at September 30, 2019, or 52.3% 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, monitor and service. 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 which, among other things, could affect our earnings and the value of certain of our assets.

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 FOMC. The average yield on our interest-earning assets has increased as the Federal Reserve has started to gradually increase rates after maintaining rates at historically low levels during the financial crisis and its aftermath. As interest rates continue to increase and if our floating rate interest-earning assets do not reprice faster than our interest-bearing liabilities, our net interest income could be adversely affected. If interest rates begin to decline, our net interest income may 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.

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, all else being equal, 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 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. A flattening or inversion of the yield curve or a negative interest rate environment in the United States could create downward pressure on our net interest margin.

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 September 30, 2019, 52.6% of our loans were advanced to our customers on a variable or adjustable-rate basis and another 8.4% 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 and lease 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 September 30, 2019, we had $1.96 billion of noninterest-bearing demand deposits and $8.34 billion of interest-bearing demand 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 inherent in dealing with individual borrowers. 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, our inability to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers may negatively impact the quality of our loan portfolio, result in loan defaults, foreclosures and additional charge-offs and necessitate that we significantly increase our allowance for loan and lease losses. 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 analytical and forecasting models in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, estimating the effects of economic conditions on our loan portfolio, predicting losses, assessing capital adequacy and regulatory capital levels, as well as estimating the value of financial instruments and balance sheet items. Those models reflect certain assumptions about both quantitative and qualitative factors, including among others, interest rates and consumer behavior that may be incorrect. If our analytical and forecasting models' underlying assumptions are incorrect, improperly applied, or otherwise inadequate, we may suffer deleterious effects such as higher than expected loan losses, lower than expected net interest income, lower than expected liquidity, lower than expected capital or unanticipated charge-offs, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our allowance for loan and lease 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 and lease losses, which is a reserve established through a provision for loan and lease 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 an amount necessary to reserve for estimated loan and lease 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; and economic, political and regulatory conditions. The determination of the appropriate level of the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks, all of which may undergo material changes. 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 and lease 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 and lease loss was eliminated because credit quality, among other factors, was considered in the determination of fair value. We make various assumptions and judgments about the collectability of acquired loan portfolios, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of secured loans. To the extent that the estimates we make 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 agreement with the FDIC) associated with the acquired loans.

Although our management has established an allowance for loan and lease 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 and lease 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 and lease losses not incorporated in the existing allowance for loan and lease losses might occur. 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 increased credit-related charges in the future, which may be significant. Losses in excess of the existing allowance for loan and lease 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 and lease losses, principally in our agricultural loan portfolios.

In addition, bank regulatory agencies will periodically review our allowance for loan and lease 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 and lease 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 and lease losses, we may need additional adjustments to increase the allowance for loan and lease losses. These adjustments could have a material adverse effect on our business, financial condition or results of operations.

New accounting standards may require us to increase our allowance for loan and lease losses.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the incurred loss model with an expected loss model, which is referred to as the current expected credit loss model. The CECL model is applicable to the measurement of credit losses on the financial assets measured at amortized cost, including but not limited to loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. In November 2018 and April 2019, the FASB issued ASUs that provided codification improvements and clarification to Topic 326. These ASUs are effective for public business entities for fiscal years after December 15, 2019, including interim periods within those fiscal years. We continue to make progress on the implementation plan and expect to complete the User Acceptance Testing phase of the third party vendor software during FQ1 2020. These ASUs will change the current method of providing allowances for loan losses, which could require us to increase our allowance for loan and lease losses, and will likely increase the types of data we need to collect and review to determine the appropriate level of the allowance for loan and lease losses. We are currently evaluating the potential impact on our consolidated financial statements, however, since the magnitude of the anticipated change in the allowance for credit losses will be impacted by economic conditions and trends in our portfolio at the time of adoption, the quantitative impact cannot yet be reasonably determined.

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 "brokered deposits" through third parties that offer our deposit products to their customers. As of September 30, 2019, we had $9.59 billion in direct deposits (which includes deposits from banks and financial institutions and deposits related to prepaid cards) and $706.5 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 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 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. 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. 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 affecting 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.

Uncertainty relating to LIBOR calculation process and potential phasing out of LIBOR may adversely affect us.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calibration of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, debentures, or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR-based loans and securities in our portfolio and may impact the availability and cost of hedging instruments and borrowings. If LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under our loan agreements with our borrowers, we may incur significant expenses in effecting the transition, and may be subject to disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute indices, which could have a material adverse effect on our 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 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 agri-business 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 "Item 1. Business—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 and financial service providers 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 our competitors following the 2008 recession has led to increased competitive pressures on loan rates and terms. 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, 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 focuses on organic growth, supplemented by acquisitions and requires us to manage several different elements simultaneously. Sustainable growth requires that we manage our risks by balancing loan and deposit growth at acceptable levels of risk, maintaining adequate liquidity and capital, hiring and retaining qualified employees, successfully managing the costs and implementation risks with respect to strategic projects and initiatives, and integrating acquisition targets and managing the costs. 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.

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

Our growth strategy includes consideration of potential acquisition opportunities that we believe support our business strategy and may enhance our profitability. 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 also 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, funding, liquidity, business, management and market risks with respect to the target institution or assets;
- the risk that the acquired business will not perform to our expectations, including a failure to realize anticipated synergies or cost savings;
- difficulties, inefficiencies or cost overruns in integrating and assimilating the organizational cultures, operations, technologies, data, 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 or customers;
- the potential for liabilities and claims arising out of the acquired businesses; and
- litigation relating to an acquisition, particularly in the context of a publicly-held acquisition target, that could require us to incur significant expenses and cause management distraction, as well as delay and/or enjoin the transaction.

In addition, acquisitions of financial institutions involve operational and regulatory risks and other 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), and other issues that could negatively affect our business. 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.

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 and lease 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.

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 BSA compliance records of all institutions involved. Failure to comply with such requirements could also have serious legal and reputational consequences, including causing delay in approval or denial of merger or acquisition transactions, or expansionary activities, when regulatory approval is required, or to prohibit such transactions even if approval is not required.

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. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. 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.

Further reductions in interchange fees will 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 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 debit and credit card transactions, including $16.2 million in fees during the fiscal year ended September 30, 2019. The Durbin Amendment to the Dodd-Frank Act limits the amount of interchange fees that may be charged for debit and prepaid card transactions by us as we have over $10.0 billion in total assets. 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. See "Item 1. Business—Supervision and Regulation—Interchange Fees" for further discussion. 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, including new lines of business, products and services.

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 implement new lines of business, products, product enhancements, or services; 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 continue to increase 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 continue to engage in attacks against large financial institutions. These attacks include denial of service attacks designed to disrupt external customer facing services, and ransomware attacks designed to deny organizations access to key internal resources or systems. 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 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 rely heavily on communications and information systems to conduct our business. Accordingly, we also face risks related to cyber-attacks and other security breaches in connection with our own and third-party systems, processes and data, including 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 conduct security reviews 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, our industry continues to experience 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, which could also have a material adverse effect on our business, financial condition or results of operations.

Our information systems may experience an interruption.

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; power or telecommunications failures; acts of terrorism or wars or other catastrophic events; or other physical break-ins. Any failures or disruptions in our communications, information and technology systems, or our failure to adequately address them, could negatively affect our customer relationship management, general ledger, deposit, loan or other systems. If we experience a disruption in the provision of any functions or services performed by third parties, we may have difficulty in finding alternative providers on terms favorable to us and in reasonable timeframes. The occurrence of any failures or interruptions of our communications, information and technology 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.

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 customers and our ability to attract potential customers. 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, employee, 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. In addition, our reputation or prospects could be significantly damaged by adverse publicity or negative information regarding our Company, whether or not true, that may be posted on social media, non-mainstream news services or other parts of the internet, and this risk can be magnified by the speed and pervasiveness with which information is disseminated through those channels.

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 fraudulent, illegal, wrongful or suspicious activities, and/or activities resulting in consumer harm that adversely affects our customers and/or our business. The precautions we take to detect and prevent such misconduct may not always be effective and regulatory sanctions and/or penalties, serious harm to our reputation, financial condition, customer relationships and ability to attract new customers. In addition, improper use or disclosure of confidential information by our employees, even if inadvertent, could result in serious harm to our reputation, financial condition and current and future business relationships. The precautions we take to detect and prevent such misconduct may not always be effective.

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.

We may need to raise additional capital, in the form of additional debt or equity, in the future to have sufficient capital resources and liquidity to meet our commitments and fund our business needs and future growth, particularly if the quality of our assets or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. Economic conditions and a loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve System.

We may not be able to obtain capital on acceptable terms—or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of our Bank or counterparties participating in the capital markets or other disruption in capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition or results of operations.

The value of securities in our investment portfolio may decline in the future.

As of September 30, 2019, we owned $1.78 billion of investment securities. The fair value of our investment securities may be adversely affected by market conditions, including changes in interest rates, and the occurrence of any events adversely affecting the issuer of particular securities in our investments portfolio. We analyze our securities on a quarterly basis to determine if an other-than-temporary impairment has occurred. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could have a material adverse effect on our business, financial condition or results of operations.

The value of our goodwill and other intangible assets may decline in the future.

As of September 30, 2019, we had $747.5 million of goodwill, other intangible assets and loan servicing rights. Goodwill represents the cost in excess of the fair value of net assets acquired (including identifiable intangibles) in transactions accounted for as business acquisitions. We review our goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset might be impaired. We determine impairment by comparing the implied fair value of the goodwill with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. A significant decline in our expected future cash flows, a material change in interest rates, a significant adverse change in the business climate, slower growth rates or a significant or sustained decline in the price of our common stock may necessitate taking charges in the future related to the impairment of our goodwill and other intangible assets. We cannot provide assurance that we will not be required to record any charges for goodwill impairment in the future. If we conclude that such a write-down of goodwill and other intangible assets has become necessary, we will record the appropriate charge in the period in which it becomes known to us, which could have a material adverse effect on our business, financial condition or results of operations.

We rely on the mortgage secondary market for some of our liquidity.

We originate and sell a majority of our residential mortgage loans and their servicing rights, including $288.1 million of residential mortgage loans sold during fiscal year 2019. This does not include the loan servicing portfolio acquired from HF Financial, approximately $525.0 million, and portfolio loans consisting of ARMs and other non-conforming loans of approximately $812.2 million, each at September 30, 2019. We rely on FNMA and other purchasers to purchase loans in order to reduce our credit risk and provide funding for additional loans we desire to originate. We cannot provide assurance that these purchasers will not materially limit their purchases from us due to capital constraints or other factors, including, with respect to FNMA, a change in the criteria for conforming loans. In addition, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of FNMA. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to FNMA. In addition, residential mortgage lending is highly regulated, and our inability to comply with all federal and state regulations and investor guidelines regarding the origination, underwriting documentation and servicing of residential mortgage loans may also impact our ability to continue selling residential mortgage loans. If we are unable to continue to sell loans in the secondary market, our ability to fund, and thus originate, additional residential mortgage loans may be adversely affected, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to a variety of risks in connection with any sale of loans we may conduct.

When we sell mortgage loans, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase or provide substitute mortgage loans for part or all of the affected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If the level of repurchase and indemnity activity becomes material, it could have a material adverse effect on our liquidity, business, financial condition or results of operations.

We may also, from time to time, engage in selling or participating all or part of certain commercial, agricultural or other types of loans. Such sales entail similar risks to those described above.

In addition, we must report as held for sale any loans which we have undertaken to sell, whether or not a purchase agreement for the loans has been executed. We may therefore be unable to ultimately complete a sale for part or all of the loans we classify as held for sale. Any failure to accurately report loans as held for sale could result in regulatory investigations and monetary penalties which could have a material adverse effect on our business, financial condition or results of operations. In addition, our policy is to carry loans held for sale at the lower of cost or fair value. As a result, the value of loans classified as held for sale may be adversely affected by market conditions, including changes in interest rates and/or the borrower's creditworthiness prior to being sold, which could have a material adverse effect on our business, financial condition or results of operations.

The value of our loan servicing rights could be adversely affected by changes in interest rates.

As a residential mortgage servicer in the U.S., we have a portfolio of loan servicing rights. A loan servicing right is the right to service a mortgage loan - collect principal, interest and escrow amounts - for a fee. Loan servicing rights are subject to interest rate risk in that their fair value will fluctuate as a result of changes in the interest rate environment. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our loan servicing rights can decrease. Any decrease in the fair value of our loan servicing rights will reduce earnings in the period in which the decrease occurs, which can result in earnings volatility.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our other repossessed property and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our other repossessed property, and our allowance for loan and lease losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations.

Our operations could be interrupted if certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with banking laws and regulations.

We depend to a significant extent on relationships with third party service providers. Specifically, we utilize third party core banking services and receive credit card and debit card services, branch capture services, Internet banking services and services complementary to our banking products from various third party service providers. These types of third party relationships are subject to increasingly demanding regulatory requirements and attention by our federal bank regulators. Recent regulation requires us to enhance our due diligence, ongoing monitoring and control over our third party vendors and other ongoing third party business relationships. In certain cases, we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships, which could result in enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on our business, financial condition or results of operations. In addition, if these third party service providers experience difficulties or terminate their services and we are unable to replace them with other service providers, our operations could be interrupted. It may be difficult for us to replace some of our third party vendors, particularly vendors providing our core banking, credit card and debit card services, in a timely manner if they were unwilling or unable to provide us with these services in the future for any reason. If an interruption were to continue for a significant period of time, it could have a material adverse effect on our business, financial condition or results of operations. Even if we are able to replace them, it may be at higher cost to us, which could have a material adverse effect on our business, financial condition or results of operations. In addition, if a third party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber-attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business, financial condition or results of operations.

We rely on dividends and other payments from our Bank for substantially all of our revenue.

We are a separate and distinct legal entity from our Bank, and we receive substantially all of our operating cash flows from dividends and other payments from our Bank. These dividends and payments are the principal source of funds to pay dividends on our common stock and interest and principal on any debt we may have. Various federal and state laws and regulations limit the amount of dividends that our Bank may pay to us. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event our Bank is unable to pay dividends to us, we may not be able to service debt, pay obligations, or pay dividends on our common stock. The inability to receive dividends from our Bank could have a material adverse effect on our business, financial condition or results of operations.

Loans that we make through certain federal programs are dependent on the federal government's continuation and support of these programs and on our compliance with their requirements.

We participate in various U.S. government agency guarantee programs, including programs operated by the United States Department of Agriculture, Small Business Administration, Farm Service Administration and the United States Department of the Interior. We are responsible for following all applicable U.S. government agency regulations, guidelines and policies whenever we originate loans as part of these guarantee programs. If we fail to follow any applicable regulations, guidelines or policies associated with a particular guarantee program, any loans we originate as part of that program may lose the associated guarantee, exposing us to credit risk we would not otherwise be exposed to or underwritten as part of our origination process for U.S. government agency guaranteed loans, or result in our inability to continue originating loans under such programs. The loss of any guarantees for loans we have extended under U.S. government agency guarantee programs or the loss of our ability to participate in such programs could have a material adverse effect on our business, financial condition or results of operations.

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers or counterparties or of other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate, fraudulent or misleading financial statements, credit reports or other financial information could result in loan and lease losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations.

Downgrades to the credit rating of the U.S. government or of its securities or any of its agencies by one or more of the credit ratings agencies could have a material adverse effect on general economic conditions, as well as our business.

On August 5, 2011, Standard & Poor's cut the credit rating of the U.S. federal government's long-term sovereign debt from AAA to AA+, while also keeping its outlook negative. Moody's had lowered its own outlook for the same debt to "Negative" on August 2, 2011, and Fitch also lowered its outlook for the same debt to "Negative Watch" on October 15, 2013. As of the date of this filing, all three rating agencies show a "Stable" outlook. Further downgrades of the U.S. federal government's sovereign credit rating, and the perceived creditworthiness of U.S. government-backed obligations, could impact our ability to obtain funding that is collateralized by affected instruments and our ability to access capital markets on favorable terms. Such downgrades could also affect the pricing of funding, when funding is available. A downgrade of the credit rating of the U.S. government, or of its agencies, government-sponsored enterprises or related institutions, agencies or instrumentalities, may also adversely affect the market value of such instruments and, further, exacerbate the other risks to which we are subject and any related adverse effects on our business, financial condition or results of operations.

Our internal controls, processes and procedures may fail or be circumvented.

Our internal controls, disclosure controls, processes and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable (not absolute) assurances that the objectives of the system are met. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have a material adverse effect on our business, financial condition or results of operations.

Our accounting estimates and risk management processes rely on analytical and forecasting techniques.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with U.S. GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include, but are not limited to, the allowance for loan and lease losses, valuation of assets acquired and liabilities assumed in business combinations, goodwill impairment, core deposits and other intangibles, derivatives and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for loan and lease losses or sustain loan and lease losses that are significantly higher than the reserve provided; recognize significant impairment on goodwill and other intangible asset balances; reduce the carrying value of an asset measured at fair value; or significantly increase our accrued tax liability. Any of these could have a material adverse effect on our business, financial condition or results of operations. For a discussion of our critical accounting policies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and the Impact of Accounting Estimates."

We rely extensively on models in managing many aspects of our business, and these models may be inaccurate or misinterpreted.

We rely extensively on models in managing many aspects of our business, including liquidity and capital planning, customer selection, credit and other risk management, pricing, reserving and collections management. The models may prove in practice to be less predictive than we expect for a variety of reasons, including errors in constructing, interpreting or using the models or inaccurate assumptions (*e.g.*, failures to update assumptions appropriately or in a timely manner). The errors or inaccuracies in our models may be material, and could lead us to make wrong or sub-optimal decisions in managing our business, and this could have a material adverse effect on our business, financial condition or results of operations. See "—Our business depends on our ability to successfully manage credit risk" for more information on models utilized in credit activities.

We may have exposure to tax liabilities that are larger than we anticipate.

The tax laws applicable to our business activities, including the laws of the United States, South Dakota and other jurisdictions, are subject to interpretation and may change over time. From time to time, legislative initiatives, such as corporate tax rate changes, which may impact our effective tax rate and could adversely affect our deferred tax assets or our tax positions or liabilities, may be enacted. The taxing authorities in the jurisdictions in which we operate may challenge our tax positions, which could increase our effective tax rate and harm our financial position and results of operations. In addition, our future income taxes could be adversely affected by earnings being higher than anticipated in jurisdictions that have higher statutory tax rates or by changes in tax laws, regulations or accounting principles. We are subject to audit and review by U.S. federal and state tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our provision for income taxes and other liabilities requires significant judgment by management. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and could have a material adverse effect on our financial results in the period or periods for which such determination is made.

We may be adversely affected by recent changes in tax laws.

The Tax Reform Act, which was enacted in December 2017, is likely to have both positive and negative effects on our financial performance. Beginning in 2018, the Tax Reform Act reduces the federal tax rate for corporations from 35% to 21% and changes or limits certain tax deductions. Because of our September 30 fiscal year end, a blended statutory rate of 24.5% was applied to all net income before taxes for fiscal year 2018 and a fully phased in statutory federal tax rate of 21% was applied to all net income before taxes beginning in fiscal year 2019, which has and will have a favorable impact on our earnings and capital generation abilities. However, the new legislation also enacted limitations on certain deductions that will have an impact on the banking industry, borrowers and the market for single-family residential real estate. These limitations include (1) a lower limit on the deductibility of mortgage interest on single-family residential mortgage loans, (2) the elimination of interest deductions for certain home equity loans, (3) a limitation on the deductibility of business interest expense, and (4) a limitation on the deductibility of property taxes and state and local income taxes. Given the current economic and political environment and ongoing budgetary pressures, the enactment of further new federal or state tax legislation may occur. The enactment of such legislation, or changes in the interpretation of existing law, including provisions impacting tax rates, apportionment, consolidation or combination, income, expenses, credits and exemptions may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to a higher effective tax rate if our bank's subsidiary fails to qualify as a real estate investment trust.

A subsidiary of our Bank operates as a REIT for tax purposes. The subsidiary was established to acquire, hold and manage mortgage assets and other authorized investments to generate net income for distribution to its shareholders. For an entity to qualify as a REIT, it must meet certain organizational tests and it must satisfy the following six asset tests under the Internal Revenue Code each quarter: (1) at least 75% of the value of the REIT's total assets must consist of real estate assets, cash and cash items, and government securities; (2) not more than 25% of the value of the REIT's total assets may consist of securities, other than those includible under the 75% test; (3) not more than 5% of the value of its total assets may consist of securities of any one issuer, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (4) not more than 10% of the outstanding voting power of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (5) not more than 10% of the total value of the outstanding securities of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; and (6) a REIT cannot own securities in one or more taxable REIT subsidiaries which comprise more than 25% of the value of its total assets. In addition, a REIT must satisfy the following two gross income tests each year: (1) at least 75% of its gross income must be from qualifying income closely connected with real estate activities; and (2) 95% of its gross income must be derived from sources qualifying for the 75% test and dividends, interest, and gains from the sale of securities. In addition, a REIT must distribute at least 90% of its taxable income for the taxable year, excluding any net capital gains, to maintain its non-taxable status for federal income tax purposes. If the subsidiary fails to meet any of the required provisions and, therefore, does not qualify to be a REIT, our effective tax rate would increase.

We may not be able to report our 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.

As a publicly traded company, we are required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. Maintaining effective disclosure controls and procedures is necessary to identify information we must disclose in our periodic reports and maintaining effective internal control over financial reporting is necessary to produce reliable financial statements and to prevent fraud. If we fail to maintain effective disclosure controls and procedures or effective internal control over financial reporting, we may experience difficulty in satisfying our SEC reporting obligations. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and cause investors and potential investors to lose confidence in us and reduce the market price of our common stock, and could result in a suspension or delisting of our common stock from the NYSE.

We must also comply with Section 404 of the Sarbanes-Oxley Act, which requires that we perform an annual evaluation of the effectiveness of our internal control over financial reporting. During the course of our evaluation and testing, we may identify deficiencies, including a material weakness, which would have to be remediated to satisfy SEC rules for attesting to the effectiveness of our internal control over financial reporting. A material weakness is defined by the standards issued by the Public Company Accounting Oversight Board as a deficiency, or combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If a material weakness is determined to exist, we have to disclose this deficiency in periodic reports we file with the SEC. The existence of a material weakness would preclude management from concluding that our internal control over financial reporting is effective and would also preclude our independent auditors from attesting to the effectiveness of our internal control over financial reporting. In addition, disclosures of this type in our SEC reports could cause investors to lose confidence in our financial reporting and may negatively affect the market price of our common stock.

In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act, our management evaluated the effectiveness of our internal control over financial reporting as of September 30, 2019, and concluded that we maintained an effective system of internal control over financial reporting as of that date. Our management's report on this subject is found in Item 9 of this Annual Report on Form 10-K.

More generally, if we are unable to meet the demands that have been placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results in future periods, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with the Sarbanes-Oxley Act could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Under such circumstances, we may be unable to implement the necessary internal controls in a timely manner, or at all, and future material weaknesses may exist or may be discovered. If we fail to implement the necessary improvements, or if material weaknesses or other deficiencies occur, our ability to accurately and timely report our financial position could be impaired, which could result in late filings of our annual and quarterly reports under the Exchange Act, restatements of our consolidated financial statements, a decline in our stock price, suspension or delisting of our common stock from the NYSE and could have a material adverse effect on our business, results of operations or financial condition. Even if we are able to report our financial statements accurately and in a timely manner, any failure in our efforts to implement the improvements or disclosure of material weaknesses in our future filings with the SEC could cause our reputation to be harmed and our stock price to decline significantly.

We are subject to environmental liability risk associated with our Bank branches and any real estate collateral we acquire upon foreclosure.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. The costs associated with investigation and remediation activities could be substantial. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage, including damages and costs resulting from environmental contamination emanating from the property. We also have an extensive branch network, owning separate branch locations throughout the areas we serve that may be subject to similar environmental liability risks. Environmental laws may require us to incur substantial expenses and could materially reduce the affected property's value or limit our ability to use or sell the affected property. Although we have policies and procedures to perform an environmental review before initiating foreclosure, these actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition or results of operations.

We may be alleged to have infringed upon intellectual property rights owned by others, or may be unable to protect our intellectual property.

Competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. We also may face allegations that our employees have misappropriated intellectual property of their former employers or other third parties. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts to defend the claim (even if we ultimately prevail); to pay significant money damages; to lose significant revenues; to be prohibited from using the relevant systems, processes, technologies or other intellectual property; to cease offering certain products or services or to incur significant license, royalty or technology development expenses. Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse, or be unable, to uphold its contractual obligations.

Moreover, we rely on a variety of measures to protect our intellectual property and proprietary information, including copyrights, trademarks and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage, and in any event, we may be required to litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful. Third parties may challenge, invalidate or circumvent our intellectual property, or our intellectual property may not be sufficient to provide us with competitive advantages. In addition, the usage of branding that could be confused with ours could create negative perceptions and risks to our brand and reputation. Our competitors or other third parties may independently design around or develop technology similar to ours or otherwise duplicate our services or products such that we could not assert our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure.

We may be subject to claims and litigation pertaining to our fiduciary responsibilities.

Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. From time to time, third parties make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a material adverse effect on our business, financial condition or results of operations.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial condition or results of operations.

From time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we have previously used in preparing our financial statements, which could negatively impact how we record and report our results of operations and financial condition generally. For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and the Impact of Accounting Estimates."

Risks Related to the Regulatory Oversight of Our Business

The banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our business, financial condition or results of operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the protection of our stockholders and creditors. We are subject to regulation and supervision by the Federal Reserve, and our Bank is subject to regulation and supervision by the FDIC, the SD Division of Banking and the CFPB. The laws and regulations applicable to us govern a variety of matters, including permissible types, amounts and terms of loans and investments we may make, the maximum interest rate that may be charged, the amount of reserves our Bank must hold against deposits it takes, the types of deposits our Bank may accept and the rates it may pay on such deposits, maintenance of adequate capital and liquidity, changes in the control of us and our Bank, restrictions on dividends and establishment of new offices by our Bank. We must obtain approval from our regulators before engaging in certain activities, and there can be no assurance that any regulatory approvals we may require will be obtained, either in a timely manner or at all. Our regulators also have the ability to compel us to, or restrict us from, taking certain actions entirely, such as actions that our regulators deem to constitute an unsafe or unsound banking practice. Our failure to comply with any applicable laws or regulations, or regulatory policies and interpretations of such laws and regulations, could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could have a material adverse effect on our business, financial condition or results of operations.

Since the recent financial crisis, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd-Frank Act drastically revised the laws and regulations under which we operate. Financial institutions generally have also been subjected to increased scrutiny from regulatory authorities. These changes and increased scrutiny may result in increased costs of doing business, decreased revenues and net income, may reduce our ability to effectively compete to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal and state law and regulations, as well as the interpretations and implementations of such laws and regulations, could affect us in substantial and unpredictable ways, including those listed above, impact the regulatory structure under which we operate, significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, limit our ability to pursue business opportunities in an efficient manner, or other ways that could have a material adverse effect on our business, financial condition or results of operations.

We currently utilize incentive-based payment arrangements with our employees as compensation practices. Potential regulatory changes to this practice could have an impact on our current practices and impact our results of operations.

We are subject to the compensation-related provisions of the Dodd-Frank Act, which prohibit incentive-based payment arrangements that encourage inappropriate risk taking. Deficiencies identified could be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies. The scope and content of the U.S. banking regulators' policies on incentive compensation are continuing to develop and are likely to continue evolving in the future.

We are subject to heightened regulatory requirements as our total assets exceed $10 billion.

With the acquisition of HF Financial on May 16, 2016, our Bank’s total assets exceeded $10 billion during the quarter ended June 30, 2016. The Dodd-Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with portions of the Federal Reserve’s enhanced prudential oversight requirements and a more frequent and enhanced regulatory examination regime. In addition, banks, including ours, with $10 billion or more in total assets are primarily examined by the CFPB with respect to various federal consumer financial protection laws and regulations, with the FDIC maintaining supervision over some consumer related regulations. Previously, the FDIC has been primarily responsible for examining our Bank’s compliance with consumer protection laws. As a relatively new agency with evolving regulations and practices, there is some uncertainty as to how the CFPB’s examination and regulatory authority might impact our business.

Compliance with these requirements may necessitate that we hire additional compliance or other personnel, design and implement additional internal controls, or incur other significant expenses, any of which could have a material adverse effect on our business, financial condition or results of operations.

We are required to act as a source of financial and managerial strength for our Bank in times of stress.

Under federal law and longstanding Federal Reserve policy, we are expected to act as a source of financial and managerial strength to our Bank, and to commit resources to support our Bank if necessary. We may be required to commit additional resources to our Bank at times when we may not be in a financial position to provide such resources or when it may not be in our, or our stockholders' or creditors', best interests to do so. Providing such support is more likely during times of financial stress for us and our Bank, which may make any capital we are required to raise to provide such support more expensive than it might otherwise be. In addition, any capital loans we make to our Bank are subordinate in right of payment to depositors and to certain other indebtedness of our Bank. In the event of our bankruptcy, any commitment by us to a federal banking regulator to maintain the capital of our Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

We may be subject to more stringent capital requirements in the future.

We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these regulatory capital adequacy guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities.

In particular, the capital requirements applicable to us under the recently adopted Capital Rules implementing the Basel III capital framework in the United States started to be phased-in on January 1, 2015. We are now required to satisfy additional, more stringent, capital adequacy standards than we had in the past. While we expect to meet the requirements of the new Basel III-based Capital Rules, we may fail to do so. Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our financial condition and results of operations. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends or share repurchases. Higher capital levels could also lower our return on equity.

On December 21, 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to require the use of CECL in stress tests beginning with the 2020 capital planning and stress testing cycle for certain banking organizations. For additional discussion on stress testing and regulatory capital requirements, see "Part I, Item 1. Business—Regulatory Capital Requirements, Basel III and the Capital Rules".

Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the financial crisis commencing in 2008 and its aftermath, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including foreclosure practices, compliance with applicable consumer protection laws, classification of held for sale assets and compliance with anti-money laundering statutes, the BSA and sanctions imposed by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

In the normal course of business, we are periodically involved in claims and related litigation from our customers, employees or other parties. These claims and legal actions, whether meritorious or not, as well as reviews, investigations and proceedings by governmental and self-regulatory agencies could involve large monetary claims and significant legal expense. In addition, such actions may negatively impact our reputation in the marketplace and lessen customer demand. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could materially and adversely affect our business, financial condition or results of operations.

Increases in FDIC insurance premiums may adversely affect our earnings.

Our Bank's deposits are insured by the FDIC up to legal limits and, accordingly, our Bank is subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums our Bank will be required to pay for FDIC insurance. As our Bank has exceeded $10 billion in assets, the method for calculating its FDIC assessments has changed and our Bank's FDIC assessments have increased as a result. See "Item 1. Business—Supervision and Regulation—Deposit Insurance." If there is an increase in financial institution failures, or a decrease in the performance of our Bank, our Bank may be required to pay higher FDIC insurance premiums, or the FDIC may charge additional special assessments. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

We are subject to the CRA, fair lending and other laws and regulations, and our failure to comply with these laws and regulations could lead to material penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose non-discriminatory lending and other requirements on financial institutions. The U.S. Department of Justice and other federal agencies, including the FDIC and CFPB, are responsible for enforcing these laws and regulations. A successful challenge to an institution's performance under the CRA, fair lending and other compliance laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. The costs of defending, and any adverse outcome from, any such challenge could damage our reputation or could have a material adverse effect on our business, financial condition or results of operations. Our Bank received an overall rating of "satisfactory" in its most recently completed CRA examination.

Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorney's fees. Federal bank regulators, state attorney generals and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights and civil money penalties in the jurisdictions in which we operate. Failure to comply with consumer protection requirements may also result in delays or restrictions on mergers and acquisitions and expansionary activities we may wish to pursue.

Failure to comply with the USA PATRIOT ACT, OFAC, the BSA and related FinCEN and FFIEC Guidelines and regulations could result in material implications.

Regulatory authorities routinely examine financial institutions for compliance with the USA PATRIOT ACT, OFAC, the BSA and related FinCEN and FFIEC Guidelines. Failure to maintain and implement adequate programs as required by these obligations to combat terrorist financing, elder abuse, human trafficking, anti-money laundering and other suspicious activity and to fully comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences for us, causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and significant civil money penalties against institutions found to be violating these regulations.

Providing treasury management services to money services businesses and/or their agents, and money transmitters exposes us to enhanced risks from non-compliance with a variety of laws and regulations.

We provide treasury management services to certain money transmitters and money services businesses. Financial institutions that open and maintain accounts for money services businesses are expected to apply the requirements of the USA PATRIOT Act and the BSA, as they do with all account holders, on a risk-assessed basis, as well as other FinCEN rules and applicable state laws. As with any category of account holder, there will be money services businesses that pose lower risk of money laundering or lack of compliance with other laws and regulations and those that pose a significant risk. Providing treasury management services to money services businesses represents a higher compliance and regulatory risk, and failure to comply with all statutory and regulatory requirements could result in fines or sanctions.

Failure to comply with mortgage loan servicing standards, guidelines, laws and regulations may result in substantial penalties, additional costs or losses.

As a residential mortgage servicer in the U.S., we have a portfolio of loan servicing rights. A loan servicing right is the right to service a mortgage loan - collect principal, interest and escrow amounts - for a fee. The housing GSE, such as FNMA, the FHLMC and the FHLB, that own the mortgages that we service in our loan servicing rights portfolio have mortgage servicing standards. HUD and state housing finance agencies govern and establish guidelines for the servicing of GSE mortgages. The failure to comply with these standards and guidelines, as well as other applicable federal and state laws and regulations, could result in penalties assessed by HUD, the GSEs and/or our other regulators, or we could be forced to sell all or part of our loan servicing rights portfolio. In addition, we are subject to certain legal and contractual requirements for how we hold, transfer, use or enforce promissory notes, security instruments and other documents for residential mortgage loans that we service. Further, we currently use MERS for our servicing efforts. If documentation requirements were not met, or if the use of MERS or the MERS system is found not valid or effective, we could be obligated to, or choose to, take remedial actions and may be subject to additional costs or losses.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share non-public personal information about our customers with non-affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to "opt out" of any information sharing by us with non-affiliated third parties (with certain exceptions) and (iii) requires we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Our Common Stock

Our stock price may be volatile, and our stockholders could lose part or all of their investment as a result.

Stock price volatility may make it more difficult for our stockholders to resell their common stock when they want and at prices they find attractive. Our stock price may fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in our quarterly results of operations;
- recommendations or research reports about us or the financial services industry in general published by securities analysts;
- the failure of securities analysts to cover, or continue to cover, us;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding us, or our reputation, competitors or other financial institutions;
- future sales of our common stock;
- departure of our management team or other key personnel;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- existing or increased regulatory and compliance requirements, changes or proposed changes in laws or regulations, or differing interpretations thereof affecting our business, or enforcement of these laws and regulations;
- litigation and governmental investigations; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

If any of the foregoing occurs, it could cause our stock price to fall and may expose us to litigation that, even if our defense is successful, could distract our management and be costly to defend. General market fluctuations, industry factors and general economic and political conditions and events—such as economic slowdowns or recessions, interest rate changes or credit loss trends—could also cause our stock price to decrease regardless of operating results.

We may not pay dividends on our common stock in the future.

Holders of our common stock are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. However, our Board of Directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, we are a bank holding company, and our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. In addition, our ability to pay dividends depends primarily on our receipt of dividends from our Bank, the payment of which is subject to numerous limitations under federal and state banking laws, regulations and policies. See "Item 1. Business—Supervision and Regulation—Dividends." As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock.

Future issues or sales of our capital stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute the ownership interests of our stockholders.

The market price of our common stock could decline as a result of the issues or sales of a large number of shares of our capital stock or from the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

We have filed a registration statement with the SEC registering 1,497,222 shares of our common stock for issuance pursuant to awards granted under our equity incentive plans. We have granted awards covering 897,506 shares of our common stock under these plans as of September 30, 2019. We may increase the number of shares registered for this purpose from time to time. Once we issue these shares, their holders will be able to sell them in the public market.

We have also filed a shelf registration statement with the SEC registering an indeterminate amount of our common stock, preferred stock, depositary shares, debt securities, subscription rights, warrants and units which we may decide to issue in the future. To the extent that we choose to issue our common stock or our preferred stock, or rights relating to our common stock or preferred stock (through the issuance of depositary shares, subscription rights, warrants or units), such issuances will increase the number of our shares of capital stock outstanding, or that may become outstanding in the future through the exercise of such rights, and the holders of these shares will be able to sell them in the public market. The specific terms of any shares of capital stock or rights related thereto to be issued under our shelf registration statement will be determined by us prior to issuance based on current market conditions and will be described in a supplement to the prospectus contained in such registration statement.

We cannot predict the size of future issuances or sales of our capital stock or rights related thereto or the effect, if any, that future issuances or sales of shares of our capital stock or such rights may have on the market price of our common stock. Sales or distributions of substantial amounts of our capital stock (including shares issued in connection with an acquisition) or rights related thereto, or the perception that such sales could occur, may cause the market price of our common stock to decline.

In addition, future issuances of our capital stock or rights related thereto, whether under our equity incentive plans or our shelf registration statement, to fund acquisitions or to raise capital, will also have the effect of diluting the ownership interests of our current stockholders, meaning, among other things, that their voting power and share of our earnings will be reduced on a proportional basis.

Certain banking laws and certain provisions of our certificate of incorporation may have an anti-takeover effect.

Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our stockholders. Acquisition of 10% or more of any class of voting stock of a bank holding company or depository institution, including shares of our common stock, generally creates a rebuttable presumption that the acquirer "controls" the bank holding company or depository institution and the acquisition of such control would be subject to federal regulatory approval. In addition, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including our Bank.

There also are provisions in our amended and restated certificate of incorporation and amended and restated bylaws, such as limitations on the ability to call a special meeting of our stockholders, and the classification of our Board of Directors into three separate classes each serving for three-year terms, that may be used to delay or block a takeover attempt. In addition, our Board of Directors is authorized under our amended and restated certificate of incorporation to issue shares of preferred stock, and determine the rights, terms, conditions and privileges of such preferred stock, without stockholder approval. These provisions may effectively inhibit a non-negotiated merger or other business combination, which, in turn, could have a material adverse effect on the market price of our common stock.

We have also elected in our amended and restated certificate of incorporation to be governed by Section 203 of the Delaware General Corporation Law which generally prohibits a person qualifying as an "interested stockholder" from entering into a transaction for a business combination with us unless, subject to certain exceptions, such transaction is first approved by our Board of Directors. An "interested stockholder" is generally defined as any person who owns 15% or more of our outstanding voting stock. The purpose of this election is to provide our Board of Directors with leverage in negotiating with an interested stockholder desiring to pursue a business combination with us by making it more difficult for such stockholder to complete such transaction in the absence of board approval. This election may discourage certain take-over attempts which our stockholders may otherwise deem to be in their best interests and this, in turn, could have an adverse effect on the market price of our common stock.

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 actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located at 225 S. Main Ave, Sioux Falls, South Dakota 57104, and in Sioux Falls we have two leased facilities for our data center and operations center. In addition to our corporate headquarters, we operate from 175 branch offices located in 130 communities in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota. We lease 47 of our branch offices, all on market terms, and we own the remainder of our offices, including our corporate headquarters. All of our banking offices are in free-standing, permanent facilities. We generally believe our existing and contracted-for facilities are adequate to meet our requirements.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to various litigation and regulatory matters incidental to the conduct of our business. We establish reserves for such matters when potential losses become probable and can be reasonably estimated. We believe the ultimate resolution of existing litigation and regulatory matters will not have a material adverse effect on our financial condition, results of operations or cash flows. However, changes in circumstances or additional information could result in additional accruals or resolution of these matters in excess of established accruals, which could adversely affect our financial condition, results of operations or cash flows, potentially materially.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol "GWB." As of November 12, 2019, we had 14,022 holders of record. Information regarding the trading price and dividends paid on our common stock for each quarterly period within the two most recent fiscal years is set forth in the table below.

	High	Low	Dividends Paid
Fiscal Year 2019:			
First Quarter	$ 42.86	$ 29.52	$ 0.25
Second Quarter	38.78	30.48	0.25
Third Quarter	36.21	30.74	0.30
Fourth Quarter	36.44	28.06	0.30
Fiscal Year 2018:			
First Quarter	$ 43.36	$ 37.65	$ 0.20
Second Quarter	45.00	38.82	0.20
Third Quarter	46.03	38.26	0.25
Fourth Quarter	44.60	40.52	0.25

Dividends

We intend to pay quarterly cash dividends on our common stock, subject to approval by our Board of Directors. Although we expect to pay dividends according to our dividend policy, we may elect not to pay dividends. Any declarations of dividends, and the amount and timing thereof, will be at the discretion of our Board of Directors. In determining the amount of any future dividends, our Board of Directors will take into account: (i) our financial results; (ii) our available cash, as well as anticipated cash requirements (including debt servicing); (iii) our capital requirements and the capital requirements of our subsidiaries (including our Bank); (iv) contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our stockholders or by our Bank to us; (v) general economic and business conditions; and (vi) any other factors that our Board of Directors may deem relevant. 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 "Item 1A. Risk Factors—Risks Related to Our Common Stock—We may not pay dividends on our common stock in the future."

