Great Western Bancorp, Inc.
Form 10-Q
February 12, 2015

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

Form 10-Q

(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended December 31, 2014
	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)
100 North Phillips 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	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

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

As of February 6, 2014, the number of shares of the registrant's Common Stock outstanding was 57,886,114.

GREAT WESTERN BANCORP, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Three Months Ended December 31, 2014
TABLE OF CONTENTS

EXPLANATORY NOTE

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

- "we," "our," "us" and our "company" refer to:
  - Great Western Bancorporation, Inc., an Iowa corporation, and its consolidated subsidiaries, for all periods prior to the Formation Transactions; and
  - Great Western Bancorp, Inc., a Delaware corporation, and its consolidated subsidiaries, for all periods after the completion of the Formation Transactions;
- "Great Western" refer to Great Western Bancorporation, Inc. but not its consolidated subsidiaries, for all periods prior to the Formation Transaction, and Great Western Bancorp, Inc. but not its consolidated subsidiaries, for all periods after the completion of the Formation Transaction;
- our "bank" refer to Great Western Bank, a South Dakota banking corporation;
- "NAB" refer to National Australia Bank Limited, an Australian public company and our controlling stockholder;
- our "states" refer to the seven states (South Dakota, Iowa, Nebraska, Colorado, Arizona, Kansas and Missouri) in which we currently conduct our business;
- our "footprint" refer to the geographic markets within our states in which we currently conduct our business; and
- the "Formation Transactions" means a series of transactions completed on October 17, 2014 and undertaken in preparation for our initial public offering comprised of:
  - the cash contribution by National Americas Holdings LLC to Great Western Bancorp, Inc. in an amount equal to the total stockholder's equity of Great Western Bancorporation, Inc.;
  - the sale by National Americas Investment, Inc. of all outstanding capital stock of Great Western Bancorporation, Inc. to Great Western Bancorp, Inc. for an amount in cash equal to the total stockholder's equity of Great Western Bancorporation, Inc.; and
  - the merger of Great Western Bancorporation, Inc. with and into Great Western Bancorp, Inc., with Great Western Bancorp, Inc. continuing as the surviving corporation and succeeding to all the assets, liabilities and business of Great Western Bancorporation, Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or 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 "may," "might," "should," "could," "predict," "potential," "believe," "expect," "continue," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would," "annualized" and "outlook," or the negative version o words or other comparable words or phrases of a future or forward-looking nature. 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 2. 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;
- changes in market interest rates;
- the geographic concentration of our operations, and our concentration on originating business and agribusiness loans;
- the relative strength or weakness of the agricultural and commercial credit sectors and of the real estate markets in the markets in which our borrowers are located;
- declines in the market prices for agricultural products;
- 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 loss;
- our ability to attract and retain skilled employees or changes in our management personnel;
- our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business;
- changes in the demand for our products and services;
- the effectiveness of our risk management and internal disclosure controls and procedures;
- fluctuations in the values of our assets and liabilities and off-balance sheet exposures;
- our ability to attract and retain customer deposits;
- our access to sources of liquidity and capital to address our liquidity needs;
- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;
- our ability to identify and address cyber-security risks;
- any failure or interruption of our information and communications systems;
- our ability to keep pace with technological changes;
- our ability to successfully develop and commercialize new or enhanced products and services;
- possible impairment of our goodwill and other intangible assets, or any adjustment of the valuation of our deferred tax assets;
- the effects of problems encountered by other financial institutions;
- the effects of geopolitical instability, including war, terrorist attacks, and man-made and natural disasters;
- the effects of the failure of any component of our business infrastructure provided by a third party;
- the impact of, and changes in applicable laws, regulations and accounting standards and policies;

- market perceptions associated with our separation from NAB and other aspects of our business;
- our likelihood of success in, and the impact of, litigation or regulatory actions;
- 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;
- the effect of NAB's control over us as a result of its continuing beneficial ownership of a majority of our outstanding common stock;
- the incremental costs of operating as a standalone public company;
- our ability to meet our obligations as a public company, including our obligations under Section 404 of the Sarbanes-Oxley Act of 2002;
- our ability to retain service providers to perform oversight or control functions or services that have otherwise been performed in the past by NAB; and
- damage to our reputation from any of the factors described above, in "Item 1A. Risk Factors" or in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The foregoing factors should not be considered an exhaustive list and should be read together with the other cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the fiscal year ended September 30, 2014. 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 such forward-looking statements. 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, whether as a result of new information, future developments or otherwise.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

GREAT WESTERN BANCORP, INC.
Consolidated Balance Sheets (Unaudited)
(In Thousands, Except Share and Per Share Data)

	December 31, 2014	September 30, 2014
Assets		
Cash and due from banks	$428,186	$256,639
Securities	1,263,983	1,341,242
Investment in affiliates	1,683	1,683
Loans, net of allowance for loan losses of $51,820 and $47,518 at December 31, 2014 and September 30, 2014, respectively (includes $195,545 and $234,036 of loans covered by FDIC loss share agreements at December 31, 2014 and September 30, 2014, respectively, $1,023,281 and $985,411 of loans and written loan commitments at fair value under the fair value option at December 31, 2014 and September 30, 2014, respectively, and $9,387 and $10,381 of loans held for sale at December 31, 2014 and September 30, 2014, respectively)	6,934,945	6,739,949
Premises and equipment	102,462	103,707
Accrued interest receivable	38,201	42,609
Other repossessed property (includes $10,602 and $10,628 of property covered under FDIC loss share agreements at December 31, 2014 and September 30, 2014, respectively)	43,442	49,580
FDIC indemnification asset	22,162	26,678
Goodwill	697,807	697,807
Core deposits and other intangibles	11,916	14,229
Net deferred tax assets	44,759	44,703
Other assets	51,715	52,603
Total assets	$9,641,261	$9,371,429
Liabilities and stockholders' equity		
Deposits:		
Noninterest-bearing	$1,381,887	$1,303,015
Interest-bearing	5,857,319	5,749,165
Total deposits	7,239,206	7,052,180
Securities sold under agreements to repurchase	190,585	161,687
FHLB advances and other borrowings	575,085	575,094
Related party notes payable	41,295	41,295
Subordinated debentures	56,083	56,083
Fair value of derivatives	32,409	13,092
Accrued interest payable	4,812	5,273
Income tax payable	12,563	4,915
Accrued expenses and other liabilities	37,853	40,720
Total liabilities	8,189,891	7,950,339
Stockholders' equity		
Common stock, $0.01 par value, authorized 500,000,000 shares; issued and outstanding at December 31, 2014 and September 30, 2014 - 57,886,114 shares	579	579
Additional paid-in capital	1,260,592	1,260,124
Retained earnings	193,241	166,544
Accumulated other comprehensive income (loss)	(3,042)	(6,157)
Total stockholders' equity	1,451,370	1,421,090
Total liabilities and stockholders' equity	$9,641,261	$9,371,429

