GLACIER BANCORP INC
Form 10-Q
May 09, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2012

¨ **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 000-18911

GLACIER BANCORP, INC.

(Exact name of registrant as specified in its charter)

MONTANA	**81-0519541**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
49 Commons Loop, Kalispell, Montana	**59901**
(Address of principal executive offices)	**(Zip Code)**

(406) 756-4200

Registrant s telephone number, including area code

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes No ¨

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

Large Accelerated Filer	x	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller reporting Company	¨

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

The number of shares of Registrant s common stock outstanding on April 24, 2012 was 71,931,386. No preferred shares are issued or outstanding.

Table of Contents

Glacier Bancorp, Inc.

Quarterly Report on Form 10-Q

Index

	Page
Part I. Financial Information	
Item 1 Financial Statements	
Unaudited Condensed Consolidated Statements of Financial Condition March 31, 2012 and December 31, 2011	3
Unaudited Condensed Consolidated Statements of Operations Three Months ended March 31, 2012 and 2011	4
Unaudited Condensed Consolidated Statements of Comprehensive Income Three Months ended March 31, 2012 and 2011	5
Unaudited Condensed Consolidated Statements of Changes in Stockholders Equity Three Months ended March 31, 2012 and 2011	6
Unaudited Condensed Consolidated Statements of Cash Flows Three Months ended March 31, 2012 and 2011	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3 Quantitative and Qualitative Disclosure about Market Risk	57
Item 4 Controls and Procedures	57
Part II. Other Information	57
Item 1 Legal Proceedings	57
Item 1A Risk Factors	57
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 3 Defaults upon Senior Securities	64
Item 4 Mine Safety Disclosures	64
Item 5 Other Information	64
Item 6 Exhibits	65
Signatures	65

Table of Contents

Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)	March 31, 2012	December 31, 2011
Assets		
Cash on hand and in banks	$ 95,687	104,674
Interest bearing cash deposits	36,070	23,358
Cash and cash equivalents	131,757	128,032
Investment securities, available-for-sale	3,239,019	3,126,743
Loans held for sale	77,528	95,457
Loans receivable	3,433,211	3,466,135
Allowance for loan and lease losses	(136,586)	(137,516)
Loans receivable, net	3,296,625	3,328,619
Premises and equipment, net	158,646	158,872
Other real estate owned	74,337	78,354
Accrued interest receivable	35,487	34,961
Deferred tax asset	24,511	31,081
Core deposit intangible, net	7,732	8,284
Goodwill	106,100	106,100
Non-marketable equity securities	49,699	49,694
Other assets	40,404	41,709
Total assets	$ 7,241,845	7,187,906
Liabilities		
Non-interest bearing deposits	$ 1,039,068	1,010,899
Interest bearing deposits	3,888,750	3,810,314
Securities sold under agreements to repurchase	259,290	258,643
Federal Home Loan Bank advances	995,038	1,069,046
Other borrowed funds	10,358	9,995
Subordinated debentures	125,311	125,275
Accrued interest payable	5,318	5,825
Other liabilities	54,715	47,682
Total liabilities	6,377,848	6,337,679
Stockholders' Equity		
Preferred shares, $0.01 par value per share, 1,000,000 shares authorized, none issued or outstanding		
Common stock, $0.01 par value per share, 117,187,500 shares authorized	719	719
Paid-in capital	641,647	642,882
Retained earnings - substantially restricted	180,122	173,139
Accumulated other comprehensive income	41,509	33,487
Total stockholders' equity	863,997	850,227
Total liabilities and stockholders' equity	$ 7,241,845	7,187,906
Number of common stock shares issued and outstanding	71,915,073	71,915,073

See accompanying notes to unaudited condensed consolidated financial statements.

3

Table of Contents

Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Three Months ended March 31, 2012	2011
Interest Income		
Residential real estate loans	$ 7,784	8,716
Commercial loans	31,041	33,058
Consumer and other loans	9,170	10,450
Investment securities	19,889	16,149
Total interest income	67,884	68,373
Interest Expense		
Deposits	4,954	7,088
Securities sold under agreements to repurchase	299	357
Federal Home Loan Bank advances	3,381	2,548
Federal funds purchased and other borrowed funds	62	33
Subordinated debentures	902	1,643
Total interest expense	9,598	11,669
Net Interest Income	58,286	56,704
Provision for loan losses	8,625	19,500
Net interest income after provision for loan losses	49,661	37,204
Non-Interest Income		
Service charges and other fees	10,492	10,208
Miscellaneous loan fees and charges	946	977
Gain on sale of loans	6,813	4,694
Gain on sale of investments		124
Other income	2,087	1,392
Total non-interest income	20,338	17,395
Non-Interest Expense		
Compensation and employee benefits	23,560	21,603
Occupancy and equipment	5,968	5,954
Advertising and promotions	1,402	1,484
Outsourced data processing	846	773
Other real estate owned	6,822	2,099
Federal Deposit Insurance Corporation premiums	1,712	2,324
Core deposit intangibles amortization	552	727
Other expense	8,183	7,512
Total non-interest expense	49,045	42,476
Income Before Income Taxes	20,954	12,123
Federal and state income tax expense	4,621	1,838
Net Income	$ 16,333	10,285

Basic earnings per share	$ 0.23	0.14
Diluted earnings per share	$ 0.23	0.14
Dividends declared per share	$ 0.13	0.13
Average outstanding shares basic	71,915,073	71,915,073
Average outstanding shares diluted	71,915,130	71,915,073

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Three Months ended March 31, 2012	2011
Net Income	$ 16,333	10,285
Other Comprehensive Income, Net of Tax		
Unrealized holding gains on available-for-sale securities	10,018	3,028
Reclassification adjustment for gains included in net income		(124)
Net unrealized gains on securities	10,018	2,904
Tax effect	(3,897)	(1,138)
Net of tax amount	6,121	1,766
Change in fair value of derivatives used for cash flow hedges	3,112	
Tax effect	(1,211)	
Net of tax amount	1,901	
Total other comprehensive income, net of tax	8,022	1,766
Total Comprehensive Income	$ 24,355	12,051