Our ability to declare and pay dividends on our stock is also subject to numerous limitations applicable to bank holding companies under federal and state banking laws, regulations and policies. Federal bank regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, under the General Corporation Law of the State of Delaware, we may only pay dividends from legally available surplus or, if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and the preceding fiscal year. Surplus is generally defined as the excess of the fair value of our total assets over the sum of the fair value of our total liabilities plus the aggregate par value of our issued and outstanding capital stock.

Because we are a holding company and do not engage directly in other business activities of a material nature, our ability to pay dividends on our stock depends primarily upon our receipt of dividends from our Bank, the payment of which is subject to numerous limitations under federal and state banking laws, regulations and policies. In general, dividends by our Bank may only be declared from its net profits and may be declared no more than once per calendar quarter. The approval of the South Dakota Director of Banking is required if our Bank seeks to pay aggregate dividends during any calendar year that would exceed the sum of its net profits from the year to date and retained net profits from the preceding two years, minus any required transfers to surplus. Moreover, under the FDIA an insured depository institution may not pay any dividends if the institution is undercapitalized or if the payment of the dividend would cause the institution to become undercapitalized. In addition, the federal bank regulatory agencies have issued policy statements providing that FDIC-insured depository institutions and their holding companies should generally pay dividends only out of their current operating earnings. See "Item 1. Business—Supervision and Regulation—Dividends" for more information on federal and state banking laws, regulations and policies limiting our and our Bank’s ability to declare and pay dividends. The current and future dividend policy of our Bank is also subject to the discretion of its Board of Directors. Our Bank is not obligated to pay dividends to us. For additional information, see "Item 1A. Risk Factors—Risks Related to Our Business—We rely on dividends and other payments from our Bank for substantially all of our revenue" and "Item 1A. Risk Factors—Risks Related to Our Common Stock—We may not pay dividends on our common stock in the future."

None of the indentures governing our outstanding junior subordinated debentures or lines of credit contain covenants limiting our ability or the ability of our subsidiaries to pay dividends, absent a default under the terms of the indenture, or under our guarantee of the trust preferred securities issued by our affiliate that owns the applicable debentures, or a deferral of the payment of interest on such debentures in accordance with the terms of the applicable indenture.

Under our amended and restated certificate of incorporation, holders of our common stock and non-voting common stock will be equally entitled to receive ratably such dividends as may be declared from time to time by our Board of Directors out of legally available funds. No shares of our non-voting common stock are currently outstanding.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of September 30, 2019 about our common stock that may be issued under our equity compensation plans, which consist of the Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan and the Great Western Bancorp, Inc. 2014 Non-Employee Director Plan. On February 22, 2018, our stockholders approved an amendment to each of our equity compensation plans increasing the number of authorized shares available for future grants.

	Number of securities to be issued upon exercise of outstanding restricted and performance based stock compensation (a)	Weighted average exercise price of outstanding restricted and performance based stock compensation (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders [1]	323,506	$ 36.86	599,716
Equity compensation plans not approved by security holders	—	—	—
Total	323,506	$ 36.86	599,716

[1] Each of our equity compensation plans were approved by the our Board of Directors on October 8, 2014 and subsequently approved by National Americas Holdings LLC, our sole stockholder at that time, on October 10, 2014.

Purchases of Equity Securities

On September 1, 2019, our Board of Directors approved an amendment to our stock repurchase program originally approved on October 26, 2016, wherein we were authorized to repurchase up to $100.0 million of our common stock ("Repurchase Program"). Pursuant to the amendment, we may repurchase up to an additional $75.0 million of our common stock. The Repurchase Program permits shares to be repurchased in the open market, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the SEC. Repurchases may be made at management’s discretion at prices management considers to be attractive, subject to the availability of stock, general market conditions, the applicable trading price, future alternative advantageous uses for capital, and our financial performance. Open market purchases will be conducted in accordance with the limitations set forth in Rule 10b-18 of the SEC and other applicable legal requirements. At September 30, 2019, we had $75.1 million available for future purchases of our common stock under the amended Repurchase Program.

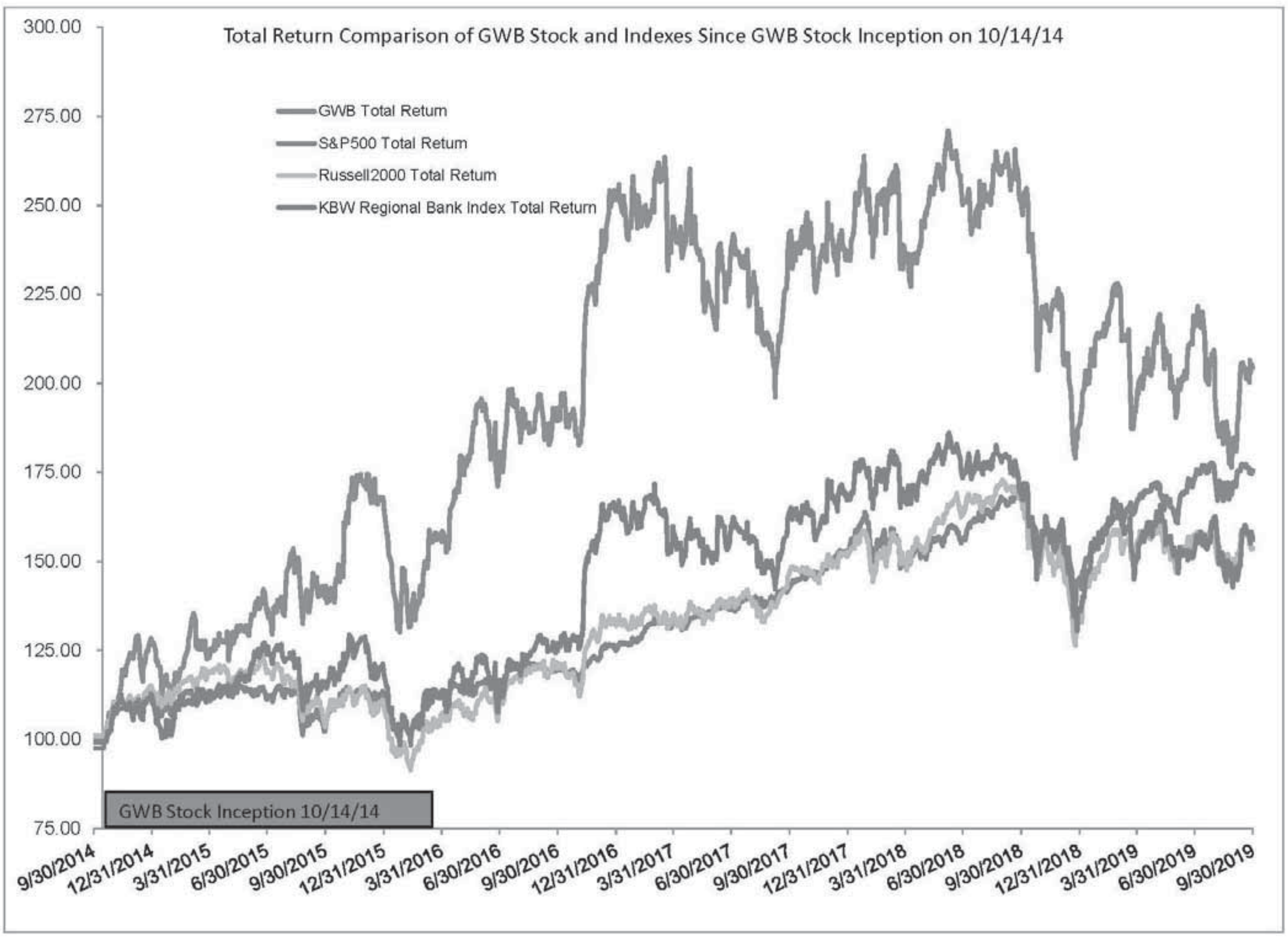
The Repurchase Program has no time limit and may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. These factors may also affect the timing and amount of share repurchases. The Repurchase Program does not obligate us to purchase any particular number of shares. Any shares acquired will be canceled and become authorized but unissued shares, available for future issuance.

The table below puts forth information regarding our purchases of common stock during the fourth quarter of fiscal year 2019.

Period	Total number of shares (or units) purchased (a)	Average price paid per share (or unit) (b)	Total number of shares (or units) purchased as part of publicly announced plans or programs (c)	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (d)
7/1/2019 - 7/31/19	—	$ —	—	$ 19,763,994
8/1/2019 - 8/31/19	656,147	30.01	656,147	72,557
9/1/19 - 9/30/19	—	—	—	75,072,557
Total	656,147	$ 30.01	656,147	$ 75,072,557

Total Shareholder Return Performance Graph

The following graph compares the cumulative total stockholder return on our common stock, since a trading market was established on October 14, 2014, to the cumulative total returns for the Standard & Poor's ("S&P") 500 Index, Russell 2000 Index and Keefe, Bruyette & Woods ("KBW") Regional Bank Index. We have determined to compare our performance to the KBW Regional Bank Index for purpose of the graph as it includes most of the peer banks we typically use for comparison purposes. The graph assumes that $100 was invested on October 14, 2014 in our common stock and the above indexes. The cumulative total return on each investment is as of September 30, 2019 and assumes reinvestment of dividends.



	As of September 30, 2019
Great Western Bancorp Inc.	$ 204.28
S&P 500	$ 175.50
Russell 2000	$ 153.63
KBW Regional Bank Index	$ 156.08

ITEM 6. SELECTED FINANCIAL DATA

The following consolidated financial data as of and for the dates and periods indicated is derived from our audited consolidated financial statements. The selected consolidated financial data presented below is not indicative of our future results for any period. The selected consolidated financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The historical financial information below also contains non-GAAP financial measures, which have not been audited.

	At and for Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
	(Dollars in thousands except share and per share amounts)				
Income Statement Data:					
Interest income	$ 542,917	$ 481,837	$ 434,515	$ 388,982	$ 358,044
Interest expense	122,209	74,000	45,320	33,524	29,884
Net interest income	420,708	407,837	389,195	355,458	328,160
Provision for loan and lease losses	40,947	17,986	21,539	16,955	19,041
Net interest income, after provision for loan and lease losses	379,761	389,851	367,656	338,503	309,119
Noninterest income	60,732	73,609	63,214	49,253	39,227
Noninterest expense	224,898	231,425	216,643	207,640	186,794
Income before income taxes	215,595	232,035	214,227	180,116	161,552
Provision for income taxes	48,230	74,119	69,441	58,863	52,487
Net income	$ 167,365	$ 157,916	$ 144,786	$ 121,253	$ 109,065
Other Financial Info / Performance Ratios:					
Net interest margin	3.74%	3.89%	3.90%	3.89%	3.87%
Adjusted net interest margin [1]	3.74%	3.84%	3.76%	3.66%	3.62%
Return on average total assets	1.33%	1.34%	1.27%	1.16%	1.12%
Return on average common equity	9.1%	8.8%	8.5%	7.9%	7.5%
Return on average tangible common equity [1]	15.3%	15.3%	15.4%	15.1%	15.4%
Efficiency ratio [1]	45.8%	47.1%	46.5%	49.6%	48.0%
Dividends per common share	$ 1.10	$ 0.90	$ 0.74	$ 0.56	$ 0.36
Dividend payout ratio	37.6%	33.7%	30.2%	26.1%	18.8%
Earnings per common share - diluted	$ 2.92	$ 2.67	$ 2.45	$ 2.14	$ 1.90
Adjusted earnings per common share - diluted [1]	$ 2.92	$ 2.90	$ 2.46	$ 2.31	$ 1.90
Balance Sheet Data:					
Loans [2]	$ 9,706,763	$ 9,415,924	$ 8,968,553	$ 8,682,644	$ 7,325,198
Allowance for loan and lease losses	70,774	64,540	63,503	64,642	57,200
Investment securities	1,783,208	1,385,650	1,367,960	1,315,860	1,327,327
Goodwill	739,023	739,023	739,023	739,023	697,807
Total assets	12,788,301	12,116,808	11,690,011	11,531,180	9,798,654
Total deposits	10,300,339	9,733,499	8,977,613	8,604,790	7,387,065
Total liabilities	10,888,052	10,276,257	9,935,011	9,867,789	8,339,308
Total stockholders' equity	1,900,249	1,840,551	1,755,000	1,663,391	1,459,346
Asset Quality Ratios:					
Nonaccrual loans / total loans	1.10%	1.52%	1.54%	1.46%	0.93%
Allowance for loan and lease losses / total loans	0.73%	0.69%	0.71%	0.74%	0.78%
Net charge-offs / average total loans	0.36%	0.18%	0.26%	0.12%	0.13%
Capital Ratios:					
Tier 1 capital ratio	11.7%	12.0%	11.4%	11.1%	10.9%
Total capital ratio	12.7%	13.0%	12.5%	12.2%	12.1%
Tier 1 leverage ratio	10.1%	10.7%	10.3%	9.5%	9.1%
Common equity tier 1 ratio	11.0%	11.3%	10.7%	10.2%	10.1%
Tangible common equity to tangible assets [1]	9.6%	9.6%	9.2%	8.5%	8.3%
Book value per share - GAAP	$ 33.76	$ 31.24	$ 29.83	$ 28.34	$ 26.43
Tangible book value per share [1]	$ 20.52	$ 18.57	$ 17.11	$ 15.55	$ 13.66

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "—Non-GAAP Financial Measures Reconciliations".

[2] Loans include unpaid principal balance net of unamortized discount on acquired loans and unearned net deferred fees and costs and loans in process.

Non-GAAP Financial Measures Reconciliations

For more information on these financial measures, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

	At and for Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
	(Dollars in thousands except share and per share amounts)				
Adjusted net income and adjusted earnings per common share:					
Net income - GAAP	$ 167,365	$ 157,916	$ 144,786	$ 121,253	$ 109,065
Add: Acquisition expenses, net of tax	—	—	440	9,729	—
Add: Deferred taxes revaluation due to Tax Reform Act	—	13,586	—	—	—
Adjusted net income	$ 167,365	$ 171,502	$ 145,226	$ 130,982	$ 109,065
Weighted average diluted common shares outstanding	57,257,061	59,131,650	59,029,382	56,729,350	57,500,878
Earnings per common share - diluted	$ 2.92	$ 2.67	$ 2.45	$ 2.14	$ 1.90
Adjusted earnings per common share - diluted	$ 2.92	$ 2.90	$ 2.46	$ 2.31	$ 1.90
Tangible net income and return on average tangible common equity:					
Net income - GAAP	$ 167,365	$ 157,916	$ 144,786	$ 121,253	$ 109,065
Add: Amortization of intangible assets, net of tax	1,337	1,460	2,044	2,384	6,230
Tangible net income	$ 168,702	$ 159,376	$ 146,830	$ 123,637	$ 115,295
Average common equity	$ 1,847,477	$ 1,788,153	1,702,225	1,541,844	1,456,223
Less: Average goodwill and other intangible assets	745,920	747,513	749,393	721,726	707,920
Average tangible common equity	$ 1,101,557	$ 1,040,640	$ 952,832	$ 820,118	$ 748,303
Return on average common equity *	9.1 %	8.8 %	8.5 %	7.9 %	7.5 %
Return on average tangible common equity **	15.3 %	15.3 %	15.4 %	15.1 %	15.4 %
* Calculated as net income - GAAP divided by average common equity.					
** Calculated as tangible net income divided by average tangible common equity.					
Adjusted net interest income and adjusted net interest margin (fully-tax equivalent basis):					
Net interest income - GAAP	$ 420,708	$ 407,837	$ 389,195	$ 355,458	$ 328,160
Add: Tax equivalent adjustment	5,843	6,597	8,599	7,534	6,576
Net interest income (FTE)	426,551	414,434	397,794	362,992	334,736
Add: Current realized derivative gain (loss)	619	(5,365)	(14,395)	(20,727)	(21,642)
Adjusted net interest income (FTE)	$ 427,170	$ 409,069	$ 383,399	$ 342,265	$ 313,094
Average interest-earning assets	$ 11,414,926	$ 10,647,357	$ 10,209,741	$ 9,339,858	$ 8,641,719
Net interest margin (FTE) *	3.74 %	3.89 %	3.90 %	3.89 %	3.87 %
Adjusted net interest margin (FTE) **	3.74 %	3.84 %	3.76 %	3.66 %	3.62 %
* Calculated as net interest income (FTE) divided by average interest earning assets.					
** Calculated as adjusted net interest income (FTE) divided by average interest earning assets.					
Adjusted interest income and adjusted yield (fully-tax equivalent basis), on non-ASC 310-30 loans:					
Interest income - GAAP	$ 490,910	$ 439,789	$ 396,481	$ 356,271	$ 324,281
Add: Tax equivalent adjustment	5,843	6,597	8,599	7,534	6,576
Interest income (FTE)	496,753	446,386	405,080	363,805	330,857
Add: Current realized derivative gain (loss)	619	(5,365)	(14,395)	(20,727)	(21,642)
Adjusted interest income (FTE)	$ 497,372	$ 441,021	$ 390,685	$ 343,078	$ 309,215
Average non-ASC 310-30 loans	$ 9,610,956	$ 9,106,519	$ 8,581,615	$ 7,736,454	$ 6,889,738
Yield (FTE) *	5.17 %	4.90 %	4.72 %	4.70 %	4.80 %
Adjusted yield (FTE) **	5.18 %	4.84 %	4.55 %	4.43 %	4.49 %
* Calculated as interest income (FTE) divided by average loans.					
** Calculated as adjusted interest income (FTE) divided by average loans.					

	At and for Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
	(Dollars in thousands except share and per share amounts)				
Efficiency ratio:					
Total revenue - GAAP	$ 481,440	$ 481,446	$ 452,409	$ 404,711	$ 367,387
Add: Tax equivalent adjustment	5,843	6,597	8,599	7,534	6,576
Total revenue (FTE)	$ 487,283	$ 488,043	$ 461,008	$ 412,245	$ 373,963
Noninterest expense	$ 224,898	$ 231,425	$ 216,643	$ 207,640	$ 186,794
Less: Amortization of intangible assets	1,538	1,662	2,358	3,264	7,110
Tangible noninterest expense	$ 223,360	$ 229,763	$ 214,285	$ 204,376	$ 179,684
Efficiency ratio *	45.8 %	47.1 %	46.5 %	49.6 %	48.0 %
* Calculated as the ratio of tangible noninterest expense to total revenue (FTE).					
Tangible common equity and tangible common equity to tangible assets:					
Total stockholders' equity	$ 1,900,249	$ 1,840,551	$ 1,755,000	$ 1,663,391	$ 1,459,346
Less: Goodwill and other intangible assets	745,197	746,735	748,397	750,755	704,926
Tangible common equity	$ 1,155,052	$ 1,093,816	$ 1,006,603	$ 912,636	$ 754,420
Total assets	$ 12,788,301	$ 12,116,808	$ 11,690,011	$ 11,531,180	$ 9,798,654
Less: Goodwill and other intangible assets	745,197	746,735	748,397	750,755	704,926
Tangible assets	$ 12,043,104	$ 11,370,073	$ 10,941,614	$ 10,780,425	$ 9,093,728
Tangible common equity to tangible assets	9.6 %	9.6 %	9.2 %	8.5 %	8.3 %
Tangible book value per share:					
Total stockholders' equity	$ 1,900,249	$ 1,840,551	$ 1,755,000	$ 1,663,391	$ 1,459,346
Less: Goodwill and other intangible assets	745,197	746,735	748,397	750,755	704,926
Tangible common equity	$ 1,155,052	$ 1,093,816	$ 1,006,603	$ 912,636	$ 754,420
Common shares outstanding	56,283,659	58,917,147	58,834,066	58,693,304	55,219,596
Book value per share - GAAP	$ 33.76	$ 31.24	$ 29.83	$ 28.34	$ 26.43
Tangible book value per share	$ 20.52	$ 18.57	$ 17.11	$ 15.55	$ 13.66

Selected Quarterly Results of Operations

We believe the following quarterly unaudited consolidated statements of income data has been prepared on substantially the same basis as our audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of our consolidated results of operations for the quarters presented. The historical results for any quarter do not necessarily indicate the results expected for any future period. This unaudited condensed consolidated quarterly data should be read together with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	For Quarters Ended:							
	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
	(Dollars in thousands except share and per share amounts)							
Operating Data:								
Interest income	$ 138,770	$ 138,199	$ 133,886	$ 132,061	$ 125,234	$ 124,417	$ 117,233	$ 114,954
Interest expense	32,061	32,570	30,411	27,167	23,244	19,745	16,680	14,332
Provision for loan and lease losses	1,982	26,077	7,673	5,215	5,015	3,515	4,900	4,557
Noninterest income	15,023	10,766	18,223	16,720	19,255	18,939	18,742	16,674
Noninterest expense	55,212	56,000	56,580	57,106	59,550	57,863	59,144	54,868
Net income	50,285	26,783	44,511	45,786	42,281	45,874	40,532	29,230
Net interest income	106,709	105,629	103,475	104,894	101,990	104,672	100,553	100,622
Adjusted net interest income (FTE) [1]	108,069	107,374	105,322	106,405	103,258	105,571	100,529	99,711
Net interest margin (FTE) [1]	3.70 %	3.70 %	3.75 %	3.81 %	3.79 %	3.97 %	3.92 %	3.89 %
Adjusted net interest margin (FTE) [1]	3.69 %	3.71 %	3.76 %	3.81 %	3.77 %	3.94 %	3.86 %	3.80 %
Earnings per common share - diluted	$0.89	$0.47	$0.78	$0.79	$0.72	$0.78	$0.69	$0.49
Adjusted earnings per common share - diluted [1]	$0.89	$0.47	$0.78	$0.79	$0.72	$0.78	$0.69	$0.72

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "—Non-GAAP Quarterly Financial Measures Reconciliations".

Non-GAAP Quarterly Financial Measures Reconciliations

For more information on these financial measures, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

	For Quarters Ended:							
	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
	(Dollars in thousands except share and per share amounts)							
Adjusted net income and adjusted earnings per common share:								
Net income - GAAP	$ 50,285	$ 26,783	$ 44,511	$ 45,786	$ 42,281	$ 45,874	$ 40,532	$ 29,230
Add: Deferred taxes revaluation due to Tax Reform Act	—	—	—	—	—	—	—	13,586
Adjusted net income	$ 50,285	$ 26,783	$ 44,511	$ 45,786	$ 42,281	$ 45,874	$ 40,532	$ 42,816
Weighted average diluted common shares outstanding	56,804,172	57,110,103	57,074,674	58,039,292	59,122,699	59,170,058	59,146,117	59,087,729
Earnings per common share - diluted	$ 0.89	$ 0.47	$ 0.78	$ 0.79	$ 0.72	$ 0.78	$ 0.69	$ 0.49
Adjusted earnings per common share - diluted	$ 0.89	$ 0.47	$ 0.78	$ 0.79	$ 0.72	$ 0.78	$ 0.69	$ 0.72
Adjusted net interest income and adjusted net interest margin (fully-tax equivalent basis):								
Net interest income - GAAP	$ 106,709	$ 105,629	$ 103,475	$ 104,894	$ 101,990	$ 104,672	$ 100,553	$ 100,622
Add: Tax equivalent adjustment	1,487	1,424	1,442	1,490	1,687	1,729	1,616	1,565
Net interest income (FTE)	108,196	107,053	104,917	106,384	103,677	106,401	102,169	102,187
Add: Current realized derivative gain (loss)	(127)	321	405	21	(419)	(830)	(1,640)	(2,476)
Adjusted net interest income (FTE)	$ 108,069	$ 107,374	$ 105,322	$ 106,405	$ 103,258	$ 105,571	$ 100,529	$ 99,711
Average interest-earning assets	$11,609,823	$11,617,521	$11,345,559	$11,086,800	$10,857,168	$10,748,078	$10,571,300	$10,412,882
Net interest margin (FTE) *	3.70 %	3.70 %	3.75 %	3.81 %	3.79 %	3.97 %	3.92 %	3.89 %
Adjusted net interest margin (FTE) **	3.69 %	3.71 %	3.76 %	3.81 %	3.77 %	3.94 %	3.86 %	3.80 %

* Calculated as net interest income (FTE) divided by average interest earning assets. Annualized for partial-year periods.

** Calculated as adjusted net interest income (FTE) divided by average interest earning assets. Annualized for partial-year periods.

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

The historical consolidated financial data discussed below reflects our historical results of operations and financial condition and should be read in conjunction with our financial statements and related notes thereto presented in Item 8 of this Annual Report on Form 10-K. In addition to historical financial data, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially. See "Cautionary Note Regarding Forward-Looking Statements." For a more complete discussion of the factors that could affect our future results, see "Item 1A. Risk Factors."

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.

Tax Equivalent Presentation

All references to net interest income, net interest margin, interest income on non-ASC 310-30 loans, yield on ASC 310-30 loans and the related non-GAAP adjusted financial measure of each item are presented on a FTE basis unless otherwise noted. In fiscal year 2018, the Tax Reform Act reduced the federal tax rate for corporations from 35% to 21%. Because of our September 30 fiscal year end, a blended statutory rate of 24.5% was applied to all FTE non-GAAP adjusted financial measures for fiscal year 2018 and a fully phased in statutory federal tax rate of 21% was applied to all FTE non-GAAP adjusted financial measures beginning in fiscal year 2019.

Overview

We are a full-service regional bank holding company focused on relationship-based business and agri-business banking. We serve our customers through 175 branches in attractive markets in nine states: Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota.

Our Bank was established more than 80 years ago and we have achieved strong market positions by developing and maintaining extensive local relationships in the communities we serve. By leveraging our business and agri-business 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 provide financial results based on a fiscal year ending September 30 as a single reportable segment.

The principal sources of our revenues and cash flows are: (i) interest and fees earned on loans made or held by our Bank; (ii) interest on fixed income investments held by our Bank; (iii) fees on wealth management services; (iv) service charges on deposit accounts maintained at our Bank; (v) gain on the sale of loans held for sale (vi) gains on sales of securities; and (vii) merchant and card fees. Our principal expenses are: (i) interest expense on deposit accounts and other borrowings; (ii) salaries and employee benefits; (iii) data processing costs primarily associated with maintaining our Bank's loan and deposit functions; (iv) occupancy expenses for maintaining our Bank's facilities; (v) professional fees; (vi) business development; (vii) FDIC insurance assessments; and (viii) other real estate owned expenses. The largest component contributing to our net income is net interest income, which is the difference between interest earned on earning assets (primarily loans and investments) and interest paid on interest-bearing liabilities (primarily deposit accounts and other borrowings). One of management's principal functions is to manage the spread between interest earned on earning assets and interest paid on interest-bearing liabilities in an effort to maximize net interest income while maintaining an appropriate level of interest rate risk.

Highlights for the Fiscal Year Ended September 30, 2019

Net income was $167.4 million, or $2.92 per diluted share, for fiscal year 2019, compared to net income of $157.9 million, or $2.67 per diluted share, for fiscal year 2018, an increase of $9.4 million, or 6.0%. Total revenue (non-FTE) for fiscal year 2019 remained flat, while there was a slight reduction in noninterest expenses, a higher provision for loan and lease losses and a lower provision for income taxes. Total revenue (non-FTE) is the sum of net interest income (non-FTE) and noninterest income. Our efficiency ratio, which measures our ability to manage noninterest expenses, remained strong during fiscal year 2019 at 45.8%, compared to 47.1% for fiscal year 2018. For more information on our efficiency ratio, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data —Non-GAAP Financial Measures Reconciliations."

Net interest margin, which measures our ability to maintain interest rates on interest earning assets above those of interest-bearing liabilities, was 3.74%, 3.89% and 3.90% for fiscal years 2019, 2018 and 2017, respectively. Adjusted net interest margin, which reflects the realized gain (loss) on interest rate swaps, was 3.74%, 3.84% and 3.76% for the same periods, respectively. We believe our adjusted net interest margin is more representative of our underlying performance and is the measure we use internally to evaluate our results. Net interest margin and adjusted net interest margin were 15 and 10 basis points lower, respectively, compared to fiscal year 2018. Net interest margin decreased between the two periods primarily a result of a 40 basis point increase in the cost of deposits, partially offset by a 24 basis point increase in the yield on loans. A $6.0 million reduction in the cost of interest rate swaps between the periods is the primary driver of the less pronounced decrease in adjusted net interest margin compared to net interest margin. For more information on our adjusted net interest margin, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data —Non-GAAP Financial Measures Reconciliations."

Total loans were $9.71 billion as of September 30, 2019, compared to $9.42 billion as of September 30, 2018. The majority of growth was focused in the CRE segment of the portfolio, which grew by $463.1 million, or 10.0%, partially offset by a reduction in the agriculture segment of $174.0 million, or 8.0%. Deposits as of September 30, 2019 were $10.30 billion, an increase of $566.8 million, or 5.8%, from $9.73 billion as of September 30, 2018, as a result of brokered deposits being a more cost effective source of funding.

Nonaccrual loans, including ASC 310-30 loans, were $107.2 million at September 30, 2019 a decrease of $36.0 million, or 25.2%, compared to $143.2 million at September 30, 2018. Loans graded "Watch" were $405.5 million as of September 30, 2019, an increase of $62.2 million, or 18.1%, compared to $343.3 million at September 30, 2018, while loans graded "Substandard" were $472.5 million, an increase of $219.8 million, or 87.0%, compared to $252.7 million over the same periods. The increase in loans graded "Watch" was primarily due to a deterioration during the year of a small number of commercial non-real estate relationships while the increase in "Substandard" was primarily due to a deterioration during the year of a small number of dairy relationships. Other repossessed property balances increased by $13.7 million, or 59.3%, primarily due to the addition of one large property during the period.

Provision for loan and lease losses was $40.9 million for fiscal year 2019, compared to $18.0 million for fiscal year 2018. Net charge-offs for fiscal year 2019 were $34.7 million, or 0.36% of average total loans on an annualized basis, compared to $16.9 million, or 0.18%, for fiscal year 2018. Net charge-offs in fiscal year 2019 were concentrated in the agriculture segment of the loan portfolio, which included $18.7 million of net charge-offs related to the cattle industry, and the commercial non-real estate segment of the loan portfolio, which included $7.5 million of net charge-offs. The ratio of ALLL to total loans was 0.73% at September 30, 2019, an increase from 0.69% at September 30, 2018. The balance of the ALLL increased to $70.8 million at September 30, 2019 from $64.5 million at September 30, 2018.

Tier 1 capital, total capital and Tier 1 leverage ratios were 11.7%, 12.7% and 10.1%, respectively, at September 30, 2019, compared to 12.0%, 13.0% and 10.7%, respectively, at September 30, 2018. In addition, our Common Equity Tier 1 ratio was 11.0% at September 30, 2019, compared to 11.3% at September 30, 2018. Our tangible common equity to tangible assets ratio was 9.6% at September 30, 2019 and 2018. All regulatory capital ratios remain above regulatory minimums to be considered "well capitalized". During fiscal year 2019, $94.3 million was deployed to repurchase and retire approximately 2.7 million shares of Company's common stock under the repurchase program authorized by the Board of Directors. For more information on our tangible common equity to tangible assets ratio, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations."

Key Factors Affecting Our Business and Financial Performance

We believe that stable long-term growth and profitability are the result of building strong customer relationships while maintaining disciplined underwriting standards and continuing to focus on our operational efficiency. We plan to focus on originating high-quality loans and growing our deposit base through our relationship-based business and agri-business banking approach. We believe that continuing to focus on our core strengths will enable us to gain market share and increase profitability. For more information on the key components of our strategy for continued success and future growth, see "Part I, Item 1. Business—Our Business Strategy."

We face a variety of risks that may impact various aspects of our risk profile from time to time. The extent of such impacts may vary depending on factors such as the current economic, political and regulatory environment, merger and acquisition activity and operational challenges. For more information on these risks and our risk management strategies, see "Cautionary Note Regarding Forward-Looking Statements, "Part I, Item 1. Business" and "Part I, Item 1A. Risk Factors."

Results of Operations—Fiscal Years Ended September 30, 2019, 2018 and 2017

Overview

The following table highlights certain key financial and performance information for fiscal years 2019, 2018 and 2017.

	At and for Fiscal Years Ended September 30,		
	2019	2018	2017
	(dollars in thousands, except share and per share amounts)		
Operating Data:			
Interest income (FTE)	$ 548,760	$ 488,434	$ 443,114
Interest expense	122,209	74,000	45,320
Noninterest income	60,732	73,609	63,214
Noninterest expense	224,898	231,425	216,643
Provision for loan and lease losses	40,947	17,986	21,539
Net income	167,365	157,916	144,786
Adjusted net income [1]	$ 167,365	$ 171,502	$ 145,226
Common shares outstanding	56,283,659	58,917,147	58,834,066
Weighted average diluted common shares outstanding	57,257,061	59,131,650	59,029,382
Earnings per common share - diluted	$ 2.92	$ 2.67	$ 2.45
Adjusted earnings per common share - diluted [1]	2.92	2.90	2.46
Performance Ratios:			
Net interest margin (FTE) [1]	3.74 %	3.89 %	3.90 %
Adjusted net interest margin (FTE) [1]	3.74 %	3.84 %	3.76 %
Return on average total assets	1.33 %	1.34 %	1.27 %
Return on average common equity	9.1 %	8.8 %	8.5 %
Return on average tangible common equity [1]	15.3 %	15.3 %	15.4 %
Efficiency ratio [1]	45.8 %	47.1 %	46.5 %

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data — Non-GAAP Financial Measures Reconciliations".

Net Interest Income

The following tables present net interest income, net interest margin and adjusted net interest margin for fiscal years 2019, 2018 and 2017.

	At and for Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Net interest income:			
Total interest income (FTE)	$ 548,760	$ 488,434	$ 443,114
Less: Total interest expense	122,209	74,000	45,320
Net interest income (FTE)	$ 426,551	$ 414,434	$ 397,794
Net interest margin (FTE) and adjusted net interest margin (FTE) [1]			
Average interest-earning assets	$ 11,414,926	$ 10,647,357	$ 10,209,741
Average interest-bearing liabilities	$ 10,698,555	$ 9,952,961	$ 9,573,937
Net interest margin (FTE)	3.74%	3.89%	3.90%
Adjusted net interest margin (FTE) [1]	3.74%	3.84%	3.76%

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations".

Net interest income increased $12.2 million, or 2.9%, to $426.6 million in fiscal year 2019 from $414.4 million in fiscal year 2018, which increased $16.6 million, or 4.2%, from $397.8 million in fiscal year 2017. The increase in net interest income for both periods was primarily attributable to higher loan interest income driven by 5.3% and 5.7% of growth in average loans outstanding between the periods, respectively, combined with higher yields on total loans, partially offset by higher interest expense associated with the cost of deposits for the same periods.

Net interest margin was 3.74% and 3.89% in fiscal years 2019 and 2018, respectively, while adjusted net interest margin was 3.74% and 3.84% over the same periods, respectively. The 15 basis points decrease in net interest margin was primarily due to a 40 basis point increase in the cost of deposits, partially offset by a 24 basis point increase in the yield on loans. A $6.0 million reduction in the cost of interest rate swaps between the periods is the primary driver of the less pronounced decrease in adjusted net interest margin compared to net interest margin.

Net interest margin was 3.89% in fiscal year 2018, compared with 3.90% in fiscal year 2017. Adjusted net interest margin was 3.84% and 3.76% over the same periods, respectively. The decrease in net interest margin was primarily due to a 27 basis point increase in the cost of interest-bearing liabilities, partially offset by a 25 basis point increase in the cost of interest-earning assets driven by higher average loan balances as a proportion of earning assets and improving loan yields. A $9.0 million reduction in the cost of interest rate swaps between the periods is the primary driver of the more pronounced increase in adjusted net interest margin compared to net interest margin. For more information on our adjusted net interest margin, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations."

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities for fiscal years 2019, 2018 and 2017, respectively. Loans on nonaccrual status that had interest accrued as of the date of nonaccrual are immediately reversed as a reduction to interest income, while any interest subsequently recovered is recorded in the period of recovery. Tax-exempt loans and securities, totaling $768.8 million at September 30, 2019 and $789.0 million at September 30, 2018, are typically entered at lower interest rate arrangements than comparable non-exempt loans and securities. The amount of interest income reflected below has been adjusted to include the amount of tax benefit realized in the period and as such is presented on a fully-tax equivalent basis, the calculation of which is outlined in the discussion of non-GAAP items, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data —Non-GAAP Financial Measures Reconciliations." ASC 310-30 loans represent loans accounted for in accordance with ASC 310-30 *Accounting* for *Purchased Loans* that were credit impaired at the time we acquired them. Non-ASC 310-30 loans represent loans we have originated and loans we have acquired that were not credit impaired at the time we acquired them.

	Fiscal Years Ended September 30,								
	2019			2018			2017		
	Average Balance	Interest (FTE)	Yield / Cost	Average Balance	Interest (FTE)	Yield / Cost	Average Balance	Interest (FTE)	Yield / Cost
	(dollars in thousands)								
Assets									
Interest-bearing bank deposits [1]	$ 61,646	$ 2,472	4.01 %	$ 75,101	$ 1,376	1.83 %	$ 123,616	$ 922	0.75 %
Investment securities	1,681,185	41,510	2.47 %	1,384,632	29,171	2.11 %	1,390,453	26,311	1.89 %
Non-ASC 310-30 loans, net [2]	9,610,956	496,753	5.17 %	9,106,519	446,386	4.90 %	8,581,615	405,080	4.72 %
ASC 310-30 loans, net	61,139	8,025	13.13 %	81,105	11,501	14.18 %	114,057	10,801	9.47 %
Loans, net	9,672,095	504,778	5.22 %	9,187,624	457,887	4.98 %	8,695,672	415,881	4.78 %
Total interest-earning assets	11,414,926	548,760	4.81 %	10,647,357	488,434	4.59 %	10,209,741	443,114	4.34 %
Noninterest-earning assets	1,206,151			1,160,802			1,154,861		
Total assets	$ 12,621,077	$ 548,760	4.35 %	$ 11,808,159	$ 488,434	4.14 %	$ 11,364,602	$ 443,114	3.90 %
Liabilities and Stockholders' Equity									
Noninterest-bearing deposits	$ 1,860,645			$ 1,809,470			$ 1,806,491		
Interest-bearing deposits	6,286,878	$ 69,305	1.10 %	5,990,182	$ 43,092	0.72 %	5,709,863	$ 25,969	0.45 %
Time deposits	2,030,619	37,413	1.84 %	1,483,760	17,020	1.15 %	1,300,987	9,066	0.70 %
Total deposits	10,178,142	106,718	1.05 %	9,283,412	60,112	0.65 %	8,817,341	35,035	0.40 %
Securities sold under agreements to repurchase	66,485	180	0.27 %	108,599	340	0.31 %	122,188	384	0.31 %
FHLB advances and other borrowings	345,375	9,771	2.83 %	452,572	8,508	1.88 %	525,491	5,437	1.03 %
Subordinated debentures and subordinated notes payable	108,553	5,540	5.10 %	108,378	5,040	4.65 %	108,917	4,464	4.10 %
Total borrowings	520,413	15,491	2.98 %	669,549	13,888	2.07 %	756,596	10,285	1.36 %
Total interest-bearing liabilities	10,698,555	$ 122,209	1.14 %	9,952,961	$ 74,000	0.74 %	9,573,937	$ 45,320	0.47 %
Noninterest-bearing liabilities	75,045			67,045			88,440		
Stockholders' equity	1,847,477			1,788,153			1,702,225		
Total liabilities and stockholders' equity	$ 12,621,077			$ 11,808,159			$ 11,364,602		
Net interest spread			3.21 %			3.40 %			3.43 %
Net interest income and net interest margin (FTE)		$ 426,551	3.74 %		$ 414,434	3.89 %		$ 397,794	3.90 %
Less: Tax equivalent adjustment		5,843			6,597			8,599	
Net interest income and net interest margin - ties to Statements of Comprehensive Income		$ 420,708	3.69 %		$ 407,837	3.83 %		$ 389,195	3.81 %

[1] Interest income includes $0.7 million, $0.0 million and $0.0 million for fiscal years 2019, 2018 and 2017, respectively, resulting from interest earned on derivative collateral included in other assets on the consolidated balance sheets.

[2] Interest income includes $1.3 million, $2.7 million and $4.1 million for fiscal years 2019, 2018 and 2017, respectively, resulting from accretion of purchase accounting discount associated with acquired loans.