See accompanying notes.

GREAT WESTERN BANCORP, INC.
Consolidated Statements of Comprehensive Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Three Months Ended December 31,	
	2014	2013
Interest and dividend income		
Loans	$84,344	$81,403
Taxable securities	5,687	6,969
Nontaxable securities	13	14
Dividends on securities	250	201
Federal funds sold and other	284	184
Total interest and dividend income	90,578	88,771
Interest expense		
Deposits	6,015	6,879
Securities sold under agreements to repurchase	146	146
FHLB advances and other borrowings	946	1,037
Related party notes payable	232	234
Subordinated debentures and other	330	334
Total interest expense	7,669	8,630
Net interest income	82,909	80,141
Provision for loan losses	3,319	(875)
Net interest income after provision for loan losses	79,590	81,016
Noninterest income		
Service charges and other fees	10,398	10,662
Net gain on sale of loans	1,544	1,616
Casualty insurance commissions	316	258
Investment center income	573	591
Net gain on sale of securities	51	—
Trust department income	1,068	905
Net increase (decrease) in fair value of loans at fair value	17,100	(9,110)
Net realized and unrealized gain (loss) on derivatives	(24,605)	4,837
Other	1,455	1,067
Total noninterest income	7,900	10,826
Noninterest expense		
Salaries and employee benefits	24,088	24,021
Occupancy expenses, net	4,024	4,233
Data processing	4,828	5,028
Equipment expenses	956	1,027
Advertising	728	1,084
Communication expenses	1,173	1,114
Professional fees	3,572	2,898
Net (gain) loss from sale of repossessed property and other assets	(368)	(571)
Amortization of core deposits and other intangibles	2,313	4,688

Other	5,777	4,777
Total noninterest expense	47,091	48,299
Income before income taxes	40,399	43,543
Provision for income taxes	13,702	14,939
Net income	$26,697	$28,604
Other comprehensive income (loss)—change in net unrealized gain (loss) on securities available-for-sale (net of deferred income tax (expense) benefit of $(1,909) and 3,955 at December 31, 2014 and 2013 respectively)	3,115	(6,454)
Comprehensive income	$29,812	$22,150
Earnings per common share		
Weighted average shares outstanding	57,895,783	57,886,114
Earnings per share	$0.46	$0.49
Diluted earnings per common share		
Weighted average shares outstanding	57,895,783	57,886,114
Diluted earnings per share	$0.46	$0.49
Dividends per share		
Dividends issued	$—	$34,000
Dividends per share	$0.00	$0.59

See accompanying notes.

GREAT WESTERN BANCORP, INC.
Consolidated Statement of Stockholders' Equity (Unaudited)
(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, September 30, 2013		$579	$1,260,124	$163,592	$(7,081)	$1,417,214
Net income	$28,604	—	—	28,604	—	28,604
Other comprehensive income, net of tax:						
Net change in net unrealized gain (loss) on securities available for sale	$(6,454)	—	—	—	(6,454)	(6,454)
Comprehensive income	$22,150					
Stock-based compensation		—	—	—	—	—
Cash dividends declared:						
Common stock, $0.59 per share		—	—	(34,000)	—	(34,000)
Balance, December 31, 2013		$579	$1,260,124	$158,196	$(13,535)	$1,405,364
Balance, September 30, 2014		$579	$1,260,124	$166,544	$(6,157)	$1,421,090
Net income	$26,697	—	—	26,697	—	26,697
Other comprehensive income, net of tax:						
Net change in net unrealized gain (loss) on securities available for sale	$3,115	—	—	—	3,115	3,115
Comprehensive income	$29,812					
Stock-based compensation		—	468	—	—	468
Cash dividends declared:						
Common stock, $0 per share		—	—	—	—	—
Balance, December 31, 2014		$579	$1,260,592	$193,241	$(3,042)	$1,451,370

See accompanying notes.

GREAT WESTERN BANCORP, INC.
Consolidated Statements of Cash Flows (Unaudited)
(In Thousands)