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Changes in Stockholders Equity

Three Months ended March 31, 2012 and 2011

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2010	71,915,073	$ 719	643,894	193,063	528	838,204
Comprehensive income				10,285	1,766	12,051
Cash dividends declared ($0.13 per share)				(9,348)		(9,348)
Stock based compensation and related taxes			(1,018)			(1,018)
Balance at March 31, 2011	71,915,073	$ 719	642,876	194,000	2,294	839,889
Balance at December 31, 2011	71,915,073	$ 719	642,882	173,139	33,487	850,227
Comprehensive income				16,333	8,022	24,355
Cash dividends declared ($0.13 per share)				(9,350)		(9,350)
Stock based compensation and related taxes			(1,235)			(1,235)
Balance at March 31, 2012	71,915,073	$ 719	641,647	180,122	41,509	863,997

See accompanying notes to unaudited condensed consolidated financial statements.

6

Glacier Bancorp, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)	Three Months ended March 31, 2012	2011
Operating Activities		
Net cash provided by operating activities	$ 95,469	226,910
Investing Activities		
Proceeds from sales, maturities and prepayments of investment securities, available-for-sale	398,640	104,065
Purchases of investment securities, available-for-sale	(514,219)	(420,785)
Principal collected on loans	210,355	253,029
Loans originated or acquired	(217,549)	(184,987)
Net addition of premises and equipment and other real estate owned	(2,245)	(2,961)
Proceeds from sale of other real estate owned	8,981	6,033
Net cash used in investment activities	(116,037)	(245,606)
Financing Activities		
Net increase in deposits	106,605	30,408
Net increase in securities sold under agreements to repurchase	647	1,529
Net decrease in Federal Home Loan Bank advances	(74,008)	(5,044)
Net increase (decrease) in federal funds purchased and other borrowed funds	399	(5,835)
Cash dividends paid	(9,350)	(9,348)
Net cash provided by financing activities	24,293	11,710
Net increase (decrease) in cash and cash equivalents	3,725	(6,986)
Cash and cash equivalents at beginning of period	128,032	105,090
Cash and cash equivalents at end of period	$ 131,757	98,104
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 10,105	12,236
Cash paid during the period for income taxes	1,230	
Sale and refinancing of other real estate owned	512	1,145
Other real estate acquired in settlement of loans	10,959	17,277

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Glacier Bancorp, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

1) Nature of Operations and Summary of Significant Accounting Policies

General

Glacier Bancorp, Inc. (the Company) is a Montana corporation headquartered in Kalispell, Montana. The Company is a regional multi-bank holding company that provides a full range of banking services to individual and corporate customers in Montana, Idaho, Wyoming, Colorado, Utah and Washington through its bank subsidiaries. The bank subsidiaries are subject to competition from other financial service providers. The bank subsidiaries are also subject to the regulations of certain government agencies and undergo periodic examinations by those regulatory authorities.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the Company s financial condition as of March 31, 2012, and changes in stockholders equity, the results of operations, comprehensive income and cash flows for the three month periods ended March 31, 2012 and 2011. The condensed consolidated statement of financial condition of the Company as of December 31, 2011 has been derived from the audited consolidated statements of the Company as of that date.

The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results anticipated for the year ending December 31, 2012.

Material estimates that are particularly susceptible to significant change include: 1) the determination of the allowance for loan and lease losses (ALLL or allowance), 2) the valuations related to investments and real estate acquired in connection with foreclosures or in satisfaction of loans, and 3) the evaluation of goodwill impairment. In connection with the determination of the ALLL and other real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to investments are obtained from independent third parties. Estimates relating to the evaluation of goodwill for impairment are determined based on independent party valuations and internal calculations using significant independent party inputs.

Principles of Consolidation

As of March 31, 2012, the Company was the parent holding company (Parent) for eleven independent wholly-owned community bank subsidiaries: Glacier Bank (Glacier), First Security Bank of Missoula (First Security), Western Security Bank (Western), Valley Bank of Helena (Valley), Big Sky Western Bank (Big Sky), and First Bank of Montana (First Bank-MT), all located in Montana; Mountain West Bank (Mountain West) and Citizens Community Bank (Citizens) located in Idaho; 1st Bank (1st Bank) and First Bank of Wyoming (First Bank-WY) located in Wyoming; and Bank of the San Juans (San Juans) located in Colorado. All significant inter-company transactions have been eliminated in consolidation.

Table of Contents

The Company formed GBCI Other Real Estate (GORE) to isolate certain bank foreclosed properties for legal protection and administrative purposes. The remaining properties are currently held for sale.

The Company owns seven trust subsidiaries, Glacier Capital Trust II (Glacier Trust II), Glacier Capital Trust III (Glacier Trust III), Glacier Capital Trust IV (Glacier Trust IV), Citizens (ID) Statutory Trust I (Citizens Trust I), Bank of the San Juans Bancorporation Trust I (San Juans Trust I), First Company Statutory Trust 2001 (First Co Trust 01) and First Company Statutory Trust 2003 (First Co Trust 03) for the purpose of issuing trust preferred securities. The trust subsidiaries are not consolidated into the Company s financial statements.

The following abbreviated organizational chart illustrates the Company s various relationships as of March 31, 2012:

Glacier Bancorp. Inc.