Interest Income

The following table presents interest income for fiscal years 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
	(dollars in thousands)		
Interest income:			
Loans (FTE)	$ 504,778	$ 457,887	$ 415,881
Investment securities	41,510	29,171	26,311
Federal funds sold and other	2,472	1,376	922
Total interest income (FTE)	548,760	488,434	443,114
Less: Tax equivalent adjustment	5,843	6,597	8,599
Total interest income (GAAP)	$ 542,917	$ 481,837	$ 434,515

Total interest income consists primarily of interest income on loans and interest income on our investment portfolio. Total interest income (FTE) increased $60.4 million, or 12.4%, to $548.8 million for fiscal year 2019, from $488.4 million for fiscal year 2018, which increased $45.3 million, or 10.2%, from $443.1 million for fiscal year 2017. Significant components of interest income are described in further detail below.

Loans. Interest income on all loans increased to $504.8 million in fiscal year 2019 from $457.9 million in fiscal year 2018, an increase of $46.9 million, or 10.2%. Average net loan balances for fiscal year 2019 were $9.67 billion, representing a 5.3% increase compared to the same period in fiscal year 2018. The majority of growth was focused in the CRE segment of the portfolio, which grew by $463.1 million, or 10.0%, partially offset by a reduction in the agriculture segment of $174.0 million, or 8.0%. The largest contributors to the overall growth in the CRE segment during fiscal year 2019 were the non-owner-occupied CRE segment, which grew $505.9 million, or 21.6%, and the owner-occupied CRE segment, which increased $76.7 million, or 5.7%, offset in part by a decrease of $173.9 million, or 27.3%, in the construction and development segment. Interest income on ASC 310-30 loans, which are purchased credit impaired loans with a different income recognition model, decreased $3.5 million between the two periods, primarily driven by the runoff of the acquired loan portfolios.

Interest income on all loans increased to $457.9 million in fiscal year 2018 from $415.9 million in fiscal year 2017, an increase of $42.0 million, or 10.1% during the fiscal year. Average net loan balances for fiscal year 2018 were $9.19 billion, representing a 5.7% increase compared to the same period in fiscal year 2017. The majority of growth was focused in the CRE segment of the portfolio, which grew by $504.5 million, or 12.2%, partially offset by a reduction in the residential real estate segment of $95.3 million, or 10.2%. The largest contributors to growth in the CRE segment during fiscal year 2018 were the non-owner-occupied CRE subsegment, which grew $321.9 million, or 15.9%, the owner-occupied CRE subsegment, which showed an increase of $115.0 million, or 9.4%, and the construction and development subsegment, which grew $99.0 million, or 18.4%. Interest income on ASC 310-30 loans increased $0.7 million between the two periods, primarily driven by accelerated accretion of interest income on one pool of purchased credit impaired loans in fiscal year 2018.

Our yield on loans is affected by market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, customer repayment activity, the level of loans held for sale, portfolio mix, and the level of nonaccrual loans. The average tax equivalent yield on non-ASC 310-30 loans was 5.17% for fiscal year 2019, a 27 basis point increase compared to 4.90% for fiscal year 2018, which was an 18 basis point increase from 4.72% for fiscal year 2017. Adjusted for the current realized gain (loss) on derivatives we use to manage interest rate risk on certain of our loans at fair value, which we believe represents the underlying economics of the transactions, the adjusted yield on non-ASC 310-30 loans was 5.18% for fiscal year 2019, an increase of 34 basis points compared to 4.84% for fiscal year 2018, which was a 29 basis points increase compared to 4.55% for fiscal year 2017. For more information on our adjusted yield on non-ASC 310-30 loans, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations."

The average duration of the loan portfolio, including the impact of the interest rate swaps on the duration of fair value loans, was a relatively short 1.4 years as of September 30, 2019. Approximately 47%, or $4.57 billion, of the portfolio is comprised of fixed rate loans, of which $813.0 million of loans are fixed-rate loans with an original term of 5 years or greater which we have entered into equal and offsetting fixed-to-floating interest rate swaps. These loans effectively behave as floating rate loans. For floating rate loans in the portfolio, approximately 40% are indexed to Wall Street Journal Prime, 30% to 5-year Treasuries and the balance to various other indices. Less than 7% of our total loans' rates are floored, with an average interest rate floor 54 basis points above market rates.

Loan-related fee income of $7.0 million is included in interest income for fiscal year 2019, compared to $4.9 million and $4.3 million for fiscal years 2018 and 2017, respectively. In addition, certain fees collected at loan origination are considered to be a component of yield on the underlying loans and are deferred and recognized into income over the life of the loans. Amortization related to the FDIC indemnification assets of $1.4 million, $2.8 million and $4.7 million for fiscal years 2019, 2018 and 2017, respectively, is included as a reduction to interest income.

Investment Portfolio. The carrying value of investment securities and FHLB stock was $1.81 billion and $1.41 billion as of September 30, 2019 and 2018, respectively. Interest income on investments includes income earned on investment securities and FHLB stock. Interest income on investments was $41.5 million for fiscal year 2019, an increase of $12.3 million, or 42.3%, from $29.2 million in fiscal year 2018. The increase in interest income was driven by an increase in average investment balance of $296.6 million, or 21.4%, combined with the yield on investments which increased 36 basis points to 2.47% for fiscal year 2019, compared to 2.11% for fiscal year 2018.

In fiscal year 2018, interest income on investments increased to $29.2 million from $26.3 million in fiscal year 2017, an increase of $2.9 million, or 10.9%. The increase was driven by a 22 basis point increase in the yield on investments in fiscal year 2018 to 2.11%, compared to 1.89% for fiscal year 2017, partially offset by a decrease in average balances.

The weighted average life of the portfolio was 3.7 years at September 30, 2019, 3.9 years at September 30, 2018 and 3.6 years at September 30, 2017. Average investments in fiscal years 2019, 2018 and 2017 were 14.7%, 13.0% and 13.6% of total average interest-earning assets, respectively.

Interest Expense

The following table presents interest expense for fiscal years 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Interest expense			
Deposits	$ 106,718	$ 60,112	$ 35,035
FHLB advances and other borrowings	9,951	8,848	5,821
Subordinated debentures and subordinated notes payable	5,540	5,040	4,464
Total interest expense	$ 122,209	$ 74,000	$ 45,320

Total interest expense consists primarily of interest expense on three components: deposits, FHLB advances and other borrowings and our outstanding subordinated debentures and subordinated notes payable. Total interest expense increased $48.2 million, or 65.1%, to $122.2 million in fiscal year 2019, from $74.0 million in fiscal year 2018, which increased $28.7 million, or 63.3%, from $45.3 million in fiscal year 2017. Average interest-bearing liabilities increased $745.6 million, or 7.5%, to $10.70 billion in fiscal year 2019, from $9.95 billion in fiscal year 2018, which increased $379.0 million, or 4.0%, from $9.57 billion in fiscal year 2017. The average cost of total interest-bearing liabilities increased to 1.14% in fiscal year 2019, compared to 0.74% in fiscal year 2018 and 0.47% in fiscal year 2017. Significant components of interest expense are described in further detail below.

Deposits. Interest expense on deposits, consisting of interest-bearing accounts and time deposits, was $106.7 million in fiscal year 2019 compared with $60.1 million in fiscal year 2018, an increase of $46.6 million, or 77.5%, which was an increase of $25.1 million, or 71.6%, from $35.0 million in fiscal year 2017. The increases for both periods were driven by growth in average deposits outstanding and increasing benchmark interest rates in the cost of deposits. Average deposit balances increased to $10.18 billion in fiscal year 2019 from $9.28 billion in fiscal year 2018, an increase of $894.7 million, or 9.6%, which was an increase of $466.1 million, or 5.3%, from $8.82 billion in fiscal year 2017. The cost of deposits increased 40 basis points to 1.05% for fiscal year 2019 from 0.65% for fiscal year 2018, which increased 25 basis points from 0.40% for fiscal year 2017 reflecting a rise in market interest rates and increased competition for deposit balances.

Average noninterest-bearing demand account balances decreased to 18.3% of average total deposits for fiscal year 2019, compared with 19.5% for fiscal year 2018 and 20.5% for fiscal year 2017. Total average other liquid accounts, consisting of interest-bearing demand accounts, comprised 61.8% of total average deposits in fiscal year 2019, compared to 64.5% of total average deposits for fiscal year 2018 and 64.8% in fiscal year 2017, while time deposit accounts increased in fiscal year 2019 to 20.0% of total average deposits compared to 16.0% in fiscal year 2018 and 14.8% in fiscal year 2017.

FHLB Advances and Other Borrowings. Interest expense on FHLB advances and other borrowings was $10.0 million for fiscal year 2019, compared to $8.8 million for fiscal year 2018 and $5.8 million for fiscal year 2017, reflecting weighted average cost of 2.83%, 1.88% and 1.03%, respectively. Our average balance for FHLB advances and other borrowings decreased to $345.4 million in fiscal year 2019 from $452.6 million in fiscal year 2018, which decreased from $525.5 million in fiscal year 2017. Average FHLB advances and other borrowings as a proportion of total average interest-bearing liabilities were 3.2% for fiscal year 2019, 4.5% for fiscal year 2018 and 5.5% for fiscal year 2017. The average rate paid on FHLB advances is impacted by market rates and the various terms and repricing frequency of the specific outstanding borrowings in each year. The weighted average contractual rate paid on our FHLB advances was 2.74% at September 30, 2019, 2.58% at September 30, 2018 and 1.36% at September 30, 2017. The average tenor of our FHLB advances was 34 months at September 30, 2019, 15 months at September 30, 2018 and 4 months at September 30, 2017. The amount of other borrowings and related interest expense are immaterial in each of fiscal years 2019, 2018 and 2017.

We must collateralize FHLB advances by pledging real estate loans or investments. We pledge more assets than required by our current level of borrowings in order to maintain additional borrowing capacity. Although we may substitute other loans for such pledged loans, we are restricted in our ability to sell or otherwise pledge these loans without substituting collateral or prepaying a portion of the FHLB advances. At September 30, 2019, we had pledged $4.20 billion of loans to the FHLB, against which we had borrowed $340.0 million.

Subordinated Debentures and Subordinated Notes Payable. Interest expense on our outstanding junior subordinated debentures and subordinated notes payable was $5.5 million for fiscal year 2019, $5.0 million for fiscal year 2018, and $4.5 million for fiscal year 2017. The weighted average contractual rate on outstanding junior subordinated debentures was 4.38%, 4.55% and 3.53% at September 30, 2019, 2018 and 2017, respectively. The weighted average contractual rate on outstanding subordinated notes payable was 4.88% at each of the periods ended September 30, 2019, 2018 and 2017.

Rate and Volume Variances

Net interest income is affected by changes in both volume and interest rates. Volume changes are caused by increases or decreases during the year in the level of average interest-earning assets and average interest-bearing liabilities. Rate changes result from increases or decreases in the yields earned on assets or the rates paid on liabilities.

The following table presents each of the last two fiscal years and a summary of the changes in interest income and interest expense on a tax equivalent basis resulting from changes in the volume of average asset and liability balances and changes in the average yields or rates compared with the preceding fiscal year. If significant, the change in interest income or interest expense due to both volume and rate has been prorated between the volume and the rate variances based on the dollar amount of each variance.

	2019 vs 2018			2018 vs 2017		
	Volume	Rate	Total	Volume	Rate	Total
	(dollars in thousands)					
Increase (decrease) in interest income:						
Cash and cash equivalents	$ (283)	$ 1,379	$ 1,096	$ (474)	$ 928	$ 454
Investment securities	6,844	5,495	12,339	(111)	2,971	2,860
Non-ASC 310-30 loans	25,406	24,961	50,367	25,362	15,944	41,306
ASC 310-30 loans	(2,670)	(806)	(3,476)	(3,691)	4,391	700
Loans	22,736	24,155	46,891	21,671	20,335	42,006
Total increase	29,297	31,029	60,326	21,086	24,234	45,320
Increase (decrease) in interest expense:						
Interest-bearing deposits	2,209	24,004	26,213	1,333	15,790	17,123
Time deposits	7,710	12,683	20,393	1,421	6,533	7,954
Securities sold under agreements to repurchase	(119)	(41)	(160)	(44)	—	(44)
FHLB advances and other borrowings	(2,332)	3,595	1,263	(844)	3,915	3,071
Subordinated debentures and subordinated notes payable	8	492	500	(22)	598	576
Total increase	7,476	40,733	48,209	1,844	26,836	28,680
Increase (decrease) in net interest income (FTE)	$ 21,821	$ (9,704)	$ 12,117	$ 19,242	$ (2,602)	$ 16,640

Provision for Loan and Lease Losses

We recognized a provision for loan and lease losses of $40.9 million for fiscal year 2019 compared to a provision for loan and lease losses of $18.0 million for fiscal year 2018, an increase of $22.9 million or 127.7%. The increase in provision was mainly driven by a higher level of net charge-offs recognized between the periods. Net charge-offs in fiscal year 2019 were concentrated in the agriculture segment of the loan portfolio, which included $18.7 million of net charge-offs related to the cattle industry, and the commercial non-real estate segment of the loan portfolio, which included $7.5 million of net charge-offs. Included within the provision for loan and lease losses was a net reversal of $0.6 million during fiscal year 2019 associated with ASC 310-30 loans. This compares to a net impairment of $0.2 million related to this portion of the portfolio recorded in fiscal year 2018.

We recognized a provision for loan and lease losses of $18.0 million for fiscal year 2018 compared to a provision for loan and lease losses of $21.5 million for fiscal year 2017, a decrease of $3.5 million, or 16.5%. The decrease provision for loan and lease losses compared to fiscal year 2017 was driven by a lower level of charge-offs recognized between the periods combined with a stable level of specific provisions. Included within the provision for loan and lease losses was a net impairment of $0.2 million during fiscal year 2018 associated with ASC 310-30 loans. This compares to net reversal of $0.7 million related to this portion of the portfolio recorded in fiscal year 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
	(dollars in thousands)		
Provision for loan and lease losses, non-ASC 310-30 loans *	$ 41,506	$ 17,754	$ 22,210
(Reduction in) provision for loan and lease losses, ASC 310-30 loans	(559)	232	(671)
Provision for loan and lease losses, total	$ 40,947	$ 17,986	$ 21,539

* As presented above, the non-ASC 310-30 loan portfolio includes originated loans, other than loans for which we have elected the fair value option, and loans we acquired that we did not determine were acquired with deteriorated credit quality.

Total Credit-Related Charges

We recognized other credit-related charges during fiscal year 2019 that were higher compared to fiscal year 2018, which was lower compared to fiscal year 2017. We believe the following table, which summarizes each component of the total credit-related charges incurred during the current and prior fiscal years, is helpful to understanding the overall impact on our yearly results of operations. Net other repossessed property charges include other repossessed property operating costs, valuation adjustments and gain (loss) on sale of other repossessed properties, each of which entered other repossessed property as a result of the former borrower failing to perform on a loan obligation. Reversal of interest income on nonaccrual loans occurs when we become aware that a loan, for which we had been recognizing interest income, will no longer be able to perform according to the terms and conditions of the loan agreement, including repayment of interest owed to us. We record a recovery of interest income on nonaccrual loans occurs when we receive payment of interest owed to us. Loan fair value adjustments related to credit relate to the portion of our loan portfolio for which we have elected the fair value option; these amounts reflect expected credit losses in the portfolio.

		Fiscal Years Ended September 30,		
Item	**Included within F/S Line Item(s):**	**2019**	**2018**	**2017**
			(dollars in thousands)	
Provision for loan and lease losses	Provision for loan and lease losses	$ 40,947	$ 17,986	$ 21,539
Net other repossessed property charges	Net loss on repossessed property and other related expenses	4,367	4,369	1,749
Reversal of interest income on nonaccrual loans	Interest income on loans	312	1,901	930
Loan fair value adjustment related to credit	Net increase in fair value of loans at fair value	7,664	194	936
Total		$ 53,290	$ 24,450	$ 25,154

Total credit-related charges for fiscal year 2019 increased $28.8 million, or 118.0%, compared to fiscal year 2018. The increase in total credit-related charges was primarily driven by an increase in net charge-offs in fiscal year 2019, mainly concentrated in the agriculture and commercial non-real estate segments of the loan portfolio. Total credit-related charges for fiscal year 2018 decreased $0.7 million, or 2.8%, compared to fiscal year 2017 primarily driven by a decrease in net charge-offs, partially offset by higher expenses associated with other repossessed property.

Noninterest Income

The following table presents noninterest income for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	**2018**	**2017**
		(dollars in thousands)	
Noninterest income			
Service charges and other fees	$ 43,893	$ 51,077	$ 55,725
Wealth management fees	8,914	9,219	9,118
Mortgage banking income, net	4,848	5,842	7,928
Net (loss) gain on sale of securities	(178)	6	75
Other	5,287	8,276	5,699
Subtotal, product and service fees	62,764	74,420	78,545
Net increase (decrease) in fair value of loans at fair value	61,412	(45,407)	(65,231)
Net realized and unrealized (loss) gain on derivatives	(63,444)	44,596	49,900
Subtotal, loans at fair value and related derivatives	(2,032)	(811)	(15,331)
Total noninterest income	$ 60,732	$ 73,609	$ 63,214

Our noninterest income is comprised of the various fees we charge our customers for products and services we provide and the impact of changes in fair value of loans for which we have elected the fair value treatment and realized and unrealized gains (losses) on the related interest rate swaps we utilize to manage interest rate risk on these loans. While we are required under U.S. GAAP to present both components within total noninterest income, we believe it is helpful to analyze the two broader components of noninterest income separately to better understand the underlying performance of the business.

Noninterest income was $60.7 million for fiscal year 2019, compared with $73.6 million for fiscal year 2018, a decrease of $12.9 million or 17.5%, which increased $10.4 million, or 16.4%, from $63.2 million for fiscal year 2017. Significant components of noninterest income are described in further detail below.

Product and Service Fees. We recognized $62.8 million of noninterest income related to product and service fees in fiscal year 2019, a decrease of $11.6 million, or 15.7%, from $74.4 million for fiscal year 2018. The decrease was due to a $7.2 million decrease in services charges and other fees combined with a $3.0 million decrease in other income. The decrease in service charges and other fees was primarily due to the impact of adopting the revenue recognition accounting standard in fiscal year 2019, which resulted in netting $5.7 million of credit and debit card network expenses against related interchange income, combined with a decrease in net overdraft and non-sufficient funds income. The decrease in other income compared to the prior period was due to a one-time gain on the sale of Visa, Inc. Class B common stock shares and a sign on bonus received from a service provider in fiscal year 2018.

Noninterest income related to product and service fees for the fiscal year 2018 decreased $4.1 million, or 5.3%, from $78.5 million for fiscal year 2017. The decrease was primarily attributable to decreases of $4.6 million, or 8.3%, in service charges and other fees and $2.1 million, or 26.3%, in mortgage banking income, partially offset by a $2.6 million increase, or 45.2%, in other income. The decrease in service charges and other fees reflects the impact of the "Durbin Amendment" limit on debit card interchange income that became effective in July 2017. The decrease in mortgage banking income was due to fewer loans sold during the fiscal year, while the increase in other income was primarily driven by a gain on the sale of Visa, Inc. Class B common stock shares and the sign on bonus noted previously.

Loans at fair value and related derivatives. As discussed in "—Analysis of Financial Condition—Derivatives," changes in the fair value of loans for which we have elected the fair value treatment and realized and unrealized gains and losses on the related derivatives are recognized within noninterest income. For fiscal years 2019, 2018 and 2017 these items accounted for $(2.0) million, $(0.8) million and $(15.3) million, respectively. The change during fiscal year 2019 was driven by a $6.0 million reduction in the current cost of interest rate swaps and a $1.7 million increase in swap fees combined with a net unfavorable change in the credit risk adjustment of $8.9 million. The change during fiscal year 2018 was driven by a $9.0 million reduction in the current cost of interest rate swaps and a $4.7 million increase in swap fees combined with a net favorable change in the credit risk adjustment of $(0.8) million. We believe that the current realized loss on the derivatives economically offsets the interest income earned on the related loans. We present elsewhere the adjusted net interest income and adjusted net interest margin reflecting the metrics we use to manage the business.

Noninterest Expense

The following table presents noninterest expense for fiscal years September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
	(dollars in thousands)		
Noninterest expense			
Salaries and employee benefits	$ 136,305	$ 135,352	$ 128,135
Data processing and communication	24,077	29,805	28,288
Occupancy and equipment	20,784	20,330	19,817
Professional fees	14,579	17,891	15,038
Advertising	4,493	4,507	3,983
Net loss on repossessed property and other related expenses	4,367	4,369	1,749
Acquisition expenses	—	—	710
Other	20,293	19,171	18,923
Total noninterest expense	$ 224,898	$ 231,425	$ 216,643

Noninterest expense was $224.9 million for fiscal year 2019 compared with $231.4 million for fiscal year 2018, a decrease of $6.5 million, or 2.8%, which was an increase of $14.8 million, or 6.8%, compared to $216.6 million in fiscal year 2017. Our efficiency ratio was 45.8% for fiscal year 2019, 47.1% for fiscal year 2018 and 46.5% for fiscal year 2017. For more information on our efficiency ratio, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations." Significant changes in components of noninterest expense are described in further detail below.

Salaries and Employee Benefits. Salaries and employee benefits are the largest component of noninterest expense and include the cost of incentive compensation, stock compensation, benefit plans, health insurance and payroll taxes. These expenses were $136.3 million for fiscal year 2019, an increase of $0.9 million, or 0.7%, from $135.4 million for fiscal year 2018. The majority of the increase was driven by annual merit increases partially offset by a reduction in health insurance costs during the period. Salaries and employee benefits for fiscal year 2018 increased $7.3 million, or 5.6%, from $128.1 million for fiscal year 2017. The majority of the increase was driven by living wage increases in response to federal tax reform and annual merit increases.

Data Processing and Communication. Data processing and communication expenses include payments to vendors who provide software, data processing, and services on an outsourced basis, costs related to supporting and developing internet-based activities, credit card rewards provided to our customers, depreciation of bank-owned hardware and software, postage and telephone expenses. Expenses for data processing and communication were $24.1 million for fiscal year 2019 and $29.8 million for fiscal year 2018, a decrease of $5.7 million, or 19.2%. This decrease was due to the impact of adopting the revenue recognition standard as discussed in noninterest income above. Expenses for data processing and communication for fiscal year 2018 increased $1.5 million, or 5.4%, from $28.3 million for fiscal year 2017. The increase was driven primarily by an estimated breakage cost of an existing contract.

Occupancy and Equipment. Occupancy and equipment expenses include our branch network and administrative office locations throughout our footprint, including both owned and leased locations, property taxes, maintenance expense and depreciation of bank-owned furniture and equipment. These costs were $20.8 million for fiscal year 2019 and $20.3 million for fiscal year 2018, an increase of $0.5 million, or 2.2%. Expenses for occupancy and equipment for fiscal year 2018 increased $0.5 million, or 2.6%, from $19.8 million for fiscal year 2017. The increases in fiscal years 2019 and 2018 were primarily due to annual increases in rent, utilities and property tax expenses.

Professional Fees. Professional fees include our FDIC and FICO assessments, the cost of accountants and other consultants, and legal services in connection with delinquent loans, business transactions, regulatory compliance matters and to resolve other legal matters. These expenses were $14.6 million for fiscal year 2019 and $17.9 million for fiscal year 2018, a decrease of $3.3 million, or 18.5%. Expenses for professional fees for fiscal year 2018 increased $2.9 million, or 19.0%, from $15.0 million for fiscal year 2017. Professional fees decreased in fiscal year 2019 due to the discontinuation of the surcharge for banks with assets exceeding $10.0 million in our FDIC assessment and increased in fiscal year 2018 due to an increase in our FDIC assessment as a result of exceeding $10.0 billion in total assets.

Net Loss on Repossessed Property and Other Assets. Our net loss on the sale of repossessed property and other assets was $4.4 million for both fiscal years 2019 and 2018. Net loss on the sale of repossessed property and other assets for fiscal year 2018 increased $2.7 million, or 149.8%, from $1.7 million for fiscal year 2017. The increase in fiscal year 2018 was primarily due to the expenses related to the foreclosure of a single other repossessed property.

Other. Other noninterest expenses include costs related to other repossessed property costs prior to foreclosure, business development and professional membership fees, travel and entertainment costs, amortization of core deposits and other intangibles, and other costs incurred. Other noninterest expenses were $20.3 million in fiscal year 2019 and $19.2 million in fiscal year 2018, an increase of $1.1 million, or 5.9%. The increase was primarily due to increases in loan expenses. Other noninterest expenses for fiscal year 2018 increased $0.3 million, or 1.3%, from $18.9 million in fiscal year 2017. The increase was primarily due to an increase in other repossessed property costs prior to foreclosure.

Our efficiency ratio was 45.8%, 47.1% and 46.5% for the fiscal years 2019, 2018 and 2017, respectively. For more information on our efficiency ratio, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations."

Provision for Income Taxes

The provision for income taxes varies due to the amount of taxable income, the investments in tax-advantaged securities and tax credit funds and the rates charged by federal and state authorities. As a result of the Tax Reform Act of 2017, we moved to a fully phased in statutory federal tax rate of 21.0% in fiscal year 2019 versus a blended statutory federal rate of 24.5% in fiscal year 2018 and a statutory federal rate of 35.0% in fiscal year 2017. The provision for income taxes of $48.2 million in fiscal year 2019 represents an effective tax rate of 22.4%, compared to $74.1 million or 31.9%, for fiscal year 2018 and $69.4 million or 32.4%, for fiscal year 2017. Excluding the deferred taxes revaluation as a result of the Tax Reform Act, the effective tax rate was 26.1% for fiscal year 2018.

Return on Assets and Equity

The table below presents our return on average total assets, return on average common equity and return on average tangible common equity to average assets ratio at and for the dates presented.

	Fiscal Years Ended September 30,		
	2019	2018	2017
Return on average total assets	1.33%	1.34%	1.27%
Return on average common equity	9.1%	8.8%	8.5%
Return on average tangible common equity [1]	15.3%	15.3%	15.4%

[1] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations".

Analysis of Financial Condition

The following table highlights certain key financial and performance information for fiscal years ended September 30, 2019, 2018 and 2017.

	As of September 30,		
	2019	2018	2017
		(dollars in thousands)	
Balance Sheet and Other Information			
Total assets	$ 12,788,301	$ 12,116,808	$ 11,690,011
Loans [1]	9,706,763	9,415,924	8,968,553
Allowance for loan and lease losses	70,774	64,540	63,503
Deposits	10,300,339	9,733,499	8,977,613
Stockholders' equity	1,900,249	1,840,551	1,755,000
Tangible common equity [2]	$ 1,155,052	$ 1,093,816	$ 1,006,603
Tier 1 capital ratio	11.7%	12.0%	11.4%
Total capital ratio	12.7%	13.0%	12.5%
Tier 1 leverage ratio	10.1%	10.7%	10.3%
Common equity tier 1 ratio	11.0%	11.3%	10.7%
Tangible common equity / tangible assets [2]	9.6%	9.6%	9.2%
Book value per share - GAAP	$ 33.76	$ 31.24	$ 29.83
Tangible book value per share [2]	$ 20.52	$ 18.57	$ 17.11
Nonaccrual loans / total loans	1.10%	1.52%	1.54%
Net charge-offs (recoveries) / average total loans	0.36%	0.18%	0.26%
Allowance for loan and lease losses / total loans	0.73%	0.69%	0.71%

[1] Loans include unpaid principal balance net of unamortized discount on acquired loans and unearned net deferred fees and costs and loans in process.

[2] This is a non-GAAP financial measure we believe is helpful to interpreting our financial results. For more information on this non-GAAP financial measure, see "—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations".

Our total assets were $12.79 billion at September 30, 2019, compared with $12.12 billion at September 30, 2018 and $11.69 billion at September 30, 2017. The increase in total assets for each of the fiscal years 2019 and 2018 was primarily attributable to growth in loans and securities available for sale, partially offset by a reduction in cash and cash equivalents compared to the prior period.

At September 30, 2019, loans were $9.71 billion, an increase of $290.8 million, or 3.1%, from $9.42 billion at September 30, 2018, which increased $447.4 million, or 5.0%, compared to $8.97 billion at September 30, 2017. The majority of the growth for fiscal year 2019 occurred in the CRE segment of the portfolio, which grew by $463.1 million, mainly across the non-owner segment, partially offset by a reduction of $174.0 million in the agriculture segment of the portfolio.

Total deposits were $10.30 billion at September 30, 2019, an increase of $566.8 million, or 5.8%, from $9.73 billion at September 30, 2018, which increased $755.9 million, or 8.4%, from $8.98 billion at September 30, 2017. Noninterest-bearing deposits were $1.96 billion, a 6.1% increase for the fiscal year and interest-bearing deposits were $8.34 billion, a 5.7% increase for the fiscal year. FHLB and other borrowings increased slightly by $65.0 million, or 23.6%, for the fiscal year.

Loan Portfolio

The following table presents our loan portfolio by category at each of the dates indicated:

	As of September 30,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Unpaid principal balance:					
Commercial real estate [1]					
Originated	$ 4,824,827	$ 4,255,272	$ 3,628,235	$ 3,171,516	$ 2,708,512
Acquired	267,583	374,058	496,570	582,591	137,236
Total	5,092,410	4,629,330	4,124,805	3,754,107	2,845,748
Agriculture [1]					
Originated	1,932,722	2,082,778	1,990,648	1,974,226	1,841,437
Acquired	75,922	99,910	131,490	194,711	20,028
Total	2,008,644	2,182,688	2,122,138	2,168,937	1,861,465
Commercial non-real estate [1]					
Originated	1,691,026	1,656,563	1,670,349	1,601,328	1,591,974
Acquired	28,930	43,424	48,565	71,838	17,536
Total	1,719,956	1,699,987	1,718,914	1,673,166	1,609,510
Residential real estate					
Originated	696,403	682,615	724,906	746,384	714,855
Acquired	115,805	154,954	207,986	274,574	208,290
Total	812,208	837,569	932,892	1,020,958	923,145
Consumer					
Originated	47,324	43,325	56,467	59,850	68,840
Acquired	4,601	6,364	10,092	16,423	4,209
Total	51,925	49,689	66,559	76,273	73,049
Other lending					
Originated	47,541	46,487	43,132	42,398	38,371
Acquired	—	—	75	79	—
Total	47,541	46,487	43,207	42,477	38,371
Total originated	9,239,843	8,767,040	8,113,737	7,595,702	6,963,989
Total acquired	492,841	678,710	894,778	1,140,216	387,299
Total unpaid principal balance	9,732,684	9,445,750	9,008,515	8,735,918	7,351,288
Less: Unamortized discount on acquired loans	(13,655)	(18,283)	(29,121)	(39,947)	(19,264)
Less: Unearned net deferred fees and costs and loans in process	(12,266)	(11,543)	(10,841)	(13,327)	(6,826)
Total loans	9,706,763	9,415,924	8,968,553	8,682,644	7,325,198
Allowance for loan and lease losses	(70,774)	(64,540)	(63,503)	(64,642)	(57,200)
Loans, net	$ 9,635,989	$ 9,351,384	$ 8,905,050	$ 8,618,002	$ 7,267,998

[1] Unpaid principal balance for commercial real estate, agriculture and commercial non-real estate loans includes fair value adjustments associated with long-term fixed-rate loans where we have entered into interest rate swaps to manage our interest rate risk.

During the fiscal year ended September 30, 2019, total loans grew by $290.8 million, or 3.1%. The growth was primarily focused in CRE loans, which grew $463.1 million, or 10.0%, partially offset by agriculture loans, which decreased $174.0 million, or 8.0%. Over the same time period, commercial non-real estate, residential real estate, consumer and other loan balances remained generally stable. During the fiscal year ended September 30, 2018, total loans grew by $447.4 million, or 5.0%. The growth was primarily focused in CRE loans, which grew $504.5 million, or 12.2%, partially offset by residential real estate loans, which declined $95.3 million, or 10.2%. Over the same time period, agriculture, commercial non-real estate, consumer and other loan balances remained stable.

The following table presents an analysis of the unpaid principal balance of our loan portfolio at September 30, 2019, by loan and collateral type and by each of the six major geographic areas we use to manage our markets.

	September 30, 2019								
	South Dakota	Iowa / Kansas / Missouri	Nebraska	Arizona	Colorado	North Dakota / Minnesota	Other [2]	Total	%
	(dollars in thousands)								
Commercial real estate [1]	$ 1,112,863	$ 1,430,247	$ 920,062	$ 516,445	$ 853,975	$ 231,500	$ 27,318	$ 5,092,410	52.3 %
Agriculture [1]	599,664	358,610	140,570	738,580	166,635	2,183	2,402	2,008,644	20.6 %
Commercial non-real estate [1]	307,080	736,273	389,917	83,256	108,400	6,614	88,416	1,719,956	17.7 %
Residential real estate	203,497	235,330	170,580	36,524	129,189	20,197	16,891	812,208	8.4 %
Consumer	17,244	19,315	12,386	487	1,441	502	550	51,925	0.5 %
Other lending	—	—	—	—	—	—	47,541	47,541	0.5 %
Total	$ 2,240,348	$ 2,779,775	$ 1,633,515	$ 1,375,292	$ 1,259,640	$ 260,996	$ 183,118	$ 9,732,684	100.0 %
% by location	23.0 %	28.6 %	16.8 %	14.1 %	12.9 %	2.7 %	1.9 %	100.0 %	

[1] Unpaid principal balance for commercial real estate, agriculture and commercial non-real estate loans includes fair value adjustments associated with long-term fixed-rate loans where we have entered into interest rate swaps to manage our interest rate risk.

[2] Balances in this column represent acquired workout loans and certain other loans managed by our workout staff, commercial and consumer credit card loans, fair value adjustments related to acquisitions and loans for which we have elected the fair value option, which could result in a negative carrying amount in the event of a net negative fair value adjustment.

The following table presents additional detail regarding our CRE, agriculture, commercial non-real estate and residential real estate loans at September 30, 2019.

	September 30, 2019
	(dollars in thousands)
Construction and development	$ 463,757
Owner-occupied CRE	1,411,199
Non-owner-occupied CRE	2,853,131
Multifamily residential real estate	364,323
Commercial real estate	5,092,410
Agriculture real estate	957,568
Agriculture operating loans	1,051,076
Agriculture	2,008,644
Commercial non-real estate	1,719,956
Home equity lines of credit	185,444
Closed-end first lien	498,108
Closed-end junior lien	36,865
Residential construction	91,791
Residential real estate	812,208
Consumer	51,925
Other	47,541
Total unpaid principal balance	$ 9,732,684

Commercial Real Estate. CRE includes owner-occupied CRE, non-owner-occupied CRE, construction and development lending, and multi-family residential real estate. While CRE lending is a significant component of our overall loan portfolio, we are committed to managing our exposure to riskier construction and development deals specifically, and to CRE lending in general, by targeting relationships with sound management and financials which are priced to reflect the amount of risk we accept as the lender.

Agriculture. Agriculture loans include farm operating loans and loans collateralized by farm land. According to the American Banker's Association, at June 30, 2019, we were ranked the sixth-largest farm lender bank in the United States measured by total dollar volume of farm loans. We consider agriculture lending one of our core lending areas. We target a portfolio composition for agriculture loans not to exceed 225% of total capital according to our Risk Appetite Statement approved by our Board of Directors. Within our agriculture portfolio, loans are diversified across a wide range of subsectors with the majority of the portfolio concentrated within various types of grain, livestock and dairy products, and across different geographical segments within our footprint. Over recent years, our borrowers have experienced volatile commodity prices, due in part to the effects of recently imposed and proposed tariffs on the export of agricultural products, waivers of the amount of ethanol to be blended into the country's gasoline production and isolated areas of flooding within parts of the Midwest in which certain of our agricultural borrowers conduct their operations. While these events, or a further downturn in the agriculture economy, could directly and adversely affect our agricultural loan portfolio and indirectly and adversely impact other lending categories including commercial non-real estate, CRE, residential real estate and consumer, we believe there continues to typically be strong secondary sources of repayment and low borrower leverage for the agriculture loan portfolio.

Commercial Non-Real Estate. Commercial non-real estate, or business lending, represents one of our core competencies. We believe that providing a tailored range of integrated products and services, including lending, to small- and medium-enterprise customers is the business at which we excel and through which we can generate favorable returns for our stockholders. We offer a number of different products including working capital and other shorter-term lines of credit, fixed-rate loans and variable rate loans with interest rate swaps over a wide range of terms, and variable-rate loans with varying terms.

Residential Real Estate. Residential real estate lending reflects 1-to-4-family real estate construction loans, closed-end first-lien mortgages (primarily single-family long-term first mortgages resulting from acquisitions of other banks), closed-end junior-lien mortgages and HELOCs. Our closed-end first-lien mortgages include a small percentage of single-family first mortgages that we originate and do not subsequently sell into the secondary market, including some jumbo products, adjustable-rate mortgages and rural home mortgages. Conversely, a large percentage of our total single-family first mortgage originations are sold into the secondary market in order to meet our interest rate risk management objectives.

Consumer. Our consumer lending offering comprises a relatively small portion of our total loan portfolio, and predominantly reflects small-balance secured and unsecured products marketed by our branches.

Other Lending. Other lending includes all other loan relationships that do not fit within the categories above, primarily consumer and commercial credit cards, customer deposit account overdrafts, and lease receivables.

The following table presents the maturity distribution of our loan portfolio as of September 30, 2019. The maturity dates were determined based on the contractual maturity date of the loan.

	September 30, 2019			
	1 Year or Less	>1 Through 5 Years	>5 Years	Total
	(dollars in thousands)			
Maturity distribution:				
Commercial real estate	$ 516,537	$ 2,201,971	$ 2,373,902	$ 5,092,410
Agriculture	961,934	668,418	378,292	2,008,644
Commercial non-real estate	824,653	554,238	341,065	1,719,956
Residential real estate	150,326	256,811	405,071	812,208
Consumer	8,308	37,157	6,460	51,925
Other lending	47,541	—	—	47,541
Total	$ 2,509,299	$ 3,718,595	$ 3,504,790	$ 9,732,684

The following table presents the distribution, as of September 30, 2019, of our loans that were due after one year between fixed and variable interest rates.

	September 30, 2019		
	Fixed	Variable	Total
	(dollars in thousands)		
Maturity distribution:			
Commercial real estate	$ 2,170,598	$ 2,405,275	$ 4,575,873
Agriculture	803,985	242,725	1,046,710
Commercial non-real estate	581,326	313,977	895,303
Residential real estate	287,066	374,816	661,882
Consumer	40,659	2,958	43,617
Total	$ 3,883,634	$ 3,339,751	$ 7,223,385

Other Repossessed Property

In the normal course of business, we obtain title to real estate and other assets when borrowers are unable to meet their contractual obligations and we initiate foreclosure proceedings, or via deed in lieu of foreclosure actions. Other repossessed property assets are considered nonperforming assets. When we obtain title to an asset, we evaluate how best to maintain and protect our interest in the property and seek to liquidate the assets at an acceptable price in a timely manner. Our total other repossessed property carrying value was $36.8 million as of September 30, 2019, an increase of $13.7 million, or 59.3%, compared to $23.1 million at September 30, 2018, which increased $14.1 million, or 156.8%, compared to $9.0 million at September 30, 2017. The increase in fiscal year 2019 was due to one large relationship moving into other repossessed property during the year. The increase in fiscal year 2018 was primarily due to the addition of one large property during the period.

The following table presents our other repossessed property balances for the period indicated.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Balance, beginning of period	$ 23,074	$ 8,985	$ 10,282
Additions to other repossessed property	25,668	25,926	7,786
Valuation adjustments and other	(2,328)	(1,447)	(1,630)
Sales	(9,650)	(10,390)	(7,453)
Balance, end of period	$ 36,764	$ 23,074	$ 8,985

Asset Quality

We place an asset on nonaccrual status when management believes, after considering collection efforts and other factors, the borrowers' condition is such that collection of interest is doubtful, which is generally 90 days past due. If a borrower has failed to comply with the original contractual terms, further action may be required, including a downgrade in the risk rating, movement to nonaccrual status, a charge-off or the establishment of a specific reserve. If there is a collateral shortfall, we generally work with the borrower for a principal reduction, pledge of additional collateral or guarantee. If these alternatives are not available, we engage in formal collection activities. Restructured loans for which we grant payment or significant interest rate concessions are placed on nonaccrual status until collectability improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive payments.

The following table presents the dollar amount of nonaccrual loans, other repossessed property, restructured performing loans and accruing loans over 90 days past due, at the end of the dates indicated. We entered into a loss-sharing agreement with the FDIC related to certain assets (loans and other repossessed property) acquired from TierOne Bank on June 4, 2010. Loans covered by a FDIC loss-sharing agreement are generally pooled with other similar loans and are accreting purchase discount into income each period. Subject to compliance with the applicable loss-sharing agreement, we are indemnified by the FDIC at a rate of 80% for any future credit losses for single-family real estate loans and other repossessed property covered by the FDIC loss-sharing agreement through June 4, 2020.