	Three Months Ended	
	December 31, 2014	December 31, 2013
Operating activities		
Net income	$26,697	$28,604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,258	9,861
Net gain on sale of securities	(51)	—
Net gain on sale of loans	(1,544)	(1,616)
Net (gain) loss on sale of premises and equipment	(7)	292
Net gain from sale of repossessed property and other assets	(368)	(571)
Provision for loan losses	3,319	(875)
Provision for repossessed assets	2,110	534
Proceeds from FDIC indemnification claims	1,635	633
Stock-based compensation	468	—
Originations of residential real estate loans held-for-sale	(63,298)	(54,667)
Proceeds from sales of residential real estate loans held-for-sale	65,836	55,810
Net deferred income taxes	(1,964)	(3,697)
Changes in:		
Accrued interest receivable	4,408	3,443
Other assets	833	1,475
FDIC indemnification asset	2,881	3,300
FDIC clawback liability	221	143
Accrued interest payable and other liabilities	23,416	(7,851)
Net cash provided by operating activities	70,850	34,818
Investing activities		
Purchase of securities available for sale	(48,539)	—
Proceeds from sales and maturities of securities available for sale	129,116	84,323
Net increase in loans	(200,677)	(121,735)
Purchase of premises and equipment	(942)	(442)
Proceeds from sale of premises and equipment	6	426
Proceeds from sale of other assets	5,765	2,801
Redemption of FHLB stock	53	2,061
Net cash used in investing activities	(115,218)	(32,566)
Financing activities		
Net increase in deposits	187,026	237,430
Net increase (decrease) in securities sold under agreements to repurchase	28,898	(29,163)
Net decrease in FHLB advances and other borrowings	(9)	(50,503)
Dividends paid	—	(34,000)
Net cash provided by financing activities	215,915	123,764
Net increase in cash and due from banks	171,547	126,016
Cash and due from banks, beginning of period	256,639	282,157
Cash and due from banks, end of period	$428,186	$408,173
Supplemental disclosures of cash flows information		
Cash payments for interest	$8,129	$8,919
Cash payments for income taxes	$8,758	$15,681
Supplemental schedules of noncash investing and financing activities		

Loans transferred to repossessed assets and other assets	$1,369	$1,932

See accompanying notes.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

Great Western Bancorp, Inc. (the “Company”) is a bank holding company organized under the laws of Delaware. The primary business of the Company is ownership of its wholly owned subsidiary, Great Western Bank (the “Bank”). The Bank is a full-service regional bank focused on relationship-based business and agribusiness banking in Arizona, Colorado, Iowa, Kansas, Missouri, Nebraska, 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. The Company was a majority owned indirect subsidiary of National Australia Bank Limited (“NAB”) at December 31, 2014.

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations for the periods presented. All such adjustments are of a normal recurring nature other than the reclassifications outlined below.

The unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ending September 30, 2014, which includes a description of significant accounting policies. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year or any other period.

The accompanying unaudited consolidated financial statements include the accounts and results of operations of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions. The preparation of unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The Company has evaluated all events or transactions that occurred through the date the Company issued these financial statements. During this period, the Company did not have any material recognizable or non-recognizable subsequent events other than outlined below.

On January 28, 2015, the board of directors of the Company declared a dividend of $0.12 per common share payable on February 23, 2015 to owners of record as of close of business on February 12, 2015.

Changes in the Presentation of Results for Loans at Fair Value and Related Derivatives

In the normal course of business, the Company manages interest rate risk by entering into fixed-to-floating interest rate swaps related to all fixed-rate loans with original terms longer than five years. The Company has elected to account for these loans using the Fair Value Option. During the first quarter of fiscal year 2015, the Company identified an immaterial error in its reporting of one aspect of the derivatives related to these loans and also elected to change the presentation of the reported changes in fair value of these loans and related derivatives, each as discussed below. The Company's previous consolidated financial statements have been corrected or reclassified, as appropriate, to be consistent with the accompanying unaudited consolidated financial statements.

During the first quarter of fiscal year 2015, the Company identified that the current realized gain (loss) on the derivatives related to fair value loans has been improperly recorded as loan interest income instead of being presented in the same line item as the unrealized gain (loss) on the derivatives. As such, the realized gain (loss) on the derivatives related to fair value loans has been moved from loan interest income to "Net realized and unrealized gain (loss) on derivatives" within noninterest income. The Company has determined these corrections to be immaterial to the prior period financial statements and there was no effect on net income, equity or cash flows. The following table reflects the impact of the matter described above on previously filed financial statements:

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

	Previously Reported Interest Income	Currently Reported Noninterest Income
Twelve months ended September 30, 2014		
Realized gain (loss) on derivatives	$(18,255)	$(18,255)
Twelve months ended September 30, 2013		
Realized gain (loss) on derivatives	$(14,217)	$(14,217)
Twelve months ended September 30, 2012		
Realized gain (loss) on derivatives	$(9,931)	$(9,931)

Additionally, the Company previously reported the changes in fair value of these loans related to both interest rates and credit quality in interest income and the Company presented the changes in fair value of the derivatives in noninterest expense. Changes in fair value related to interest rates on the loans and changes in fair value of the derivatives were completely offset in any reporting period. To improve the clarity and comparability of its financial statements, the Company has elected to change its presentation of the changes in fair value related to these loans and derivatives by presenting these changes in two separate line items in noninterest income. As such, changes in fair value related to these loans, both related to interest rates and credit quality, is presented in "Net increase (decrease) in fair value of loans at fair value" within noninterest income, and changes in fair value related to these derivatives is presented in "Net realized and unrealized gain (loss) on derivatives" within noninterest income. The following table reflects the impact of the matter described above on previously filed financial statements:

	Previously Reported		Currently Reported	
	Interest Income	Noninterest Expense	Noninterest Income	
Twelve months ended September 30, 2014				
Unrealized gain (loss) on derivatives	$—	$11,922	$—	$11,922
Loan fair value change related to interest rates	(11,922)	—	(11,922)	—
Loan fair value change related to credit quality	18	—	18	—
	$(11,904)	$11,922	$(11,904)	$11,922
Twelve months ended September 30, 2013				
Unrealized gain (loss) on derivatives	$—	$(40,305)	$—	$(40,305)
Loan fair value change related to interest rates	40,305	—	40,305	—
Loan fair value change related to credit quality	855	—	855	—
	$41,160	$(40,305)	$41,160	$(40,305)
Twelve months ended September 30, 2012				
Unrealized gain (loss) on derivatives	$—	$19,369	$—	$19,369
Loan fair value change related to interest rates	(19,369)	—	(19,369)	—
Loan fair value change related to credit quality	4,276	—	4,276	—
	$(15,093)	$19,369	$(15,093)	$19,369

2. New Accounting Pronouncements
There have been no new applicable accounting pronouncements issued during the three months ended December 31, 2014.

3. Restrictions on Cash and Due from Banks

The Company is required to maintain reserve balances in cash and on deposit with the Federal Reserve based on a percentage of deposits. The total requirement was approximately $41.9 million and $50.4 million at December 31, 2014 and September 30, 2014, respectively.