(Parent Holding Company)

Glacier Bank (MT Community Bank)	Mountain West Bank (ID Community Bank)	First Security Bank of Missoula (MT Community Bank)	Western Security Bank (MT Community Bank)
1st Bank (WY Community Bank)	Valley Bank of Helena (MT Community Bank)	Big Sky Western Bank (MT Community Bank)	First Bank of Wyoming (WY Community Bank)
Citizens Community Bank (ID Community Bank)	First Bank of Montana (MT Community Bank)	Bank of the San Juans (CO Community Bank)	GBCI Other Real Estate
Glacier Capital Trust II	Glacier Capital Trust III	Glacier Capital Trust IV	Citizens (ID) Statutory Trust I

Bank of the San Juans Bancorporation Trust I	First Company Statutory Trust 2001	First Company Statutory Trust 2003

On April 30, 2012, the Company combined its eleven bank subsidiaries into one single commercial bank. The bank subsidiaries will operate as separate divisions of Glacier under the same names and management teams as before the consolidation.

<u>Variable Interest Entities</u>

The Company has equity investments in Certified Development Entities (CDE) which have received allocations of New Markets Tax Credits (NMTC). The Company also has equity investments in Low-Income Housing Tax Credit (LIHTC) partnerships. The CDEs and the LIHTC partnerships are variable interest entities (VIE).

Table of Contents

The following table summarizes the carrying amounts of the VIE s assets and liabilities included in the Company s consolidated financial statements at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
(Dollars in thousands)	CDE (NMTC)	LIHTC	CDE (NMTC)	LIHTC
Assets				
Loans receivable	$ 34,617		32,748	
Premises and equipment, net		15,707		15,996
Accrued interest receivable	116		116	
Other assets	1,328	65	1,439	31
Total assets	$ 36,061	15,772	34,303	16,027
Liabilities				
Other borrowed funds	$ 4,629	3,306	4,629	3,306
Accrued interest payable	4	11	4	9
Other liabilities	124	287	186	363
Total liabilities	$ 4,757	3,604	4,819	3,678

Amounts presented in the table above are adjusted for intercompany eliminations. All assets presented can be used only to settle obligations of the consolidated VIEs and all liabilities presented consist of liabilities for which creditors and other beneficial interest holders therein have no recourse to the general credit of the Company.

Impact of Recent Authoritative Accounting Guidance

The Accounting Standards Codification™ (ASC) is the Financial Accounting Standards Board s (FASB) officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under the authority of the federal securities laws are also sources of authoritative GAAP for the Company as an SEC registrant. All other accounting literature is considered non-authoritative.

In September 2011, FASB amended FASB ASC Topic 350, *Intangibles - Goodwill and Other*. The amendment provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If the entity concludes it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendment is effective prospectively during interim and annual periods beginning after December 15, 2011 and early adoption is permitted. The Company has evaluated the impact of the adoption of this amendment and determined there was not a material effect on the Company s financial position or results of operations.

In June 2011, FASB amended FASB ASC Topic 220, *Comprehensive Income*. The amendment provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. Accounting Standards Update No. 2011-12, Comprehensive Income (Topic 220) defers the specific requirement of the amendment to present items that are reclassified from accumulated other comprehensive income to net income separately with their respective components of net income and other comprehensive income. The amendments are effective retrospectively during interim and annual periods beginning after December 15, 2011. The Company has evaluated the impact of the adoption of this amendment and determined there was not a material effect on the Company s financial position or results of operations.

Table of Contents

In May 2011, FASB amended FASB ASC Topic 820, *Fair Value Measurement*. The amendment achieves common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. The amendment changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendment is effective prospectively during interim and annual periods beginning after December 15, 2011. The Company has evaluated the impact of the adoption of this amendment and determined there was not a material effect on the Company s financial position or results of operations.

2) Investment Securities, Available-for-Sale

A comparison of the amortized cost and estimated fair value of the Company s investment securities designated as available-for-sale is presented below.

	March 31, 2012				
(Dollars in thousands)	Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and federal agency					
Maturing after one year through five years	1.62%	$ 203	3		206
U.S. government sponsored enterprises					
Maturing within one year	1.77%	3,589	20		3,609
Maturing after one year through five years	2.34%	24,067	566		24,633
Maturing after five years through ten years	1.90%	76			76
	2.27%	27,732	586		28,318
State and local governments					
Maturing within one year	1.01%	14,546	5	(5)	14,546
Maturing after one year through five years	2.17%	105,975	2,804	(46)	108,733
Maturing after five years through ten years	2.53%	65,607	1,554	(126)	67,035
Maturing after ten years	4.80%	893,053	59,282	(1,738)	950,597
	4.35%	1,079,181	63,645	(1,915)	1,140,911
Corporate bonds					
Maturing within one year	1.35%	10,579	3	(5)	10,577
Maturing after one year through five years	2.55%	80,851	786	(190)	81,447
Maturing after five years through ten years	2.31%	15,662	28	(221)	15,469
	2.40%	107,092	817	(416)	107,493
Collateralized debt obligations					
Maturing after ten years	8.03%	5,648		(282)	5,366
Residential mortgage-backed securities	1.95%	1,945,432	14,620	(3,327)	1,956,725
Total investment securities	2.80%	$ 3,165,288	79,671	(5,940)	3,239,019

Table of Contents

(Dollars in thousands)	December 31, 2011 Weighted Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and federal agency					
Maturing after one year through five years	1.62%	$ 204	4		208
U.S. government sponsored enterprises					
Maturing within one year	1.58%	3,979	17		3,996
Maturing after one year through five years	2.36%	26,399	682		27,081
Maturing after five years through ten years	1.90%	78			78
	2.26%	30,456	699		31,155
State and local governments					
Maturing within one year	1.31%	4,786	3	(2)	4,787
Maturing after one year through five years	2.22%	89,752	2,660	(22)	92,390
Maturing after five years through ten years	2.59%	63,143	2,094	(19)	65,218
Maturing after ten years	4.84%	845,657	57,138	(535)	902,260
	4.44%	1,003,338	61,895	(578)	1,064,655
Corporate bonds					
Maturing after one year through five years	2.55%	60,810	261	(1,264)	59,807
Maturing after five years through ten years	2.38%	2,409	21		2,430
	2.54%	63,219	282	(1,264)	62,237
Collateralized debt obligations					
Maturing after ten years	8.03%	5,648		(282)	5,366
Residential mortgage-backed securities	1.70%	1,960,167	10,138	(7,183)	1,963,122
Total investment securities	2.64%	$ 3,063,032	73,018	(9,307)	3,126,743

Included in the residential mortgage-backed securities are $46,928,000 and $49,252,000 as of March 31, 2012 and December 31, 2011, respectively, of non-guaranteed private label whole loan mortgage-backed securities of which none of the underlying collateral is considered subprime."