	As of September 30,				
	2019	2018	2017	2016	2015
			(dollars in thousands)		
Nonaccrual loans [1]					
Commercial real estate [2]	$ 14,973	$ 22,908	$ 14,912	$ 20,624	$ 16,870
Agriculture [2]	77,880	107,226	100,504	68,526	24,569
Commercial non-real estate [2]	9,502	6,887	13,674	27,307	14,287
Residential real estate					
Loans covered by a FDIC loss-sharing agreement	2,190	2,699	4,893	4,095	5,317
Loans not covered by a FDIC loss-sharing agreement	2,572	3,425	4,206	5,599	7,124
Total	4,762	6,124	9,099	9,694	12,441
Consumer [2]	74	61	123	244	122
Total nonaccrual loans covered by a FDIC loss-sharing agreement	2,190	2,699	4,893	4,095	5,317
Total nonaccrual loans not covered by a FDIC loss-sharing agreement	105,001	140,507	133,419	122,300	62,972
Total nonaccrual loans	107,191	143,206	138,312	126,395	68,289
Other repossessed property	36,764	23,074	8,985	10,282	15,892
Total nonperforming assets	143,955	166,280	147,297	136,677	84,181
Restructured performing loans	44,842	19,783	32,490	46,568	60,371
Total nonperforming and restructured assets	$ 188,797	$ 186,063	$ 179,787	$ 183,245	$ 144,552
Accruing loans 90 days or more past due	$ 11,180	$ 156	$ 1,859	$ 1,991	$ 58
Nonperforming restructured loans included in total nonaccrual loans	$ 30,073	$ 77,156	$ 71,334	$ 36,778	$ 13,966
Percent of total assets					
Nonaccrual loans not covered by a FDIC loss-sharing agreement	0.82 %	1.16 %	1.14 %	1.06 %	0.64 %
Total nonaccrual loans	0.84 %	1.18 %	1.18 %	1.10 %	0.70 %
Other repossessed property	0.29 %	0.19 %	0.08 %	0.09 %	0.16 %
Nonperforming assets [3]	1.13 %	1.37 %	1.26 %	1.19 %	0.86 %
Nonperforming and restructured assets [3]	1.48 %	1.54 %	1.54 %	1.59 %	1.48 %

[1] Includes nonperforming restructured loans.

[2] Loans not covered by FDIC loss-sharing agreement.

[3] Includes nonaccrual loans, which includes nonperforming restructured loans.

At September 30, 2019, our nonperforming assets were 1.13% of total assets, compared to 1.37% at September 30, 2018. Total nonaccrual loans decreased by $36.0 million, or 25.2% compared to September 30, 2018, which increased $4.9 million, or 3.5%, compared to September 30, 2017. The decrease in nonaccrual loans in fiscal year 2019 was primarily driven by our focus on exiting loans in all categories with a higher risk profile. The increase in nonaccrual loans for fiscal year 2018 was primarily driven by the deterioration of a relationship in the CRE portfolio that has been closely monitored for a number of quarters, partially offset by improvements in the commercial non-real estate portfolio.

We recognized approximately $2.6 million of interest income on loans that were on nonaccrual for the fiscal year ended 2019. Excluding loans covered by a FDIC loss-sharing agreement, we had average nonaccrual loans (calculated as a two-point average) of $122.8 million outstanding during fiscal year 2019. Based on the average loan portfolio yield for these loans for the current fiscal year, we estimate that interest income would have been $6.3 million higher during the period had these loans been accruing.

We consistently monitor all loans internally rated "watch" or worse because that rating indicates we have identified some potential weakness emerging; but loans rated "watch" will not necessarily become problem loans or become impaired. Aside from the loans on the watch list, we do not believe we have any potential problem loans that are not already identified as nonaccrual, past due or restructured as it is our policy to promptly reclassify loans as soon as we become aware of doubts as to the borrowers' ability to meet repayment terms.

When we grant concessions to borrowers that we would not otherwise grant if not for the borrowers' financial difficulties, such as reduced interest rates or extensions of loan periods, we consider these modifications TDRs.

The table below outlines total TDRs, split between accruing and nonaccruing loans, at each of the dates indicated.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Commercial real estate			
Performing TDRs	$ 17,145	$ 2,649	$ 1,121
Nonperforming TDRs	904	2,616	5,351
Total	18,049	5,265	6,472
Agriculture			
Performing TDRs	22,929	13,248	22,678
Nonperforming TDRs	24,762	73,741	59,633
Total	47,691	86,989	82,311
Commercial non-real estate			
Performing TDRs	4,398	3,420	8,369
Nonperforming TDRs	4,257	656	5,641
Total	8,655	4,076	14,010
Residential real estate			
Performing TDRs	263	389	311
Nonperforming TDRs	102	143	688
Total	365	532	999
Consumer			
Performing TDRs	107	77	11
Nonperforming TDRs	48	—	21
Total	155	77	32
Total performing TDRs	44,842	19,783	32,490
Total nonperforming TDRs	30,073	77,156	71,334
Total TDRs	$ 74,915	$ 96,939	$ 103,824

As of September 30, 2019, total performing TDRs increased $25.1 million, or 126.7%, compared to September 30, 2018, which decreased $12.7 million, or 39.1%, compared to September 30, 2017. Performing TDRs increased from September 30, 2018 primarily due to one large relationship in the commercial real estate segment of the loan portfolio. Performing TDRs decreased from September 30, 2017 primarily due to a large relationship in the agriculture portfolio that transferred from performing to nonperforming TDR status. As of September 30, 2019, total nonperforming TDRs decreased $47.1 million, or 61.0%, compared to September 30, 2018, which increased $5.8 million, or 8.2%, compared to September 30, 2017. Nonperforming TDRs decreased from September 30, 2018 mainly due to two large relationships in the agriculture portfolio, one that moved into other repossessed property and one that paid off. Nonperforming TDRs increased from September 30, 2017 mainly due to the large relationship in the agriculture portfolio that moved to nonperforming status.

The following table presents nonaccrual loans, TDRs, and other repossessed property covered by the remaining FDIC loss-sharing agreement; a rollforward of the allowance for loan and lease losses for loans covered by the remaining FDIC loss-sharing agreement; a rollforward of allowance for loan and lease losses for only ASC 310-30 loans covered by the remaining FDIC loss-sharing agreement; and a rollforward of other repossessed property covered by the remaining FDIC loss-sharing agreement at and for the periods presented.

	At and for Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Assets covered by a FDIC loss-sharing agreement					
Nonaccrual loans [1]	$ 2,190	$ 2,699	$ 4,893	$ 4,095	$ 5,317
TDRs	43	154	191	255	425
Other repossessed property	—	131	—	106	61
Allowance for loan and lease losses, loans covered by a FDIC loss-sharing agreement					
Balance, beginning of period	$ 262	$ 196	$ 907	$ 1,625	$ 5,108
Additional impairment recorded	309	386	196	—	782
Recoupment of previously-recorded impairment	(379)	(302)	(892)	(677)	(1,701)
Charge-offs	(79)	(18)	(15)	(41)	—
Expiration of loss-sharing arrangement	—	—	—	—	(2,564)
Balance, end of period	$ 113	$ 262	$ 196	$ 907	$ 1,625
Other repossessed property covered by a loss-sharing agreement					
Balance, beginning of period	$ 131	$ —	$ 106	$ 61	$ 10,628
Additions to other repossessed property	—	131	14	182	1,666
Valuation adjustments and other	—	—	—	(15)	(2,034)
Sales	(131)	—	(120)	(122)	(7,031)
Expiration of loss-sharing agreement	—	—	—	—	(3,168)
Balance, end of period	$ —	$ 131	$ —	$ 106	$ 61

[1] Includes nonperforming restructured loans.

Allowance for Loan and Lease Losses

We establish an allowance for the inherent risk of probable losses within our loan portfolio. The allowance for loan and lease losses is management's best estimate of probable credit losses that are incurred in the loan portfolio. We determine the allowance for loan and lease losses based on an ongoing evaluation, driven primarily by monitoring changes in loan risk grades, delinquencies and other credit risk indicators, which is an inherently subjective process. We consider the uncertainty related to certain industry sectors and the extent of credit exposure to specific borrowers within the portfolio. In addition, we consider concentration risks associated with the various loan portfolios and current economic conditions that might impact the portfolio. All of these estimates are susceptible to significant change. Changes to the allowance for loan and lease losses are made by charges to the provision for loan and lease losses. Loans deemed to be uncollectible are charged off against the allowance for loan and lease losses. Recoveries of amounts previously charged-off are credited to the allowance for loan and lease losses.

Our allowance for loan and lease losses consists of two components. For non-impaired loans, we calculate a weighted average loss ratio of 12-, 36- and 60-month historical realized losses by collateral type; adjust as necessary for our interpretation of current economic conditions, environmental factors and current portfolio trends including credit quality, concentrations, aging of the portfolio and/or significant policy and underwriting changes not entirely covered by the calculated historical loss rates; and apply the loss rates to outstanding loan balances in each collateral category. We calculate the weighted average ratio of 12-, 36- and 60-month historical realized losses for each collateral type by dividing the average net annual charge-offs by the average outstanding loans of such type subject to the calculation for each of the 12-, 36- and 60-month periods, then averaging those three results. For impaired loans, we estimate our exposure for each individual relationship, given the current payment status of the loan and the value of the underlying collateral as supported by third party appraisals, broker's price opinions, and/or the borrower's financial statements and internal valuation assessments, each adjusted for liquidation costs. Any shortfall between the liquidation value of the underlying collateral and the recorded investment value of the loan is considered the required specific reserve amount. Actual losses in any period may exceed allowance amounts. We evaluate and adjust our allowance for loan and lease losses, and the allocation of the allowance between loan categories, each month.

The following table presents an analysis of our allowance for loan and lease losses, including provisions for loan and lease losses, charge-offs and recoveries, for the periods indicated.

	At and for Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Allowance for loan and lease losses:					
Balance, beginning of period	$ 64,540	$ 63,503	$ 64,642	$ 57,200	$ 47,518
Provision charged to expense	41,506	17,754	22,210	18,011	19,718
(Improvement) impairment of ASC 310-30 loans	(559)	232	(671)	(1,056)	(677)
Charge-offs:					
Commercial real estate	(1,511)	(3,925)	(2,043)	(3,625)	(1,971)
Agriculture	(24,847)	(9,473)	(7,853)	(4,294)	(606)
Commercial non-real estate	(7,895)	(3,813)	(12,576)	(2,629)	(11,153)
Residential real estate	(998)	(569)	(809)	(1,157)	(238)
Consumer	(452)	(192)	(196)	(206)	(129)
Other lending	(1,358)	(1,932)	(2,403)	(2,255)	(1,617)
Total charge-offs	(37,061)	(19,904)	(25,880)	(14,166)	(15,714)
Recoveries:					
Commercial real estate	567	533	485	719	1,339
Agriculture	385	332	415	556	131
Commercial non-real estate	392	994	652	1,429	3,407
Residential real estate	468	337	507	495	231
Consumer	174	141	102	149	104
Other lending	362	618	1,041	1,305	1,143
Total recoveries	2,348	2,955	3,202	4,653	6,355
Net loan charge-offs	(34,713)	(16,949)	(22,678)	(9,513)	(9,359)
Balance, end of period	$ 70,774	$ 64,540	$ 63,503	$ 64,642	$ 57,200
Average total loans for the period [1]	$ 9,741,293	$ 9,252,436	$ 8,760,869	$ 7,912,457	$ 7,071,987
Total loans at period end [1]	$ 9,706,763	$ 9,415,924	$ 8,968,553	$ 8,682,644	$ 7,325,198
Ratios					
Net charge-offs (recoveries) / average total loans	0.36 %	0.18%	0.26%	0.12%	0.13%
Allowance for loan and lease losses to:					
Total loans	0.73%	0.69%	0.71%	0.74%	0.78%
Nonaccruing loans [2]	67.40%	45.93%	47.60%	52.86%	90.83%

[1] Loans include unpaid principal balance net of unamortized discount on acquired loans and unearned net deferred fees and costs and loans in process.

[2] Nonaccruing loans excludes loans covered by FDIC loss-sharing agreement.

In the fiscal year 2019, we recorded net charge-offs of $34.7 million, representing 0.36% of average total loans, an 18 basis point increase compared to 0.18% of average total loans for fiscal year 2018. The increase in net charge-offs in fiscal year 2019 was primarily driven by net charge-offs in the agriculture segment of the loan portfolio, which included $18.7 million of net charge-offs related to the cattle industry, and $7.5 million of net charge-offs related to the commercial non-real estate segment of the loan portfolio.

At September 30, 2019, the allowance for loan and lease losses was 0.73% of our total loan portfolio, a 4 basis point increase compared with 0.69% at September 30, 2018. The balance of the ALLL increased from $64.5 million to $70.8 million over the same period.

Additionally, a portion of our loans which are carried at fair value, totaling $813.0 million and $865.4 million at September 30, 2019 and 2018, respectively, have no associated allowance for loan and lease losses, but rather have a fair value adjustment related to credit risk included within their carrying value, thus driving the overall ratio of allowance for loan and lease losses to total loans lower. The amount of fair value adjustment related to credit risk on these loans was $6.8 million and $7.4 million at September 30, 2019 and 2018, respectively, translating to an additional 0.07% and 0.08% of total loans at September 30, 2019 and 2018, respectively. Finally, the total purchase discount remaining on all acquired loans equates to 0.14% and 0.19% of total loans at September 30, 2019 and 2018, respectively.

The following tables present management's allocation of the allowance for loan and lease losses by loan category, in both dollars and percentage of our total allowance for loan and lease losses, to specific loans in those categories at the dates indicated.

	September 30,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Allocation of allowance for loan and lease losses:					
Commercial real estate	$ 16,827	$ 16,777	$ 16,941	$ 17,946	$ 18,014
Agriculture	30,819	28,121	25,757	25,115	13,952
Commercial non-real estate	17,567	13,610	14,114	12,990	15,996
Residential real estate	4,095	4,749	5,347	7,106	8,025
Consumer	427	257	329	438	348
Other lending	1,039	1,026	1,015	1,047	865
Total	$ 70,774	$ 64,540	$ 63,503	$ 64,642	$ 57,200

	September 30,				
	2019	2018	2017	2016	2015
Allocation of allowance for loan and lease losses:					
Commercial real estate	23.8%	26.0%	26.7%	27.8%	31.5%
Agriculture	43.5%	43.6%	40.6%	38.9%	24.4%
Commercial non-real estate	24.8%	21.1%	22.2%	20.1%	28.0%
Residential real estate	5.8%	7.3%	8.4%	11.0%	14.0%
Consumer	0.6%	0.4%	0.5%	0.6%	0.6%
Other lending	1.5%	1.6%	1.6%	1.6%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Management will continue to evaluate the loan portfolio and assess economic conditions in order to determine future allowance levels and the amount of loan and lease loss provisions. We review the appropriateness of our allowance for loan and lease losses on a monthly basis. Management monitors closely all past due and restructured loans in assessing the appropriateness of its allowance for loan and lease losses. In addition, we follow procedures for reviewing and grading all substantial commercial and agriculture relationships at least annually. Based predominantly upon the review and grading process, we determine the appropriate level of the allowance in response to our assessment of the probable risk of loss inherent in our loan portfolio. Management makes additional loan and lease loss provisions when the results of our problem loan assessment methodology or overall allowance testing of appropriateness indicates additional provisions are required.

The review of problem loans is an ongoing process during which management may determine that additional charge-offs are required or additional loans should be placed on nonaccrual status. We have also recorded an allowance for unfunded lending-related commitments that represents our estimate of incurred losses on the portion of lending commitments that borrowers have not advanced. The balance of the allowance for unfunded lending-related commitments was $0.5 million at both September 30, 2019 and September 30, 2018 and is recorded in accrued expenses and other liabilities in the consolidated balance sheet.

Investment Securities

The following table presents the amortized cost of each category of our investment portfolio at the dates indicated.

	September 30,		
	2019	2018	2017
	(dollars in thousands)		
U.S. Treasury securities	$ 94,178	$ 168,394	$ 228,039
Mortgage-backed securities:			
Government National Mortgage Association	501,139	442,458	511,457
Federal Home Loan Mortgage Corporation	463,974	297,380	169,147
Federal National Mortgage Association	322,340	188,192	170,247
Small Business Assistance Program	316,502	260,458	224,005
States and political subdivision securities	66,145	69,566	73,041
Other	1,006	1,006	1,006
Total	$ 1,765,284	$ 1,427,454	$ 1,376,942

We generally invest excess deposits in high-quality, liquid investment securities including residential agency mortgage-backed securities and, to a lesser extent, U.S. Treasury securities, corporate debt securities and securities issued by U.S. states and political subdivisions. Our investment portfolio serves as a means to collateralize FHLB borrowings and public funds deposits, to earn net spread income on excess deposits and to maintain liquidity and balance interest rate risk. Since September 30, 2018, the fair value of the portfolio has increased by $397.6 million, or 28.7%.

The following tables present the aggregate amortized cost of each investment category of the investment portfolio and the weighted average yield ("WA yield") for each investment category for each maturity period at September 30, 2019. Maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be called or prepaid without any penalties. The WA yield on these assets is presented below based on the contractual rate, as opposed to a tax equivalent yield concept.

	September 30, 2019													
	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Mortgage-backed securities		Securities without contractual maturities		Total	
	Amount	WA Yield	Amount	WA Yield	Amount	WA Yield	Amount	WA Yield	Amount	WA Yield	Amount	WA Yield	Amount	WA Yield
	(dollars in thousands)													
U.S. Treasury securities	$ 44,761	1.68 %	$ 49,417	2.85 %	$ —	— %	$ —	— %	$ —	— %	$ —	— %	$ 94,178	2.29 %
Mortgage-backed securities	—	— %	—	— %	—	— %	—	— %	1,603,955	2.51 %	—	— %	1,603,955	2.51 %
States and political subdivision securities [1] [2]	13,616	1.46 %	40,419	1.71 %	12,110	2.53 %	—	— %	—	— %	—	— %	66,145	1.81 %
Other	—	— %	—	— %	—	— %	—	— %	—	— %	1,006	— %	1,006	— %
Total	$ 58,377	1.63 %	$ 89,836	2.34 %	$ 12,110	2.53 %	$ —	— %	$ 1,603,955	2.51 %	$ 1,006	— %	$ 1,765,284	2.47 %

[1] Information related to obligations of state and political subdivisions is presented based upon yield to first optional call date if the security is purchased at a premium, yield to maturity if purchased at par or a discount.

[2] Maturity calculations for obligations of state and political subdivisions are based on the first optional call date for securities with a fair value above par and contractual maturity for securities with a fair value equal to or below par.

Declines in the fair value of investment securities available for sale that are deemed to be other-than-temporary are recognized in earnings as a realized loss, and a new cost basis for the securities is established. In evaluating other-than-temporary impairment, we consider the length of time and extent to which the fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer, and our intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. Declines in the fair value of debt securities below amortized cost are deemed to be other-than-temporary in circumstances where: (1) we have the intent to sell a security; (2) it is more-likely-than-not that we will be required to sell the security before recovery of its amortized cost basis; or (3) we do not expect to recover the entire amortized cost basis of the security. If we intend to sell a security or if it is more-likely-than-not that we will be required to sell the security before recovery, an other-than-temporary impairment loss is recognized in earnings equal to the difference between the security's amortized cost basis and its fair value. If we do not intend to sell the security or it is not more-likely-than-not that it will be required to sell the security before recovery, the other-than-temporary impairment write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income (loss).

Deposits

We obtain funds from depositors by offering consumer and business interest-bearing accounts and term time deposits. At September 30, 2019 and September 30, 2018, our total deposits were $10.30 billion and $9.73 billion, respectively, representing an increase of 5.8%, which was primarily spread across brokered deposits, consumer and commercial deposit accounts. Our accounts are federally insured by the FDIC up to the legal maximum.

The following table presents the balances and weighted average cost of our deposit portfolio at the following dates.

	September 30,					
	2019		2018		2017	
	Amount	Weighted Avg. Cost	Amount	Weighted Avg. Cost	Amount	Weighted Avg. Cost
	(dollars in thousands)					
Noninterest-bearing demand	$ 1,956,025	— %	$ 1,842,704	— %	$ 1,856,126	— %
Interest-bearing demand	6,248,638	1.00 %	6,043,717	0.95 %	5,847,432	0.55 %
Time deposits, greater than $250,000	493,530	2.30 %	383,868	1.89 %	273,365	1.16 %
Time deposits, less than or equal to $250,000	1,602,146	1.68 %	1,463,210	1.29 %	1,000,690	0.78 %
Total	$ 10,300,339	0.98 %	$ 9,733,499	0.86 %	$ 8,977,613	0.48 %

At September 30, 2019 and 2018, we had $706.5 million and $600.2 million, respectively, in brokered deposits. As a result of the passage of the Economic Growth, Regulatory Relief and Consumer Protection Act in May 2018, most reciprocal deposits are no longer treated as brokered deposits and are now included with core commercial deposits.

Municipal public deposits constituted $1.04 billion and $959.4 million of our deposit portfolio at September 30, 2019, and September 30, 2018, respectively, of which $691.9 million and $622.1 million, respectively, were required to be collateralized. Our top 10 depositors were responsible for 7.0% and 6.6% of our total deposits at September 30, 2019 and September 30, 2018, respectively.

The following table presents deposits by region.

	September 30,		
	2019	2018	2017
		(dollars in thousands)	
South Dakota	$ 2,575,833	$ 2,422,208	$ 2,231,857
Iowa / Kansas / Missouri	2,936,256	2,757,408	2,561,315
Nebraska	2,474,673	2,472,297	2,521,631
Arizona	508,308	399,212	377,610
Colorado	1,237,052	1,228,762	1,153,058
North Dakota / Minnesota	55,258	50,359	51,527
Corporate and other	512,959	403,253	80,615
Total deposits	$ 10,300,339	$ 9,733,499	$ 8,977,613

We fund a portion of our assets with time deposits that have balances greater than $250,000 and that have maturities generally in excess of six months. At September 30, 2019 and September 30, 2018, our time deposits greater than $250,000 totaled $493.5 million and $383.9 million, respectively. The following table presents the maturities of our time deposits greater than $250,000 and less than or equal to $250,000 in size at September 30, 2019.

	September 30, 2019	
	Greater than $250,000	Less than or equal to $250,000
	(dollars in thousands)	
Remaining maturity:		
Three months or less	$ 105,363	$ 613,444
Over three through six months	106,654	408,358
Over six through twelve months	170,889	342,188
Over twelve months	110,624	238,156
Total	$ 493,530	$ 1,602,146
Percent of total deposits	4.8 %	15.6 %

At September 30, 2019 and September 30, 2018, the average remaining maturity of all time deposits was approximately 8 and 11 months, respectively. The average time deposit amount per account was approximately $45,936 and $39,896 at September 30, 2019 and September 30, 2018, respectively.

Derivatives

Beginning in the second quarter of fiscal year 2018, we entered into RPAs with some of our derivative counterparties to assume the credit exposure related to interest rate derivative contracts. Our loan customer enters into an interest rate swap directly with a derivative counterparty and we agree through an RPA to take on the counterparty's risk of loss on the interest rate swap due to a default by the customer. The notional amounts of RPAs sold were $56.8 million and $37.4 million as of September 30, 2019 and September 30, 2018, respectively. Assuming all underlying loan customers defaulted on their obligation to perform under the interest rate swap with a derivative counterparty, the exposure from these RPAs would be $0.1 million and $0.4 million at September 30, 2019 and September 30, 2018, respectively, based on the fair value of the underlying swaps.

In 2017 we began a new program of selling interest swaps directly to customers. These interest rate swaps sales are used to enable customers to achieve a long-term fixed rate by selling the customer a long-term variable rate loan indexed to LIBOR plus a credit spread whereby the Bank enters into an interest rate swap with our customer where the customer pays a fixed rate of interest set at the time of origination on the interest rate swap and then the customer receives a floating rate equal to the rate paid on the loan, thus resulting in a fixed rate of interest over the life of the interest rate swap. We then enter into a mirrored interest rate swap with a swap dealer where we pay and receive the same fixed and floating rate as we pay and receive from the interest rate swap we have with our customer. As the interest paid and received by us on the two swaps net to zero, we are left with the variable rate of the long-term loan.

Prior to 2017 we entered into fixed-rate loans having original maturities of 5 years or greater (typically between 5 and 15 years) with certain of our commercial and agri-business banking customers to assist them in facilitating their risk management strategies. We mitigated our interest rate risk associated with certain of these loans by entering into equal and offsetting fixed-to-floating interest rate swap agreements for these loans with swap counterparties. We elected to account for the loans at fair value under ASC 825, *Fair Value Option*. Changes in the fair value of these loans are recorded in earnings as a component of noninterest income in the relevant period. The related interest rate swaps are recognized as either assets or liabilities in our financial statements and any gains or losses on these swaps, both realized and unrealized, are recorded in earnings as a component of noninterest income. The interest rate swaps are fully effective from an interest rate risk perspective, as gains and losses on our swaps are directly offset by changes in fair value of the fair value option loans (*i.e.*, swap interest rate risk adjustments are directly offset by associated loan interest rate risk adjustments). Consequently, any changes in noninterest income associated with changes in fair value resulting from interest rate movement, as opposed to changes in credit quality, on the loans are directly offset by equal and opposite unrealized charges to or reductions in noninterest income for the related interest rate swap. Any changes in the fair value of the loans related to credit quality and the current realized gain (loss) on derivatives are not offsetting amounts within noninterest income. To ensure the correlation of movements in fair value between the interest rate swap and the related loan, we pass on all economic costs associated with our interest rate swap activity resulting from loan customer prepayments (partial or full) to the customer.

Short-Term Borrowings

Our primary sources of short-term borrowings include securities sold under repurchase agreements and certain FHLB advances maturing within 12 months. The following table presents certain information with respect to only our borrowings with original maturities less than 12 months at and for the periods noted.

	At and for Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Short-term borrowings:			
Securities sold under agreements to repurchase	$ 68,992	$ 90,907	$ 132,636
FHLB advances	15,000	100,000	587,200
Total short-term borrowings	$ 83,992	$ 190,907	$ 719,836
Maximum amount outstanding at any month-end during the period	$ 371,649	$ 808,325	$ 719,836
Average amount outstanding during the period	$ 175,133	$ 442,398	$ 352,395
Weighted average rate for the period	1.72 %	1.32 %	0.70 %
Weighted average rate as of date indicated	0.91 %	0.80 %	1.24 %

Other Borrowings

In addition to FHLB short-term advances, we also have FHLB long-term borrowings of $325.0 million and $175.0 million outstanding as of September 30, 2019 and September 30, 2018, respectively.

We have outstanding $73.7 million and $73.6 million of junior subordinated debentures to affiliated trusts in connection with the issuance of trust preferred securities by such trusts as of September 30, 2019 and September 30, 2018, respectively. We are permitted under applicable laws and regulations to count these trust preferred securities as part of our Tier 1 capital.

We issued $35.0 million of fixed-to-floating rate subordinated notes that mature on August 15, 2025 through a private placement. The notes, which qualify as Tier 2 capital under Capital Rules in effect at September 30, 2019, have an interest rate of 4.875 per annum, payable semi-annually on each February 15 and August 15, commencing on February 15, 2016 until August 15, 2020. During the fiscal year 2019, we incurred $5.5 million in interest expense on all outstanding subordinated debentures and notes compared to $5.0 million in fiscal year 2018.

Off-Balance Sheet Commitments, Commitments, Guarantees and Contractual Obligations

The following table summarizes the maturity of our contractual obligations and other commitments to make future payments at September 30, 2019. Customer deposit obligations categorized as "not determined" include noninterest-bearing demand accounts and interest-bearing demand accounts with no stated maturity date.

	September 30, 2019					
	Less Than 1 Year	1 to 2 Years	2 to 5 Years	>5 Years	Not Determined	Total
	(dollars in thousands)					
Contractual Obligations:						
Customer deposits	$ 1,724,682	$ 250,248	$ 98,221	$ 311	$ 8,226,877	$ 10,300,339
Securities sold under agreement to repurchase	68,992	—	—	—	—	68,992
FHLB advances and other borrowings	15,000	120,000	205,000	—	—	340,000
Subordinated debentures	—	—	—	75,920	—	75,920
Subordinated notes payable	—	—	—	35,000	—	35,000
Operating leases, net of sublease income	5,327	4,193	9,117	7,355	—	25,992
Accrued interest payable	16,091	—	—	—	—	16,091
Interest on FHLB advances	9,012	7,969	10,432	—	—	27,413
Interest on subordinated notes payable	3,324	3,324	9,973	33,897	—	50,518
Interest on subordinated debentures	1,706	1,706	5,119	1,493	—	10,024
Other Commitments:						
Commitments to extend credit—non-credit card	$ 316,520	$ 959,117	$ 485,245	$ 342,491	$ —	$ 2,103,373
Commitments to extend credit—credit card	126,305	—	—	—	—	126,305
Letters of credit	68,983	—	—	—	—	68,983

Instruments with Off-Balance Sheet Risk

In the normal course of business, we enter into various transactions that are not included in our consolidated financial statements in accordance with U.S. GAAP. These transactions include commitments to extend credit to our customers and letters of credit. Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the commitment. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Letters of credit are conditional commitments issued primarily to support or guarantee the performance of a customer's obligations to a third party. The credit risk involved in issuing letters of credit is essentially the same as originating a loan to the customer. We manage the risks associated with these arrangements by evaluating each customer's creditworthiness prior to issuance through a process similar to that used by us in deciding whether to extend credit to the customer.

The following table presents the total notional amounts of all commitments by us to extend credit and letters of credit as of the dates indicated.

	September 30,		
	2019	2018	2017
	(dollars in thousands)		
Commitments to extend credit	$ 2,229,678	$ 2,344,550	$ 2,515,653
Letters of credit	68,983	69,613	70,186
Total	$ 2,298,661	$ 2,414,163	$ 2,585,839

Liquidity

Liquidity refers to our ability to maintain resources that are adequate to fund operations and meet present and future financial obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management. We consider the effective and prudent management of liquidity to be fundamental to our health and strength. Our objective is to manage our cash flow and liquidity reserves so that they are adequate to fund our obligations and other commitments on a timely basis and at a reasonable cost.

Our liquidity risk is managed through a comprehensive framework of policies and limits overseen by our Bank's asset and liability committee. We continuously monitor and make adjustments to our liquidity position by adjusting the balance between sources and uses of funds as we deem appropriate. Our primary measures of liquidity include monthly cash flow analyses under ordinary business activities and conditions and under situations simulating a severe run on our Bank. We also monitor our Bank's deposit to loan ratio to ensure high quality funding is available to support our strategic lending growth objectives, and have internal management targets for the FDIC's liquidity ratio, net short-term non-core funding dependence ratio and non-core liabilities to total assets ratio. The results of these measures and analyses are incorporated into our contingency funding plan, which provides the basis for the identification of our liquidity needs. We also acquire brokered deposits when the cost of funds is advantageous to other funding sources.

Great Western Bancorp, Inc. Our primary source of liquidity is cash obtained from dividends by our Bank. We primarily use our cash for the payment of dividends, when and if declared by our Board of Directors, and the payment of interest on our outstanding junior subordinated debentures and subordinated notes. We also use cash, as necessary, to satisfy the needs of our Bank through equity contributions and for acquisitions. At September 30, 2019, our holding company had $57.5 million of cash. During the first quarter of fiscal year 2020, we declared and paid a dividend of $0.30 per common share. The outstanding amount under our private placement subordinated capital notes was $35.0 million at September 30, 2019. Our management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands. We may consider raising additional capital in public or private offerings of debt or equity securities. To this end, in August 2018 we filed a shelf registration statement with the SEC registering an indeterminate amount of our common stock, debt securities and other securities which we may decide to issue in the future. The specific terms of any shares or other securities we choose to issue will be based on current market conditions and will be described in a supplement to the prospectus contained in the shelf registration statement.

Great Western Bank. Our Bank maintains sufficient liquidity by maintaining minimum levels of excess cash reserves (measured on a daily basis), a sufficient amount of unencumbered, highly liquid assets and access to contingent funding with the FHLB. At September 30, 2019, our Bank had cash of $243.5 million and $1.78 billion of highly-liquid securities held in our investment portfolio, of which $863.9 million were pledged as collateral on public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law. The balance could be sold to meet liquidity requirements. Our Bank has a letter of credit from the FHLB, which is pledged as collateral on public deposits, for $170.0 million. Our Bank had $340.0 million in FHLB borrowings at September 30, 2019, with additional available lines of $1.80 billion. Our Bank also had an additional borrowing capacity of $1.44 billion with the FRB Discount Window. Our Bank primarily uses liquidity to meet loan requests and commitments (including commitments under letters of credit), to accommodate outflows in deposits and to take advantage of interest rate market opportunities. At September 30, 2019, we had a total of $2.30 billion of outstanding exposure under commitments to extend credit and issued letters of credit. Our management believes that the sources of available liquidity are adequate to meet all our Bank's reasonably foreseeable short-term and intermediate-term demands.

Capital

As a bank holding company, we must comply with the capital requirements established by the Federal Reserve, and our Bank must comply with the capital requirements established by the FDIC. The current risk-based guidelines applicable to us and our Bank are based on the Basel III framework, as implemented by the federal bank regulators.

The following table presents our regulatory capital ratios at September 30, 2019 and the standards for both well-capitalized depository institutions and minimum capital requirements. Our capital ratios exceeded applicable regulatory requirements as of that date.

	September 30, 2019			
	Actual			
	Capital Amount	Ratio	Minimum Capital Requirement Ratio [1]	Well Capitalized Ratio
	(dollars in thousands)			
Great Western Bancorp, Inc.				
Tier 1 capital	$ 1,225,355	11.7%	6.0%	N/A
Total capital	1,331,611	12.7%	8.0%	N/A
Tier 1 leverage	1,225,355	10.1%	4.0%	N/A
Common equity Tier 1	1,151,658	11.0%	4.5%	N/A
Risk-weighted assets	$ 10,458,225			
Great Western Bank				
Tier 1 capital	$ 1,201,476	11.5%	6.0%	8.0%
Total capital	1,272,733	12.2%	8.0%	10.0%
Tier 1 leverage	1,201,476	9.9%	4.0%	5.0%
Common equity Tier 1	1,201,476	11.5%	4.5%	6.5%
Risk-weighted assets	$ 10,455,186			

[1] Does not include capital conservation buffer, which was 2.5% at September 30, 2019.

At September 30, 2019 and September 30, 2018, our Tier 1 capital included an aggregate of $73.7 million and $73.6 million, respectively, of trust preferred securities issued by our subsidiaries, net of fair value adjustment. At September 30, 2019, our Tier 2 capital included $70.8 million of the allowance for loan and lease losses and $35.0 million of subordinated capital notes. At September 30, 2018, our Tier 2 capital included $64.5 million of the allowance for loan and lease losses and $35.0 million of subordinated capital notes. Our total risk-weighted assets were $10.46 billion at September 30, 2019.

Non-GAAP Financial Measures

We rely on certain non-GAAP financial measures in making financial and operational decisions about our business. We believe that each of the non-GAAP financial measures presented is helpful in highlighting trends in our business, financial condition and results of operations which might not otherwise be apparent when relying solely on our financial results calculated in accordance with U.S. GAAP. We disclose net interest income and related ratios and analysis on a taxable-equivalent basis, which may also be considered non-GAAP financial measures. We believe this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison of net interest income arising from taxable and tax-exempt sources. In addition, certain performance measures, including the efficiency ratio and net interest margin utilize net interest income on a taxable-equivalent basis.

In particular, we evaluate our profitability and performance based on our adjusted net income, adjusted earnings per common share, tangible net income and return on average tangible common equity. Our adjusted net income and adjusted earnings per common share exclude the after-tax effect of items with a significant impact to net income that we do not believe to be recurring in nature, (e.g., one-time acquisition expenses as well as the effect of revaluation of deferred taxes). Our tangible net income and return on average tangible common equity exclude the effects of amortization expense relating to intangible assets and related tax effects from the acquisition of us by NAB and our acquisitions of other institutions. We believe these measures help highlight trends associated with our financial condition and results of operations by providing net income and return information excluding significant nonrecurring items (for adjusted net income and adjusted earnings per common share) and based on our cash payments and receipts during the applicable period (for tangible net income and return on average tangible common equity).

We also evaluate our profitability and performance based on our adjusted net interest income, adjusted net interest margin, adjusted interest income on non-ASC 310-30 loans and adjusted yield on non-ASC 310-30 loans. We adjust each of these four measures to include the current realized gain (loss) of derivatives we use to manage interest rate risk on certain of our loans, which we believe economically offsets the interest income earned on the loans. Similarly, we evaluate our operational efficiency based on our efficiency ratio, which excludes the effect of amortization of core deposit and other intangibles (a non-cash expense item) and includes the tax benefit associated with our tax-advantaged loans.

We evaluate our financial condition based on the ratio of our tangible common equity to our tangible assets and the ratio of our tangible common equity to common shares outstanding. Our calculation of this ratio excludes the effect 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. We also believe the ratio of our tangible common equity to common shares outstanding is helpful in understanding our stockholders' relative ownership position as we undertake various actions to issue and retire common shares outstanding.

For reconciliations for each of these non-GAAP financial measures to the closest GAAP financial measures, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations" and "Item 6. Selected Financial Data—Non-GAAP Quarterly Financial Measures Reconciliations." Each of the non-GAAP financial measures presented should be considered in context with our GAAP financial results included in this Annual Report on Form 10-K.

Impact of Inflation and Changing Prices

Our financial statements included in this Annual Report on Form 10-K have been prepared in accordance with U.S. GAAP, which requires us to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession generally are not considered. The primary effect of inflation on our operations is reflected in increased operating costs. In our management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond our control, including changes in the expected rate of inflation, the influence of general and local economic conditions and the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities.

Recent Accounting Pronouncements

See "Note 2. New Accounting Standards" in the accompanying "Notes to Consolidated Financial Statements" included in this Annual Report on Form 10-K for a discussion of new accounting pronouncements and their expected impact on our financial statements.

Critical Accounting Policies and the Impact of Accounting Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Our accounting policies are more fully described in Note 1 of the consolidated financial statements. Certain accounting policies require our management to use significant judgment and assumptions, which can have a material impact on the carrying amount of certain assets and liabilities. We consider these policies to be critical accounting policies. The judgment and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations.

We have identified the following accounting policies as critical: the allowance for loan and lease losses, goodwill impairment, core deposits and other intangibles, derivatives, and income taxes. We have reviewed these critical accounting estimates and related disclosures with our Audit Committee.

Allowance for Loan and Lease Losses

Description. We maintain an allowance for loan and lease losses at a level management believes is appropriate based on ongoing evaluation of the probable estimated losses inherent in the loan portfolio driven primarily by monitoring changes in loan risk grades, delinquencies, and other credit risk indicators, which are inherently subjective. A well-documented methodology has been developed and is applied to ensure consistency across our markets. We also have a formalized independent loan review program to evaluate loan administration, credit quality, and compliance with corporate loan standards. This program includes periodic, regular reviews of problem loan reports, delinquencies and charge-offs.

The allowance for loan and lease losses consists of reserves for probable losses that have been identified related to specific borrowing relationships that are individually evaluated for impairment (“specific reserve”), as well as probable losses inherent in our loan portfolio that are not specifically identified (“collective reserve”). Changes to the allowance for loan and lease losses are made by charges to the provision for loan and lease losses, which is reflected in the consolidated statements of income. Loans deemed to be uncollectible are charged off against the allowance for loan and lease losses. Recoveries of amounts previously charged-off are credited to the allowance for loan and lease losses.

The specific reserve relates to impaired loans. A loan is impaired when, based on current information and events, it is probable we will be unable to collect all amounts due (interest as well as principal) according to the contractual terms of the loan agreement. Specific reserves are determined on a loan-by-loan basis based on management’s best estimate of our exposure, given the current payment status of the loan, the present value of expected payments, and the value of any underlying collateral. If the impaired loan is identified as collateral dependent, then the fair value of the collateral method of measuring the amount of the impairment is utilized. This method requires obtaining an independent appraisal of the collateral and reducing the appraised value by applying a discount factor to the appraised value, if necessary, and including costs to sell.

Management’s estimate for collective reserves reflects losses incurred in the loan portfolio as of the consolidated balance sheet reporting date. Incurred loss estimates primarily are based on historical loss experience and portfolio mix. Incurred loss estimates may be adjusted for qualitative factors such as current economic conditions and current portfolio trends including credit quality, concentrations, aging of the portfolio, and/or significant policy and underwriting changes, which may not be reflected in historical loss experience. Further discussion of the methodology used in establishing the allowance for loan and lease losses is provided in the Allowance for Loan and Lease Losses section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 1. Nature of Operations and Summary of Significant Accounting Policies."