4. Securities

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 (in thousands):

	Amortized	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2014				
U.S. Treasury securities	$271,551	$1,027	$—	$272,578
Mortgage-backed securities:				
Government National Mortgage Association	989,204	3,307	(9,409)	983,102
States and political subdivision securities	2,117	1	—	2,118
Corporate debt securities	4,996	145	—	5,141
Other	1,006	38	—	1,044
	$1,268,874	$4,518	$(9,409)	$1,263,983

	Amortized	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2014				
U.S. Treasury securities	$222,868	$31	$(174)	$222,725
Mortgage-backed securities:				
Government National Mortgage Association	1,113,363	4,639	(14,587)	1,103,415
States and political subdivision securities	2,188	1	—	2,189
Corporate debt securities	11,732	141	—	11,873
Other	1,006	34	—	1,040
	$1,351,157	$4,846	$(14,761)	$1,341,242

The amortized cost and approximate fair value of debt securities available for sale as of December 31, 2014 and September 30, 2014, 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 penalties.

	December 31, 2014		September 30, 2014	
(In Thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$470	$470	$7,207	$7,218
Due after one year through five years	247,796	248,733	223,282	223,140
Due after five years through ten years	30,398	30,634	6,299	6,429
	278,664	279,837	236,788	236,787
Mortgage-backed securities	989,204	983,102	1,113,363	1,103,415
Securities without contractual maturities	1,006	1,044	1,006	1,040
	$1,268,874	$1,263,983	$1,351,157	$1,341,242

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

Proceeds from sales of securities available for sale were $55.1 million and $0.2 million for the three months ended December 31, 2014 and 2013, respectively. Gross gains of $0.6 million and $0 and gross losses of $0.5 million and $0 were realized on the sales for the three months ended December 31, 2014 and 2013, respectively, using the specific identification method.
Securities with a carrying value of approximately $1,161.7 million and $1,132.3 million at December 31, 2014 and September 30, 2014, 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 52% and 64% of the Company’s investment portfolio at December 31, 2014 and September 30, 2014, 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 December 31, 2014 or September 30, 2014. For the three months ended December 31, 2014 and 2013, the Company did not recognize any other-than-temporary impairment.
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 (in thousands):

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
U.S. Treasury securities	$—	$—	$—	$—	$—	$—
Mortgage-backed securities	68	—	656,512	(9,409)	656,580	(9,409)
Corporate debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
	$68	$—	$656,512	$(9,409)	$656,580	$(9,409)

	September 30, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
U.S. Treasury securities	$98,344	$(174)	$—	$—	$98,344	$(174)
Mortgage-backed securities	24,625	(125)	730,171	(14,462)	754,796	(14,587)
Corporate debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
	$122,969	$(299)	$730,171	$(14,462)	$853,140	$(14,761)

The Company’s investments in nonmarketable equity securities are all stock of the Federal Home Loan Bank ("FHLB"). The carrying value of Federal Home Loan Bank stock was $35.9 million and $35.9 million as of December 31, 2014 and September 30, 2014, respectively, and is reported in other assets on the consolidated balance sheets. No indicators of impairment related to FHLB stock were identified during three months ended December 31, 2014 and 2013.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

The components of other comprehensive income from net unrealized gains (losses) on securities available for sale for the three months ended December 31, 2014 and 2013 are as follows (in thousands):

	Three Months Ended December 31,	
	2014	2013
Beginning balance accumulated other comprehensive income (loss)	$(6,157)	$(7,081)
Net unrealized holding gain (loss) arising during the period	4,973	(10,409)
Reclassification adjustment for net gain realized in net income	51	—
Net change in unrealized gain (loss) before income taxes	5,024	(10,409)
Income tax (expense) benefit	(1,909)	3,955
Net change in unrealized (loss) gain on securities after taxes	3,115	(6,454)
Ending balance accumulated other comprehensive income (loss)	$(3,042)	$(13,535)

5. Loans
The composition of net loans as of December 31, 2014 and September 30, 2014, is as follows (in thousands):

	December 31, 2014	September 30, 2014
Residential real estate	$910,406	$901,605
Commercial real estate	2,645,721	2,541,194
Commercial non real estate	1,551,607	1,571,640
Agriculture	1,788,028	1,681,209
Consumer	85,822	90,086
Other	35,311	34,243
	7,016,895	6,819,977
Less:		
Allowance for loan losses	(51,820)	(47,518)
Unamortized discount on acquired loans	(23,321)	(25,638)
Unearned net deferred fees and costs and loans in process	(6,809)	(6,872)
	$6,934,945	$6,739,949

The loan breakouts above include loans covered by FDIC loss sharing agreements totaling $195.5 million and $234.0 million as of December 31, 2014 and September 30, 2014, respectively, residential real estate loans held for sale totaling $9.4 million and $10.4 million at December 31, 2014 and September 30, 2014, respectively, and $1,023.3 million and $985.4 million of loans and written loan commitments accounted for at fair value as of December 31, 2014 and September 30, 2014, respectively.

Unamortized net deferred fees and costs totaled $6.8 million and $6.3 million as of December 31, 2014 and September 30, 2014, 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 $0 and $0.6 million as of December 31, 2014 and September 30, 2014, respectively.

Loans guaranteed by agencies of the U.S. government totaled $101.9 million and $106.5 million at December 31, 2014 and September 30, 2014, respectively.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

Principal balances of residential real estate loans sold totaled $64.3 million and $54.2 million for the three months ended December 31, 2014 and 2013, respectively.
The following table presents the Company’s nonaccrual loans at December 31, 2014 and September 30, 2014 (in thousands), excluding loans covered under the FDIC loss-sharing agreements. Loans greater than 90 days past due and still accruing interest as of December 31, 2014 and September 30, 2014, were not significant.