Maturities of securities do not reflect repricing opportunities present in adjustable rate securities, nor do they reflect expected shorter maturities based upon early prepayment of principal. Weighted yields are based on the level-yield method taking into account premium amortization and discount accretion. Weighted yields on tax-exempt investment securities exclude the tax benefit.

The cost of each investment sold is determined by specific identification. Gain or loss on sale of investments consists of the following:

(Dollars in thousands)	Three Months ended March 31, 2012	2011
Gross proceeds		$ 4,134
Less amortized cost		(4,010)
Net gain on sale of investments		$ 124

Gross gain on sale of investments	$	184
Gross loss on sale of investments		(60)
Net gain on sale of investments	$	124

Table of Contents

Investments with an unrealized loss position are summarized as follows:

	$1,001,588	$1,001,588	$1,001,588	$1,001,588	$1,001,588	$1,001,588
	March 31, 2012					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and local governments	$ 103,707	(1,588)	6,415	(327)	110,122	(1,915)
Corporate bonds	33,352	(416)			33,352	(416)
Collateralized debt obligations			5,366	(282)	5,366	(282)
Residential mortgage-backed securities	653,430	(2,530)	10,896	(797)	664,326	(3,327)
Total temporarily impaired securities	$ 790,489	(4,534)	22,677	(1,406)	813,166	(5,940)

	$1,001,588	$1,001,588	$1,001,588	$1,001,588	$1,001,588	$1,001,588
	December 31, 2011					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and local governments	$ 26,434	(90)	9,948	(488)	36,382	(578)
Corporate bonds	31,782	(1,264)			31,782	(1,264)
Collateralized debt obligations			5,366	(282)	5,366	(282)
Residential mortgage-backed securities	943,372	(6,850)	8,244	(333)	951,616	(7,183)
Total temporarily impaired securities	$ 1,001,588	(8,204)	23,558	(1,103)	1,025,146	(9,307)

With respect to its impaired securities at March 31, 2012, management determined that it did not intend to sell and there was no expected requirement to sell any of its impaired securities. Based on an analysis of its impaired securities as of March 31, 2012 and December 31, 2011, the Company determined that none of such securities had other-than-temporary impairment.

3) Loans Receivable, Net

The following schedules summarize the activity in the ALLL on a portfolio class basis:

	Three Months ended March 31, 2012					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Balance at beginning of period	$ 137,516	17,227	76,920	20,833	13,616	8,920
Provision for loan losses	8,625	3,530	1,778	2,373	737	207
Charge-offs	(11,058)	(1,849)	(6,123)	(1,283)	(1,006)	(797)
Recoveries	1,503	95	665	521	17	205
Balance at end of period	$ 136,586	19,003	73,240	22,444	13,364	8,535

	Three Months ended March 31, 2011					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Balance at beginning of period	$ 137,107	20,957	76,147	19,932	13,334	6,737
Provision for loan losses	19,500	(2,260)	14,267	2,638	2,121	2,734
Charge-offs	(16,504)	(1,769)	(10,628)	(1,753)	(1,332)	(1,022)
Recoveries	726	76	312	143	83	112
Balance at end of period	$ 140,829	17,004	80,098	20,960	14,206	8,561

The following schedules disclose the ALLL and the recorded investment in loans on a portfolio class basis:

	March 31, 2012					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$ 20,507	4,148	8,944	5,202	774	1,439
Collectively evaluated for impairment	116,079	14,855	64,296	17,242	12,590	7,096
Total allowance for loan and lease losses	$ 136,586	19,003	73,240	22,444	13,364	8,535
Loans receivable						
Individually evaluated for impairment	$ 271,072	30,280	164,126	54,061	15,535	7,070
Collectively evaluated for impairment	3,162,139	485,125	1,498,164	567,137	413,431	198,282
Total loans receivable	$ 3,433,211	515,405	1,662,290	621,198	428,966	205,352

	December 31, 2011					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Allowance for loan and lease losses						
Individually evaluated for impairment	$ 18,828	2,659	9,756	4,233	584	1,596
Collectively evaluated for impairment	118,688	14,568	67,164	16,600	13,032	7,324
Total allowance for loan and lease losses	$ 137,516	17,227	76,920	20,833	13,616	8,920
Loans receivable						
Individually evaluated for impairment	$ 258,659	24,453	162,959	49,962	14,750	6,535
Collectively evaluated for impairment	3,207,476	492,354	1,509,100	573,906	425,819	206,297
Total loans receivable	$ 3,466,135	516,807	1,672,059	623,868	440,569	212,832

Substantially all of the Company s loan receivables are with customers within the Company s market areas. Although the Company has a diversified loan portfolio, a substantial portion of its customers ability to honor their obligations is dependent upon the economic performance in the Company s market areas. Net deferred fees, costs, premiums, and discounts of $3,125,000 and $3,123,000 were included in the loans receivable balance at March 31, 2012 and December 31, 2011, respectively.