Judgments and Uncertainties. Management makes a range of assumptions to determine what is believed to be the appropriate level of allowance for loan and lease losses. Specific reserves for impaired loans rely on a present value of expected payments or the value of underlying collateral generally based on independent appraisals. Collective reserves rely on historical loss experience based on the portfolio mix, qualitative factors such as current economic conditions and current portfolio trends including credit quality, concentrations, aging of the portfolio, and/or significant policy and underwriting changes. All of these estimates are susceptible to significant change.

Effect if Actual Results Differ From Assumptions. The allowance represents our best estimate of estimated losses in the loan portfolio, but significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on our financial position and results of operations.

Goodwill Impairment

Description. Goodwill represents the excess purchase price over the fair value of identifiable net assets of acquired companies. Goodwill often involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Under ASC Topic 350, *Goodwill and Other Intangible Assets*, we conduct a goodwill impairment test on the basis of one reporting unit at least annually, and more frequently if events occur or circumstances change that would more-likely-than-not reduce the fair value below its carrying amount. We assess qualitative factors to determine whether it is more-likely-than-not the fair value is less than its carrying amount. If we conclude based on the qualitative assessment that goodwill may be impaired, we would perform a quantitative one-step impairment test. An impairment loss would be recognized for any excess of carrying value over fair value of the goodwill, and any subsequent increases in goodwill would not be recognized on the consolidated financial statements.

Judgments and Uncertainties. When performing the qualitative assessment to determine whether the fair value of the reporting unit is less than the carrying value, we assess relevant events and circumstances, including macroeconomic conditions, industry and market considerations, overall financial performance, changes in the composition or carrying amount of assets and liabilities, the market price of the Company's common stock, and other relevant factors. If a quantitative assessment is considered necessary, the fair value of the reporting unit is calculated with the assistance of a third party using management's assumptions of future growth rates, future attrition of the customer base, discount rates, multiples of earnings and other relevant factors.

Effect if Actual Results Differ From Assumptions. Changes in these qualitative and quantitative factors, as well as downturns in economic or business conditions, could have a significant adverse impact on the fair value of the reporting unit in relation to the carrying value of goodwill and could result in an impairment loss affecting our consolidated financial statements as a whole.

Core Deposits and Other Intangibles

Description. Intangible assets are non-physical assets generally recognized as part of an acquisition, where the acquirer is allowed to assign some portion of the purchase price to acquired intangible assets having a useful life of greater than one year. These assets often involve estimates based on third party valuations or internal valuations based on discounted cash flow analyses or other valuation techniques. Our intangible assets include core deposits, brand intangibles, customer relationships, and other intangibles. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. Under ASC Topic 350, *Goodwill and Other Intangible Assets*, intangible assets are evaluated for impairment if indicators of impairment are identified.

Judgments and Uncertainties. The determination of fair values is based on a quantitative analysis using management's assumptions of future growth rates, future attrition of the customer base, discount rates and other relevant factors.

Effect if Actual Results Differ From Assumptions. Changes in these factors, as well as downturns in economic or business conditions, could have a significant adverse impact on the carrying value of core deposits and other intangibles and could result in an impairment loss affecting our consolidated financial statements as a whole.

Derivatives

Description. We maintain an overall interest rate risk management strategy that permits the use of derivative instruments to modify exposure to interest rate risk. We enter into interest rate swap contracts to offset the interest rate risk associated with borrowers who lock in long-term fixed rates (greater than or equal to 5 years to maturity) through a fixed rate loan. Generally, under these swaps, we agree with various swap counterparties to exchange the difference between fixed-rate and floating-rate interest amounts based upon notional principal amounts. These contracts do not qualify for hedge accounting. These interest rate derivative instruments are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value, with changes in fair value reported in net realized and unrealized gain (loss) on derivatives. Since each fixed rate loan is paired with an offsetting derivative contract, the impact to net income is minimized. We also have back to back swaps with customers where we enter into an interest rate swap with loan customers to provide a facility to mitigate the interest rate risk associated with offering a fixed rate and simultaneously enters into a swap with an outside third party that is matched in exact offsetting terms. The back to back swaps are recorded at fair value and recognized as assets and liabilities, depending on the rights or obligations under the contract, in fair value of derivatives on the consolidated balance sheet, with changes in fair value reported in net realized and unrealized gain (loss) on derivatives.

In 2017 we began a new program of selling interest swaps directly to customers. These interest rate swaps sales are used to enable customers to achieve a long-term fixed rate by selling the customer a long-term variable rate loan indexed to LIBOR plus a credit spread whereby the Bank enters into an interest rate swap with our customer where the customer pays a fixed rate of interest set at the time of origination on the interest rate swap and then the customer receives a floating rate equal to the rate paid on the loan, thus resulting in a fixed rate of interest over the life of the interest rate swap. We minimize the market and liquidity risks of the swaps entered into with the customer by entering into an offsetting position with a swap dealer.

In 2018 we entered into RPAs with some of our derivative counterparties to assume the credit exposure related to interest rate derivative contracts. Our loan customer enters into an interest rate swap directly with a derivative counterparty and we agree through an RPA to take on the counterparty's risk of loss on the interest rate swap due to a default by the customer.

We enter into forward interest rate lock commitments on mortgage loans to be held for sale, which are commitments to originate loans whereby the interest rate on the loan is determined prior to funding. We also have corresponding forward sales contracts related to these interest rate lock commitments. Both the mortgage loan commitments and the related sales contracts are considered derivatives and are recorded at fair value with changes in fair value recorded in noninterest income.

Judgments and Uncertainties. Our exposure to derivative credit risk is defined as the possibility of sustaining a loss due to the failure of the counterparty to perform in accordance with the terms of the contract. Credit risks associated with interest rate swaps are similar to those relating to traditional on-balance sheet financial instruments. We manage interest rate swap credit risk with the same standards and procedures applied to our commercial lending activities.

Effect if Actual Results Differ From Assumptions. As with any financial instrument, derivative financial instruments have inherent risk including adverse changes in interest rates. We have agreements with our derivative counterparties that contain a provision where if we fail to maintain our status as a well/adequately capitalized institution, then the counterparty has the right to terminate the derivative positions and we would be required to settle our obligations under the agreements.

Income Taxes

Description. We are subject to the income tax laws of the U.S., its states, and the municipalities in which we operate. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. We review income tax expense and the carrying value of deferred tax assets quarterly, and as new information becomes available, the balances are adjusted as appropriate. We follow ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized on the consolidated financial statements.

On December 22, 2017, the Tax Reform Act was enacted into law. Beginning in 2018, the Tax Reform Act reduced the federal tax rate for corporations from 35.0% to 21.0% and changed or limited certain tax deductions. The Tax Reform Act required us to revalue our net deferred tax assets in the period of enactment, which stranded certain effects of the tax rate change in accumulated other comprehensive income. We adopted new accounting guidance in the second quarter of fiscal year 2018 that allowed reclassification of $2.4 million in stranded tax effects that related to a change in the federal tax rate from accumulated other comprehensive income to retained earnings. Further discussion is provided in "Note 18. Income Taxes:" on the consolidated financial statements.

Judgments and Uncertainties. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

Effect if Actual Results Differ From Assumptions. Although we believe the judgments and estimates used are reasonable, actual results could differ and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would result in a reduction in our effective income tax rate in the period of resolution.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates.

We seek to measure and manage the potential impact of interest rate risk. Interest rate risk occurs when interest-earning assets and interest-bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when our assets, liabilities and off-balance sheet contracts each respond differently to changes in interest rates, including as a result of explicit and implicit provisions in agreements related to such assets and liabilities and in off-balance sheet contracts that alter the applicable interest rate and cash flow characteristics as interest rates change. The two primary examples of such provisions that we are exposed to are the duration and rate sensitivity associated with indeterminate-maturity deposits (e.g., noninterest-bearing checking accounts and interest-bearing demand deposits) and the rate of prepayment associated with fixed-rate lending and mortgage-backed securities. Interest rates may also affect loan demand, credit losses, mortgage origination volume and other items affecting earnings.

Our management of interest rate risk is overseen by our Bank's asset and liability committee based on a risk management infrastructure approved by our board of directors that outlines reporting and measurement requirements. In particular, this infrastructure sets limits, calculated monthly, for various metrics, including our economic value sensitivity, our economic value of equity and net interest income simulations involving parallel shifts in interest rate curves, steepening and flattening yield curves, and various prepayment and deposit duration assumptions. Our risk management infrastructure also requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates based on historical analysis, noninterest-bearing and interest-bearing demand deposit durations based on historical analysis, and the targeted investment term of capital.

We manage the interest rate risk associated with our interest-bearing liabilities by managing the interest rates and tenors associated with our borrowings from the FHLB and deposits from our customers that we rely on for funding. In particular, from time to time we use special offers on deposits to alter the interest rates and tenors associated with our interest-bearing liabilities. We manage the interest rate risk associated with our interest-earning assets associated with our investment and loan portfolios by offering different interest rates and tenors, using interest rate swaps, selling residential mortgage loans in the secondary market and purchasing or selling investment securities.

We rely on interest rate swaps to manage our interest rate exposure on CRE, agricultural and commercial non-real estate loans with fixed interest rates of more than 5 years, such as our tailored business loans. As of September 30, 2019, we had a notional amount of $778.8 million of interest rate swaps outstanding. The overall effectiveness of our interest rate swap strategies is subject to market conditions, the quality of our execution, the accuracy of our valuation assumptions, the associated counterparty credit risk and changes in interest rates. We do not engage in speculative trading activities relating to interest rates, foreign exchange rates, commodity prices, equities or credit.

Evaluation of Interest Rate Risk

We use a net interest income simulation model to measure and evaluate potential changes in our net interest income. We run various hypothetical interest rate scenarios regularly and compare these results against a scenario with no changes in interest rates. Our net interest income simulation model incorporates various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) re-pricing characteristics for market-rate-sensitive instruments on and off balance sheet, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate limitations in our assets, such as floors and caps, (7) the effect of our interest rate swaps, and (8) overall growth and repayment rates and product mix of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate asset-liability management strategies and manage our interest rate risk.

Potential changes to our adjusted net interest income (i.e., GAAP net interest income plus current realized gain or loss on derivatives) in hypothetical rising and declining rate scenarios calculated as of September 30, 2019 are presented in the following table. The projections assume (1) immediate, parallel shifts downward of the yield curve of 100 and 200 basis points and immediate, parallel shifts upward of the yield curve of 100, 200, 300 and 400 basis points and (2) gradual shifts downward of 100 and 200 basis points over 12 months and gradual shifts upward of 100, 200, 300 and 400 basis points over 12 months. In the current interest rate environment, a downward shift of the yield curve of 300 and 400 basis points does not provide us with realistic results. In a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%. For the immediate-shift scenarios, we assume short-term rates follow a forward yield curve throughout the forecast period that is dictated by the instantaneously shocked yield curve from the as of date. In the gradual-shift scenarios, we take each rate across the yield curve from the as of date and shock it by 1/12th of the total change in rates each month for twelve months.

Change in Market Interest Rates as of September 30, 2019	Estimated Increase (Decrease) in Annualized Adjusted Net Interest Income for the Fiscal Year Ended September 30, 2019 Fiscal Year Ending September 30, 2020	 Fiscal Year Ending September 30, 2021
Immediate Shifts		
+400 basis points	10.36%	16.07%
+300 basis points	7.93%	12.27%
+200 basis points	5.37%	8.33%
+100 basis points	2.74%	4.28%
-100 basis points	(3.94)%	(6.22)%
-200 basis points	(8.33)%	(12.60)%
Gradual Shifts		
+400 basis points	2.92%	
+300 basis points	2.26%	
+200 basis points	1.58%	
+100 basis points	0.86%	
-100 basis points	(1.48)%	
-200 basis points	(3.24)%	

We primarily use interest rate swaps to ensure that long-term fixed-rate loans are effectively re-priced as short-term rates change, which we believe would allow us to achieve these results. The results of this simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, our net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or faster than our assets re-price. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding or interest rate swap strategies.

For more information on our adjusted net interest income, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" and for a reconciliation to the most directly comparable GAAP financial measure, see "Item 6. Selected Financial Data—Non-GAAP Financial Measures Reconciliations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Great Western Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Great Western Bancorp, Inc. (the Company) as of September 30, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Allowance for loan and lease losses

Description of the Matter	At September 30, 2019, the Company's total loans were $9.71 billion and the associated allowance for loan and lease losses (ALLL) was $70.8 million. As explained in Note 1 to the consolidated financial statements, the ALLL consists of reserves for probable losses that have been identified by management related to specific borrowing relationships that are individually evaluated for impairment ("specific reserve"), as well as probable losses inherent in the loan portfolio that are not specifically identified ("collective reserve"). Management's estimate for the collective reserve reflects losses incurred in the loan portfolio as of the consolidated balance sheet reporting date. Incurred loss estimates are based primarily on historical loss experience and portfolio mix. Incurred loss estimates may be adjusted for qualitative factors such as current economic conditions and current portfolio trends including credit quality, concentrations, aging of the portfolio, and/or significant policy and underwriting changes which are not reflected in the historical loss experience. Auditing management's estimate of the ALLL is complex due to the highly judgmental nature of the qualitative factors used to adjust incurred loss estimates reflected in the collective reserve. Management's identification and measurement of the qualitative factors is highly judgmental and could have a significant effect on the ALLL.

How We Addressed the Matter in Our Audit	We tested controls that address the risk of material misstatement relating to the measurement of the ALLL. This included testing controls over management's identification of qualitative risk factors requiring assessment, the review of the basis for determining whether an adjustment for such risk factor was warranted, the basis for the recorded adjustment amount, and the inputs to the recorded adjustments. To test the reasonableness of the Company's qualitative factor adjustments, we evaluated the basis for adjustments considered, the basis for concluding an adjustment was warranted when considering historical loss experience, and completeness of the inputs used by management in determining such adjustments. Our procedures included, among others, evaluating the accuracy of management's inputs by comparing the inputs to the Company's historical loan performance data, third-party macroeconomic data and peer bank data. In addition, we evaluated the overall ALLL amount, inclusive of the adjustments for qualitative factors, and whether the amount appropriately reflects losses incurred in the loan portfolio as of the consolidated balance sheet date. For example, we compared the overall ALLL amount to those established by similar banking institutions with similar loan portfolios. We also reviewed subsequent events and transactions and considered whether they corroborate or contradict the Company's conclusion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.
Minneapolis, Minnesota
November 27, 2019

GREAT WESTERN BANCORP, INC.

Consolidated Balance Sheets

(Dollars in Thousands, Except Share and Per Share Data)

	September 30, 2019	September 30, 2018
Assets		
Cash and due from banks	$ **201,487**	$ 168,119
Interest-bearing bank deposits	**41,987**	130,577
Cash and cash equivalents	**243,474**	298,696
Securities available for sale	**1,783,208**	1,385,650
Loans, net of unearned discounts and deferred fees, including $31,891 and $42,627 of loans covered by a FDIC loss share agreement at September 30, 2019 and 2018, respectively, and $812,991 and $865,386 of loans at fair value under the fair value option at September 30, 2019 and 2018, respectively, and $7,351 and $5,456 of loans held for sale at September 30, 2019 and 2018, respectively	**9,706,763**	9,415,924
Allowance for loan and lease losses	**(70,774)**	(64,540)
Net loans	**9,635,989**	9,351,384
Premises and equipment, including $2,757 and $1,104 of property held for sale at September 30, 2019 and 2018, respectively	**120,645**	113,839
Accrued interest receivable	**58,699**	58,948
Other repossessed property, including $0 and $131 of property covered by a FDIC loss share agreement at September 30, 2019 and 2018, respectively	**36,764**	23,074
Goodwill	**739,023**	739,023
Cash surrender value of life insurance policies	**30,796**	30,461
Net deferred tax assets	**7,286**	30,132
Other assets	**132,417**	85,601
Total assets	$ **12,788,301**	$ 12,116,808
Liabilities and stockholders' equity		
Noninterest-bearing	$ **1,956,025**	$ 1,842,704
Interest-bearing	**8,344,314**	7,890,795
Total deposits	**10,300,339**	9,733,499
Securities sold under agreements to repurchase	**68,992**	90,907
FHLB advances and other borrowings	**340,000**	275,000
Subordinated debentures and subordinated notes payable	**108,636**	108,468
Accrued expenses and other liabilities	**70,085**	68,383
Total liabilities	**10,888,052**	10,276,257
Stockholders' equity		
Common stock, $0.01 par value, authorized 500,000,000 shares; 56,283,659 shares issued and outstanding at September 30, 2019 and 58,917,147 shares issued and outstanding at September 30, 2018	**563**	589
Additional paid-in capital	**1,228,714**	1,318,457
Retained earnings	**657,475**	553,014
Accumulated other comprehensive income (loss)	**13,497**	(31,509)
Total stockholders' equity	**1,900,249**	1,840,551
Total liabilities and stockholders' equity	$ **12,788,301**	$ 12,116,808

See accompanying notes.

GREAT WESTERN BANCORP, INC.

Consolidated Statements of Income

(Dollars in Thousands, Except Share and Per Share Data)

	Fiscal Years Ended September 30,		
	2019	**2018**	**2017**
Interest income			
Loans	**$ 498,935**	$ 451,290	$ 407,282
Investment securities	**41,510**	29,171	26,311
Federal funds sold and other	**2,472**	1,376	922
Total interest income	**542,917**	481,837	434,515
Interest expense			
Deposits	**106,718**	60,112	35,035
FHLB advances and other borrowings	**9,951**	8,848	5,821
Subordinated debentures and subordinated notes payable	**5,540**	5,040	4,464
Total interest expense	**122,209**	74,000	45,320
Net interest income	**420,708**	407,837	389,195
Provision for loan and lease losses	**40,947**	17,986	21,539
Net interest income after provision for loan and lease losses	**379,761**	389,851	367,656
Noninterest income			
Service charges and other fees	**43,893**	51,077	55,725
Wealth management fees	**8,914**	9,219	9,118
Mortgage banking income, net	**4,848**	5,842	7,928
Net (loss) gain on sale of securities	**(178)**	6	75
Net increase (decrease) in fair value of loans at fair value	**61,412**	(45,407)	(65,231)
Net realized and unrealized (loss) gain on derivatives	**(63,444)**	44,596	49,900
Other	**5,287**	8,276	5,699
Total noninterest income	**60,732**	73,609	63,214
Noninterest expense			
Salaries and employee benefits	**136,305**	135,352	128,135
Data processing and communication	**24,077**	29,805	28,288
Occupancy and equipment	**20,784**	20,330	19,817
Professional fees	**14,579**	17,891	15,038
Advertising	**4,493**	4,507	3,983
Net loss on repossessed property and other related expenses	**4,367**	4,369	1,749
Acquisition expenses	**—**	—	710
Other	**20,293**	19,171	18,923
Total noninterest expense	**224,898**	231,425	216,643
Income before income taxes	**215,595**	232,035	214,227
Provision for income taxes	**48,230**	74,119	69,441
Net income	**$ 167,365**	$ 157,916	$ 144,786
Basic earnings per common share			
Weighted average common shares outstanding	**57,154,865**	58,938,169	58,770,708
Basic earnings per share	**$ 2.93**	$ 2.68	$ 2.46
Diluted earnings per common share			
Weighted average diluted common shares outstanding	**57,257,061**	59,131,650	59,029,382
Diluted earnings per share	**$ 2.92**	$ 2.67	$ 2.45
Dividends per share			
Dividends paid	**$ 62,904**	$ 53,002	$ 43,474
Dividends per share	**$ 1.10**	$ 0.90	$ 0.74

See accompanying notes.

GREAT WESTERN BANCORP, INC.

Consolidated Statements of Comprehensive Income

(Dollars in Thousands)

	Fiscal Years Ended September 30,		
	2019	**2018**	**2017**
Net income	**$ 167,365**	$ 157,916	$ 144,786
Other comprehensive income (loss), net of tax			
Securities available for sale:			
Net unrealized holding gain (loss) arising during the period	**59,550**	(32,816)	(17,848)
Reclassification adjustment for net loss (gain) realized in net income	**178**	(6)	(75)
Income tax (expense) benefit	**(14,722)**	9,244	6,811
Net change in unrealized gain (loss) on securities available for sale	**45,006**	(23,578)	(11,112)
Defined benefit pension plan obligation [1]:			
Net unrealized holding gain (loss) arising during the period	**—**	(329)	329
Income tax (expense) benefit	**—**	125	(125)
Net change in unrealized gain (loss) in defined benefit pension plan obligation	**—**	(204)	204
Other comprehensive income (loss), net of tax	**45,006**	(23,782)	(10,908)
Comprehensive income	**$ 212,371**	$ 134,134	$ 133,878

[1] The Company's Board of Directors voted to terminate the defined benefit pension plan ("Pension Plan") effective February 1, 2018. Transfer of all Pension Plan assets, liabilities and administrative responsibilities were completed as of September 30, 2018.

See accompanying notes.

GREAT WESTERN BANCORP, INC.

Consolidated Statements of Stockholders' Equity

(Dollars in Thousands, Except Share and Per Share Data)

	Comprehensive Income	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, October 1, 2016		$ 587	$ 1,312,347	$ 344,923	$ 5,534	$ 1,663,391
Net income	$ 144,786	—	—	144,786	—	144,786
Other comprehensive (loss), net of tax	(10,908)	—	—	—	(10,908)	(10,908)
Total comprehensive income	$ 133,878					
Cumulative effect adjustment [1]		—	751	(488)	—	263
Stock-based compensation, net of tax		2	6,545	—	—	6,547
Repurchase common stock		(1)	(5,604)	—	—	(5,605)
Cash dividends:						
Common stock, $0.74 per share		—	—	(43,474)	—	(43,474)
Balance, September 30, 2017		$ 588	$ 1,314,039	$ 445,747	$ (5,374)	$ 1,755,000
Net income	$ 157,916	—	—	157,916	—	157,916
Other comprehensive (loss), net of tax	(23,782)	—	—	—	(23,782)	(23,782)
Total comprehensive income	$ 134,134					
Stock-based compensation, net of tax		1	4,418	—	—	4,419
Reclassification due to adoption of ASU 2018-02 [2]		—	—	2,353	(2,353)	—
Cash dividends:						
Common stock, $0.90 per share		—	—	(53,002)	—	(53,002)
Balance, September 30, 2018		**$ 589**	**$ 1,318,457**	**$ 553,014**	**$ (31,509)**	**$ 1,840,551**
Net income	**$ 167,365**	**—**	**—**	**167,365**	**—**	**167,365**
Other comprehensive income, net of tax	**45,006**	**—**	**—**	**—**	**45,006**	**45,006**
Total comprehensive income	**$ 212,371**					
Stock-based compensation, net of tax		**1**	**4,581**	**—**	**—**	**4,582**
Repurchase of common stock		**(27)**	**(94,324)**	**—**	**—**	**(94,351)**
Cash dividends:						
Common stock, $1.10 per share		**—**	**—**	**(62,904)**	**—**	**(62,904)**
Balance, September 30, 2019		**$ 563**	**$ 1,228,714**	**$ 657,475**	**$ 13,497**	**$ 1,900,249**

[1] Cumulative effect adjustment relates to the adoption of ASU 2016-09, *Compensation - Stock Based Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.*

[2] Reclassification due to adoption of ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.*

See accompanying notes.

GREAT WESTERN BANCORP, INC.

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Fiscal Years Ended September 30,		
	2019	**2018**	**2017**
Operating activities			
Net income	**$ 167,365**	$ 157,916	$ 144,786
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**13,655**	13,093	13,599
Amortization of FDIC indemnification asset	**1,386**	2,778	4,748
Net loss on sale of securities and other assets	**2,825**	5,731	2,545
Gain on redemption of subordinated debentures	**—**	—	(111)
Net gain on sale of loans	**(5,680)**	(6,829)	(9,635)
Provision for loan and lease losses	**40,947**	17,986	21,539
(Reversal of) provision for loan servicing rights loss	**(4)**	(73)	68
Stock-based compensation	**4,582**	4,419	6,810
Originations of residential real estate loans held for sale	**(289,973)**	(264,514)	(275,015)
Proceeds from sales of residential real estate loans held for sale	**293,758**	273,343	290,111
Net deferred income taxes	**8,124**	21,302	2,631
Changes in:			
Accrued interest receivable	**249**	(5,772)	(3,645)
Other assets	**(48,524)**	(34,209)	(2,405)
Accrued interest payable and other liabilities	**2,949**	(2,742)	(64,517)
Net cash provided by operating activities	**191,659**	182,429	131,509
Investing activities			
Purchase of securities available for sale	**(774,707)**	(334,900)	(313,701)
Proceeds from sales of securities available for sale	**175,007**	24,971	5,074
Proceeds from maturities of securities available for sale	**257,201**	254,985	233,357
Net increase in loans	**(348,479)**	(490,804)	(318,876)
Payment of covered losses from FDIC indemnification claims	**(14)**	(770)	(706)
Purchase of premises and equipment	**(15,643)**	(13,878)	(6,409)
Proceeds from sale of premises and equipment	**606**	4,599	5,260
Proceeds from sale of repossessed property	**9,981**	7,468	7,334
Purchase of FHLB stock	**(89,948)**	(64,172)	(38,345)
Proceeds from redemption of FHLB stock	**87,528**	79,190	47,819
Net cash used in investing activities	**(698,468)**	(533,311)	(379,193)
Financing activities			
Net increase in deposits	**567,004**	756,145	373,408
Net (decrease) increase in securities sold under agreements to repurchase and other short-term borrowings	**(21,915)**	(41,729)	347,148
Proceeds from FHLB advances and other long-term borrowings	**810,000**	150,000	—
Repayments on FHLB advances and other long-term borrowings	**(745,000)**	(518,200)	(584,000)
Redemption of subordinated debentures	**—**	—	(3,625)
Common stock repurchased	**(94,351)**	—	(5,605)
Taxes paid related to net share settlement of equity awards	**(1,247)**	(4,032)	(383)
Dividends paid	**(62,904)**	(53,002)	(43,474)
Net cash provided by financing activities	**451,587**	289,182	83,469
Net decrease in cash and cash equivalents	**(55,222)**	(61,700)	(164,215)
Cash and cash equivalents, beginning of period	**298,696**	360,396	524,611
Cash and cash equivalents, end of period	**$ 243,474**	$ 298,696	$ 360,396
Supplemental disclosure of cash flow information			
Cash payments for interest	**$ 114,891**	$ 69,633	$ 44,989
Cash payments for income taxes	**$ 46,884**	$ 50,020	$ 71,964
Supplemental disclosure of noncash investing and financing activities			
Loans transferred to repossessed properties	**$ (25,668)**	$ (25,926)	$ (7,786)

See accompanying notes.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Company is a bank holding company organized under the laws of Delaware and is listed on the NYSE under the symbol "GWB". The primary business of the Company is ownership of its wholly-owned subsidiary, Great Western Bank. The Bank is a full-service regional bank focused on relationship-based business and agri-business banking in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota. The Company and the Bank are subject to the regulation of certain federal and/or state agencies and undergo periodic examinations by those regulatory authorities. Substantially all of the Company's income is generated from banking operations.

Segment Reporting

The "Segment Reporting" topic of the FASB ASC requires that public companies report certain information about operating segments. It also requires that public companies report certain information about their products and services, the geographic areas in which they operate, and their major customers. The Company is a holding company for a regional bank, which offers a wide array of products and services to its customers. Pursuant to its banking strategy, emphasis is placed on building relationships with its customers, as opposed to building specific lines of business. As a result, the Company is not organized and does not allocate resources around discernible lines of business or geographies and prefers to work as an integrated unit to customize solutions for its customers, with business line and geographic emphasis and product offerings changing over time as needs and demands change. Therefore, the Company only reports one segment, which is consistent with the Company's preparation of financial information that is evaluated regularly by management in deciding how to allocate resources and assess performance.

Basis of Presentation and Principles of Consolidation

The accounting and reporting policies of the Company conform with U.S. GAAP, SEC rules and interpretive releases and prevailing practices within the banking industry. All significant income and expenses are recorded on the accrual basis. The accompanying consolidated financial statements include the accounts and results of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under U.S. GAAP. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company's wholly-owned subsidiaries Great Western Statutory Trust IV, GWB Capital Trust VI, Sunstate Bancshares Trust II, HF Financial Capital Trust III, HF Financial Capital Trust IV, HF Financial Capital Trust V and HF Financial Capital Trust VI are VIEs for which the Company is not the primary beneficiary. Accordingly, the accounts of these trusts are not included on the Company's consolidated financial statements.

Certain previously reported amounts have been reclassified to conform to the current presentation.

Use of Estimates

U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

On October 24, 2019, the Board of Directors of the Company declared a dividend of $0.30 per common share payable on November 29, 2019 to stockholders of record as of close of business on November 15, 2019.

On October 1, 2019, the Company purchased and assumed the management of approximately $306.0 million of trust assets managed in Colorado from Independent Bank, a wholly owned subsidiary of Independent Bank Group, Inc. for the consideration of $4.7 million. The Company is the in the process of determining preliminary fair values as of the acquisition date in accordance with ASC Topic 805, but does not believe the transaction will have a material impact on the consolidated financial statements.

The Company evaluated subsequent events through the date its consolidated financial statements were issued. Other than those described above, there were no other material events or transactions that would require recognition on the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). The Company recognizes the fair value of the assets acquired and liabilities assumed, immediately expenses transaction costs and accounts for restructuring plans separately from the business combination. There is no separate recognition of the acquired allowance for loan and lease losses on the acquirer's balance sheet as credit related factors are incorporated directly into the fair value of the loans recorded at the acquisition date. The excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired is recorded as goodwill. Alternatively, a bargain purchase gain is recorded equal to the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid.

Results of operations of the acquired business are included on the consolidated statements of income from the effective date of acquisition.

Fair values are subject to refinement for up to a year after the closing date of an acquisition as information relative to closing date fair values becomes available. Adjustments recorded to the acquired assets and liabilities are applied prospectively in accordance with ASU 2015-16.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, management has defined cash and cash equivalents to include cash on hand, amounts due from banks (including cash items in process of clearing), and amounts held at other financial institutions with an initial maturity of 90 days or less.

Securities

The Company classifies securities upon purchase in one of three categories: trading, held to maturity, or available for sale. Debt and equity securities held for resale are classified as trading. Debt securities for which the Company has the ability and positive intent to hold until maturity are classified as held to maturity. All other securities are classified as available for sale as they may be sold prior to maturity in response to changes in the Company's interest rate risk profile, funding needs, demand for collateralized deposits by public entities or other reasons.

Held to maturity securities are stated at amortized cost, which represents actual cost adjusted for premium amortization and discount accretion. Available for sale securities are stated at fair value, with unrealized gains and losses, net of related taxes, included in stockholders' equity as a component of accumulated other comprehensive income (loss). Trading securities are stated at fair value. Realized and unrealized gains and losses from sales and fair value adjustments of trading securities are included in other noninterest income on the consolidated statements of income.

Purchases and sales of securities are recognized on a trade date basis. The cost of securities sold is based on the specific identification method.

Declines in the fair value of investment securities available for sale that are deemed to be other-than-temporary are recognized in earnings as a realized loss, and a new cost basis for the securities is established. In evaluating other-than-temporary impairment, management considers the length of time and extent to which the fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. Declines in the fair value of debt securities below amortized cost are deemed to be other-than-temporary in circumstances where: (1) the Company has the intent to sell a security; (2) it is more-likely-than-not that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. If the Company intends to sell a security or if it is more-likely-than-not that the Company will be required to sell the security before recovery, an other-than-temporary impairment loss is recognized in earnings equal to the difference between the security's amortized cost basis and its fair value. If the Company does not intend to sell the security or it is not more-likely-than-not that it will be required to sell the security before recovery, the other-than-temporary impairment write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income (loss).

Interest and dividends, including amortization of premiums and accretion of discounts, are recognized as interest income when earned. Realized gains and losses on sales (using the specific identification method) and declines in value judged to be other-than-temporary are included in noninterest income on the consolidated statements of income.

Federal Home Loan Bank Stock

Investments in the FHLB stock are restricted as to redemption and are carried at cost. Investments in FHLB stock are reviewed regularly for possible other-than-temporary impairment, and the cost basis of this investment is reduced by any declines in value determined to be other-than-temporary. FHLB stock is included in other assets on the consolidated balance sheets.

Loans

The Company's accounting method for loans differs depending on whether the loans were originated or purchased and, for purchased loans, whether the loans were acquired at a discount related to evidence of credit deterioration since date of origination.

Originated Loans

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, usually are reported at their outstanding principal balance, adjusted for charge-offs, the allowance for loan and lease losses, and any unamortized deferred fees or costs. Other fees not associated with originating a loan are recognized as fee income when earned.

Interest income on loans is accrued daily on the outstanding balances. A loan is placed on nonaccrual status when management believes, after considering collection efforts and other factors, the borrowers' condition is such that collection of interest is doubtful, which is generally 90 days past due. When loans are placed on nonaccrual status, accrual of interest is discontinued and interest receivable is reversed against interest income in the current period. Interest payments received thereafter are applied as a reduction to the remaining principal balance as long as concern exists as to the ultimate collection of the principal. Loans are removed from nonaccrual status when they become current as to both principal and interest and concern no longer exists as to the collectability of principal and interest.

The Company has elected to measure certain long-term loans and written loan commitments at fair value to assist in managing interest rate risk for longer-term loans. Fair value loans are fixed-rate loans having original maturities of 5 years or greater (typically between 5 and 15 years) to our business and agri-business banking customers to assist them in facilitating their risk management strategies. The fair value option was elected upon the origination or acquisition of these loans and written loan commitments. Interest income is recognized in the same manner on loans reported at fair value as on non-fair value loans, except in regard to origination fees and costs which are recognized immediately upon closing. The changes in fair value of long-term loans and written loan commitments at fair value are reported in noninterest income.

For loans held for sale, loan fees charged or received on origination, net of certain direct loan origination costs, are recognized in income when the related loan is sold. For loans held for investment, loan fees, net of certain direct loan origination costs, are deferred and the net amount is amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual lives of the loans. Commitment fees are recognized as income when received.

The Company makes commercial, agricultural, residential real estate, consumer and other loans to customers primarily in Arizona, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the borrower. Collateral held varies but includes accounts receivable, marketable securities, inventory, equipment and real estate. Personal guarantees of the borrower or related parties and government guarantees are also obtained for some loans, which reduces the Company's risk of loss.

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Loans held for sale include fixed rate single-family residential mortgage loans under contract to be sold in the secondary market. In most cases, loans are carried at cost and sold within 45 days. These loans are sold with the mortgage servicing rights released. Under limited circumstances, buyers may have recourse to return a purchased loan to the Company. Recourse conditions may include early payment default, breach of representation or warranties, or documentation deficiencies.

Fair value of loans held for sale is determined based on prevailing market prices for loans with similar characteristics, sale contract prices, or, for certain portfolios, discounted cash flow analysis. Declines in fair value below cost (and subsequent recoveries) are recognized in net gain on sale of loans. Deferred fees and costs related to these loans are not amortized but are recognized as part of the cost basis of the loan at the time it is sold. Gains or losses on sales are recognized upon delivery and included in net gain on sale of loans.

Purchased Loans

Loans acquired (non-impaired and impaired) in a business acquisition are recorded at their fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan and lease losses is not recorded at the acquisition date.

In determining the acquisition date fair value of purchased loans with evidence of credit deterioration ("purchased impaired loans"), and in subsequent accounting, the Company generally aggregates impaired purchased consumer and certain smaller balance impaired commercial loans into pools of loans with common risk characteristics, while accounting for larger-balance impaired commercial loans individually. Expected cash flows at the acquisition date in excess of the fair value of loans are recorded as interest income over the life of the loans using a level-yield method.

Management estimates the cash flows expected to be collected at acquisition and at subsequent measurement dates using internal risk models, which incorporate the estimate of key assumptions, such as default rates, loss severity, and prepayment speeds. Subsequent to the acquisition date, decreases in cash flows over those expected at the acquisition date are recognized by recording an allowance for loan and lease losses. Subsequent increases in cash flow over those expected at the acquisition date are recognized as reductions to allowance for loan and lease losses to the extent impairment was previously recognized and thereafter as interest income prospectively.

For purchased loans not deemed impaired at the acquisition date, the difference between the fair value and the unpaid principal balance of the loan at acquisition date is amortized or accreted to interest income using the effective interest method over the remaining period to contractual maturity.

Credit Risk Management

The Company’s strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria and ongoing risk monitoring and review processes for all credit exposures. The strategy also emphasizes diversification on a geographic, industry, loan class type, and customer level; regular credit examinations; and management reviews of loans exhibiting deterioration of credit quality. The credit risk management strategy also includes a credit risk assessment process that performs assessments of compliance with commercial and consumer credit policies, risk ratings, and other critical credit information. Loan decisions are documented with respect to the borrower’s business, purpose of the loan, evaluation of the repayment sources, and the associated risks, evaluation of collateral, covenants and monitoring requirements, and risk rating rationale.

The Company categorizes its loan portfolio into six classes, which is the level at which it develops and documents a systematic methodology to determine the allowance for loan and lease losses. The Company’s six loan portfolio classes are commercial real estate, agriculture, commercial non-real estate, residential real estate, consumer and other lending.

The commercial real estate lending class includes loans made to small and middle market businesses, including multi-family properties. Loans in this class are generally secured by commercial real estate with cash flows generally being the primary source of repayment. Historical loss history and updated loan-to-value information on collateral-dependent loans are the primary factors in determining the allowance for loan and lease losses for the commercial real estate lending class. Key risk characteristics relevant to the commercial real estate lending class include the industry and geography of the borrower’s business, purpose of the loan, repayment sources, borrower’s debt capacity and financial performance, loan covenants, guarantees and nature of pledged collateral. The Company considers these risk characteristics in assigning risk ratings and estimating environmental factors considered in determining the allowance for loan and lease losses.

The agriculture lending class includes loans made to agricultural individuals and businesses. Loans in this class are generally secured by operating assets and agriculture real estate and guaranteed by owners; cashflows are most often the primary source of repayment. Historical loss history and updated loan-to-value information on collateral-dependent loans are the primary factors in determining the allowance for loan and lease losses for the agriculture lending class. Key risk characteristics relevant to the agriculture lending class include the geography of the borrower’s operations, commodity prices and weather patterns, purpose of the loan, repayment sources, borrower’s debt capacity and financial performance, loan covenants, guarantees and nature of pledged collateral. The Company considers these risk characteristics in assigning risk ratings and estimating environmental factors considered in determining the allowance for loan and lease losses.

The commercial non-real estate lending class includes loans made to small and middle market businesses, and loans made to public sector customers. Loans in this class are generally secured by business assets and guaranteed by owners; cashflows are most often a primary source of repayment. Historical loss history and updated loan-to-value information on collateral-dependent loans are the primary factors in determining the allowance for loan and lease losses for the commercial non-real estate lending class. Key risk characteristics relevant to the commercial non-real estate lending class include the industry and geography of the borrower’s business, purpose of the loan, repayment sources, borrower’s debt capacity and financial performance, loan covenants, guarantees and nature of pledged collateral. The Company considers these risk characteristics in assigning risk ratings and estimating environmental factors considered in determining the allowance for loan and lease losses.

The residential real estate lending class includes loans made to consumer customers including residential mortgages, residential construction loans and home equity loans and lines. These loans are typically fixed rate loans secured by residential real estate. Home equity lines are revolving accounts giving the borrower the ability to draw and repay balances repeatedly, up to a maximum commitment, and are secured by residential real estate. Home equity lines typically have variable rate terms which are benchmarked to a prime rate. Historical loss history is the primary factor in determining the allowance for loan and lease losses for the residential real estate lending class. Key risk characteristics relevant to residential real estate lending class loans primarily relate to the borrower's capacity and willingness to repay and include unemployment rates and other economic factors, and customer payment history. These risk characteristics, among others, are reflected in the environmental factors considered in determining the allowance for loan and lease losses.

The consumer lending class includes loans made to consumer customers including loans secured by automobiles and other installment loans, and the other lending class includes credit card loans and unsecured revolving credit lines. Historical loss history is the primary factor in determining the allowance for loan and lease losses for the consumer and other lending classes. Key risk characteristics relevant to loans in the consumer and other lending classes primarily relate to the borrower's capacity and willingness to repay and include unemployment rates and other economic factors, and customer payment and overall credit history. These risk characteristics, among others, are reflected in the environmental factors considered in determining the allowance for loan and lease losses.

The other lending class includes all other loan relationships that do not fit within the categories above, primarily consumer and commercial credit cards, customer deposit account overdrafts, and lease receivables.