Nonaccrual loans	December 31, 2014	September 30, 2014
Residential real estate	$7,269	$6,671
Commercial real estate	10,638	20,767
Commercial non real estate	10,630	4,908
Agriculture	10,342	11,453
Consumer	104	146
Total	$38,983	$43,945

The following table (in thousands) presents the Company’s past due loans at December 31, 2014 and September 30, 2014. 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 $1,023.3 million for December 31, 2014 and $985.4 million for September 30, 2014.

As of December 31, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
Residential real estate	$3,652	$543	$3,368	$7,563	$773,471	$781,034
Commercial real estate	1,860	3,632	4,636	10,128	2,256,815	2,266,943
Commercial non real estate	1,586	2,146	8,043	11,775	1,120,734	1,132,509
Agriculture	4,036	—	3,673	7,709	1,465,574	1,473,283
Consumer	205	108	28	341	85,327	85,668
Other	—	—	—	—	35,311	35,311
	11,339	6,429	19,748	37,516	5,737,232	5,774,748
Loans covered by FDIC loss sharing agreements	4,760	1,879	3,315	9,954	185,591	195,545
Total	$16,099	$8,308	$23,063	$47,470	$5,922,823	$5,970,293

As of September 30, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
Residential real estate	$675	$611	$2,581	$3,867	$760,887	$764,754
Commercial real estate	11,050	819	3,384	15,253	1,988,585	2,003,838
Commercial non real estate	1,761	6,228	744	8,733	1,303,925	1,312,658
Agriculture	16	368	4,205	4,589	1,364,960	1,369,549
Consumer	244	18	49	311	89,528	89,839
Other	—	—	—	—	34,243	34,243
	13,746	8,044	10,963	32,753	5,542,128	5,574,881
Loans covered by FDIC loss sharing agreements	1,960	1,252	3,728	6,940	227,096	234,036
Total	$15,706	$9,296	$14,691	$39,693	$5,769,224	$5,808,917

- 16-

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

The composition of the loan portfolio by internally assigned grade is as follows as of December 31, 2014 and September 30, 2014. This table (in thousands) 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 $1,023.3 million for December 31, 2014 and $985.4 million for September 30, 2014:

As of December 31, 2014	Residential Real Estate	Commercial Real Estate	Commercial Non Real Estate	Agriculture	Consumer	Other	Total
Credit Risk Profile by Internally Assigned Grade							
Grade:							
Pass	$764,217	$2,129,884	$1,021,994	$1,314,547	$85,082	$35,311	$5,351,035
Watchlist	4,548	70,965	73,936	125,659	365	—	275,473
Substandard	11,717	65,984	34,884	33,042	221	—	145,848
Doubtful	552	110	1,514	35	—	—	2,211
Loss	—	—	181	—	—	—	181
Ending balance	781,034	2,266,943	1,132,509	1,473,283	85,668	35,311	5,774,748
Loans covered by FDIC loss sharing agreements	119,894	66,264	7,460	1,874	53	—	195,545
Total	$900,928	$2,333,207	$1,139,969	$1,475,157	$85,721	$35,311	$5,970,293

As of September 30, 2014	Residential Real Estate	Commercial Real Estate	Commercial Non Real Estate	Agriculture	Consumer	Other	Total
Credit Risk Profile by Internally Assigned Grade							
Grade:							
Pass	$747,485	$1,867,866	$1,218,558	$1,202,145	$89,197	$34,243	$5,159,494
Watchlist	5,320	84,132	65,628	132,262	381	—	287,723
Substandard	11,290	51,692	27,499	35,107	242	—	125,830
Doubtful	659	148	798	35	19	—	1,659
Loss	—	—	175	—	—	—	175
Ending balance	764,754	2,003,838	1,312,658	1,369,549	89,839	34,243	5,574,881
Loans covered by FDIC loss sharing agreements	127,115	95,467	9,390	2,004	60	—	234,036
Total	$891,869	$2,099,305	$1,322,048	$1,371,553	$89,899	$34,243	$5,808,917

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

Impaired Loans
The following table presents the Company's impaired loans (in thousands). This table excludes loans covered by FDIC loss sharing agreements:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
As of December 31, 2014				
Impaired loans:				
With an allowance recorded:				
Residential real estate	$12,425	$12,483	$2,419	$12,266
Commercial real estate	76,250	76,332	2,846	69,203
Commercial non real estate	39,110	39,194	8,828	35,816
Agriculture	34,080	34,077	955	34,804
Consumer	223	261	42	251
	$162,088	$162,347	$15,090	$152,340

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
As of September 30, 2014				
Impaired loans:				
With an allowance recorded:				
Residential real estate	$12,107	$12,737	$2,529	$13,572
Commercial real estate	62,155	64,597	2,017	84,490
Commercial non real estate	32,522	37,882	3,927	31,827
Agriculture	35,528	37,958	1,155	30,546
Consumer	280	491	51	346
	$142,592	$153,665	$9,679	$160,781

There are no impaired loans without a valuation allowance, other than those loans for which the Company has claim to collateral with value(s) in excess of the outstanding loan amount, after allowing for the cost of liquidating the collateral as of December 31, 2014. There were no impaired loans without a valuation allowance as of September 30, 2014. Interest income recognized on impaired loans was $3.1 million and $1.2 million for the three months ended December 31, 2014 and 2013, respectively.
Valuation adjustments made to repossessed properties for the three months ended December 31, 2014 and 2013, totaled $2.1 million and $0.5 million, respectively, and are included in other noninterest expense.
Troubled Debt Restructured Loans
Included in certain loan categories in the impaired loans are troubled debt restructurings ("TDRs") that were classified as impaired. These TDRs do not include purchased 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 losses for TDRs were $2.1 million and $3.2 million at December 31, 2014 and September 30, 2014, respectively. Commitments to lend additional funds to borrowers whose loans were modified in a TDR were not significant as of December 31, 2014 or September 30, 2014.