14

Table of Contents

The following schedules disclose the impaired loans by portfolio class of loans:

		At or for the Three Months ended March 31, 2012				
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 86,675	15,521	40,229	26,072	1,724	3,129
Unpaid principal balance	95,582	15,658	48,723	26,159	1,908	3,134
Valuation allowance	20,507	4,148	8,944	5,202	774	1,439
Average impaired loans	82,196	13,316	40,100	24,080	1,471	3,229
Loans without a specific valuation allowance						
Recorded balance	$ 184,397	14,759	123,897	27,989	13,811	3,941
Unpaid principal balance	212,328	15,798	141,039	34,676	16,171	4,644
Average impaired loans	182,669	14,050	123,442	27,932	13,671	3,574
Totals						
Recorded balance	$ 271,072	30,280	164,126	54,061	15,535	7,070
Unpaid principal balance	307,910	31,456	189,762	60,835	18,079	7,778
Valuation allowance	20,507	4,148	8,944	5,202	774	1,439
Average impaired loans	264,865	27,366	163,542	52,012	15,142	6,803

		At or for the Year ended December 31, 2011				
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 77,717	11,111	39,971	22,087	1,219	3,329
Unpaid principal balance	85,514	11,177	47,569	22,196	1,238	3,334
Valuation allowance	18,828	2,659	9,756	4,233	584	1,596
Average impaired loans	66,871	10,330	38,805	13,395	1,284	3,057
Loans without a specific valuation allowance						
Recorded balance	$ 180,942	13,342	122,988	27,875	13,531	3,206
Unpaid principal balance	208,828	14,741	139,962	35,174	15,097	3,854
Average impaired loans	168,983	14,730	123,231	19,963	8,975	2,084
Totals						
Recorded balance	$ 258,659	24,453	162,959	49,962	14,750	6,535
Unpaid principal balance	294,342	25,918	187,531	57,370	16,335	7,188
Valuation allowance	18,828	2,659	9,756	4,233	584	1,596
Average impaired loans	235,854	25,060	162,036	33,358	10,259	5,141

Interest income recognized on impaired loans for the periods ended March 31, 2012 and December 31, 2011 was not significant.

Table of Contents

The following is a loan portfolio aging analysis on a portfolio class basis:

	March 31, 2012					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 39,468	9,237	17,637	6,502	3,765	2,327
Accruing loans 60-89 days past due	3,113	502	702	1,200	355	354
Accruing loans 90 days or more past due	9,231	147	7,429	1,176	163	316
Non-accrual loans	131,026	13,964	83,746	21,092	10,388	1,836
Total past due and non-accrual loans	182,838	23,850	109,514	29,970	14,671	4,833
Current loans receivable	3,250,373	491,555	1,552,776	591,228	414,295	200,519
Total loans receivable	$ 3,433,211	515,405	1,662,290	621,198	428,966	205,352

	December 31, 2011					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 31,386	9,038	12,683	3,279	4,092	2,294
Accruing loans 60-89 days past due	17,700	2,678	11,660	1,034	1,276	1,052
Accruing loans 90 days or more past due	1,413	59	108	1,060	156	30
Non-accrual loans	133,689	11,881	87,956	21,685	10,272	1,895
Total past due and non-accrual loans	184,188	23,656	112,407	27,058	15,796	5,271
Current loans receivable	3,281,947	493,151	1,559,652	596,810	424,773	207,561
Total loans receivable	$ 3,466,135	516,807	1,672,059	623,868	440,569	212,832

The following is a summary of the troubled debt restructurings (TDR) that occurred during the period presented and the TDRs that occurred within the previous twelve months that subsequently defaulted during the period presented on a portfolio class basis:

	Three Months ended March 31, 2012					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Troubled debt restructurings						
Number of loans	56	3	25	19	6	3
Pre-modification outstanding balance	$ 16,526	359	11,110	4,123	785	149
Post-modification outstanding balance	$ 15,819	359	10,393	4,133	785	149
Troubled debt restructurings that subsequently defaulted						
Number of loans	15		7	4	2	2
Recorded balance	$ 4,484		3,037	790	599	58

The majority of TDRs occurring in most loan classes was a result of an extension of the maturity date, payment deferral or change to interest only and in total accounted for approximately 61 percent of the TDRs. For commercial real estate, the class with the largest amount of TDRs, approximately 20 percent was due to extension of the maturity date and 48 percent was due to payment deferral or change to interest only.

16

Table of Contents

In addition to the TDRs that occurred during the period provided in the preceding table, the Company had TDRs with pre-modification loan balances of $15,550,000 for the three months ended March 31, 2012 for which other real estate owned was received in full or partial satisfaction of the loans. The majority of such TDRs was in commercial real estate.

4) Goodwill

The changes in the carrying amount of goodwill and accumulated impairment charge are as follows:

	December 31,	December 31,
	Three Months ended March 31,	
(Dollars in thousands)	2012	2011
Net carrying value at beginning of period	$ 106,100	146,259
Impairment charge		
Net carrying value at end of period	106,100	146,259

(Dollars in thousands)	March 31, 2012	December 31, 2011
Gross carrying value	146,259	146,259
Accumulated impairment charge	(40,159)	(40,159)
Net carrying value	$ 106,100	106,100

The Company performed its annual goodwill impairment test during the third quarter of 2011. Due to high levels of volatility and dislocation in bank stock prices nationwide, a goodwill impairment charge was recognized during the third quarter 2011. Since there were no events or circumstances that occurred since the third quarter 2011 that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value, the Company did not perform interim testing at March 31, 2012.

5) Derivatives and Hedging Activities

The Company has interest rate swap agreements on a forecasted notional amount of $160,000,000. The effective date of the transaction was October 21, 2011 with the maturity date of October 21, 2021. For the first three years no cash flows will be exchanged and for the following seven years the Company will pay a fixed interest rate of 3.378 percent and the counterparties will pay the Company 3 month LIBOR. The hedging strategy converts the LIBOR based variable interest rate on forecasted borrowings to a fixed interest rate, thereby protecting the Company from floating interest rate variability.