The Company assigns all non-consumer loans a credit quality risk rating. These ratings are Pass, Watch, Substandard, Doubtful and Loss. Loans with a Pass and Watch rating represent those loans not classified on the Company's rating scale as problem credits, with loans with a Watch rating being monitored and updated at least quarterly by management. Substandard loans are those where a well-defined weakness has been identified that may put full collection of contractual debt at risk. Doubtful loans are those where a well-defined weakness has been identified and a loss of contractual debt is probable. Substandard and doubtful loans are monitored and updated monthly. All loan risk ratings are updated and monitored as deemed appropriate. The Company generally does not risk rate residential real estate or consumer loans unless a default event such as bankruptcy or extended nonperformance takes place. Alternatively, standard credit scoring systems are used to assess credit risks of consumer loans.

Troubled Debt Restructurings

Loans modified under troubled debt restructurings involve granting a concession to a borrower who is experiencing financial difficulty. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection, which generally would not otherwise be considered. The Company's TDRs include performing and nonperforming TDRs, which consist of loans that continue to accrue interest at the loan's original interest rate when the Company expects to collect the remaining principal and interest on the loan, and nonaccrual TDRs, which include loans that are in a nonaccrual status and are no longer accruing interest, as the Company does not expect to collect the full amount of principal and interest owed from the borrower on these loans. At the time of modification (except for loans on nonaccrual status), a TDR is classified as nonperforming TDR until a six-month payment history of principal and interest payments, in accordance with the terms of the loan modification, is sustained, at which time the loan is moved to a performing status (performing TDR). If the Company does not expect to collect all principal and interest on the loan, the modified loan is classified as a nonaccrual TDR. All TDRs are accounted for as impaired loans and are included in the analysis of the allowance for loan and lease losses. A TDR that has been renewed for a borrower who is no longer experiencing financial difficulty and which yields a market rate of interest at the time of a renewal is no longer considered a TDR.

Allowance for Loan and Lease Losses and Reserve for Unfunded Commitments

The Company maintains an allowance for loan and lease losses at a level believed to be appropriate to reserve for credit losses inherent in the loan portfolio. The allowance for loan and lease losses is determined based on an ongoing evaluation, driven primarily by monitoring changes in loan risk grades, delinquencies, and other credit risk indicators, which are inherently subjective.

The Company considers the uncertainty related to certain industry sectors and the extent of credit exposure to specific borrowers within the portfolio. In addition, consideration is given to concentration risks associated with the various loan portfolios and current economic conditions that might impact the portfolio. The Company also considers changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry, or customer-specific concentrations), trends in loan performance, the level of allowance coverage relative to similar banking institutions and macroeconomic factors, such as changes in unemployment rates, gross domestic product, and consumer bankruptcy filings.

All of these estimates are susceptible to significant change. Changes to the allowance for loan and lease losses are made by charges to the provision for loan and lease losses, which is reflected on the consolidated statements of income. Past due status is monitored as an indicator of credit deterioration. A loan is placed on nonaccrual status and accrual of interest is discontinued when management believes, after considering collection efforts and other factors, the borrowers' condition is such that collection of interest is doubtful, which is generally 90 days past due. Loans deemed to be uncollectible are charged off against the allowance for loan and lease losses. Recoveries of amounts previously charged-off are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses consist of reserves for probable losses that have been identified related to specific borrowing relationships that are individually evaluated for impairment ("specific reserve"), as well as probable losses inherent in the loan portfolio that are not specifically identified ("collective reserve").

The specific reserve relates to impaired loans. A loan is impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due (interest as well as principal) according to the contractual terms of the loan agreement. Specific reserves are determined on a loan-by-loan basis based on management’s best estimate of the Company's exposure, given the current payment status of the loan, the present value of expected payments, and the value of any underlying collateral. Impaired loans also include loans modified in troubled debt restructurings. Generally, the impairment related to troubled debt restructurings is measured based on the fair value of the collateral, less cost to sell, or the present value of expected payments relative to the unpaid principal balance. If the impaired loan is identified as collateral dependent, then the fair value of the collateral method of measuring the amount of the impairment is utilized. This method requires obtaining an independent appraisal of the collateral and reducing the appraised value by applying a discount factor to the appraised value, if necessary, and including costs to sell.

Management’s estimate for collective reserves reflects losses incurred in the loan portfolio as of the consolidated balance sheet reporting date. Incurred loss estimates primarily are based on historical loss experience and portfolio mix. Incurred loss estimates may be adjusted for qualitative factors such as current economic conditions and current portfolio trends including credit quality, concentrations, aging of the portfolio, and/or significant policy and underwriting changes, which may not be reflected in the historical loss experience.

The Company maintains an ALLL for acquired impaired loans accounted for under ASC 310-30, resulting from decreases in expected cash flows arising from the periodic revaluation of these loans. Any decrease in expected cash flows in the individual loan pool is generally recognized in the current provision for loan and lease losses. Any increase in expected cash flows is generally not recognized immediately but is instead reflected as an adjustment to the related loan or pool's yield on a prospective basis once any previously recorded provision for loan and lease loss has been reversed.

For acquired non-impaired loans accounted for under ASC 310-20, the Company utilizes methods to estimate the required allowance for loan and lease losses similar to originated loans; the required reserve is compared to the net carrying value of each acquired non-impaired loan (by class) to determine if a provision is required.

Unfunded residential mortgage loan commitments entered into in connection with mortgage loans to be held for sale are considered derivatives and are recorded at fair value and included in other liabilities on the consolidated balance sheets with changes in fair value recorded in other interest income. All other unfunded loan commitments are generally related to providing credit facilities to customers and are not considered derivatives. For purchased loans, the fair value of the unfunded credit commitments is considered in determination of the fair value of the loans recorded at the date of acquisition. Reserves for credit exposure on all other unfunded credit commitments are recorded in other liabilities on the consolidated balance sheets. The Company maintains a reserve for unfunded commitments at a level believed to be sufficient to absorb estimated probable losses related to unfunded credit facilities.

FDIC Indemnification Asset and Clawback Liability

In conjunction with a FDIC assisted transaction of TierOne Bank in 2010, the Company entered into a loss share agreement with the FDIC covering certain single family residential mortgage loans with claim period ending June 2020. The agreement covers a portion of realized losses on loans, foreclosed real estate and certain other assets. The Company has recorded indemnification assets in other assets on the consolidated balance sheets representing estimated future amounts recoverable from the FDIC.

Fair values of loans covered by the loss sharing agreement at the acquisition date were estimated based on projected cash flows available based on the expected probability of default, default timing and loss given default, the expected reimbursement rates (generally 80%) from the FDIC and other relevant terms of the loss sharing agreement. The initial fair value was established by discounting these expected cash flows with a market discount rate for instruments with like maturity and risk characteristics.

The loss share assets are measured separately from the related loans and foreclosed real estate and recorded as an FDIC indemnification asset on the consolidated balance sheets because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses reduce the carrying amount of the loss share assets. Reductions to expected losses on covered assets, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, also reduce the carrying amount of the loss share assets. The rate of accretion of the indemnification asset discount included in interest income slows to mirror the accelerated accretion of the loan discount. Additional expected losses on covered assets, to the extent such expected losses result in the recognition of an allowance for loan and lease losses, increase the carrying amount of the loss share assets. A related increase in the value of the indemnification asset up to the amount covered by the FDIC is calculated based on the reimbursement rates from the FDIC and is included in other noninterest income. The corresponding loan accretion or amortization is recorded as a component of interest income on the consolidated statements of income. Although these assets are contractual receivables from the FDIC, there are no contractual interest rates.

As part of the loss sharing agreement, the Company also assumed a liability ("FDIC Clawback Liability") to be paid within 45 days subsequent to the maturity or termination of the loss sharing agreement that is contingent upon actual losses incurred over the life of the agreement relative to expected losses considered in the consideration paid at acquisition date and the amount of losses reimbursed to the Company under the loss sharing agreement. The liability was recorded at fair value as of the acquisition date. The fair value was based on a discounted cash flow calculation that considered the formula defined in the loss sharing agreement and projected losses. The difference between the fair value at acquisition date and the projected losses is amortized through other noninterest expense. As projected losses and reimbursements are updated, as described above, the FDIC Clawback Liability is adjusted and a gain or loss is recorded in other noninterest expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and building improvements are 10 to 40 years and 3 to 10 years for furniture and equipment.

Other Repossessed Property

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Income and expenses from operations of repossessed property are included in noninterest expense. Residential real estate loans which were in the process of being foreclosed as of September 30, 2019 and 2018 were approximately $0.6 million and $1.1 million, respectively.

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset's carrying value is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

No long-lived asset impairments were recognized during the fiscal years ended September 30, 2019, 2018 or 2017.

Goodwill

Goodwill represents the excess purchase price over the fair value of identifiable net assets of acquired companies. In accordance with ASC Topic 350, *Goodwill and Other Intangible Assets*, the Company conducts a goodwill impairment test at least annually, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value below its carrying amount. In accordance with ASC 350-20, the Company can assess qualitative factors to determine whether it is more-likely-than-not the fair value of the reporting unit is less than its carrying amount. If the Company concludes based on the qualitative assessment that goodwill may be impaired, a quantitative one-step impairment test would then be applied. An impairment loss would be recognized for any excess of carrying value over fair value of the goodwill. Subsequent increases in goodwill would not be recognized on the consolidated financial statements.

The Company performed its annual goodwill impairment evaluation as of July 1 on the basis of one reporting unit. The Company assessed qualitative factors to determine whether it was more-likely-than-not the fair value of the reporting unit was less than its carrying amount. In evaluating whether it was more-likely-than-not that the fair value of the reporting unit was less than its carrying amount, the Company assessed relevant events and circumstances, including macroeconomic conditions, industry and market considerations, overall financial performance, changes in the composition or carrying amount of assets and liabilities, the market price of the Company's common stock, and other relevant factors. No quantitative assessment was considered necessary.

No goodwill impairment was recognized during the fiscal years ended September 30, 2019, 2018 or 2017.

Core Deposits and Other Intangibles

Intangible assets consist of core deposits, brand intangible, customer relationships, and other intangibles. Core deposits represent the identifiable intangible value assigned to core deposit bases arising from acquired companies. Brand intangible represents the value associated with the Bank charter. Customer relationships intangible represents the identifiable intangible value assigned to customer relationships arising from acquired companies. Other intangibles represent contractual franchise arrangements under which the franchiser grants the franchisee the right to perform certain functions within a designated geographical area. Core deposits and other intangibles are recorded in other assets on the consolidated balance sheets.

The methods and lives used to amortize intangible assets are as follows.

Intangible	Method	Years
Core deposit	Straight-line or effective yield	5 - 10
Brand intangible	Straight-line	15
Customer relationships	Straight-line	8.5
Other intangibles	Straight-line	1.25 - 9.33

Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. No intangible asset impairments were recognized during the fiscal years ended September 30, 2019, 2018 or 2017.

Bank Owned Life Insurance

BOLI represents life insurance policies on the lives of certain Company officers or former officers for which the Company is the beneficiary. The carrying amount of bank owned life insurance consists of the initial premium paid plus increases in cash value less the carrying amount associated with any death benefits received. Death benefits paid in excess of the applicable carrying amount are recognized as income, which is exempt from income taxes.

Loan Servicing Rights

The loan servicing rights asset recognized as part of the HF Financial acquisition was initially recorded at fair value. These servicing rights have subsequently been accounted for using the lower of cost or fair value method. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income using key assumptions such as prepayment speeds and discount rate. The asset is amortized into mortgage banking income, net on the consolidated statements of income in proportion to and over the period of estimated net servicing income. Loan servicing rights are recorded in other assets on the consolidated balance sheets.

Mortgage banking income and related fees are recognized when earned as the Company services mortgage loans for others. Mortgage banking income also includes gains and losses on sales of mortgage loans to other financial institutions or government agencies which are recognized as each sales transaction occurs.

Derivatives

The Company maintains an overall interest rate risk management strategy that permits the use of derivative instruments to modify exposure to interest rate risk. The Company enters into interest rate swap contracts to offset the interest rate risk associated with borrowers who lock in long-term fixed rates (greater than or equal to 5 years to maturity) through a fixed rate loan. Generally, under these swaps, the Company agrees with various swap counterparties to exchange the difference between fixed-rate and floating-rate interest amounts based upon notional principal amounts. These contracts do not qualify for hedge accounting. These interest rate derivative instruments are recognized as other assets or other liabilities on the consolidated balance sheets and measured at fair value, with changes in fair value reported in net realized and unrealized gain (loss) on derivatives on the consolidated statements of income. Since each fixed rate loan is paired with an offsetting derivative contract, the impact to net income is minimized. The Company also has back-to-back swaps with loan customers where the Company enters into an interest rate swap with loan customers to provide a facility to mitigate the interest rate risk associated with offering a fixed rate and simultaneously enters into a swap with an outside third party that is matched in exact offsetting terms. The back-to-back swaps are recorded at fair value and recognized as other assets or other liabilities, depending on the rights or obligations under the contract, on the consolidated balance sheet, with changes in fair value reported in net realized and unrealized gain (loss) on derivatives on the consolidated statements of income.

In 2017 the Company began a new program of selling interest swaps directly to customers. These interest rate swaps sales are used to enable customers to achieve a long-term fixed rate by selling the customer a long-term variable rate loan indexed to LIBOR plus a credit spread whereby the Bank enters into an interest rate swap with our customer where the customer pays a fixed rate of interest set at the time of origination on the interest rate swap and then the customer receives a floating rate equal to the rate paid on the loan, thus resulting in a fixed rate of interest over the life of the interest rate swap. The bank minimizes the market and liquidity risks of the swaps entered into with the customer by entering into an offsetting position with a swap dealer.

The Company enters into forward interest rate lock commitments on mortgage loans to be held for sale, which are commitments to originate loans whereby the interest rate on the loan is determined prior to funding. The Company also has corresponding forward sales contracts related to these interest rate lock commitments. Both the mortgage loan commitments and the related sales contracts are considered derivatives and are recorded at fair value and included in other assets or other liabilities on the consolidated balance sheets with changes in fair value offsetting each other in net realized and unrealized gain (loss) on derivatives on the consolidated statements of income.

Stock Based Compensation

Restricted and performance-based stock units/awards are classified as equity awards and accounted for under the treasury stock method. Compensation expense for non-vested stock units/awards is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the vesting or performance period of the award. The fair value of non-vested stock units/awards is generally the market price of the Company's stock on the date of grant. The Company accounts for forfeitures on an actual basis.

In fiscal year 2017, the Company adopted ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employees Share Based Payments Accounting.* The Company's consolidated financial statements include a reclassification from additional paid-in capital to provision for income taxes of $0.3 million for the fiscal year ended September 30, 2017.

Income Taxes

On December 22, 2017, the Tax Reform Act was enacted into law. Beginning in 2018, the Tax Reform Act reduced the federal tax rate for corporations from 35% to 21% and changed or limited certain tax deductions. The Tax Reform Act required the Company to revalue its net deferred tax assets in the period of enactment, which stranded certain effects of the tax rate change in accumulated other comprehensive income. The Company adopted new accounting guidance in the second quarter of fiscal year 2018 that allowed reclassification of $2.4 million in stranded tax effects that related to a change in the federal tax rate from accumulated other comprehensive income to retained earnings. See further discussion in "Note 18. Income Taxes."

Income tax expense includes two components: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over income. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

Tax benefits related to uncertain tax positions are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50 percent; the terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company-put presumptively beyond reach of the Company and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at amounts at which the securities were financed, plus accrued interest.

Defined Benefit Plan

The Company assumed plan sponsorship of the HF Financial Corp. Pension Plan as part of the HF Financial acquisition. On October 25, 2017, the Board of Directors adopted a provision to terminate the Plan effective February 1, 2018. As of September 30, 2018, the transfer of all Pension Plan assets, liabilities and administrative responsibilities was completed.

Revenue Recognition

The Company adopted ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" and subsequent related ASUs effective October 1, 2018 using the modified retrospective approach, which establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Company's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as loans, letters of credit, derivatives and investment securities, as well as revenue related to mortgage servicing activities, as these activities are subject to other GAAP discussed elsewhere within "Note 1. Nature of Operations and Summary of Significant Accounting Policies." Descriptions of the Company's revenue-generating activities that are within the scope of ASC Topic 606, which are presented in the consolidated income statements as components of noninterest income, are as follows:

Service charges and fees on deposit accounts. Service charges on deposit accounts are earned for account maintenance and overdraft, wire and treasury management services. Revenue is recognized at the time the services are performed and is included in service charges and other fees within noninterest income on the consolidated statements of income.

Interchange and merchant services income. Interchange and merchant services income are earned from credit and debit card payment processing through card association networks, merchant services and other card related services. Fees for these services are primarily based on interchange rates set by the networks and transaction volumes and are recognized as transactions are processed and settled with networks on behalf of card holders. These fees are presented net of direct expenses, including reward costs, associated with credit and debit card interchange income in service charges and other fees which are included in noninterest income on the consolidated statements of income.

Wealth management and trust fee income. Wealth management and trust fees are earned for asset management, custody and recordkeeping, investment advisory and administrative services. Revenue is recognized as the services are performed. Brokerage charges are recorded as a net reduction in wealth management fees which are included in noninterest income on the consolidated statements of income.

Other noninterest income. Other noninterest income primarily includes such items as letter of credit fees, gains on sale of loans held for sale and servicing fees, none of which are subject to the requirements of ASC Topic 606.

The following table presents total noninterest income segregated between contracts with customers within the scope of ASC Topic 606 and those within the scope of other GAAP Topics. The following additionally presents revenues from customers that are included within noninterest income.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Noninterest income			
Service charges and other fees	$ 43,893	$ 51,077	$ 55,725
Wealth management fees	8,914	9,219	9,118
Other	3,045	6,575	3,308
Noninterest income from contracts with customers within the scope of ASC Topic 606 [1]	55,852	66,871	68,151
Noninterest income within the scope of other GAAP Topics [2]	4,880	6,738	(4,937)
Total noninterest income	$ 60,732	$ 73,609	$ 63,214

[1] Amounts for periods after October 1, 2018 are presented in accordance with ASC Topic 606, Revenue from Contracts with Customers, except for out of scope amounts. Amounts for periods prior to October 1, 2018 are presented in accordance with ASC Topic 605, Revenue Recognition, and have not been restated to conform with ASC Topic 606, Revenue from Contracts with Customers.

[2] The Company presents out of scope noninterest income for the purpose of reconciling noninterest income amounts within the scope of ASC Topic 606 to noninterest income amounts presented on the Company's consolidated statements of income.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. For fiscal year 2019, other comprehensive income (loss) consisted of unrealized appreciation (depreciation) on available for sale securities. For fiscal years 2018 and 2017, other comprehensive income (loss) consisted of unrealized appreciation (depreciation) on available for sale securities and the defined benefit pension plan obligation acquired from HF Financial which covered former employees of HF Financial and its wholly-owned subsidiaries.

2. New Accounting Standards

Accounting Standards Adopted in Fiscal Year 2019

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*, which provided guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: (i) the award's fair value, (ii) the award's vesting conditions and (iii) the award's classification as an equity or liability instrument. The Company adopted the standard effective October 1, 2018 on a prospective basis. The adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which contained amendments that clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the existing implementation guidance in Topic 805, there are three elements of a business: inputs, processes, and outputs. While an integrated set of assets and activities (collectively referred to as a “set”) that is a business usually has outputs, outputs are not required to be present. In addition, all the inputs and processes that a seller uses in operating a set are not required if market participants can acquire the set and continue to produce outputs. ASU 2017-01 amendments provided a screen to determine when a set is not a business. If the screen is not met, the amendments (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. ASU 2017-01 provided a framework to assist entities in evaluating whether both an input and a substantive process are present. The Company adopted the standard effective October 1, 2018 on a prospective basis. The adoption did not have an impact on the consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests held through Related Parties that are under Common Control*, which altered how a decision maker needs to consider indirect interests in a variable interest entity held through an entity under common control and simplified that analysis to require consideration of only an entity’s proportionate indirect interest in a VIE held through a common control party. The Company adopted the standard effective October 1, 2018. The adoption did not have an impact on the consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Equity Transfers of Assets Other Than Inventory*, which addressed improvement in accounting for income tax consequences of intra-equity transfers of assets other than inventory. This update required that an entity recognize the income tax consequences of the intra-equity transfer of an asset other than inventory when the transfer occurs. The update eliminated the exception for an intra-equity transfer for assets other than inventory. The Company adopted the standard effective October 1, 2018 using the modified retrospective transaction approach with no cumulative effect adjustments as a result of implementation. The adoption did not have an impact on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which addressed eight specific cash flow issues with the objective of reducing the existing diversity in presentations and classification in the statement of cash flows. The eight specific cash flow issues addressed include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The Company adopted the standard effective October 1, 2018 using the retrospective transaction approach. The adoption did not have an impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*, which required equity investments, in general, to be measured at fair value with changes in fair value recognized in earnings. It also eliminated the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, required entities to use the "exit price" notion when measuring fair value, required an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the measurement category and form on the balance sheet or accompanying notes, clarified that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the entity's other deferred tax assets, and simplified the impairment assessment of equity investments without readily determinable fair values. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, which clarified certain aspects of the guidance issued in ASU 2016-01. The Company adopted these standards effective October 1, 2018. Disclosure requirements were adopted on a prospective basis and there were no cumulative effect adjustments as a result of implementation. The adoption did not have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which implemented a more robust framework that clarified the principles for recognizing revenue and gave greater consistency and comparability in revenue recognition practices. In the new framework, revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The new model requirements include the identification of performance obligations in the contract with customers, a determination of the transaction price and an allocation of the price to those performance obligations. Revenue is recognized when performance obligations are satisfied. In 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. In 2016, the FASB issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12 and ASU 2016-20, all of which further clarified the implementation guidance, provided practical expedients and made technical corrections and improvements to Topic 606. The standard, along with subsequent guidance from FASB, listed several items that are specifically out of scope for ASU 2014-09, including but not limited to core interest income, derivative instruments, investments, and loan origination fees. The Company adopted this standard on October 1, 2018 using the modified retrospective method. In addition, the Company prospectively changed the presentation of direct expenses associated with credit and debit card interchange income, which are now netted against interchange income in service charges and other fees in noninterest income on the consolidated statements of income, previously included in data processing and communication expense, and brokerage charges, which are now netted against wealth management fees in noninterest income on the consolidated statements of income, previously included in professional fees. The net quantitative impact of these presentation changes decreased both revenue and expenses by $6.6 million for the fiscal year ended September 30, 2019; however, these presentation changes did not have an impact on net income. Prior period balances have not been restated to reflect these presentation changes. There were no significant cumulative effect adjustments as a result of implementation as the current revenue recognition policies generally conform with the principals in ASC Topic 606. For additional information, see "Note 1. Nature of Operations and Summary of Significant Accounting Policies."

<u>*Accounting Standards Not Yet Adopted in Fiscal Year 2019*</u>

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes in the Disclosure Requirements for Fair Value Measurement*, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Entities are also allowed to elect to early adopt the eliminated or modified disclosure requirements and delay adoption of the new disclosure requirements until after their effective date. As ASU 2018-13 only revises disclosure requirements, the Company does not believe this ASU will have a material impact on the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which amends the hedge accounting recognition and presentation requirements in ASC 815 to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities to better align the entity's financial reporting for hedging relationships with those risk management activities and to reduce the complexity of and simplify the application of hedge accounting. ASU 2017-12 is to be applied to all existing hedging relationships on the date of adoption and will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted in any interim period, with the effect of adoption reflected as of the beginning of the fiscal year of adoption. The Company adopted this standard beginning October 1, 2019 with no material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which addresses timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 requires institutions to measure all expected credit losses related to financial assets measured at amortized costs with an expected loss model based on historical experience, current conditions and reasonable and supportable forecasts relevant to affect the collectability of the financial assets, which is referred to as the current expected credit loss model. ASU 2016-13 requires enhanced disclosures, including qualitative and quantitative requirements, to help understand significant estimates and judgments used in estimating credit losses, as well as provide additional information about the amounts recorded in the financial statements. In November 2018 and April 2019, the FASB issued ASUs which made technical corrections and improvements to the previous ASU issued (ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments, Credit Losses*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*). The ASUs require the use of the modified retrospective approach for adoption. These ASUs will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The Company continues to make progress on the implementation plan and expects to complete the User Acceptance Testing phase of the third party vendor software during FQ1 2020. The Company does not expect to early adopt this standard and is currently evaluating the potential impact on the consolidated financial statements; however, since the magnitude of the anticipated change in the allowance for credit losses will be impacted by economic conditions and trends in the Company's portfolio at the time of adoption, the quantitative impact cannot yet be reasonably estimated.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires that lessees recognize the assets and liabilities arising from leases on the balance sheet and disclosing key information about leasing arrangements. Lessees will be required to recognize an obligation for future lease payments measured on a discounted basis and a related right-of-use asset. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, which made technical corrections and improvements to the previous ASU issued including a modified retrospective transition method that allows entities to apply the standard as of the adoption date. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, which allows lessors to exclude sales tax from consideration of the contract through a policy election and clarifies treatment of certain lessor costs and variable payments for contracts with lease and nonlease components. The Company adopted this guidance beginning October 1, 2019 using the modified retrospective transition method and all practical expedients available other than the use of hindsight with respect to determining the lease term and assessing impairment of its right-of-use assets. As of the date of adoption, the Company's right-of-use assets and lease liabilities recorded on the consolidated balance sheets were $19.9 million and $20.9 million, respectively. The effect on retained earnings was immaterial.

3. Restrictions on Cash and Cash Equivalents

The Company is required to maintain reserve balances in cash and on deposit with the Federal Reserve based on a percentage of transactional deposits. The total requirement was approximately $51.2 million and $53.7 million at September 30, 2019 and 2018, respectively.

4. Securities Available for Sale

The amortized cost and approximate fair value of investments in securities, all of which are classified as available for sale according to management's intent, are summarized as follows.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(dollars in thousands)			
As of September 30, 2019				
U.S. Treasury securities	$ 94,178	$ 599	$ (32)	$ 94,745
Mortgage-backed securities:				
Government National Mortgage Association	501,139	3,374	(3,027)	501,486
Federal Home Loan Mortgage Corporation	463,974	8,840	(770)	472,044
Federal National Mortgage Association	322,340	5,409	(398)	327,351
Small Business Assistance Program	316,502	3,674	(154)	320,022
States and political subdivision securities	66,145	494	(116)	66,523
Other	1,006	31	—	1,037
Total	$ 1,765,284	$ 22,421	$ (4,497)	$ 1,783,208

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(dollars in thousands)			
As of September 30, 2018				
U.S. Treasury securities	$ 168,394	$ —	$ (1,222)	$ 167,172
Mortgage-backed securities:				
Government National Mortgage Association	442,458	35	(16,335)	426,158
Federal Home Loan Mortgage Corporation	297,380	—	(7,055)	290,325
Federal National Mortgage Association	188,192	—	(6,081)	182,111
Small Business Assistance Program	260,458	—	(9,345)	251,113
States and political subdivision securities	69,566	4	(1,795)	67,775
Other	1,006	—	(10)	996
Total	$ 1,427,454	$ 39	$ (41,843)	$ 1,385,650

The amortized cost and approximate fair value of debt securities available for sale as of September 30, 2019 and 2018, by contractual maturity, are shown below. Maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be called or repaid without any penalty.

	September 30, 2019		September 30, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(dollars in thousands)			
Due in one year or less	$ 58,377	$ 58,343	$ 111,842	$ 111,221
Due after one year through five years	89,836	90,601	114,920	113,069
Due after five years through ten years	12,110	12,324	11,076	10,535
Due after ten years	—	—	122	122
	160,323	161,268	237,960	234,947
Mortgage-backed securities	1,603,955	1,620,903	1,188,488	1,149,707
Securities without contractual maturities	1,006	1,037	1,006	996
Total	$ 1,765,284	$ 1,783,208	$ 1,427,454	$ 1,385,650

Proceeds from sales of securities available for sale were $175.0 million, $25.0 million and $5.1 million for the fiscal years ended September 30, 2019, 2018 and 2017 respectively. Gross gains (pre-tax) of $0.3 million, $0.0 million and $0.1 million were realized on the sales for the fiscal years ended September 30, 2019, 2018 and 2017, respectively, using the specific identification method. Gross losses (pre-tax) were $0.5 million, $0.0 million and $0.0 million for the fiscal years ended September 30, 2019, 2018 and 2017, respectively, using the specific identification method. The Company recognized no other-than-temporary impairment for the fiscal years ended September 30, 2019, 2018 and 2017.

Securities with an estimated fair value of approximately $863.9 million and $787.4 million at September 30, 2019 and 2018, respectively, were pledged as collateral on public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law. The counterparties do not have the right to sell or pledge the securities the Company has pledged as collateral.

As detailed in the following tables, certain investments in debt securities, which are approximately 36% and 98% of the Company's investment portfolio at September 30, 2019 and 2018, respectively, are reported in the consolidated financial statements at an amount less than their amortized cost. Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information, implicit or explicit government guarantees, and information obtained from regulatory filings, management believes the declines in fair value of these securities are temporary. As the Company does not intend to sell the securities and it is not more-likely-than-not that the Company will be required to sell the securities before the recovery of their amortized cost basis, which may be maturity, the Company does not consider the securities to be other-than-temporarily impaired at September 30, 2019 or 2018.

The following table presents the Company's gross unrealized losses and approximate fair value in investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(dollars in thousands)					
As of September 30, 2019						
U.S. Treasury securities	**$ —**	**$ —**	**$ 44,729**	**$ (32)**	**$ 44,729**	$ (32)
Mortgage-backed securities	**94,612**	**(205)**	**474,979**	**(4,144)**	**569,591**	(4,349)
States and political subdivision securities	**—**	**—**	**23,693**	**(116)**	**23,693**	(116)
Other	**—**	**—**	**—**	**—**	**—**	—
Total	**$ 94,612**	**$ (205)**	**$ 543,401**	**$ (4,292)**	**$ 638,013**	$ (4,497)

	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(dollars in thousands)					
As of September 30, 2018						
U.S. Treasury securities	$ 167,172	$ (1,222)	$ —	$ —	$ 167,172	$ (1,222)
Mortgage-backed securities	416,677	(8,427)	709,387	(30,389)	1,126,064	(38,816)
States and political subdivision securities	23,534	(250)	42,282	(1,545)	65,816	(1,795)
Other	996	(10)	—	—	996	(10)
Total	$ 608,379	$ (9,909)	$ 751,669	$ (31,934)	$ 1,360,048	$ (41,843)

As of September 30, 2019 and 2018, the Company had 169 and 390 securities, respectively, in an unrealized loss position.

5. Loans

The following table presents the composition of net loans as of September 30, 2019 and 2018.

	September 30, 2019	September 30, 2018
	(dollars in thousands)	
Commercial real estate	$ 5,092,410	$ 4,629,330
Agriculture	2,008,644	2,182,688
Commercial non-real estate	1,719,956	1,699,987
Residential real estate	812,208	837,569
Consumer	51,925	49,689
Other	47,541	46,487
Ending balance	9,732,684	9,445,750
Less: Unamortized discount on acquired loans	(13,655)	(18,283)
Unearned net deferred fees and costs and loans in process	(12,266)	(11,543)
Total	$ 9,706,763	$ 9,415,924

The loan segments above include loans covered by a FDIC loss sharing agreement totaling $31.9 million and $42.6 million as of September 30, 2019 and 2018, respectively, residential real estate loans held for sale totaling $7.4 million and $5.5 million at September 30, 2019 and 2018, respectively, and $813.0 million and $865.4 million of loans accounted for at fair value as of September 30, 2019 and 2018, respectively.

Unearned net deferred fees and costs totaled $13.9 million and $13.0 million as of September 30, 2019 and 2018, respectively. Loans in process represent loans that have been funded as of the balance sheet dates but not classified into a loan category and loan payments received as of the balance sheet dates that have not been applied to individual loan accounts. Loans in process totaled $(1.6) million and $(1.5) million as of September 30, 2019 and 2018, respectively.

Loans guaranteed by agencies of the U.S. government totaled $154.2 million and $168.6 million at September 30, 2019 and 2018, respectively.

Principal balances of residential real estate loans sold totaled $288.1 million and $266.5 million for the fiscal years ended September 30, 2019 and 2018, respectively.

Nonaccrual

The following table presents the Company’s nonaccrual loans at September 30, 2019 and 2018, excluding ASC 310-30 loans. Loans greater than 90 days past due and still accruing interest as of September 30, 2019 and 2018 were $11.2 million and $0.2 million, respectively.

	September 30, 2019	September 30, 2018
Nonaccrual loans	(dollars in thousands)	
Commercial real estate	$ 14,973	$ 22,871
Agriculture	77,880	107,198
Commercial non-real estate	9,502	6,887
Residential real estate	2,661	3,549
Consumer	74	61
Total	$ 105,090	$ 140,566

Credit Quality Information

The following table presents the composition of the loan portfolio by internally assigned grade as of September 30, 2019 and 2018. This table is presented net of unamortized discount on acquired loans and excludes loans measured at fair value with changes in fair value reported in earnings of $813.0 million for September 30, 2019 and $865.4 million for September 30, 2018.

As of September 30, 2019	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate [1]	Consumer [1]	Other	Total
Credit Risk Profile by Internally Assigned Grade			*(dollars in thousands)*				
Grade:							
Pass	$ 4,433,530	$ 1,346,436	$ 1,424,357	$ 763,797	$ 50,796	$ 47,541	$ 8,066,457
Watchlist	85,256	179,965	103,514	6,297	755	—	375,787
Substandard	54,242	322,327	42,048	6,863	205	—	425,685
Doubtful	56	5,811	296	55	2	—	6,220
Loss	—	—	—	—	—	—	—
Ending balance	4,573,084	1,854,539	1,570,215	777,012	51,758	47,541	8,874,149
Loans covered by a FDIC loss sharing agreement	—	—	—	31,891	—	—	31,891
Total	$ 4,573,084	$ 1,854,539	$ 1,570,215	$ 808,903	$ 51,758	$ 47,541	$ 8,906,040

[1] The Company generally does not risk rate residential real estate or consumer loans unless a default event such as a bankruptcy or extended nonperformance takes place. Alternatively, standard credit scoring systems are used to assess credit risks of residential real estate and consumer loans.

As of September 30, 2018	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate [1]	Consumer [1]	Other	Total
Credit Risk Profile by Internally Assigned Grade			*(dollars in thousands)*				
Grade:							
Pass	$ 4,108,314	$ 1,610,291	$ 1,401,418	$ 779,610	$ 48,979	$ 46,487	$ 7,995,099
Watchlist	53,150	239,392	19,503	4,548	322	—	316,915
Substandard	41,184	137,205	20,117	6,366	159	—	205,031
Doubtful	93	2	2,277	37	—	—	2,409
Loss	—	—	—	—	—	—	—
Ending balance	4,202,741	1,986,890	1,443,315	790,561	49,460	46,487	8,519,454
Loans covered by a FDIC loss sharing agreement	—	—	—	42,627	—	—	42,627
Total	$ 4,202,741	$ 1,986,890	$ 1,443,315	$ 833,188	$ 49,460	$ 46,487	$ 8,562,081

[1] The Company generally does not risk rate residential real estate or consumer loans unless a default event such as a bankruptcy or extended nonperformance takes place. Alternatively, standard credit scoring systems are used to assess credit risks of residential real estate and consumer loans.

Past Due Loans

The following table presents the Company's past due loans at September 30, 2019 and 2018. This table is presented net of unamortized discount on acquired loans and excludes loans measured at fair value with changes in fair value reported in earnings of $813.0 million for September 30, 2019 and $865.4 million for September 30, 2018.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Financing Receivables
As of September 30, 2019			*(dollars in thousands)*			
Commercial real estate	$ 3,587	$ 570	$ 2,475	$ 6,632	$ 4,566,452	$ 4,573,084
Agriculture	13,411	1,267	33,089	47,767	1,806,772	1,854,539
Commercial non-real estate	3,932	120	4,424	8,476	1,561,739	1,570,215
Residential real estate	311	676	939	1,926	775,086	777,012
Consumer	61	110	7	178	51,580	51,758
Other	—	—	—	—	47,541	47,541
Ending balance	21,302	2,743	40,934	64,979	8,809,170	8,874,149
Loans covered by a FDIC loss sharing agreement	536	410	331	1,277	30,614	31,891
Total	$ 21,838	$ 3,153	$ 41,265	$ 66,256	$ 8,839,784	$ 8,906,040

As of September 30, 2018	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Financing Receivables
			(dollars in thousands)			
Commercial real estate	$ 920	$ 551	$ 9,135	$ 10,606	$ 4,192,135	$ 4,202,741
Agriculture	1,243	2,042	51,579	54,864	1,932,026	1,986,890
Commercial non-real estate	551	16	4,068	4,635	1,438,680	1,443,315
Residential real estate	913	200	1,747	2,860	787,701	790,561
Consumer	83	47	1	131	49,329	49,460
Other	—	—	—	—	46,487	46,487
Ending balance	3,710	2,856	66,530	73,096	8,446,358	8,519,454
Loans covered by a FDIC loss sharing agreement	30	233	471	734	41,893	42,627
Total	$ 3,740	$ 3,089	$ 67,001	$ 73,830	$ 8,488,251	$ 8,562,081

Impaired Loans

The following table presents the Company's impaired loans. This table excludes purchased credit impaired loans and loans measured at fair value with changes in fair value reported in earnings of $813.0 million for September 30, 2019 and $865.4 million for September 30, 2018.

	September 30, 2019			September 30, 2018		
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
			(dollars in thousands)			
With an allowance recorded:						
Commercial real estate	$ 26,003	$ 26,297	$ 4,159	$ 25,136	$ 25,223	$ 3,668
Agriculture	98,392	104,350	8,234	60,053	76,874	9,590
Commercial non-real estate	21,331	21,777	6,062	14,177	17,241	4,508
Residential real estate	3,829	4,311	1,795	4,509	5,153	2,210
Consumer	207	214	97	160	165	61
Total impaired loans with an allowance recorded	149,762	156,949	20,347	104,035	124,656	20,037
With no allowance recorded:						
Commercial real estate	28,272	66,631	—	15,764	58,141	—
Agriculture	231,087	255,308	—	77,172	80,355	—
Commercial non-real estate	21,579	31,414	—	8,905	18,047	—
Residential real estate	3,290	5,454	—	2,177	4,574	—
Consumer	1	108	—	1	118	—
Total impaired loans with no allowance recorded	284,229	358,915	—	104,019	161,235	—
Total impaired loans	$ 433,991	$ 515,864	$ 20,347	$ 208,054	$ 285,891	$ 20,037

The following table presents the average recorded investment on impaired loans and interest income recognized on impaired loans for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,					
	2019		2018		2017	
	Average Recorded Investment	Interest Income Recognized While on Impaired Status	Average Recorded Investment	Interest Income Recognized While on Impaired Status	Average Recorded Investment	Interest Income Recognized While on Impaired Status
			(dollars in thousands)			
Commercial real estate	$ 42,374	$ 2,339	$ 54,434	$ 2,815	$ 42,347	$ 2,163
Agriculture	223,146	13,093	127,483	4,767	131,026	5,503
Commercial non-real estate	28,196	1,791	28,938	1,405	41,489	1,485
Residential real estate	6,889	410	7,156	452	8,900	453
Consumer	231	20	219	14	369	47
Total	$ 300,836	$ 17,653	$ 218,230	$ 9,453	$ 224,131	$ 9,651

Valuation adjustments made to repossessed properties for the fiscal years ended September 30, 2019 and 2018, totaled $2.3 million and $1.6 million, respectively. The adjustments are included in net loss on repossessed property and other related expenses in noninterest expense.

Troubled Debt Restructurings

Included in certain loan categories in the impaired loans are TDRs that were classified as impaired. These TDRs do not include purchased credit impaired loans. When the Company grants concessions to borrowers such as reduced interest rates or extensions of loan periods that would not be considered other than because of borrowers' financial difficulties, the modification is considered a TDR. Specific reserves included in the allowance for loan and lease losses for TDRs were $10.3 million and $9.2 million at September 30, 2019 and 2018, respectively. There were $0.2 million of commitments to lend additional funds to borrowers whose loans were modified in a TDR as of September 30, 2019 and $0.3 million commitments to lend additional funds to borrowers whose loans were modified in a TDR as of September 30, 2018.

The following table presents the recorded value of the Company's TDR balances as of September 30, 2019 and 2018.

	September 30, 2019		September 30, 2018	
	Accruing	Nonaccrual	Accruing	Nonaccrual
	(dollars in thousands)			
Commercial real estate	$ 17,145	$ 904	$ 2,649	$ 2,616
Agriculture	22,929	24,762	13,248	73,741
Commercial non-real estate	4,398	4,257	3,420	656
Residential real estate	263	102	389	143
Consumer	107	48	77	—
Total	$ 44,842	$ 30,073	$ 19,783	$ 77,156

TDRs are generally restructured through either a rate modification, term extension, payment modification or due to a bankruptcy. The following table presents a summary of all accruing loans restructured in TDRs during the fiscal years ended September 30, 2019, 2018 and 2017.