- 18-

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

The following table presents the recorded value of the Company's TDR balances as of December 31, 2014 and September 30, 2014 (in thousands):

	December 31, 2014		September 30, 2014	
	Accruing	Nonaccrual	Accruing	Nonaccrual
Residential real estate	$723	$1,947	$1,112	$1,730
Commercial real estate	41,114	6,638	25,177	6,884
Commercial non real estate	7,561	1,468	6,753	1,785
Agriculture	3,731	9,708	3,780	9,994
Consumer	17	17	35	22
Total	$53,146	$19,778	$36,857	$20,415

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of all accruing loans restructured in TDRs during the three months ended December 31, 2014 and 2013:

	Three Months Ended December 31,					
	2014			2013		
		Recorded Investment			Recorded Investment	
($ in thousands)	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification
Residential real estate						
Rate modification	—	$—	$ —	—	$—	$ —
Term extension	—	—	—	2	74	74
Payment modification	—	—	—	1	15	15
Bankruptcy	—	—	—	1	130	130
Other	—	—	—	—	—	—
Total residential real estate	—	—	—	4	219	219
Commercial real estate						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	—	—	—
Payment modification	2	18,881	18,881	1	1,070	1,070
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total commercial real estate	2	18,881	18,881	1	1,070	1,070
Commercial non real estate						
Rate modification	1	32	32	2	500	500
Term extension	—	—	—	3	1,699	1,699
Payment modification	1	1,824	1,824	2	668	668
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total commercial non real estate	2	1,856	1,856	7	2,867	2,867
Agriculture						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	—	—	—
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total agriculture	—	—	—	—	—	—
Consumer						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	—	—	—
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	1	10	10
Total consumer	—	—	—	1	10	10
Total accruing	4	$20,737	$ 20,737	13	$4,166	$ 4,166
Change in recorded investment due to principal paydown at time of	—	—		—	—	—

modification						
Change in recorded investment due to chargeoffs at time of modification	—	—	—	—	—	—

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of all non-accruing loans restructured in TDRs during the three months ended December 31, 2014 and 2013:

	Three Months Ended December 31,					
	2014			2013		
		Recorded Investment			Recorded Investment	
($ in thousands)	Number	Pre-Modification	Post-Modification	Number	Pre-Modification	Post-Modification
Residential real estate						
Rate modification	—	$—	$ —	—	$—	$ —
Term extension	—	—	—	1	2	2
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	1	4	4
Other	—	—	—	1	38	38
Total residential real estate	—	—	—	3	44	44
Commercial real estate						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	—	—	—
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—
Commercial Non Real Estate						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	8	125	125
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total commercial non real estate	—	—	—	8	125	125
Agriculture						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	—	—	—
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total agriculture	—	—	—	—	—	—
Consumer						
Rate modification	—	—	—	—	—	—
Term extension	—	—	—	1	11	11
Payment modification	—	—	—	—	—	—
Bankruptcy	—	—	—	—	—	—
Other	—	—	—	1	1	1
Total consumer	—	—	—	2	12	12
Total non-accruing	—	$—	$ —	13	$ 181	$ 181
Change in recorded investment due to principal paydown at time of modification	—	—	—	—	—	—
	—	—	—	—	—	—

Change in recorded investment due to
chargeoffs at time of modification

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

For the three months ended December 31, 2014 and 2013, the table below represents defaults on loans that were first modified during the respective past 12 months, that became 90 days or more delinquent or were charged-off during the three months ended December 31, 2014 and 2013, respectively.

	Three Months Ended December 31,			
	2014		2013	
($ in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	6	$ 522	—	$ —
Commercial real estate	1	95	2	6,296
Commercial non real estate	—	—	—	—
Agriculture	1	15	1	3,676
Consumer	—	—	—	—
	8	$ 632	3	$ 9,972

The majority of loans that were modified and subsequently became 90 days or more delinquent have remained on nonaccrual status since the time of modification.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

6. Allowance for Loan Losses
The following table presents the Company’s allowance for loan losses roll forward and respective loan balances for the three month period ended December 31, 2014 and 2013. This table (in thousands) 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 $1,023.3 million, loans held for sale of $9.4 million, and guaranteed loans of $101.9 million for December 31, 2014 and loans measured at fair value with changes in fair value reported in earnings of $985.4 million, loans held for sale of $10.4 million, and guaranteed loans of $106.5 million for September 30, 2014.

As of December 31, 2014	Residential Real Estate	Commercial Real Estate	Commercial Non Real Estate	Agriculture	Consumer	Other	Total
Allowance for loan losses							
Beginning balance October 1, 2014	$8,342	$16,884	$10,550	$10,655	$264	$823	$47,518
Charge-offs	(57)	(82)	(84)	—	(38)	(428)	(689)
Recoveries	43	69	1,160	57	24	319	1,672
Provision	(350)	735	2,999	208	(24)	71	3,639
Impairment of loans acquired with deteriorated credit quality	(411)	116	—	—	(25)	—	(320)
Ending balance December 31, 2014	$7,567	$17,722	$14,625	$10,920	$201	$785	$51,820
Ending balance: individually evaluated for impairment	$2,418	$2,783	$8,816	$948	$42	$—	$15,007
Ending balance: collectively evaluated for impairment	$2,776	$11,986	$5,809	$9,972	$159	$785	$31,487
Ending balance: loans acquired with deteriorated credit quality	$2,373	$761	$—	$—	$—	$—	$3,134
Ending balance: loans acquired without deteriorated credit quality	$—	$2,192	$—	$—	$—	$—	$2,192
Financing receivables							
Ending balance	$890,085	$2,291,220	$1,088,065	$1,468,565	$85,721	$35,311	$5,858,967
Ending balance: individually evaluated for impairment	$9,592	$66,049	$37,961	$23,743	$142	$—	$137,487
Ending balance: collectively evaluated for impairment	$671,566	$2,113,647	$1,038,540	$1,422,861	$81,525	$35,311	$5,363,450

Ending balance: loans acquired with deteriorated credit quality	$97,779	$28,768	$4,817	$1,623	$1,734	$—	$134,721
Ending balance: loans acquired without deteriorated credit quality	$111,148	$82,756	$6,747	$20,338	$2,320	$—	$223,309