The following table summarizes the Company's interest rate derivative financial instruments:

			Fair Value	
(Dollars in thousands)	Balance Sheet Location	Notional Amount	March 31, 2012	December 31, 2011
Interest rate swap	Other liabilities	$ 160,000	$ 5,794	8,906

Pursuant to the interest rate swap agreements, the Company pledged collateral to the counterparties in the form of investment securities totaling $15,433,000 at March 31, 2012. There was no collateral pledged from the counterparties to the Company as of March 31, 2012. There is the possibility that the Company may need to pledge additional collateral in the future.

17

Table of Contents

6) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income, included in stockholders equity, are as follows:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Unrealized holding gains on available-for-sale securities	$ 73,731	63,711
Tax effect	(28,682)	(24,783)
Net of tax amount	45,049	38,928
Change in fair value of derivatives used for cash flow hedges	(5,794)	(8,906)
Tax effect	2,254	3,465
Net of tax amount	(3,540)	(5,441)
Total accumulated other comprehensive income	$ 41,509	33,487

7) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period presented. Diluted earnings per share is computed by including the net increase in shares as if dilutive outstanding stock options were exercised, using the treasury stock method.

Basic and diluted earnings per share has been computed based on the following:

(Dollars in thousands, except per share data)	Three Months ended March 31, 2012	2011
Net income available to common stockholders, basic and diluted	$ 16,333	10,285
Average outstanding shares - basic	71,915,073	71,915,073
Add: dilutive stock options	57	
Average outstanding shares - diluted	71,915,130	71,915,073
Basic earnings per share	$ 0.23	0.14
Diluted earnings per share	$ 0.23	0.14

There were 1,048,184 and 1,746,472 options excluded from the diluted average outstanding share calculation for March 31, 2012 and 2011, respectively, due to the option exercise price exceeding the market price of the Company s common stock.

Table of Contents

8) Fair Value of Assets and Liabilities

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. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The 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

Recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended March 31, 2012.

Investment securities: fair value for available-for-sale securities is estimated by obtaining quoted market prices for identical assets, where available. If such prices are not available, fair value is based on independent asset pricing services and models, the inputs of which are market-based or independently sourced market parameters, including but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Where Level 1 or Level 2 inputs are not available, such securities are classified as Level 3 within the hierarchy.

Fair value determinations of investment securities are the responsibility of the Company's corporate accounting department. The Company contracts with independent third party pricing vendors to generate fair value estimates on a monthly basis. The Company reviews the vendors inputs for fair value estimates and the recommended assignments of levels within the fair value hierarchy. The review includes the extent to which markets for investment securities are determined to have limited or no activity, or are judged to be active markets. The Company reviews the extent to which observable and unobservable inputs are used as well as the appropriateness of the underlying assumptions about risk that a market participant would use in active markets, with adjustments for limited or inactive markets. In considering the inputs to the fair value estimates, the Company places less reliance on quotes that are judged to not reflect orderly transactions, or are non-binding indications. The Company makes independent inquiries of other knowledgeable parties in testing the reliability of the inputs, including consideration for illiquidity, credit risk, and cash flow estimates. In assessing credit risk, the Company reviews payment performance, collateral adequacy, credit rating histories, and issuers financial statements with follow-up discussion with issuers. For those markets determined to be inactive, the valuation techniques used are models for which management verifies that discount rates are appropriately adjusted to reflect illiquidity and credit risk. The Company also independently obtains cash flow estimates that are stressed at levels that exceed those used by the independent third party pricing vendors.

Table of Contents

Interest rate swap derivative agreements: fair values for interest rate swap derivative agreements are based upon the estimated amounts to settle the contracts considering current interest rates and are calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. The inputs used to determine fair value include the 3 month Libor forward curve to estimate variable rate cash inflows and the spot Libor curve to estimate the discount rate. The estimated variable rate cash inflows are compared to the fixed rate outflows and such difference is discounted to a present value to estimate the fair value of the interest rate swaps. The Company also obtains and compares the reasonableness of the pricing from a secondary independent party.

The following schedules disclose the fair value measurement of assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value 3/31/12	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available-for-sale				
U.S. government and federal agency	$ 206		206	
U.S. government sponsored enterprises	28,318		28,318	
State and local governments	1,140,911		1,140,911	
Corporate bonds	107,493		107,493	
Collateralized debt obligations	5,366		5,366	
Residential mortgage-backed securities	1,956,725		1,956,725	
Total assets measured at fair value on a recurring basis	$ 3,239,019		3,239,019	
Interest rate swap agreements	$ 5,794		5,794	
Total liabilities measured at fair value on a recurring basis	$ 5,794		5,794	

Table of Contents

(Dollars in thousands)	Fair Value 12/31/11	Fair Value Measurements At the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available-for-sale				
U.S. government and federal agency	$ 208		208	
U.S. government sponsored enterprises	31,155		31,155	
State and local governments	1,064,655		1,064,655	
Corporate bonds	62,237		62,237	
Collateralized debt obligations	5,366		5,366	
Residential mortgage-backed securities	1,963,122		1,963,122	
Total assets measured at fair value on a recurring basis	$ 3,126,743		3,126,743	
Interest rate swap agreements	$ 8,906		8,906	
Total liabilities measured at fair value on a recurring basis	$ 8,906		8,906	

Level 3 Reconciliation

There were no Level 3 fair value measurements during the three month period ended March 31, 2012.

The following schedule reconciles the opening and closing balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended March 31, 2011:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
		Investment Securities	
(Dollars in thousands)	Total	Collateralized Debt Obligations	Residential Mortgage-backed Securities
Balance as of December 31, 2010	$ 6,751	6,595	156
Total unrealized gains for the period included in other comprehensive income	522	480	42
Balance as of March 31, 2011	$ 7,273	7,075	198

Non-recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets recorded at fair value on a non-recurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended March 31, 2012.