	September 30, 2019			September 30, 2018			September 30, 2017		
		Recorded Investment			Recorded Investment			Recorded Investment	
	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification
					(dollars in thousands)				
Commercial real estate	2	$ 15,466	$ 15,466	1	$ 2,041	$ 2,041	2	$ 3,726	$ 3,726
Agriculture	16	11,537	11,537	5	10,753	10,753	13	18,902	18,902
Commercial non-real estate	2	1,445	1,445	—	—	—	9	2,044	2,044
Residential real estate	—	—	—	—	—	—	1	9	9
Consumer	2	188	188	1	73	73	1	8	8
Total accruing	22	$ 28,636	$ 28,636	7	$ 12,867	$ 12,867	26	$ 24,689	$ 24,689
Change in recorded investment due to principal paydown at time of modification	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Change in recorded investment due to chargeoffs at time of modification	—	—	—	—	—	—	—	—	—

The following table presents a summary of all nonaccruing loans restructured in TDRs during the fiscal years ended September 30, 2019, 2018 and 2017.

	September 30, 2019			September 30, 2018			September 30, 2017		
		Recorded Investment			Recorded Investment			Recorded Investment	
	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification
					(dollars in thousands)				
Commercial real estate	1	$ 882	$ 882	—	$ —	$ —	—	$ —	$ —
Agriculture	9	5,802	5,802	9	9,990	9,990	18	20,197	20,197
Commercial non-real estate	2	3,699	3,699	—	—	—	3	3,788	3,788
Residential real estate	—	—	—	—	—	—	2	133	133
Consumer	—	—	—	—	—	—	3	21	21
Total nonaccruing	12	$ 10,383	$ 10,383	9	$ 9,990	$ 9,990	26	$ 24,139	$ 24,139
Change in recorded investment due to principal paydown at time of modification	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Change in recorded investment due to chargeoffs at time of modification	—	—	—	—	—	—	—	—	—

The following table presents loans that were modified as TDRs within the previous 12 months and for which there was a payment default for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,					
	2019		2018		2017	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(dollars in thousands)					
Commercial real estate	—	$ —	—	$ —	—	$ —
Agriculture	—	—	1	366	2	8,383
Commercial non-real estate	—	—	—	—	1	—
Residential real estate	—	—	—	—	—	—
Consumer	1	—	—	—	—	—
Total	1	$ —	1	$ 366	3	$ 8,383

For purposes of the table above, a loan is considered to be in payment default once it is 90 days or more contractually past due under the modified terms. The table includes loans that experienced a payment default during the period, but may be performing in accordance with the modified terms as of the balance sheet date. There were $0.0 million, $0.8 million and $5.5 million as of September 30, 2019, 2018 and 2017, respectively, of loans removed from TDR status as they were restructured at market terms and are performing.

6. Allowance for Loan and Lease Losses

The following tables present the Company's allowance for loan and lease losses roll forward for the fiscal years ended September 30, 2019, 2018 and 2017.

Fiscal Year Ended September 30, 2019	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate	Consumer	Other	Total
	(dollars in thousands)						
Beginning balance, October 1, 2018	$ 16,777	$ 28,121	$ 13,610	$ 4,749	$ 257	$ 1,026	$ 64,540
Charge-offs	(1,511)	(24,847)	(7,895)	(998)	(452)	(1,358)	(37,061)
Recoveries	567	385	392	468	174	362	2,348
Provision	1,514	27,160	11,431	(56)	448	1,009	41,506
(Improvement) impairment of ASC 310-30 loans	(520)	—	29	(68)	—	—	(559)
Ending balance, September 30, 2019	$ 16,827	$ 30,819	$ 17,567	$ 4,095	$ 427	$ 1,039	$ 70,774

Fiscal Year Ended September 30, 2018	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate	Consumer	Other	Total
	(dollars in thousands)						
Beginning balance, October 1, 2017	$ 16,941	$ 25,757	$ 14,114	$ 5,347	$ 329	$ 1,015	$ 63,503
Charge-offs	(3,925)	(9,473)	(3,813)	(569)	(192)	(1,932)	(19,904)
Recoveries	533	332	994	337	141	618	2,955
Provision	3,231	11,355	2,315	(451)	(21)	1,325	17,754
(Improvement) impairment of ASC 310-30 loans	(3)	150	—	85	—	—	232
Ending balance, September 30, 2018	$ 16,777	$ 28,121	$ 13,610	$ 4,749	$ 257	$ 1,026	$ 64,540

Fiscal Year Ended September 30, 2017	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate	Consumer	Other	Total
	(dollars in thousands)						
Beginning balance, October 1, 2016	$ 17,946	$ 25,115	$ 12,990	$ 7,106	$ 438	$ 1,047	$ 64,642
Charge-offs	(2,043)	(7,853)	(12,576)	(809)	(196)	(2,403)	(25,880)
Recoveries	485	415	652	507	102	1,041	3,202
Provision	643	7,965	13,048	(761)	(15)	1,330	22,210
(Improvement) impairment of ASC 310-30 loans	(90)	115	—	(696)	—	—	(671)
Ending balance, September 30, 2017	$ 16,941	$ 25,757	$ 14,114	$ 5,347	$ 329	$ 1,015	$ 63,503

The following tables provide details regarding the allowance for loan and lease losses and balance by type of allowance as of September 30, 2019 and 2018. These tables are presented net of unamortized discount on acquired loans and excludes loans of $813.0 million measured at fair value, loans held for sale of $7.4 million, and guaranteed loans of $145.9 million for September 30, 2019; and loans measured at fair value of $865.4 million, loans held for sale of $5.5 million, and guaranteed loans of $160.3 million for September 30, 2018.

As of September 30, 2019	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate	Consumer	Other	Total
				(dollars in thousands)			
Allowance for loan and lease losses							
Individually evaluated for impairment	$ 4,159	$ 8,234	$ 6,062	$ 1,795	$ 97	$ —	$ 20,347
Collectively evaluated for impairment	12,509	22,320	11,476	2,188	330	1,039	49,862
ASC 310-30 loans	159	265	29	112	—	—	565
Total allowance	$ 16,827	$ 30,819	$ 17,567	$ 4,095	$ 427	$ 1,039	$ 70,774
Financing Receivables							
Individually evaluated for impairment	$ 54,275	$ 329,479	$ 42,910	$ 7,119	$ 208	$ —	$ 433,991
Collectively evaluated for impairment	4,418,611	1,501,164	1,480,949	763,645	51,112	47,541	8,263,022
ASC 310-30 loans	22,124	2,756	221	30,280	438	—	55,819
Loans Outstanding	$ 4,495,010	$ 1,833,399	$ 1,524,080	$ 801,044	$ 51,758	$ 47,541	$ 8,752,832

As of September 30, 2018	Commercial Real Estate	Agriculture	Commercial Non-Real Estate	Residential Real Estate	Consumer	Other	Total
				(dollars in thousands)			
Allowance for loan and lease losses							
Individually evaluated for impairment	$ 3,668	$ 9,590	$ 4,508	$ 2,210	$ 61	$ —	$ 20,037
Collectively evaluated for impairment	12,430	18,266	9,102	2,277	196	1,026	43,297
ASC 310-30 loans	679	265	—	262	—	—	1,206
Total allowance	$ 16,777	$ 28,121	$ 13,610	$ 4,749	$ 257	$ 1,026	$ 64,540
Financing Receivables							
Individually evaluated for impairment	$ 40,900	$ 137,225	$ 23,082	$ 6,686	$ 161	$ —	$ 208,054
Collectively evaluated for impairment	4,053,712	1,823,947	1,364,511	780,047	48,711	46,487	8,117,415
ASC 310-30 loans	27,001	2,815	416	40,025	588	—	70,845
Loans Outstanding	$ 4,121,613	$ 1,963,987	$ 1,388,009	$ 826,758	$ 49,460	$ 46,487	$ 8,396,314

For acquired loans not accounted for under ASC 310-30 (purchased non-impaired), the Company utilizes specific and collective reserve calculation methods similar to originated loans. The required ALLL for these loans is included in the individually evaluated for impairment bucket of the ALLL if the loan is rated substandard or worse, and in the collectively evaluated for impairment bucket for pass rated loans.

The Company maintains an ALLL for acquired loans accounted for under ASC 310-30 as a result of impairment to loan pools arising from the periodic re-valuation of these loans. Any impairment in the individual pool is generally recognized in the current period as provision for loan and lease losses. Any improvement in the estimated cash flows, is generally not recognized immediately, but is instead reflected as an adjustment to the related loan pools yield on a prospective basis once any previously recorded impairment has been recaptured.

The ALLL for ASC 310-30 loans totaled $0.6 million at September 30, 2019, compared to $1.2 million at September 30, 2018. During fiscal year 2019, loan pools accounted for under ASC 310-30 had a net reversal of provision of $0.6 million, a net provision of $0.2 million for fiscal year 2018 and a net provision reversal of $0.7 million for fiscal year 2017.

The reserve for unfunded loan commitments was $0.5 million at both September 30, 2019 and 2018 and is recorded in accrued expenses and other liabilities on the consolidated balance sheets.

7. Accounting for Certain Loans Acquired with Deteriorated Credit Quality

In June 2010 and May 2016, the Company acquired certain loans in the TierOne Bank and HF Financial transactions, respectively, that had deteriorated credit quality known as ASC 310-30 loans, or purchased credit impaired loans. Several factors were considered when evaluating whether a loan was considered a purchased credit impaired loan, including delinquency status of the loan, updated borrower credit status, geographic information, and updated loan-to-values. Further, these purchased credit impaired loans had differences between contractual amounts owed and cash flows expected to be collected, that were at least in part, due to credit quality. U.S. GAAP allows purchasers to aggregate purchased credit impaired loans acquired in the same fiscal quarter in one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Loan pools are periodically reassessed to determine expected cash flows. In determining the expected cash flows, the timing of cash flows and prepayment assumptions for smaller, homogeneous loans are based on statistical models that take into account factors such as the loan interest rate, credit profile of the borrowers, the years in which the loans were originated, and whether the loans are fixed or variable rate loans. Prepayments may be assumed on large individual loans that consider similar prepayment factors listed above for smaller homogeneous loans.

The re-assessment of purchased credit impaired loans resulted in the following changes in the accretable yield during the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Balance, beginning of period	$ 34,973	$ 44,131	$ 38,124
Accretion	(9,202)	(13,193)	(13,847)
Reclassification from nonaccretable difference	276	4,035	19,854
Balance, end of period	$ 26,047	$ 34,973	$ 44,131

The reclassifications from nonaccretable difference noted in the table above represent instances where specific pools of loans are expected to perform better over the remaining lives of the loans than expected at the prior re-assessment date.

The following table provides purchased impaired loans at September 30, 2019 and 2018.

	September 30, 2019			September 30, 2018		
	Outstanding Balance [1]	Recorded Investment [2]	Carrying Value [3]	Outstanding Balance [1]	Recorded Investment [2]	Carrying Value [3]
			(dollars in thousands)			
Commercial real estate	$ 90,295	$ 22,124	$ 21,965	$ 100,761	$ 27,001	$ 26,322
Agriculture	4,462	2,756	2,491	4,841	2,815	2,551
Commercial non-real estate	7,190	221	192	7,475	416	416
Residential real estate	35,413	30,280	30,168	46,646	40,025	39,763
Consumer	493	438	438	656	588	588
Total lending	$ 137,853	$ 55,819	$ 55,254	$ 160,379	$ 70,845	$ 69,640

[1] Represents the legal balance of ASC 310-30 loans.

[2] Represents the book balance of ASC 310-30 loans.

[3] Represents the book balance of ASC 310-30 loans net of the related allowance for loan and lease losses.

8. FDIC Indemnification Asset

Under the terms of the purchase and assumption agreement with the FDIC with regard to the TierOne Bank acquisition, the Company is reimbursed for a portion of the losses incurred on covered assets under the non-commercial loss share agreement. As covered assets are resolved, whether through repayment, short sale of the underlying collateral, the foreclosure on or sale of collateral, or the sale or charge-off of loans or other repossessed property, any differences between the carrying value of the covered assets versus the payments received during the resolution process that are reimbursable by the FDIC are recognized as reductions in the FDIC indemnification asset. Any gains or losses realized from the resolution of covered assets reduce or increase, respectively, the amount recoverable from the FDIC.

The following table represents a summary of the activity related to the FDIC indemnification asset for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Balance, beginning of period	$ 2,502	$ 5,704	$ 10,777
Amortization	(1,386)	(2,778)	(4,748)
Changes in expected reimbursements from FDIC for changes in expected credit losses	(10)	(122)	(45)
Changes in reimbursable expenses	(41)	(1,072)	(986)
Payments of covered losses to the FDIC	14	770	706
Balance, end of period	$ 1,079	$ 2,502	$ 5,704

The loss claims filed are subject to review, approval, and annual audits by the FDIC or its assigned agents for compliance with the terms in the loss sharing agreement which ends June 4, 2020.

9. Premises and Equipment

The following table presents the major classes of premises and equipment and the total amount of accumulated depreciation as of September 30, 2019 and 2018.

	September 30,	
	2019	2018
	(dollars in thousands)	
Land	$ 31,107	$ 25,598
Buildings and building improvements	95,778	85,960
Furniture and equipment	26,688	27,490
Construction in progress	3,619	7,732
Total	157,192	146,780
Accumulated depreciation	(36,547)	(32,941)
Premise and equipment, net	$ 120,645	$ 113,839

Depreciation expense was $7.6 million, $7.5 million and $7.6 million for the fiscal years ended September 30, 2019, 2018 and 2017, respectively.

Included in the premises and equipment is $2.8 million and $1.1 million of property held for sale as of September 30, 2019 and 2018, respectively. The Company measures assets held for sale at the lower of carrying amount or estimated fair value. There were no impairment charges recognized as of September 30, 2019 and 2018.

10. Derivative Financial Instruments

The Company uses interest rate swaps to manage its interest rate risk and market risk in accommodating the needs of its customers. The Company recognizes all derivatives on the consolidated balance sheet at fair value in either other assets or accrued expenses and other liabilities as appropriate. The following table presents the notional amounts and gross fair values of all derivative assets and liabilities held by the Company as of September 30, 2019 and 2018.

	September 30, 2019			September 30, 2018		
	Notional Amount	Gross Asset Fair Value	Gross Liability Fair Value	Notional Amount	Gross Asset Fair Value	Gross Liability Fair Value
			(dollars in thousands)			
Derivatives not designated as hedging instruments:						
Interest rate swaps						
Financial institution counterparties	$ 1,259,765	$ 35	$ (38,755)	$ 1,082,630	$ 22,696	$ (2,231)
Customer counterparties	499,643	48,652	—	217,066	1,533	(2,160)
Interest rate caps						
Financial institution counterparties	100	2	—	—	—	—
Customer counterparties	100	—	(2)	—	—	—
Risk participation agreements	56,833	—	(58)	37,351	—	(444)
Mortgage loan commitments	56,665	—	(11)	22,195	—	(28)
Mortgage loan forward sale contracts	61,872	11	—	27,408	28	—
Total	$ 1,934,978	$ 48,700	$ (38,826)	$ 1,386,650	$ 24,257	$ (4,863)

Netting of Derivatives

The Company records the derivatives on a net basis when a right of offset exists, based on transactions with a single counterparty that are subject to a legally enforceable master netting agreement. When bilateral netting agreements or similar agreements exist between the Company and its counterparties that create a single legal claim or obligation to pay or receive the net amount in settlement of the individual derivative contracts, the Company reports derivative assets and liabilities on a net by derivative contract by counterparty basis.

The following tables provide information on the Company's netting adjustments as of September 30, 2019 and 2018.

	Gross Fair Value		Fair Value Offset Amount		Cash Collateral		Net Amount Presented on the Consolidated Balance Sheet	
			(dollars in thousands)					
As of September 30, 2019								
Total Derivative Assets	$	48,700	$	(2,445)	$	12,279	$	58,534
Total Derivative Liabilities [1]	$	(38,826)	$	2,445	$	36,368	$	(13)

[1] There was an additional $18.3 million of collateral held for initial margin with a Futures Clearing Merchant for clearing derivatives at September 30, 2019 and is included in other assets in the consolidated balance sheets.

	Gross Fair Value		Fair Value Offset Amount		Cash Collateral		Net Amount Presented on the Consolidated Balance Sheet	
			(dollars in thousands)					
As of September 30, 2018								
Total Derivative Assets	$	24,257	$	(2,231)	$	(20,115)	$	1,911
Total Derivative Liabilities [1]	$	(4,863)	$	2,231	$	—	$	(2,632)

[1] There was an additional $6.2 million of collateral held for initial margin with a Futures Clearing Merchant for clearing derivatives at September 30, 2018 and is included in other assets in the consolidated balance sheets.

As with any financial instrument, derivative financial instruments have inherent risk including adverse changes in interest rates. The Company’s exposure to derivative credit risk is defined as the possibility of sustaining a loss due to the failure of the counterparty to perform in accordance with the terms of the contract. Credit risks associated with interest rate swaps are similar to those relating to traditional on-balance sheet financial instruments. The Company manages interest rate swap credit risk with the same standards and procedures applied to its commercial lending activities.

Credit-risk-related contingent features

The Company has agreements with its derivative counterparties that contain a provision where if the Company or the derivative counterparty fails to maintain its status as a well/adequately capitalized institution, then the counterparty has the right to terminate the derivative positions and the Company or the derivative counterparty would be required to settle its obligations under the agreements. The Company has minimum collateral pledging thresholds with its Swap Dealers and Futures Clearing Merchant.

Beginning in the second quarter of fiscal year 2018, the Company entered into RPAs with some of its derivative counterparties to assume the credit exposure related to interest rate derivative contracts. The Company's loan customer enters into an interest rate swap directly with a derivative counterparty and the Company agrees through an RPA to take on the counterparty's risk of loss on the interest rate swap due to a default by the customer. The notional amounts of RPAs sold were $56.8 million and $37.4 million as of September 30, 2019 and 2018, respectively. Assuming all underlying loan customers defaulted on their obligation to perform under the interest rate swap with a derivative counterparty, the exposure from these RPAs would be $0.1 million and $0.4 million at September 30, 2019 and 2018, respectively, based on the fair value of the underlying swaps.

The effect of derivatives on the consolidated statements of income for the fiscal years ended September 30, 2019, 2018 and 2017 was as follows.

		Amount of (Loss) Gain Recognized in Consolidated Statements of Income					
		Fiscal Years Ended September 30,					
Derivatives not designated as hedging instruments:	Location of (Loss) Gain Recognized in Consolidated Statements of Income	2019		2018		2017	
				(dollars in thousands)			
Interest rate swaps and other derivatives	Net realized and unrealized (loss) gain on derivatives	$	(63,444)	$	44,596	$	49,900
Mortgage loan commitments	Net realized and unrealized (loss) gain on derivatives		17		(28)		(48)
Mortgage loan forward sale contracts	Net realized and unrealized (loss) gain on derivatives		(17)		28		48

11. The Fair Value Option For Certain Loans

The Company has elected to measure certain long-term loans at fair value to assist in managing the interest rate risk for longer-term loans. This fair value option was elected upon the origination of these loans. Interest income is recognized in the same manner as interest on non-fair value loans.

See Note 24 for additional disclosures regarding the fair value of the fair value option loans.

Long-term loans for which the fair value option has been elected had a net favorable difference between the aggregate fair value and the aggregate unpaid loan principal balance and written loan commitment amount of approximately $34.2 million at September 30, 2019 and a net unfavorable difference of approximately $34.8 million at September 30, 2018. The total unpaid principal balance of these long-term loans was approximately $778.8 million and $900.2 million at September 30, 2019 and 2018, respectively. The fair value of these loans is included in total loans in the consolidated balance sheets and are grouped with commercial real estate, agricultural and commercial non-real estate loans in Note 5. As of September 30, 2019 and 2018, there were loans with a fair value of $16.5 million and $30.9 million, respectively, which were greater than 90 days past due or in nonaccrual status with an unpaid principal balance of $17.8 million and $34.7 million, respectively.

Changes in fair value for items for which the fair value option has been elected were an increase in fair value of $61.4 million for the fiscal year ended September 30, 2019 and decreases in fair value of $45.4 million and $65.2 million for the fiscal years ended September 30, 2018 and 2017, respectively. These changes in fair value are reported in noninterest income (loss) within the consolidated statements of income.

For long-term loans at September 30, 2019, 2018 and 2017, approximately $7.7 million, $0.2 million and $0.9 million, respectively, of the total change in fair value is attributable to changes in specific credit risk. The gains or losses attributable to changes in instrument-specific credit risk were determined based on an assessment of existing market conditions and credit quality of the underlying loan for the specific portfolio of loans.

12. Goodwill

The Company's carrying amount of goodwill was $739.0 million for the fiscal years ended September 30, 2019 and 2018, respectively. The Company conducts a goodwill impairment test at least annually, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value below its carrying amount. See "Note 1. Nature of Operations and Summary of Significant Accounting Policies," for additional information regarding the Company's goodwill accounting policy. For the fiscal years ended September 30, 2019, 2018 and 2017, the Company did not recognize any impairment related to goodwill.

13. Core Deposits and Other Intangibles

The following table presents a summary of intangible assets subject to amortization as of September 30, 2019 and 2018.

	Core Deposit Intangible	Brand Intangible	Other Intangible	Total
	(dollars in thousands)			
As of September 30, 2019				
Gross carrying amount	$ 7,339	$ 8,464	$ 538	$ 16,341
Accumulated amortization	(3,518)	(6,392)	(257)	(10,167)
Net intangible assets	$ 3,821	$ 2,072	$ 281	$ 6,174
As of September 30, 2018				
Gross carrying amount	$ 7,339	$ 8,464	$ 538	$ 16,341
Accumulated amortization	(2,610)	(5,828)	(191)	(8,629)
Net intangible assets	$ 4,729	$ 2,636	$ 347	$ 7,712

Amortization expense of intangible assets was $1.5 million, $1.7 million and $2.4 million for the fiscal years ended September 30, 2019, 2018 and 2017, respectively.

The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in subsequent fiscal years is as follows.

Fiscal year	Amount
	(dollars in thousands)
2020	$ 1,430
2021	1,334
2022	1,249
2023	967
2024	498
2025 and thereafter	696
Total	$ 6,174

14. Deposits

The following table presents the composition of deposits as of September 30, 2019 and 2018.

	September 30,	
	2019	2018
	(dollars in thousands)	
Noninterest-bearing demand	$ 1,956,025	$ 1,842,704
Interest-bearing demand	6,248,638	6,043,717
Time deposits, greater than $250,000	493,530	383,868
Time deposits, less than or equal to $250,000	1,602,146	1,463,210
Total	$ 10,300,339	$ 9,733,499

At September 30, 2019 and 2018, the Company had $706.5 million and $600.2 million, respectively, in brokered deposits. As a result of the passage of the Economic Growth, Regulatory Relief and Consumer Protection Act in May 2018, most reciprocal deposits are no longer treated as brokered deposits and are now included with core commercial deposits.

At September 30, 2019, the following table presents the scheduled maturities of time deposits in subsequent fiscal years. Accounts with no stated maturity date are included in 2020.

Fiscal year	Amount
	(dollars in thousands)
2020	$ 1,746,896
2021	250,248
2022	60,337
2023	26,858
2024	11,026
2025 and thereafter	311
Total	$ 2,095,676

15. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase generally mature overnight following the transaction date. Securities underlying the agreements had an amortized cost of approximately $94.7 million and $109.9 million and fair value of approximately $94.4 million and $104.6 million at September 30, 2019 and 2018, respectively. In most cases, in alignment with the repurchase agreements in place with customers, the Company over-collateralizes the repurchase agreements at 102% of total funds borrowed to protect the purchaser from changes in market value. Additionally, the Company utilizes held-in-custody procedures to ensure the securities sold under repurchase agreements are unencumbered.

The following tables present the gross obligation by the class of collateral pledged and the remaining contractual maturity of the agreements at September 30, 2019 and 2018.

	September 30, 2019				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
	(dollars in thousands)				
Repurchase agreements					
Mortgage-backed securities	$ 68,992	$ —	$ —	$ —	$ 68,992
Total repurchase agreements	$ 68,992	$ —	$ —	$ —	$ 68,992

	September 30, 2018				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
	(dollars in thousands)				
Repurchase agreements					
Mortgage-backed securities	$ 90,907	$ —	$ —	$ —	$ 90,907
Total repurchase agreements	$ 90,907	$ —	$ —	$ —	$ 90,907

16. FHLB Advances and Other Borrowings

The following table presents the FHLB advances and other borrowings consist of the following at September 30, 2019 and 2018.

	September 30,	
	2019	2018
	(dollars in thousands)	
Short-term borrowings:		
FHLB fed funds advance, interest rate of 2.09%, matured in October 2019	$ 15,000	$ 100,000
Long-term borrowings:		
Notes payable to FHLB, interest rates from 2.36% to 3.66% and maturity dates from March 2021 to September 2024, collateralized by real estate loans, with various call dates at the option of the FHLB	325,000	175,000
Total FHLB advances and other borrowings	$ 340,000	$ 275,000

As of September 30, 2019 and 2018, the Company had a borrowing capacity of $1.44 billion and $1.59 billion, respectively, with the FRB Discount Window. Principal balances of loans pledged to FRB Discount Window to collateralize the borrowing totaled $1.72 billion at September 30, 2019 and $1.89 billion at September 30, 2018. The Company has secured this line for contingency funding.

As of September 30, 2019 and 2018, based its collateral pledged, the additional borrowing capacity of the Company with the FHLB was $1.80 billion and $1.82 billion, respectively.

Principal balances of loans pledged to the FHLB to collateralize notes payable totaled $4.20 billion and $3.95 billion at September 30, 2019 and 2018, respectively. The Company purchased letters of credit from the FHLB to pledge as collateral on public deposits. The amount outstanding was $170.0 million and $150.0 million at September 30, 2019 and 2018, respectively. The Company had additional letters of credit from the FHLB of $14.9 million and $16.4 million at September 30, 2019 and 2018, respectively, for other purposes.

As of September 30, 2019, FHLB advances and other borrowings are due or callable (whichever is earlier) in subsequent fiscal years as follows.

Fiscal year	Amount
	(dollars in thousands)
2020	$ 15,000
2021	120,000
2022	60,000
2023	85,000
2024	60,000
2025 and thereafter	—
Total	$ 340,000

17. Subordinated Debentures and Subordinated Notes Payable

Junior Subordinated Deferrable Interest Debentures

The Company has seven trusts which were created or assumed as part of prior acquisitions that as of September 30, 2019 have issued Company Obligated Mandatorily Redeemable Preferred Securities ("Preferred Securities"). These trusts are described herein.

The sole assets of the trusts are junior subordinated deferrable interest debentures ("Debentures") issued by the Company, or assumed as part of the HF Financial and Sunstate Bank acquisitions, with interest, maturity, and distribution provisions similar in term to the respective Preferred Securities. Additionally, to the extent interest payments are deferred on the Debentures, payment on the Preferred Securities will be deferred for the same period.

The trusts' ability to pay amounts due on the Preferred Securities is solely dependent upon the Company making payment on the related Debentures. The Company's obligation under the Debentures and relevant trust agreements constitute a full, irrevocable, and unconditional guarantee on a subordinated basis by it of the obligations of the trusts under the Preferred Securities.

For regulatory purposes the Debentures qualify as elements of capital. As of September 30, 2019 and 2018, $73.7 million and $73.6 million, respectively, of Debentures, net of fair value adjustment, were eligible for treatment as Tier 1 capital.

The Company caused to be issued 22,400 shares, $1,000 par value, of Preferred Securities of Great Western Statutory Trust IV on December 17, 2003, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 285 basis points. Interest Payment Dates are March 17, June 17, September 17 and December 17 of each year, beginning March 17, 2004 and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid distributions must be paid. The Debentures will be redeemed 30 years from the issuance date; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures in whole, but not in part, at the Special Redemption Date, at a premium as defined by the Indenture if a "Special Event" occurs prior to December 17, 2008. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after December 17, 2008, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid distributions to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company's senior indebtedness and senior to the Company's common and preferred stock. Proceeds from the issue were used for general corporate purposes.

The Company caused to be issued 30,000 shares, $1,000 par value, of Preferred Securities of GWB Capital Trust VI on March 10, 2006, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 148 basis points. Interest Payment dates are December 15, March 15, June 15, and September 15 of each year, beginning June 15, 2006, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed March 15, 2036; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures in whole, but not in part, at any Interest Payment Date, at a premium as defined by the Indenture if a "Special Event" occurs prior to March 15, 2007. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after March 15, 2011, subject to the Company receiving approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock. Proceeds from the issue were used for general corporate purposes including redemption of the 9.75% Preferred Securities of GWB Capital Trust II.

The Company acquired the Sunstate Bancshares Trust II in the acquisition of Sunstate Bank. Sunstate Bancshares caused to be issued 2,000 shares, $1,000 par value, of Preferred Securities of Sunstate Bancshares Trust II on June 1, 2005, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 185 basis points. Interest Payment dates are March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2005, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed June 15, 2035; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures, in whole or in part, at any time, within 90 days following the occurrence of a Special Event, at a premium as defined by the Indenture if a "Special Event" occurs prior to June 15, 2010. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after June 15, 2010, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock.

The Company acquired the HFB Trust III in the acquisition of HF Financial. HF Financial Corp. caused to be issued 5,000 shares, $1,000 par value, of Preferred Securities of HFB Trust III on December 19, 2002, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 335 basis points. Interest Payment dates are January 7, April 7, July 7, and October 7 of each year, beginning April 7, 2003, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed January 7, 2033; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures, in whole or in part, at any time, within 90 days following the occurrence of a Special Event, at a premium as defined by the Indenture if a "Special Event" occurs prior to January 7, 2008. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after January 7, 2008, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock.

The Company acquired the HFB Trust IV in the acquisition of HF Financial. HF Financial Corp. caused to be issued 7,000 shares, $1,000 par value, of Preferred Securities of HFB Trust IV on September 25, 2003, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 310 basis points. Interest Payment dates are January 8, April 8, July 8, and October 8 of each year, beginning January 8, 2004, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed October 8, 2033; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures in whole or in part, at any time, within 90 days following the occurrence of a Special Event, at a premium as defined by the Indenture if a "Special Event" occurs prior to October 8, 2008. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after October 8, 2008, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock.

The Company acquired the HFB Trust V in the acquisition of HF Financial. HF Financial Corp. caused to be issued 10,000 shares, $1,000 par value, of Preferred Securities of HFB Trust V on December 7, 2006, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 183 basis points. Interest Payment dates are March 1, June 1, September 1, and December 1 of each year, beginning March 1, 2007, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed March 1, 2037; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures, in whole or in part, at any time, within 90 days following the occurrence of a Special Event, at a premium as defined by the Indenture if a "Special Event" occurs prior to March 1, 2012. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after March 1, 2012, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock. In the first quarter of fiscal year 2017, the Company redeemed 5,000 shares of HF Trust V Debentures under the first Supplemental Indenture dated May 13, 2016.

The Company acquired the HFB Trust VI in the acquisition of HF Financial. HF Financial Corp. caused to be issued 2,000 shares, $1,000 par value, of Preferred Securities of HFB Trust VI on July 5, 2007, through a private placement. The distribution rate is set quarterly at three month LIBOR plus 165 basis points. Interest Payment dates are January 1, April 1, July 1, and October 1 of each year, beginning October 1, 2007, and are payable in arrears. The Company may, at one or more times, defer interest payments on the related Debentures for up to 20 consecutive quarters following suspension of dividends on all capital stock. At the end of any deferral period, all accumulated and unpaid interest must be paid. The Debentures will be redeemed October 1, 2037; however, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures, in whole or in part, at any time, within 90 days following the occurrence of a "Special Event", at a premium as defined by the Indenture if a "Special Event" occurs prior to October 1, 2012. A "Special Event" means any Capital Treatment Event, an Investment Company Event, or a Tax Event. On or after October 1, 2012, subject to the Company receiving prior approval of the Federal Reserve, if required, the Company has the right to redeem the Debentures at the Redemption Price, in whole or in part, on an Interest Payment Date. The Redemption Price is $1,000 per Preferred Security plus any accrued and unpaid interest to the date of redemption. Holders of the Preferred Securities have no voting rights. The Preferred Securities are unsecured and rank junior in priority of payment to all of the Company’s senior indebtedness and senior to the Company’s common and preferred stock.

Relating to the trusts, the Company held as assets $2.5 million in common shares at September 30, 2019 and 2018, which are included in other assets on the consolidated balance sheets.

Subordinated Notes Payable

In 2015, the Company issued $35.0 million of 4.875% fixed-to-floating rate subordinated notes that mature on August 15, 2025 through a private placement. The notes, which qualify as Tier 2 capital under Capital Rules in effect at September 30, 2019, have an interest rate of 4.875% per annum, payable semi-annually on each February 15 and August 15, which commenced February 15, 2016 until August 15, 2020, or the date of earlier redemption, and then from August 15, 2020 to the stated maturity date or earlier redemption, the notes will bear interest at a rate per annum equal to three month LIBOR for the related interest period plus 3.15, payable quarterly on each November 15, February 15, April 15 and August 15. The notes are subordinated in right of payment to all of the Company's senior indebtedness and effectively subordinated to all existing and future debt and all other liabilities of the Company's subsidiary bank. The Company may elect to redeem the notes (subject to regulatory approval), in whole or in part, on any early redemption date which is any interest payment date on or after August 15, 2020 at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest. Other than on an early redemption date, the notes cannot be accelerated except in the event of bankruptcy or the occurrence of certain other events of bankruptcy, insolvency or reorganization. Unamortized debt issuance costs related to these notes, which are included in Subordinated Debentures and Subordinated Notes Payable, totaled $0.1 million at both September 30, 2019 and 2018. Proceeds from the private placement of subordinated notes repaid outstanding subordinated debt.

The following table presents the subordinated debentures and subordinated notes payable at September 30, 2019 and 2018.

	September 30, 2019		September 30, 2018	
	Amount Outstanding	Common Shares Held in Other Assets	Amount Outstanding	Common Shares Held in Other Assets
	(dollars in thousands)			
Junior subordinated debentures payable to non-consolidated trusts				
GW Statutory Trust IV, variable rate of 2.85%, plus 3 month LIBOR	$ 23,093	$ 693	$ 23,093	$ 693
GW Statutory Trust VI, variable rate of 1.48%, plus 3 month LIBOR	30,928	928	30,928	928
SSB Trust II, variable rate of 1.85%, plus 3 month LIBOR	2,062	62	2,062	62
HF Capital Trust III, variable rate of 3.35%, plus 3 month LIBOR	5,155	155	5,155	155
HF Capital Trust IV, variable rate of 3.10%, plus 3 month LIBOR	7,217	217	7,217	217
HF Capital Trust V, variable rate of 1.83%, plus 3 month LIBOR	5,310	310	5,310	310
HF Capital Trust VI, variable rate of 1.65%, plus 3 month LIBOR	2,155	155	2,155	155
Total junior subordinated debentures payable	75,920	$ 2,520	75,920	$ 2,520
Less: fair value adjustment [1]	(2,223)		(2,317)	
Total junior subordinated debentures payable, net of fair value adjustment	73,697		73,603	
Subordinated notes payable				
Fixed to floating rate, 4.875% per annum	35,000		35,000	
Less: unamortized debt issuance costs	(61)		(135)	
Total subordinated notes payable	34,939		34,865	
Total subordinated debentures and subordinated notes payable	$ 108,636		$ 108,468	

[1] Adjustment reflects the fair value adjustments related to the junior subordinated deferrable interest debentures assumed as part of the HF Financial acquisition.

18. Income Taxes

The provision for income taxes charged to operations consists of the following for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Currently paid or payable			
Federal	$ 30,779	$ 42,261	$ 56,171
State	9,327	10,556	10,639
Total	40,106	52,817	66,810
Deferred tax expense			
Federal	7,507	20,205	2,477
State	617	1,097	154
Total	8,124	21,302	2,631
Total provision for income taxes	$ 48,230	$ 74,119	$ 69,441

The income tax provision differs from the amount of income tax determined by applying a U.S. federal income tax rate of 21.0% for fiscal year 2019, a blended U.S. federal income tax rate of 24.5% for fiscal year 2018 and a U.S. federal income tax rate of 35.0% for fiscal year 2017 to pretax income due to the following.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Income tax expense computed at the statutory rate	$ 45,275	$ 56,915	$ 74,979
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	7,855	8,795	7,015
Tax exempt interest income	(5,193)	(5,778)	(7,973)
Tax benefit of stock-based compensation plans	(91)	(424)	(2,153)
Impact of enacted federal income tax rate reduction	—	13,709	—
Other	384	902	(2,427)
Income tax expense, as reported	$ 48,230	$ 74,119	$ 69,441

Net deferred tax assets (liabilities) consist of the following components at September 30, 2019 and 2018.

	September 30,	
	2019	2018
	(dollars in thousands)	
Deferred tax assets:		
Allowance for loan and lease losses	$ 17,214	$ 15,709
Compensation	4,017	2,577
Securities available for sale	—	10,305
Other real estate owned	574	325
Core deposit intangible and other fair value adjustments	3,868	3,677
Excess tax basis of FDIC indemnification asset and clawback liability	4,095	3,633
Excess tax basis of loans acquired over carrying value	2,656	3,669
Other reserves	2,926	2,787
Other	6,350	5,711
Total deferred tax assets	41,700	48,393
Deferred tax liabilities:		
Goodwill and other intangibles	(15,064)	(11,567)
Securities available for sale	(4,419)	—
Premises and equipment	(5,869)	(6,248)
Deferred REIT income	(8,783)	—
Other	(279)	(446)
Total deferred tax liabilities	(34,414)	(18,261)
Net deferred tax assets	$ 7,286	$ 30,132

At September 30, 2019 and 2018, the Company had an income tax receivable from the IRS of $8.4 million and $3.5 million, respectively, which is included in other assets on the consolidated balance sheets. The Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2015.

On December 22, 2017, the Tax Reform Act was enacted into law. Beginning in 2018, the Tax Reform Act reduced the federal tax rate for corporations from 35% to 21% and changed or limited certain tax deductions. Because of the Company's September 30 fiscal year end, a blended statutory rate of 24.5% was applied to all net income before taxes generated during fiscal year 2018 . The new blended statutory rate reduced the provision for income taxes by approximately $19.7 million for the fiscal year ended September 30, 2018. Another result of the lower corporate tax rate was the Company's recording of a $13.6 million revaluation adjustment in the first quarter of fiscal year 2018, reducing net deferred tax assets and increasing the provision for income taxes. Differences between the actual impact of revaluing deferred taxes for the full fiscal year and the preliminary estimate were immaterial.

The Company adopted new accounting guidance in the second quarter of fiscal year 2018 that allowed reclassification of $2.4 million in stranded tax effects that related to a change in the federal tax rate from accumulated other comprehensive income to retained earnings.

The Bank's effective tax rate for the fiscal years ended September 30, 2019 and 2018 was 22.4% and 31.9%, respectively. Excluding the nonrecurring deferred taxes adjustment related to federal tax reform, the effective tax rate for September 30, 2019 and 2018 were 22.4% and 26.1%, respectively.

Management has determined a valuation reserve is not required for the deferred tax assets as of September 30, 2019 and 2018 because it is more-likely-than-not these assets could be realized through future reversals of existing taxable temporary differences, and future taxable income. Uncertain tax positions were not significant at September 30, 2019 or 2018.

19. Employee Benefit Plans

Profit Sharing Plan

The Company participates in a multiple employer 401(k) profit sharing plan ("401(k) Plan"). All employees are eligible to participate, beginning with the first day of the month coincident with or immediately following the completion of one year of service and having reached the age of 21. In addition to employee contributions, the Company may contribute discretionary amounts for eligible participants. Contribution rates for participating employees must be equal. The Company contributed $5.8 million, $5.7 million and $5.3 million to the 401(k) Plan for the fiscal years ended September 30, 2019, 2018 and 2017, respectively.

20. Stock-Based Compensation

On September 26, 2014, the Board of Directors adopted, and on October 10, 2014 NAB, at that time the Company's controlling shareholder, approved the Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan ("2014 Plan"), the Great Western Bancorp, Inc. 2014 Non-Employee Director Plan ("2014 Director Plan"), and the Great Western Bancorp, Inc. Executive Incentive Compensation Plan ("Bonus Plan"), collectively ("the Plans"), which provide for the issuance of restricted share units and performance based share units to certain officers, employees and directors of the Company. On February 22, 2018, The Company's stockholders approved amendments to the 2014 Plan and the 2014 Director Plan to increase the number of shares available for future grants under the Plans. The Plans were primarily established to enhance the Company’s ability to attract, retain and motivate employees. The Company’s Board of Directors, the Compensation Committee of the Board of Directors ("Compensation Committee"), or executive management upon delegation of the Compensation Committee has exclusive authority to select the employees and others, including directors, to receive the awards and to establish the terms and conditions of each award made pursuant to the Company’s stock-based compensation plans.