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2013	Residential Real Estate	Commercial Real Estate	Commercial Non Real Estate	Agricultural	Consumer	Other	Total
Allowance for loan losses							
Beginning balance October 1, 2013	$11,779	$22,562	$11,222	$9,296	$312	$693	$55,864
Charge-offs	(230)	—	(161)	—	(56)	(470)	(917)
Recoveries	75	591	887	17	36	391	1,997
Provision	230	(861)	(646)	(57)	98	111	(1,125)
Impairment of loans acquired with deteriorated credit quality	—	—	250	—	—	—	250
Ending balance December 31, 2013	$11,854	$22,292	$11,552	$9,256	$390	$725	$56,069
Ending balance: individually evaluated for impairment	$3,128	$5,355	$6,227	$2,724	$167	$—	$17,601
Ending balance: collectively evaluated for impairment	$3,691	$16,207	$3,614	$6,532	$223	$725	$30,992
Ending balance: loans acquired with deteriorated credit quality	$5,035	$730	$1,711	$—	$—	$—	$7,476
Ending balance: loans acquired without deteriorated credit quality	$—	$—	$—	$—	$—	$—	$—
Financing receivables							
Ending balance	$890,073	$2,299,661	$1,079,956	$1,466,851	$85,721	$35,311	$5,857,573
Ending balance: individually evaluated for impairment	$10,037	$68,973	$31,299	$22,666	$582	$—	$133,557
Ending balance: collectively evaluated for impairment	$611,785	$2,019,099	$1,025,543	$1,412,871	$77,315	$35,311	$5,181,924
Ending balance: loans acquired with deteriorated credit quality	$122,068	$80,903	$6,833	$—	$2,646	$—	$212,450
Ending balance: loans acquired	$146,183	$130,686	$16,281	$31,314	$5,178	$—	$329,642

without deteriorated
credit
quality
The reserve for unfunded loan commitments was $0.4 million at both December 31, 2014 and September 30, 2014.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

7. Accounting for Certain Loans Acquired with Deteriorated Credit Quality

In June 2010, the Company acquired certain loans that had deteriorated credit quality. Loan accounting specific to these purchased impaired loans addresses differences between contractual cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. Several factors were considered when evaluating whether a loan was considered a purchased impaired loan, including the delinquency status of the loan, updated borrower credit status, geographic information, and updated loan-to-values ("LTV"). U.S. GAAP allows purchasers to aggregate purchased 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, homogenous 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 homogenous loans. The re-assessment of purchased impaired loans resulted in the following changes in the accretable yield during the three months ended December 31, 2014 and 2013 (in thousands):

Balance at September 30, 2014	$50,889
Accretion	(4,787)
Reclassification from nonaccretable difference	320
Disposals	(80)
Balance at December 31, 2014	46,342
Balance at September 30, 2013	$67,660
Accretion	(4,430)
Reclassification from nonaccretable difference	—
Disposals	(4,819)
Balance at December 31, 2013	$58,411

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 December 31, 2014 and September 30, 2014 (in thousands):

	December 31, 2014			September 30, 2014		
	Outstanding Balance [1]	Recorded Investment [2]	Carrying Value [3]	Outstanding Balance [1]	Recorded Investment [2]	Carrying Value [3]
Residential real estate	$110,493	$97,779	$95,406	$115,863	$102,987	$100,203
Commercial real estate	107,514	28,768	28,007	130,825	49,202	48,557
Commercial non real estate	14,710	4,817	4,817	16,697	6,361	6,361
Agriculture	1,622	1,623	1,623	1,747	1,746	1,746
Consumer	1,838	1,734	1,734	2,019	1,843	1,818
Total lending	$236,177	$134,721	$131,587	$267,151	$162,139	$158,685

1 Represents the legal balance of loans acquired with deteriorated credit quality.

2 Represents the book balance of loans acquired with deteriorated credit quality.

3 Represents the book balance of loans acquired with deteriorated credit quality net of the related allowance for loan losses.

Due to improved cash flows of the purchased impaired loans, the reductions to allowance recognized on previous impairments were $0 and $0.5 million for the three months ended December 31, 2014 and 2013, respectively.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

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. As covered assets are resolved, whether it be through repayment, short sale of the underlying collateral, the foreclosure on or sale of collateral, or the sale or charge-off of loans or OREO, 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 three months ended December 2014 and 2013 (in thousands):

	Three Months Ended December 31,	
	2014	2013
Balance at beginning of year	$26,678	$45,690
Amortization	(2,534)	(3,285)
Changes in expected reimbursements from FDIC for changes in expected credit losses	(191)	(26)
Changes in reimbursable expenses	(156)	10
Payments to/(from) the FDIC	(1,635)	(633)
Balance at end of year	$22,162	$41,756

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 agreements.

9. Derivative Financial Instruments

In the normal course of business, the Company uses interest rate swaps to manage its interest rate risk and market risk in accommodating the needs of its customers. Also, the Company 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.

Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value.

The following table summarizes the notional amounts and estimated fair values of the Company’s derivative instruments at December 31, 2014 and September 30, 2014 (in thousands).