Other real estate owned (OREO): OREO is carried at the lower of fair value at acquisition date or estimated fair value, less estimated cost to sell. Estimated fair value of other real estate owned is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy.

21

Table of Contents

Collateral-dependent impaired loans, net of ALLL: loans included in the Company s financials for which it is probable that the Company will not collect all principal and interest due according to contractual terms are considered impaired. Estimated fair value of collateral-dependent impaired loans is based on the fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The bank subsidiaries credit departments review appraisals for OREO and collateral-dependent loans, giving consideration to the highest and best use of the collateral. The appraisal or evaluation (new or updated) is considered the starting point for determining fair value. The Company also considers other factors and events in the environment that may affect the fair value. The fair values are reduced by discounts to consider lack of marketability and estimated cost to sell. The appraisals or evaluations (new or updated) are reviewed at least quarterly and more frequently based on current market conditions, including deterioration in a borrower s financial condition and when property values may be subject to significant volatility. After review and acceptance of the collateral appraisal or evaluation (new or updated), adjustments to the impaired loan or OREO may occur. The Company generally obtains new or updated appraisals or evaluations annually.

Goodwill: Goodwill is evaluated for impairment at the bank subsidiary level at least annually. As a result of a goodwill impairment assessment performed by an independent valuation firm for two of the Company s bank subsidiaries, Mountain West and 1st Bank, a goodwill impairment charge was recorded during the third quarter of 2011. The key inputs used to determine the implied fair value of such bank subsidiaries and the corresponding amount of the impairment charge included quoted market prices of other banks, discounted cash flows and inputs from comparable transactions. These inputs are classified within Level 3 of the fair value hierarchy. The goodwill impairment evaluation is the responsibility of the Company s corporate accounting department. Valuations and significant inputs developed by the independent valuation firm are reviewed by the Company for accuracy and reasonableness.

The following schedules disclose the fair value measurement of assets with a recorded change during the period resulting from re-measuring the assets at fair value on a non-recurring basis:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value 3/31/12	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	$ 28,004			28,004
Collateral-dependent impaired loans, net of ALLL	39,733			39,733
Total assets measured at fair value on a non-recurring basis	$ 67,737			67,737

22

(Dollars in thousands)	Fair Value 12/31/11	Fair Value Measurements At the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	$ 38,076			38,076
Collateral-dependent impaired loans, net of ALLL	55,339			55,339
Goodwill	24,718			24,718
Total assets measured at fair value on a non-recurring basis	$ 118,133			118,133

Fair Value of Financial Instruments

The following is a description of the methods used to estimate the fair value of all other assets and liabilities recognized at amounts other than fair value.

Cash and cash equivalents: fair value is estimated at book value.

Loans held for sale: fair value is estimated at book value due to the insignificant time between origination date and sale date.

Loans receivable, net of ALLL: fair value is estimated by discounting the future cash flows using the rates at which similar notes would be written for the same remaining maturities. The market rates used are based on current rates the Banks would impose for similar loans and reflect a market participant assumption about risks associated with non-performance, illiquidity, and the structure and term of the loans along with local economic and market conditions. Estimated fair value of impaired loans is based on the fair value of the collateral, less estimated cost to sell, or the present value of the loan s expected future cash flows (discounted at the loan s effective interest rate). All impaired loans are classified as Level 3 and all other loans are classified as Level 2 within the hierarchy.

Accrued interest receivable: fair value is estimated at book value.

Non-marketable equity securities: fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

Deposits: fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the bank subsidiaries. The estimated fair value of demand, NOW, savings, and money market deposits is the book value since rates are regularly adjusted to market rates and such deposits are classified in Level 1 of the valuation hierarchy. Certificate accounts and wholesale deposits are classified as Level 2 within the hierarchy.

Federal Home Loan Bank (FHLB) advances: fair value of non-callable FHLB advances is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB. The estimated fair value of callable FHLB advances was obtained from FHLB and the model was reviewed by the Company through discussions with FHLB.

Table of Contents

Securities sold under agreements to repurchase (repurchase agreements   ) and other borrowed funds: fair value of term repurchase agreements and other term borrowings is estimated based on current repurchase rates and borrowing rates currently available to the Company for repurchases and borrowings with similar terms and maturities. The estimated fair value for overnight repurchase agreements and other borrowings is book value.

Subordinated debentures: fair value of the subordinated debt is estimated by discounting the estimated future cash flows using current estimated market rates. The market rates used were averages of currently traded trust preferred securities with similar characteristics to the Company   s issuances and obtained from an independent third party.

Accrued interest payable: fair value is estimated at book value.

Off-balance sheet financial instruments: commitments to extend credit and letters of credit represent the principal categories of off-balance sheet financial instruments. Rates for these commitments are set at time of loan closing, such that no adjustment is necessary to reflect these commitments at market value. The Company has an insignificant amount of off-balance sheet financial instruments.

The following schedules present the carrying amounts, estimated fair values and the level within the fair value hierarchy of the Company   s financial instruments:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Carrying Amount 3/31/12	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 131,757	131,757		
Investment securities, available-for-sale	3,239,019		3,239,019	
Loans held for sale	77,528	77,528		
Loans receivable, net of ALLL	3,296,625		3,118,606	250,565
Accrued interest receivable	35,487	35,487		
Non-marketable equity securities	49,699		49,699	
Total financial assets	$ 6,830,115	244,772	6,407,324	250,565
Financial liabilities				
Deposits	$ 4,927,818	3,218,761	1,717,782	
FHLB advances	995,038		1,021,483	
Repurchase agreements and other borrowed funds	269,648		269,648	
Subordinated debentures	125,311			67,145
Accrued interest payable	5,318	5,318		
Total financial liabilities	$ 6,323,133	3,224,079	3,008,913	67,145

(Dollars in thousands)	Carrying Amount 12/31/11	Fair Value Measurements At the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 128,032	128,032		
Investment securities, available-for-sale	3,126,743		3,126,743	
Loans held for sale	95,457	95,457		
Loans receivable, net of ALLL	3,328,619		3,146,502	239,831
Accrued interest receivable	34,961	34,961		
Non-marketable equity securities	49,694		49,694	
Total financial assets	$ 6,763,506	258,450	6,322,939	239,831
Financial liabilities				
Deposits	$ 4,821,213	3,132,261	1,698,382	
FHLB advances	1,069,046		1,099,699	
Repurchase agreements and other borrowed funds	268,638		268,642	
Subordinated debentures	125,275			65,903
Accrued interest payable	5,825	5,825		
Total financial liabilities	$ 6,289,997	3,138,086	3,066,723	65,903

9) Operating Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. The Company s operating segments include each of the individual bank subsidiaries, GORE and the Parent.