Stock units issued under the Company’s restricted and performance based stock plans may not be sold or otherwise transferred until the vesting period has been met and, if applicable, performance objectives have been obtained. During the vesting periods, participants do not have voting rights and dividends are accumulated until the time upon which the award vests. Upon specified events, as defined in the Plans, stock unit awards that have not vested and/or performance hurdles that have not been met will be forfeited.

Based on the substantive terms of each award, restricted and performance-based awards are classified as equity awards and accounted for under the treasury stock method. The fair value of equity-classified awards is based on the market price of the stock on the measurement date and is amortized as compensation expense on a straight-line basis over the vesting or performance period.

Stock compensation is recognized based on the number of awards to vest using actual forfeiture amounts. For performance-based stock awards, an estimate is made of the number of shares expected to vest as a result of actual performance against the performance targets to determine the amount of compensation expense to be recognized. The estimate is reevaluated quarterly and total compensation expense is adjusted for any change in the current period. Stock-based compensation expense is included in salaries and employee benefits expense in the consolidated statements of income. For the fiscal years ended September 30, 2019, 2018 and 2017 stock compensation expense was $5.9 million, $5.5 million and $6.5 million respectively. Related income tax benefits recognized for the fiscal years ended September 30, 2019, 2018 and 2017 were $1.5 million, $1.7 million and $2.5 million, respectively.

The following is a summary of the Plans' restricted share and performance-based stock award activity as of September 30, 2019 and 2018. The number of performance shares granted in the following table are reflected at the amount of achievement of the pre-established targets.

	September 30, 2019		September 30, 2018		September 30, 2017	
	Common Shares	Weighted-Average Grant Date Fair Value	Common Shares	Weighted-Average Grant Date Fair Value	Common Shares	Weighted-Average Grant Date Fair Value
Restricted Shares						
Restricted shares, beginning of fiscal year	163,287	$ 37.86	180,337	$ 33.06	160,335	$ 26.89
Granted	106,753	37.27	89,376	41.07	90,363	39.35
Vested	(76,210)	38.64	(97,682)	32.11	(68,293)	26.97
Forfeited	(3,025)	38.67	(8,744)	35.99	(2,068)	30.91
Canceled	—	—	—	—	—	—
Restricted shares, end of period	190,805	$ 37.20	163,287	$ 37.86	180,337	$ 33.06
Vested, but not issuable at end of period	50,770	$ 33.88	39,514	$ 32.90	29,287	$ 30.05
Performance Shares						
Performance shares, beginning of fiscal year	175,196	$ 36.29	133,604	$ 33.39	236,185	$ 20.28
Granted	60,583	32.77	53,682	29.52	137,612	39.43
Vested	(59,937)	30.79	(7,017)	18.00	(235,055)	18.00
Forfeited	(2,510)	39.25	(5,073)	37.75	(5,138)	19.80
Canceled	—	—	—	—	—	—
Performance shares, end of period	173,332	$ 38.50	175,196	$ 36.29	133,604	$ 33.39
Vested, but not issuable at end of period	5,612	$ 18.00	5,612	$ 18.00	5,612	$ 18.00

As of September 30, 2019, there was $5.0 million of unrecognized compensation cost related to non-vested restricted stock awards expected to be recognized over a period of 2.2 years. The fair value of the vested awards was $1.9 million at both September 30, 2019 and 2018 and $1.4 million at September 30, 2017.

21. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. On January 1, 2015, the Company became subject to Basel III rules, which included transition provisions through January 1, 2019.

The minimum capital level requirements applicable to the Company are: (i) a Tier 1 capital ratio of 6.0%; (ii) a total capital ratio of 8.0%; (iii) a Tier 1 leverage capital ratio of 4.0%; and (iv) a common equity Tier 1 capital ratio of 4.5%. The rules also established a "capital conservation buffer" of 2.5% above the minimum capital requirements, which must consist entirely of common equity Tier 1 capital and results in the following minimum ratios: (i) a Tier 1 capital ratio of 8.5%; (ii) a total capital ratio of 10.5%; and (iii) a common equity Tier 1 capital ratio of 7.0%. The capital conservation buffer requirement was phased in beginning in January 2016 at 0.625% of risk-weighted assets and increased by that amount each year until fully implemented in January 2019. An institution is subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

The Company met all capital adequacy and net worth requirements to which they are subject as of September 30, 2019 and 2018.

As of September 30, 2019, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since the most recent notification that management believes have changed the Bank's categories.

As an approved mortgage seller, the Bank is required to maintain a minimum level of capital specified by the United States Department of Housing and Urban Development. At September 30, 2019 and 2018, the Bank met these requirements.

Capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement Ratio [1]		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of September 30, 2019						
Tier 1 risk based capital (to risk-weighted assets):						
Consolidated	$ 1,225,355	11.7 %	$ 627,493	6.0 %	N/A	N/A
Bank	1,201,476	11.5 %	627,311	6.0 %	$ 836,415	8.0 %
Total risk based capital (to risk-weighted assets):						
Consolidated	1,331,611	12.7 %	836,658	8.0 %	N/A	N/A
Bank	1,272,733	12.2 %	836,415	8.0 %	1,045,519	10.0 %
Tier 1 leverage capital (to average assets):						
Consolidated	1,225,355	10.1 %	483,487	4.0 %	N/A	N/A
Bank	1,201,476	9.9 %	483,957	4.0 %	604,946	5.0 %
Common Equity Tier 1 risk based capital (to risk-weighted assets):						
Consolidated	1,151,658	11.0 %	470,620	4.5 %	N/A	N/A
Bank	$ 1,201,476	11.5 %	$ 470,483	4.5 %	$ 679,587	6.5 %
As of September 30, 2018						
Tier 1 risk based capital (to risk-weighted assets):						
Consolidated	$ 1,208,852	12.0 %	$ 604,637	6.0 %	N/A	N/A
Bank	1,168,110	11.6 %	604,467	6.0 %	$ 805,957	8.0 %
Total risk based capital (to risk-weighted assets):						
Consolidated	1,308,875	13.0 %	806,182	8.0 %	N/A	N/A
Bank	1,233,133	12.2 %	805,957	8.0 %	1,007,446	10.0 %
Tier 1 leverage capital (to average assets):						
Consolidated	1,208,852	10.7 %	451,939	4.0 %	N/A	N/A
Bank	1,168,110	10.3 %	452,404	4.0 %	565,505	5.0 %
Common Equity Tier 1 risk based capital (to risk-weighted assets):						
Consolidated	1,135,249	11.3 %	453,478	4.5 %	N/A	N/A
Bank	$ 1,168,110	11.6 %	$ 453,351	4.5 %	$ 654,840	6.5 %

[1] Does not include capital conservation buffer of 2.5% and 1.875% at September 30, 2019 and 2018, respectively.

22. Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. A summary of the Company's commitments as of September 30, 2019 and 2018 is as follows.

	September 30,	
	2019	2018
	(dollars in thousands)	
Commitments to extend credit	$ 2,229,678	$ 2,344,550
Letters of credit	68,983	69,613

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company evaluates each customer's credit worthiness on a case-by-case basis. The credit and collateral policy for commitments and letters of credit is comparable to that for granting loans.

Asset Sales

The Bank regularly transfers financial assets as part of its mortgage banking activities. Transfers are recorded as sales when the criteria for surrender of control are met. The Bank has provided guarantees in connection with the sale of loans and has assumed a similar obligation in its acquisitions. The guarantees are generally in the form of asset buy back or make whole provisions that are triggered upon a credit event and remain in effect until the loans are collected. The maximum potential future payment related to these guarantees is not readily determinable because the Company's obligation under these agreements depends on the occurrence of future events. There were $3.3 million of repurchased loans as of September 30, 2019 and 2018. Incurred losses related to these repurchased loans and guaranteed loans as of September 30, 2019, 2018 and 2017 are not significant.

Financial Instruments with Concentration of Credit Risk by Geographic Location

A substantial portion of the Company's customers' ability to honor their contracts is dependent on the economy in Nebraska, northern Missouri, northeastern Kansas, Iowa, southeastern Arizona, central Colorado, southeastern North Dakota, central Minnesota and South Dakota. Although the Company's loan portfolio is diversified, there is a relationship in these regions between the agricultural economy and the economic performance of loans made to non-agricultural customers. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the allowance for loan and lease losses.

Lease Commitments

The Company leases several branch locations under terms of operating lease agreements expiring through March 31, 2034. The Company has the option to renew these leases for periods that range from 1 to 10 years. Total rent expense for these leases for each of the fiscal years ended September 30, 2019, 2018 and 2017, was $5.4 million.

Approximate future minimum rental payments for operating leases in excess of one year in subsequent fiscal years are as follows.

Fiscal year	Amount
	(dollars in thousands)
2020	$ 5,327
2021	4,193
2022	3,486
2023	3,068
2024	2,563
2025 and thereafter	7,355
Total	$ 25,992

Contingencies

From time to time the Company is a party to various litigation matters and subject to various regulatory matters that arise in the ordinary course of business. The Company establishes reserves for such matters when potential losses become probable and can be reasonably estimated. The Company believes the ultimate resolution of existing litigation and regulatory matters will not have a material adverse effect on the financial condition, results of operations or cash flows. However, changes in circumstances or additional information could result in additional accruals or resolution of these matters in excess of established accruals, which could adversely affect the financial condition, results of operations or cash flows, potentially materially.

23. Transactions With Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families, and affiliated companies in which they have 10% or more beneficial ownership (commonly referred to as related parties). Total loans committed to related parties were not significant at September 30, 2019 and 2018.

There was no interest paid to related parties for each of the fiscal years ended September 30, 2019, 2018 and 2017.

NAB provided the Company's employees with restricted shares of NAB stock subsequent to meeting short- and long-term incentive goals. A payable was recorded between the Company and NAB based on the value and vesting schedule of issued shares. Final vesting of the shares occurred December 2017. The liability included in accrued expenses and other liabilities on the consolidated balance sheets was $0.0 million and $0.1 million at September 30, 2019 and 2018, respectively. The expense related to the restricted shares was negligible for each of the fiscal years ended September 30, 2019 and 2018 and $0.1 million for the fiscal year ended September 30, 2017, and was included within salaries and employee benefits on the consolidated statements of income.

24. Fair Value Measurements

The Company measures, monitors and discloses certain of its assets and liabilities on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Level 1 inputs are considered to be the most transparent and reliable and Level 3 inputs are considered to be the least transparent and reliable. The Company assumes the use of the principal market to conduct a transaction of each particular asset or liability being measured and then considers the assumptions that market participants would use when pricing the asset or liability. Whenever possible, the Company first looks for quoted prices for identical assets or liabilities in active markets (Level 1 inputs) to value each asset or liability. However, when inputs from identical assets or liabilities on active markets are not available, the Company utilizes market observable data for similar assets and liabilities. The Company maximizes the use of observable inputs and limits the use of unobservable inputs to occasions when observable inputs are not available. The need to use unobservable inputs generally results from the lack of market liquidity of the actual financial instrument or of the underlying collateral. Although in some instances, third party price indications may be available, limited trading activity can challenge the observability of these quotations.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Securities Available for Sale

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and classified as Level 2 securities. Level 2 securities include mortgage-backed, states and political subdivisions, and other securities. Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 securities were immaterial at September 30, 2019 and 2018.

Interest Rate Swaps and Loans

Interest rate swaps are valued by the Company's Swap Dealers using cash flow valuation techniques with observable market data inputs. The fair value of loans accounted for under the fair value option represents the net carrying value of the loan, plus the equal and opposite amount of the value of the swap needed to offset the interest rate risk and an adjustment for credit risk based on the Company's assessment of existing market conditions for the specific portfolio of loans. This is used due to the strict prepayment penalties put in the loan terms to cover the cost of exiting the interest rate swap of the loans in the case of early prepayment or termination. The adjustment for credit risk on loans accounted for under the fair value option is not significant to the overall fair value of the loans. The fair values estimated by the Company's Swap Dealers use interest rates that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. The Company has entered into Collateral Agreements with its Swap Dealers and Futures Clearing Merchant which entitle it to receive collateral to cover market values on derivatives which are in asset position, thus a credit risk adjustment on interest rate swaps is not warranted. The Company regularly enters into interest rate lock commitments on mortgage loans to be held for sale with corresponding forward sales contracts related to these interest rate lock commitments, the fair values of which are calculated by applying observable market values from Fannie Mae TBA pricing to each interest rate lock commitment and forward sales contract, therefore, are classified within Level 2 of the valuation hierarchy. The Company also has back-to-back swaps with loan customers, with corresponding swaps with an outside third party in exact offsetting terms.

Loan Servicing Rights

Fair value is determined at a tranche level, based on market prices for comparable mortgage servicing contracts (Level 3), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against market data (Level 3).

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018.

	Fair Value	Level 1	Level 2	Level 3
		(dollars in thousands)		
As of September 30, 2019				
U.S. Treasury securities	$ 94,745	$ 94,745	$ —	$ —
Mortgage-backed securities	1,620,903	—	1,620,903	—
States and political subdivision securities	66,523	—	62,403	4,120
Other	1,037	—	1,037	—
Total securities available for sale	$ 1,783,208	$ 94,745	$ 1,684,343	$ 4,120
Derivatives-assets	$ 58,534	$ —	$ 58,534	$ —
Derivatives-liabilities	13	—	13	—
Fair value loans	812,991	—	812,991	—
Loan servicing rights	2,255	—	—	2,255
As of September 30, 2018				
U.S. Treasury securities	$ 167,172	$ 167,172	$ —	$ —
Mortgage-backed securities	1,149,707	—	1,149,707	—
States and political subdivision securities	67,775	—	66,805	970
Other	996	—	996	—
Total securities available for sale	$ 1,385,650	$ 167,172	$ 1,217,508	$ 970
Derivatives-assets	$ 1,911	$ —	$ 1,911	$ —
Derivatives-liabilities	2,632	—	2,632	—
Fair value loans	865,386	—	865,386	—
Loan servicing rights	3,087	—	—	3,087

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Other securities available for sale			
Balance, beginning of period	$ 970	$ 1,069	$ 1,315
Additions	3,350	149	—
Principal paydown	(200)	(248)	(246)
Balance, end of period	$ 4,120	$ 970	$ 1,069
Loan servicing rights			
Balance, beginning of period	$ 3,087	$ 4,074	$ 5,781
Realized and unrealized loss [1]	(832)	(987)	(1,707)
Balance, end of period	$ 2,255	$ 3,087	$ 4,074

[1] Realized and unrealized (loss) related to loan servicing rights are reported as a component of mortgage banking income, net on the consolidated statements of income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Other Repossessed Property

Other repossessed property consists of loan collateral that has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other repossessed assets. Other repossessed property is recorded initially at fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further to fair value less selling costs, reflecting a valuation allowance. Fair value measurements may be based upon appraisals, third-party price opinions, or internally developed pricing methods. These measurements are classified as Level 3.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of the impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor, if necessary, to the appraised value and including costs to sell. Because many of these inputs are not observable, the measurements are classified as Level 3.

Mortgage Loans Held for Sale

Fair value of mortgage loans held for sale is based on either quoted prices for the same or similar loans, or values obtained from third parties, or are estimated for portfolios of loans with similar financial characteristics and are therefore considered a Level 2 valuation.

Property Held for Sale

This real estate property is carried in premises and equipment as property held for sale at fair value based upon the transactional price if available, or the appraised value of the property.

The following tables present the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018.

	Fair Value	Level 1	Level 2	Level 3
	(dollars in thousands)			
As of September 30, 2019				
Other repossessed property	$ 34,721	$ —	$ —	$ 34,721
Impaired loans	413,644	—	—	413,644
Loans held for sale, at lower of cost or fair value	7,351	—	7,351	—
Property held for sale	2,757	—	—	2,757
As of September 30, 2018				
Other repossessed property	$ 22,225	$ —	$ —	$ 22,225
Impaired loans	188,017	—	—	188,017
Loans held for sale, at lower of cost or fair value	5,456	—	5,456	—
Property held for sale	1,104	—	—	1,104

The valuation techniques and significant unobservable inputs used to measure Level 3 fair value measurements at September 30, 2019 were as follows.

	Fair Value of Assets / (Liabilities) at September 30, 2019	Valuation Technique(s)	Unobservable Input	Range	Weighted Average
		(dollars in thousands)			
Other repossessed property	$ 34,721	Appraisal value	Property specific adjustment	N/A	N/A
Impaired loans	413,644	Appraisal value	Property specific adjustment	N/A	N/A
Property held for sale	2,757	Appraisal value	Property specific adjustment	N/A	N/A

Disclosures about Fair Value of Financial Instruments

The following section summarizes the estimated fair value for financial instruments accounted for at amortized cost as of as of September 30, 2019 and September 30, 2018. Significant assets and liabilities that are not considered financial instruments include premises and equipment, deferred income taxes, goodwill, and core deposit and other intangibles. Additionally, in accordance with the disclosure guideline, receivables and payables due in one year or less, insurance contracts, equity investments not accounted for at fair value, and deposits with no defined or contractual maturities are excluded.

Off-balance sheet instruments (commitments to extend credit and standby letters of credit) are generally short-term and at variable rates. Therefore, both the carrying amount and the estimated fair value associated with these instruments are immaterial. Fair values for on-balance sheet instruments as of September 30, 2019 and September 30, 2018 are as follows.

	Level in Fair Value Hierarchy	September 30, 2019 Carrying Amount	September 30, 2019 Fair Value	September 30, 2018 Carrying Amount	September 30, 2018 Fair Value
		(dollars in thousands)			
Assets					
Cash and cash equivalents	Level 1	$ 243,474	$ 243,474	$ 298,696	$ 298,696
Loans, net, excluding fair valued loans, loans held for sale and impaired loans [1]	Level 3	8,472,777	8,533,612	8,357,065	8,231,829
Liabilities					
Time deposits	Level 2	$ 2,095,676	$ 2,101,239	$ 1,847,078	$ 1,848,550
FHLB advances and other borrowings	Level 2	340,000	351,517	275,000	275,797
Securities sold under repurchase agreements	Level 2	68,992	68,992	90,907	90,907
Subordinated debentures and subordinated notes payable	Level 2	108,636	101,164	108,468	107,841

[1] Includes $13.9 million and $13.0 million of net deferred loan fees at September 30, 2019 and 2018, respectively, of which carrying value approximates fair value.

25. Earnings per Share

Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding determined for the basic earnings per share calculation plus the dilutive effect of stock compensation using the treasury stock method.

The following information was used in the computation of basic and diluted earnings per share for the fiscal years ended September 30, 2019, 2018 and 2017.

	Fiscal Years Ended September 30, 2019	2018	2017
	(dollars in thousands, except per share data)		
Net income	$ 167,365	$ 157,916	$ 144,786
Weighted average common shares outstanding	57,154,865	58,938,169	58,770,708
Dilutive effect of stock based compensation	102,196	193,481	258,674
Weighted average common shares outstanding for diluted earnings per share calculation	57,257,061	59,131,650	59,029,382
Basic earnings per share	$ 2.93	$ 2.68	$ 2.46
Diluted earnings per share	$ 2.92	$ 2.67	$ 2.45

The Company had no shares of unvested performance stock as of September 30, 2019 and 2018 which were not included in the computation of diluted earnings per common share because performance conditions for vesting had not been met. The Company had 18,006 and no shares of anti-dilutive stock awards outstanding as of September 30, 2019 and 2018, respectively.

26. Parent Company Only Financial Statements

Parent company only financial information for Great Western Bancorp, Inc. is summarized as follows:

Condensed Balance Sheets
(Dollars in Thousands)

	September 30, 2019	September 30, 2018
	(dollars in thousands)	
Assets		
Cash and cash equivalents	$ 57,543	$ 72,924
Investment in subsidiaries	1,950,077	1,873,422
Net deferred tax assets	1,716	1,489
Other assets	689	2,056
Total assets	$ 2,010,025	$ 1,949,891
Liabilities and stockholders' equity		
Subordinated debentures and subordinated notes payable	$ 108,636	$ 108,468
Accrued expenses and other liabilities	1,140	872
Total liabilities	109,776	109,340
Stockholders' equity		
Common stock	563	589
Additional paid-in capital	1,228,714	1,318,457
Retained earnings	657,475	553,014
Accumulated other comprehensive income (loss)	13,497	(31,509)
Total stockholders' equity	1,900,249	1,840,551
Total liabilities and stockholders' equity	$ 2,010,025	$ 1,949,891

Condensed Statements of Comprehensive Income
(Dollars in Thousands)

	Fiscal Years Ended September 30, 2019	2018	2017
		(dollars in thousands)	
Income			
Dividends from subsidiary bank	$ 148,128	$ 111,159	$ 62,470
Dividends on securities	19	51	123
Other	120	103	62
Total income	148,267	111,313	62,655
Expenses			
Interest on subordinated debentures and subordinated notes payable	5,540	5,040	4,464
Salaries and employee benefits	6,288	5,849	6,847
Professional fees	1,035	1,038	631
Other	2,653	2,456	2,204
Total expense	15,516	14,383	14,146
Income before income tax and equity in undistributed net income of subsidiaries	132,751	96,930	48,509
Income tax benefit	(2,965)	(3,075)	(8,147)
Income before equity in undistributed net income of subsidiaries	135,716	100,005	56,656
Equity in undistributed net income of subsidiaries	31,649	57,911	88,130
Net income	$ 167,365	$ 157,916	$ 144,786

Condensed Statements of Cash Flows

(Dollars in Thousands)

	Fiscal Years Ended September 30,		
	2019	2018	2017
		(dollars in thousands)	
Operating Activities			
Net income	$ 167,365	$ 157,916	$ 144,786
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	168	166	165
Gain on redemption of subordinated debentures	—	—	(111)
Stock-based compensation	4,582	4,419	6,810
Deferred income taxes	(227)	13	(1,796)
Changes in:			
Other assets	1,367	6,459	(823)
Accrued interest and other liabilities	268	(140)	286
Equity in undistributed net income of subsidiaries	(31,649)	(57,911)	(88,130)
Net cash provided by operating activities	141,874	110,922	61,187
Financing Activities			
Redemption of subordinated debentures	—	—	(3,625)
Common stock repurchased	(94,351)	—	(5,605)
Dividends paid	(62,904)	(53,002)	(43,474)
Net cash used in financing activities	(157,255)	(53,002)	(52,704)
Net (decrease) increase in cash and cash equivalents	(15,381)	57,920	8,483
Cash and cash equivalents, beginning of period	72,924	15,004	6,521
Cash and cash equivalents, end of period	$ 57,543	$ 72,924	$ 15,004

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining effective disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on and as of the time of that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SECs rules and forms.

Change in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S ASSESSMENT OF GREAT WESTERN BANCORP, INC.'S INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining effective internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial reporting and financial statement preparation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, assessed our system of internal control over financial reporting as of September 30, 2019. Management's assessment is based on the criteria for effective internal control over financial reporting as described in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that our system of internal control over financial reporting was effective and meets the criteria of the "Internal Control - Integrated Framework (2013)" as of the end of the period covered by this report.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included within this report, has issued an attestation report on the effectiveness of our internal control over financial reporting as of the end of the period covered by this report, which is set forth below.

By:	/s/ Ken Karels	By:	/s/ Peter Chapman
Name:	**Ken Karels**	Name:	**Peter Chapman**
Title:	Chairperson of the Board, President and Chief Executive Officer	Title:	Chief Financial Officer
Date:	November 27, 2019	Date:	November 27, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Great Western Bancorp, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Great Western Bancorp, Inc.'s internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Great Western Bancorp, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2019 and our report dated November 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Assessment of Great Western Bancorp, Inc.'s Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
November 27, 2019

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This information is incorporated by reference to our definitive proxy statement for our 2020 annual meeting of shareholders that will be filed with the SEC pursuant to Regulation 14A not later than 120 days after September 30, 2019, the end of our fiscal year. Information relating to our executive officers is, pursuant to Instruction 3 of Item 401(b) of Regulation S-K and General Instruction G(3) of Form 10-K, set forth in Part I, Item 1 of this Annual Report on Form 10-K under the caption "Item 1. Business—Information about our Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to our definitive proxy statement for our 2020 annual meeting of shareholders that will be filed with the SEC pursuant to Regulation 14A not later than 120 days after September 30, 2019, the end of our fiscal year.

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

This information is incorporated by reference to our definitive proxy statement for our 2020 annual meeting of shareholders that will be filed with the SEC pursuant to Regulation 14A not later than 120 days after September 30, 2019, the end of our fiscal year. In addition, information in tabular form relating to securities authorized for issuance under our equity compensation plans is set forth in Part II, Item 5 under the caption "Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Securities Authorized for Issuance under Equity Compensation Plans" in this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference to our definitive proxy statement for our 2020 annual meeting of shareholders that will be filed with the SEC pursuant to Regulation 14A not later than 120 days after September 30, 2019, the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference to our definitive proxy statement for our 2020 annual meeting of shareholders that will be filed with the SEC pursuant to Regulation 14A not later than 120 days after September 30, 2019, the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K under the caption "Item 8. Financial Statements and Supplementary Data" and are incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - September 30, 2019 and 2018

Consolidated Statements of Income - Fiscal Years Ended September 30, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income - Fiscal Years Ended September 30, 2019, 2018 and 2017

Consolidated Statements of Stockholders' Equity - Fiscal Years Ended September 30, 2019, 2018 and 2017

Consolidated Statements of Cash Flows - Fiscal Years Ended September 30, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

(2) Financial statement schedules are omitted either because they are not required or are not applicable, or because the required information is included in the financial statements or notes thereto.

(3) The exhibits listed below are filed with or incorporated by reference in this Annual Report on Form 10-K. Where such exhibit is incorporated by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses. Management contracts and compensatory plans or arrangements are specifically identified below.

Number	Description
2.1	Purchase and Assumption Agreement (Whole Bank, All Deposits), dated as of June 4, 2010, among Federal Deposit Insurance Corporation, Receiver of TierOne Bank, Lincoln, Nebraska, Federal Deposit Insurance Corporation and Great Western Bank (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed by Great Western Bancorp, Inc. on December 12, 2014 (File No. 001-36688))
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.2	Indenture, dated as of December 17, 2003, between Great Western Bancorporation, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.3	Guarantee Agreement, dated as of December 17, 2003, between Great Western Bancorporation, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.15 to Amendment No. 1 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on September 25, 2014 (File No. 333-198458))
4.4	First Supplemental Indenture dated October 17, 2014, between Great Western Bancorporation, Inc., Great Western Bancorp, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed by Great Western Bancorp, Inc. on December 12, 2014 (File No. 001-36688))
4.5	Amended and Restated Declaration of Trust of Great Western Statutory Trust IV, dated December 17, 2003 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.6	Indenture, dated as of March 10, 2006, between Great Western Bancorporation, Inc. and LaSalle Bank National Association (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.7	Guarantee Agreement, dated as of March 10, 2006, between Great Western Bancorporation, Inc. and LaSalle Bank National Association (incorporated by reference to Exhibit 4.16 to Amendment No. 1 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on September 25, 2014 (File No. 333-198458))
4.8	First Supplemental Indenture, dated as of October 17, 2014, among Great Western Bancorporation, Inc., Great Western Bancorp, Inc. and U.S. Bank National Association, successor to LaSalle Bank National Association (incorporated by reference to Exhibit 4.5 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed by Great Western Bancorp, Inc. on December 12, 2014 (File No. 001-36688))
4.9	First Supplemental Indenture, among Great Western Bancorporation, Inc., Great Western Bancorp, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.6 to Amendment No. 1 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on September 25, 2014 (File No. 333-198458))
4.10	Amended and Restated Declaration of Trust of GWB Capital Trust VI, dated as of March 10, 2006 (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.11	Indenture, dated as of June 1, 2005, between Sunstate Bancshares, Inc. and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.12	Guarantee Agreement, dated as of June 1, 2005, between Sunstate Bancshares, Inc. and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 4.17 to Amendment No. 1 to the Registration Statement on form S-1 filed by Great Western Bancorp, Inc. on September 25, 2014 (File No. 333-198458))
4.13	First Supplemental Indenture, dated as of May 10, 2007, between Great Western Bancorporation, Inc. and The Bank of New York Trust Company, National Association (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))
4.14	Second Supplemental Indenture, dated October 17, 2014, between Great Western Bancorporation, Inc., Great Western Bancorp, Inc. and The Bank of New York Trust Company, National Association (incorporated by reference to Exhibit 4.9 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed by Great Western Bancorp, Inc. on December 12, 2014 (File No. 001-36688))
4.15	Amended and Restated Declaration of Trust of Sunstate Bancshares Trust II, dated as of June 1, 2005 (incorporated by reference to Exhibit 4.11 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on August 28, 2014 (File No. 333-198458))

Number	Description
4.16	Subordinated Note Purchase Agreement, dated July 31, 2015, between Great Western Bancorp, Inc. and the Note Purchasers identified on Schedule I thereto, and any assignees thereof, including the form of Subordinated Note issued to each of such Purchasers (incorporated by reference to Exhibit 4.19 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2015 filed by Great Western Bancorp, Inc. on December 11, 2015 (File No. 001-36688))
4.17	First Supplemental Indenture, dated as of May 13, 2016, among Great Western Bancorp, Inc., HF Financial Corp., and Wilmington Trust Company, as Trustee (relating to the HF Financial Capital Trust III trust preferred securities) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on May 16, 2016 (File No. 001-36688))
4.18	First Supplemental Indenture, dated as of May 13, 2016, among Great Western Bancorp, Inc., HF Financial Corp., and Wilmington Trust Company, as Trustee (relating to the HF Financial Capital Trust IV trust preferred securities) (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on May 16, 2016 (File No. 001-36688))
4.19	First Supplemental Indenture, dated as of May 13, 2016, among Great Western Bancorp, Inc., HF Financial Corp., and Wilmington Trust Company, as Trustee (relating to the HF Financial Capital Trust VI trust preferred securities) (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on May 16, 2016 (File No. 001-36688))
4.20	First Supplemental Indenture, dated as of May 13, 2016, among Great Western Bancorp, Inc., HF Financial Corp., and Wilmington Trust Company, as Trustee (relating to the HF Financial Capital Trust V trust preferred securities) (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on May 16, 2016 (File No. 001-36688))
4.21 **	Description of Securities Registered Under Section 12 of the Securities Exchange Act
10.1 *	Employment Agreement, dated December 15, 2017, between Great Western Bancorp, Inc. and Kenneth Karels (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on December 18, 2017 (File No. 001-36688))
10.2 *	Employment Agreement, dated December 15, 2017, between Great Western Bancorp, Inc. and Peter Chapman (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on December 18, 2017 (File No. 001-36688))
10.3 *	Amended and Restated Employment Agreement, dated August 5, 2019, between Great Western Bancorp, Inc. and Michael Gough (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on August 9, 2019 (File No. 001-36688))
10.4 *	Amended and Restated Employment Agreement, dated August 5, 2019, between Great Western Bancorp, Inc. and Doug Bass (incorporated by reference to Exhibit 10.1 to the Current Report on the Form 8-K filed by Great Western Bancorp, Inc. on August 9, 2019 (File No. 001-36688))
10.5 *	Change in Control Agreement, dated February 22, 2018, between Great Western Bancorp, Inc. and Tim Kintner (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on February 26, 2018 (File No. 001-36688)
10.6 *	Employment Agreement, dated as of June 15, 2018, between Great Western Bancorp, Inc. and Karlyn M. Knieriem (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Great Western Bancorp, Inc. on July 25, 2018 (File No. 001-36688))
10.7 *	Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan (incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed by Great Western Bancorp, Inc. on January 10, 2018 (File No. 001-36688))
10.8 *	Great Western Bancorp, Inc. 2014 Non-Employee Director Plan (incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed by Great Western Bancorp, Inc. on January 10, 2018 (File No. 001-36688))
10.9 *	Great Western Bancorp, Inc. Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed by Great Western Bancorp, Inc. on December 12, 2014 (File No. 001-36688))
10.10 *	Form of Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan Performance Share Unit Award Agreement (incorporated by reference to Exhibit 10.13 to Amendment No. 2 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on October 3, 2014 (File No. 333-198458))
10.11 *	Form of Great Western Bancorp, Inc. 2014 Omnibus Incentive Compensation Plan Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.14 to Amendment No. 2 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on October 3, 2014 (File No. 333-198458))
10.12 *	Form of Great Western Bancorp, Inc. 2014 Non-Employee Director Plan Performance Share Unit Award Agreement (incorporated by reference to Exhibit 10.16 to Amendment No. 3 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on October 9, 2014 (File No. 333-198458))
10.13 *	Form of Great Western Bancorp, Inc. 2014 Non-Employee Director Plan Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.15 to Amendment No. 2 to the Registration Statement on Form S-1 filed by Great Western Bancorp, Inc. on October 3, 2014 (File No. 333-198458))

Number	Description
10.14	Credit Agreement, dated July 31, 2015, between Great Western Bancorp, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.18 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2015 filed by Great Western Bancorp, Inc. on December 11, 2015 (File No. 001-36688))
10.15 *	Great Western Bancorp, Inc. Clawback Policy (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Great Western Bancorp, Inc. on August 1, 2016 (File No. 001-36688))
10.16 *	Great Western Bancorp, Inc. Consultant Agreement with Credit Risk Advisors, LLC (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Great Western Bancorp, Inc. on September 19, 2019 (File No. 001-36688))
10.17 *	Great Western Bancorp, Inc. First Amendment to Consultant Agreement with Credit Risk Advisors, LLC (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Great Western Bancorp, Inc. on October 31, 2019 (File No. 001-36688))
10.18 *	Great Western Bancorp, Inc. CEO Transition and Retirement Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Great Western Bancorp, Inc. on November 26, 2019 (File No. 001-036688))
11.1	Statement regarding Computation of Per Share Earnings (included as Note 25 to the registrant's audited consolidated financial statements)
21.1 **	Subsidiaries of Great Western Bancorp, Inc.
23.1 **	Consent of Ernst & Young LLP
24.1 **	Powers of Attorney (included on signature pages)
31.1 **	Rule 13a-14(a) Certification of Chief Executive Officer of Great Western Bancorp, Inc. in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
31.2 **	Rule 13a-14(a) Certification of Chief Financial Officer of Great Western Bancorp, Inc. in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
32.1 **	Section 1350 Certification of Chief Executive Officer of Great Western Bancorp, Inc. in accordance with Section 906 of the Sarbanes-Oxley Act of 2002
32.2 **	Section 1350 Certification of Chief Financial Officer of Great Western Bancorp, Inc. in accordance with Section 906 of the Sarbanes-Oxley Act of 2002
101.INS ***	XBRL Instance Document
101.SCH ***	XBRL Taxonomy Extension Schema Document
101.CAL ***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF ***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB ***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE ***	XBRL Taxonomy Extension Presentation Linkbase Document
104 ***	The cover page from the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2019, formatted in Inline XBRL (included in Exhibit 101)

* Indicates management contract or compensatory plan

** Filed herewith

*** Furnished, not filed

SIGNATURES

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

		Great Western Bancorp, Inc.
Date: November 27, 2019	By:	/s/ Ken Karels
	Name:	**Ken Karels**
	Title:	Chairperson of the Board, President and Chief Executive Officer

The undersigned directors and officers do hereby constitute and appoint Ken Karels and Peter Chapman and either of them, our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers, and to execute any and all instruments for us and in our names in the capacities indicated below, that such person may deem necessary or advisable to enable the registrant to comply with the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K for the fiscal year ended September 30, 2019, including specifically, but not limited to, power and authority to sign for us, or any of us, in the capacities indicated below, any and all amendments hereto; and we do hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 27th day of November, 2019.

Signatures	Title
/s/ Ken Karels **Ken Karels**	Chairperson of the Board, President, Chief Executive Officer and Director *(Principal Executive Officer)*
/s/ James Brannen **James Brannen**	Director
/s/ Frances Grieb **Frances Grieb**	Director
/s/ Thomas Henning **Thomas Henning**	Lead Independent Director
/s/ James Israel **James Israel**	Director
/s/ Stephen Lacy **Stephen Lacy**	Director
/s/ Daniel Rykhus **Daniel Rykhus**	Director
/s/ James Spies **James Spies**	Director
/s/ Peter Chapman **Peter Chapman**	Chief Financial Officer and Executive Vice President *(Principal Financial Officer and Principal Accounting Officer)*

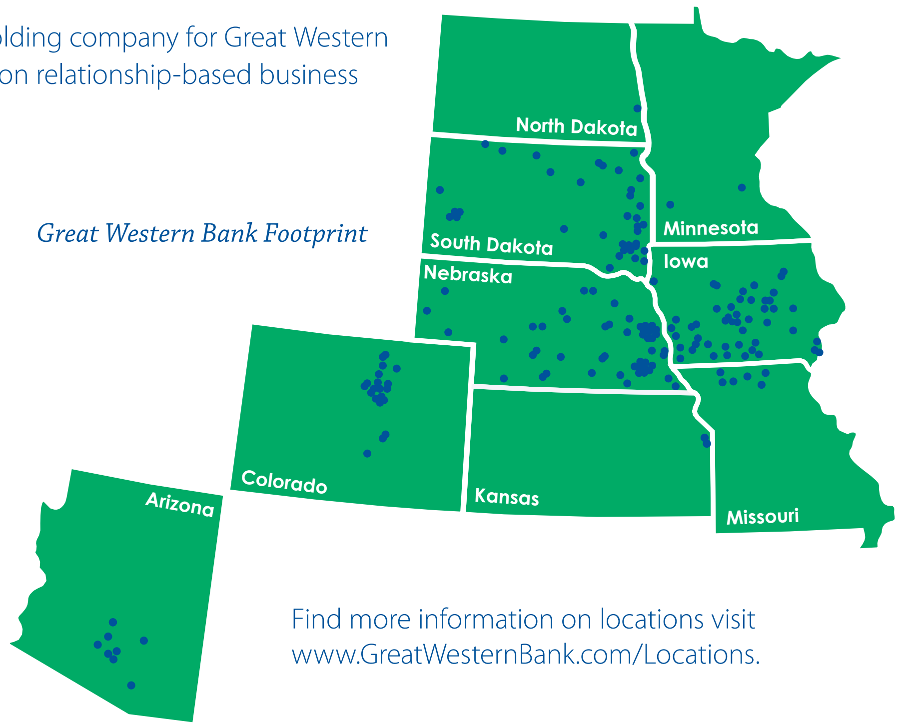
A Regional Leader with 175 Locations Across Nine States

Great Western Bancorp, Inc. is the bank holding company for Great Western Bank, a full-service regional bank focused on relationship-based business and agribusiness banking.

- $12.79 billion in total assets as of September 30, 2019
- Headquartered in Sioux Falls, SD
- 6th largest U.S. farm lender[1]
- 70% of loans in business and 21% in ag segments
- Big bank capabilities, small bank service

[1] AS OF JUNE 30, 2019 SOURCE: AMERICAN BANKERS ASSOCIATION

Great Western Bank Footprint



Find more information on locations visit www.GreatWesternBank.com/Locations.

Stockholder Information

Annual Stockholder Meeting

The Company's Board of Directors has set the Great Western Bancorp, Inc. Annual Stockholder Meeting for Tuesday, February 4, 2020. The meeting will commence at 9:00 a.m. MT at The Phoenician Scottsdale, 6000 E. Camelback Rd., Scottsdale, AZ. The record date for determination of stockholders entitled to notice of, and to vote at, the Annual Stockholder Meeting is December 9, 2019.

Contacts

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Custodian:
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250 Royall St., Canton, MA 02021

Independent Registered Public Accountants:
Ernst & Young LLP, 612.343.1000
220 S. 6th St., Ste. 1400,
Minneapolis, MN 55402

Financial Calendar[2]

January 28, 2020
Q1 Earnings Release

February 4, 2020
Annual Stockholder Meeting

April 24, 2020
Q2 Earnings Release

July 22, 2020
Q3 Earnings Release

October 21, 2020
Q4 & Full-Year Earnings Release

[2] DATES ARE SUBJECT TO CHANGE.

Trading of Common Stock

Great Western Bancorp, Inc. is publicly traded on the NYSE under the symbol GWB. At September 30, 2019, GWB had approximately 56.3 million shares of common stock outstanding.

GWB
LISTED
NYSE

MISSION

Make Life Great by taking outstanding care of our customers and creating long-term relationships.

VISION

To become one of the leading regional banks in the United States through a commitment to organic growth and acquisitions aligned to strategy.

VALUES

Be authentic and respectful. Do the right thing. Drive performance and results. Put the customer first. Get the basics right. Empower locally, think globally.

Great Western Bancorp, Inc.

Great Western Bancorp, Inc. | 225 S. Main Avenue | Sioux Falls, SD 57104 | GreatWesternBank.com

GWB Blog