	December 31, 2014			
	Notional Amount	Balance Sheet Location	Positive Fair Value	Negative Fair Value
Derivatives not designated as hedging instruments:				
Interest rate swaps	$1,018,809	Liabilities	$1,118	$(33,513)
Mortgage loan commitments	31,834	Assets	14	—
Mortgage loan forward sale contracts	36,004	Liabilities	—	(14)

	September 30, 2014			
	Notional Amount	Balance Sheet Location	Positive Fair Value	Negative Fair Value
Derivatives not designated as hedging instruments:				
Interest rate swaps	$986,440	Liabilities	$6,213	$(19,286)
Mortgage loan commitments	22,563	Assets	19	—
Mortgage loan forward sale contracts	28,459	Liabilities	—	(19)

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

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 is 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. Amounts due from NAB to reclaim cash collateral under the interest rate swap master netting arrangements have not been offset against the derivative balances. These receivables are classified on the consolidated balance sheets as cash and were $0 as of December 31, 2014 and September 30, 2014, respectively.
The effect of derivatives on the consolidated statements of comprehensive income for the three months ended December 31, 2014 and 2013 (in thousands) was as follows:

	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income December 31, 2014	Amount of Gain (Loss) Recognized in Income December 31, 2013
Derivatives not designated as hedging instruments:			
Interest rate swaps	Noninterest income	$(24,605)	$4,837
Mortgage loan commitments	Noninterest income	14	3
Mortgage loan forward sale contracts	Noninterest income	(14)	(3)

Netting of Derivatives
The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company has entered into an ISDA master netting arrangement with NAB. Under the terms of the master netting arrangements, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the non-defaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted.
The table below shows total gross derivative assets and liabilities which are adjusted on an aggregate basis, where applicable to take into consideration the effects of legally enforceable master netting agreements for the net reported amount in the consolidated balance sheets. These amounts are offset on the consolidated balance sheets.
The following tables (in thousands) present the Company's gross derivative financial assets and liabilities at December 31, 2014 and September 30, 2014, and the related impact of enforceable master netting arrangements and cash collateral, where applicable:

	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets	Held/Pledged Financial Instruments[1]	Net Amount
December 31, 2014					
Derivative financial assets:					
Derivatives subject to master netting arrangement or similar arrangement	$1,118	$(1,118)	$—	$—	$—
Derivative financial liabilities:					
Derivatives subject to master netting arrangement or similar arrangement	(33,513)	1,118	(32,395)	32,395	—
Total derivative financial liabilities	$(32,395)	$—	$(32,395)	$32,395	$—

[1] The actual amount of collateral exceeds the fair value exposure, at the individual counterparty level, as of the date presented.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets	Held/Pledged Financial Instruments	Net Amount
September 30, 2014					
Derivative financial assets:					
Derivatives subject to master netting arrangement or similar arrangement	$6,213	$(6,213)	$—	$—	$—
Derivative financial liabilities:					
Derivatives subject to master netting arrangement or similar arrangement	(19,286)	6,213	(13,073)	13,073	—
Total derivative financial liabilities	$(13,073)	$—	$(13,073)	$13,073	$—

10. The Fair Value Option

The Company has elected to measure certain long-term loans and written loan commitments 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 17 for additional disclosures regarding the fair value of the fair value option loans and written loan commitments.

Long-term loans and written loan commitments 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 $28.1 million and $7.1 million at December 31, 2014 and September 30, 2014, respectively. The total unpaid principal balance of these long-term loans was approximately $995.2 million and $978.3 million at December 31, 2014 and September 30, 2014, respectively. The fair value of these loans and written loan commitments is included in total loans in the consolidated balance sheets and are grouped with commercial non real estate, commercial real estate, and agricultural loans in Note 5. The fair value of these written loan commitments was not material at December 31, 2014 and September 30, 2014, respectively. None of the noted loans were greater than 90 days past due or in nonaccrual status as of December 31, 2014 or September 30, 2014.

Changes in fair value for items for which the fair value option has been elected and the line items in which these changes are reported are as follows for the three months ended December 31, 2014 and 2013 (in thousands):

	2014		2013	
	Noninterest Income	Total Changes in Fair Value	Noninterest Income	Total Changes in Fair Value
Long-term loans and written loan commitments	$17,100	$17,100	$(9,110)	$(9,110)

For long-term loans and written loan commitments at December 31, 2014 and 2013, approximately $1.7 million and $0, 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.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

11. Core Deposits and Other Intangibles
A summary of intangible assets subject to amortization is as follows (in thousands):

	Core Deposit Intangible	Brand Intangible	Customer Relationships Intangible	Total
As of December 31,2014				
Gross carrying amount	$92,679	$8,464	$16,089	$117,232
Accumulated amortization	(89,121)	(3,713)	(12,482)	(105,316)
	$3,558	$4,751	$3,607	$11,916
As of September 30, 2014				
Gross carrying amount	$92,679	$8,464	$16,089	$117,232
Accumulated amortization	(87,423)	(3,572)	(12,008)	(103,003)
	$5,256	$4,892	$4,081	$14,229

Amortization expense of intangible assets was $2.3 million and $4.7 million for the three months ended December 31, 2014 and 2013, 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 (in thousands):

Remaining in 2015	$4,797
2016	2,822
2017	1,097
2018	564
2019	564
2020 and thereafter	2,072
	$11,916

12. Securities Sold Under Agreements to Repurchase
Securities sold under agreements to repurchase generally mature within one to four days from the transaction date. Securities underlying the agreements had an amortized cost of approximately $200.3 million and $190.6 million and fair value of approximately $199.2 million and $188.6 million at December 31, 2014 and September 30, 2014, respectively. The Company holds the securities under third-party safekeeping agreements.

GREAT WESTERN BANCORP, INC.
Notes to Consolidated Financial Statements (Unaudited)

13. FHLB Advances, Related Party Notes Payable and Other Borrowings
FHLB advances, related party notes payable, and other borrowings consist of the following at December 31, 2014 and September 30, 2014 (in thousands):

	December 31, 2014	September 30, 2014
Subordinated capital note to NAB New York (a branch of NAB), due June 2018 (callable June 2015), interest paid quarterly based on LIBOR plus 205 basis points, unsecured	$35,795	$35,795
$10,000 revolving line of credit to NAB due on demand, interest paid monthly based on LIBOR plus 125 basis points, unsecured	5,500	5,500
Total related party notes payable	41,295	41,295
Notes payable to Federal Home Loan Bank (FHLB), interest rates from 0.21% to 3.66% and maturity dates from January 2015 to July 2023, collateralized by real estate loans and FHLB stock, with various call dates at the option of the FHLB	575,000	575,000
Other	85	94
Total FHLB advances and other borrowings	575,085	575,094
	$616,380	