The accounting policies of the individual operating segments are the same as those of the Company. Transactions between operating segments are conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Intersegment income primarily represents interest income on intercompany borrowings, management fees, and data processing fees received by individual bank subsidiaries or the Parent. Intersegment income, expenses and assets are eliminated in order to report results in accordance with GAAP. Expenses for centrally provided services are allocated based on the estimated usage of those services.

Table of Contents

The following schedules provide selected financial data for the Company s operating segments:

	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations
	At or for the Three Months ended March 31, 2012							
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Valley	Big Sky	First Bank-WY
External revenues	$ 17,450	17,407	13,447	8,603	7,379	5,363	4,510	3,632
Intersegment revenues	62	99	19	6	38	111	7	10
Expenses	(13,417)	(16,949)	(10,712)	(6,220)	(5,563)	(3,747)	(3,917)	(2,773)
Net earnings (loss)	$ 4,095	557	2,754	2,389	1,854	1,727	600	869
Total assets	$ 1,399,271	1,111,517	1,120,373	825,354	768,606	465,247	380,778	402,907

	Citizens	First Bank-MT	San Juans	GORE	Parent	Eliminations and Other	Total Consolidated
External revenues	$ 4,707	2,628	2,833	9	173	81	88,222
Intersegment revenues		10	17		21,163	(21,542)	
Expenses	(3,725)	(1,613)	(2,129)	(229)	(5,003)	4,108	(71,889)
Net earnings (loss)	$ 982	1,025	721	(220)	16,333	(17,353)	16,333
Total assets	$ 368,792	280,110	237,625	6,055	1,006,887	(1,131,677)	7,241,845

	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations	Eliminations
	At or for the Three Months ended March 31, 2011							
(Dollars in thousands)	Glacier	Mountain West	First Security	Western	1st Bank	Valley	Big Sky	First Bank-WY
External revenues	$ 17,334	17,469	12,657	8,194	7,613	4,969	4,741	3,261
Intersegment revenues	66	142	20	55	3	59	3	35
Expenses	(15,041)	(18,509)	(10,714)	(6,305)	(6,515)	(3,493)	(3,782)	(2,753)
Net earnings (loss)	$ 2,359	(898)	1,963	1,944	1,101	1,535	962	543
Total assets	$ 1,387,078	1,172,141	1,062,765	764,396	746,074	398,690	363,805	360,346

	Citizens	First Bank-MT	San Juans	GORE	Parent	Eliminations and Other	Total Consolidated
External revenues	$ 4,156	2,314	2,629	30	401		85,768
Intersegment revenues	18	35	44		14,686	(15,166)	
Expenses	(3,583)	(1,481)	(2,210)	(324)	(4,862)	4,089	(75,483)
Net earnings (loss)	$ 591	868	463	(294)	10,225	(11,077)	10,285

Total assets	$	317,353	254,958	234,195	21,232	984,190	(1,157,359)	6,909,864

10) Subsequent Event

On April 30, 2012, the Company combined its eleven bank subsidiaries into one single commercial bank. The bank subsidiaries will operate as separate divisions of Glacier under the same names and management teams as before the consolidation. The resulting bank Board of Directors and executive officers will be the Board of Directors and senior management team of the Company.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about management s plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as expects, anticipates, intends, plans, believes, should, projects, se estimates or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements, including those set forth in this Form 10-Q:

- the risks associated with lending and potential adverse changes of the credit quality of loans in the Company s portfolio, including as a result of declines in the housing and real estate markets in its geographic areas;
- increased loan delinquency rates;
- the risks presented by a continued economic downturn, which could adversely affect credit quality, loan collateral values, other real estate owned values, investment values, liquidity and capital levels, dividends and loan originations;
- changes in market interest rates, which could adversely affect the Company s net interest income and profitability;
- legislative or regulatory changes that adversely affect the Company s business, ability to complete pending or prospective future acquisitions, limit certain sources of revenue, or increase cost of operations;
- costs or difficulties related to the integration of acquisitions;
- the goodwill the Company has recorded in connection with acquisitions could become additionally impaired, which may have an adverse impact on our earnings and capital;
- reduced demand for banking products and services;
- the risks presented by public stock market volatility, which could adversely affect the market price of our common stock and our ability to raise additional capital in the future;
- competition from other financial services companies in our markets;
- loss of services from the senior management team; and

the Company s success in managing risks involved in the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Part II. Item 1A. Risk Factors. Please take into account that forward-looking statements speak only as of the date of this Form 10-Q. The Company does not undertake any obligation to publicly correct or update any forward-looking statement if it later becomes aware that actual results are likely to differ materially from those expressed in such forward-looking statement.

Table of Contents

Financial Condition Analysis

Assets

The following table summarizes the asset balances as of the dates indicated, and the amount of change from December 31, 2011 and March 31, 2011:

(Unaudited - Dollars in thousands)	March 31, 2012	December 31, 2011	March 31, 2011	$ Change from December 31, 2011	$ Change from March 31, 2011